



AGENDA

Ordinary meeting of the

Audit, Risk and Finance Subcommittee

**Tuesday 27 August 2019
Commencing at 1.00p.m.
Council Chamber
Civic House
110 Trafalgar Street, Nelson**

**Pat Dougherty
Chief Executive**

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

Quorum: 3

Nelson City Council Disclaimer

Please note that the contents of these Council and Committee Agendas have yet to be considered by Council and officer recommendations may be altered or changed by the Council in the process of making the formal Council decision.

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 25 June 2019

7 - 11

Document number M4310

Recommendation

That the Audit, Risk and Finance Subcommittee

- 1. Confirms the minutes of the meeting of the Audit, Risk and Finance Subcommittee, held on 25 June 2019, as a true and correct record.***

6. Chairperson's Report**7. Quarterly Report to 30 June 2019****12 - 42**

Document number R10331

Recommendation

That the Audit, Risk and Finance Subcommittee

- 1. Receives the report Quarterly Report to 30 June 2019 (R10331) and its attachments (A2224569, A2226256 and A2232140).***

8. Annual Tax Review 43 - 78

Document number R10239

Recommendation

That the Audit, Risk and Finance Subcommittee

- 1. Receives the report Annual Tax Review (R10239) and its attachments (A2221879 and A2221900).***

9. Quarterly Key Risks Report - 1 April to 30 June 2019 79 - 99

Document number R10217

Recommendation

That the Audit, Risk and Finance Subcommittee

- 1. Receives the report Quarterly Key Risks Report - 1 April to 30 June 2019 (R10217) and its attachment (A2233464).***

10. Health Safety and Wellbeing Performance Report 100 - 115

Document number R10385

Recommendation

That the Audit, Risk and Finance Subcommittee

- 1. Receives the report Health Safety and Wellbeing Performance Report (R10385) and its attachment (A2231288).***

11. Internal Audit - Quarterly Progress Report to 30 June 2019 116 - 119

Document number R10302

Recommendation

That the Audit, Risk and Finance Subcommittee

- 1. Receives the report Internal Audit - Quarterly Progress Report to 30 June 2019 (R10302) and its attachment (A2227441).***

12. Internal Audit - Summary of New or Outstanding Significant Risk Exposures and Control Issues to 30 June 2019 **120 - 125**

Document number R10303

Recommendation

That the Audit, Risk and Finance Subcommittee

- 1. Receives the report Internal Audit - Summary of New or Outstanding Significant Risk Exposures and Control Issues to 30 June 2019 (R10303) and its attachment (A2227319).***

PUBLIC EXCLUDED BUSINESS

13. Exclusion of the Public

Recommendation

That the Audit, Risk and Finance Subcommittee

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

Item	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Particular interests protected (where applicable)
1	Audit, Risk and Finance Subcommittee Meeting - Public Excluded Minutes - 25 June 2019	<p>Section 48(1)(a)</p> <p>The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7.</p>	<p>The withholding of the information is necessary:</p> <ul style="list-style-type: none"> • Section 7(2)(a) To protect the privacy of natural persons, including that of a deceased person
2	Quarterly Update on Legal Proceedings	<p>Section 48(1)(a)</p> <p>The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7</p>	<p>The withholding of the information is necessary:</p> <ul style="list-style-type: none"> • Section 7(2)(g) To maintain legal professional privilege
3	Quarterly Update On Debts - 30 June 2019	<p>Section 48(1)(a)</p> <p>The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7</p>	<p>The withholding of the information is necessary:</p> <ul style="list-style-type: none"> • Section 7(2)(a) To protect the privacy of natural persons, including that of a deceased person



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

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

On Tuesday 25 June 2019, commencing at 9.00a.m.

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

In Attendance: Councillors P Matheson, B McGurk and G Noonan, Chief Executive (P Dougherty), Group Manager Corporate Services (N Harrison), and Governance Adviser (E-J Ruthven)

Apologies : Nil

1. Apologies

There were no apologies.

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 21 May 2019

Document number M4225, agenda pages 6 - 13 refer.

Resolved AUD/2019/027

That the Audit, Risk and Finance Subcommittee

- 1. Confirms the minutes of the meeting of the Audit, Risk and Finance Subcommittee, held on 21 May 2019, as a true and correct record.**

Murray/Dahlberg

Carried

6. Chairperson's Report

Mr Peters noted that the interim audit letter had been received, with no significant issues raised.

He added that subcommittee members would be asked to complete a survey, which would be used to provide information to the incoming subcommittee following the Local Elections.

Resolved AUD/2019/028

That the Audit, Risk and Finance Subcommittee

- 1. Receives the oral Chairperson's Report.**

Peters/Her Worship the Mayor

Carried

7. Interim audit letter for the year ending 30 June 2019

Document number R10240, agenda pages 14 - 25 refer.

Group Manager Corporate Services, Nikki Harrison, presented the report. She noted that Council and Audit New Zealand had recently agreed to terminate annual audits of the Nelson Regional Sewerage Business Unit, the Nelson Tasman Regional Business Unit, and Nelson Tasman Civil Defence Emergency Management.

Ms Harrison answered questions regarding the assessment of Council's control environment, procurement procedures and policies, system restrictions or controls to prevent unauthorised data editing for call out time measures, third party contracts involving the collection of revenue, such as the Parking Revenue contract, the Project Management Policy, valuation of Council assets, and Council's pursuit of bad debtors.

It was noted that discussions regarding specific debtors should be held in public excluded session, especially when Council was receiving legal advice regarding appropriate next steps to take.

Resolved AUD/2019/029

That the Audit, Risk and Finance Subcommittee

- 1. Receives the report Interim audit letter for the year ending 30 June 2019 (R10240) and its attachment (A2206215); and**
- 2. Notes the status updates to previous audit recommendations.**

Murray/Dahlberg

Carried

8. Draft Annual Internal Audit Plan - 30 June 2020

Document number R10266, agenda pages 26 - 31 refer.

Internal Audit Analyst, Lynn Anderson, presented the report. She noted that the budget for the financial year was \$40,000.

Ms Anderson answered questions regarding potential audits that external contractors could be utilised for, and the corresponding timeframes.

Resolved AUD/2019/030

That the Audit, Risk and Finance Subcommittee

- 1. Receives the report Draft Annual Internal Audit Plan - 30 June 2020 (R10266) and its attachment (A2202709).**

Barker/Dahlberg

Carried

Recommendation to Council AUD/2019/031

That the Council

- 1. Approves the Draft Annual Internal Audit Plan - 30 June 2020 (A2202709).**

Barker/Dahlberg

Carried

9. Exclusion of the Public

There was a discussion regarding whether items relating to bad debts should be considered in public excluded or open session.

Committee members also requested an update on legal proceedings be provided in public excluded session.

The meeting was adjourned from 9.38a.m to 9.43a.m.

10. Additional agenda item - Update on legal proceedings

The Chairperson acknowledged the subcommittee's request for an additional item in public excluded session for an update on legal proceedings. He said that, as a minor matter not on the agenda, the subcommittee could discuss the item, but not make a resolution, decision or recommendation about the item, except to refer it to a subsequent meeting for discussion.

He added that a procedural resolution should be passed to allow the item to be discussed.

Resolved AUD/2019/032

That the Audit, Risk and Finance Subcommittee

1. ***Considers the public excluded item regarding Update on Legal Proceedings at this meeting as a minor item not on the agenda, pursuant to Section 46A(7A) of the Local Government Official Information and Meetings Act 1987.***

Murray/Barker

Carried

6. Exclusion of the Public

Resolved AUD/2019/033

That the Audit, Risk and Finance Subcommittee

1. ***Excludes the public from the following parts of the proceedings of this meeting.***
2. ***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:***

Her Worship the Mayor/Barker

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	Section 48(1)(a) The public conduct of this matter would be likely to result in	The withholding of the information is necessary: <ul style="list-style-type: none"> Section 7(2)(a) To protect the privacy of natural persons,

Item	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Particular interests protected (where applicable)
	Excluded Minutes - 21 May 2019	disclosure of information for which good reason exists under section 7.	including that of a deceased person <ul style="list-style-type: none"> • Section 7(2)(g) To maintain legal professional privilege • Section 7(2)(h) To enable the local authority to carry out, without prejudice or disadvantage, commercial activities
2	Bad debt write-off for year ending 30 June 2019	Section 48(1)(a) The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7	The withholding of the information is necessary: <ul style="list-style-type: none"> • Section 7(2)(a) To protect the privacy of natural persons, including that of a deceased person
3	Update on Legal Proceedings	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)(g) To maintain legal professional privilege

The meeting went into public excluded session at 9.45a.m. and resumed in public session at 11.06a.m.

There being no further business the meeting ended at 11.06a.m.

Confirmed as a correct record of proceedings:

_____ Chairperson _____ Date

Quarterly Report to 30 June 2019

1. Purpose of Report

- 1.1 To inform the Committee of the financial and non-financial results for the fourth quarter for the activities under its delegated authority.

2. Recommendation

That the Audit, Risk and Finance Subcommittee

- 1. Receives the report Quarterly Report to 30 June 2019 (R10331) and its attachments (A2224569, A2226256 and A2232140).***

3. Background

- 3.1 Quarterly reports on performance are being provided to each Committee on the performance and delivery of projects and activities within their areas of responsibility.
- 3.2 The financial reporting focuses on the year to date performance (1 July 2018 to 30 June 2019) compared with the year-to-date (YTD) approved capital and operating budgets.
- 3.3 Unless otherwise indicated, all information is against approved operating budget, which is the 2018/19 Long Term Plan budget plus any carry forwards, plus or minus any other additions or changes as approved by the Committee or Council.
- 3.4 Although this report covers the 12 months to 30 June 2019, these results represent a point in time, prior to most of the analysis and adjustments required for financial year end, and include a large number of accruals. The draft annual report which will be in front of this subcommittee in September may be significantly different to these results as:
- It will include all year-end adjustments such as revaluations and impairments

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- Almost all of the accruals made for the purposes of this report will be reversed and actual data reported
- It will include the consolidation of NRSBU, NTRLBU and Civil Defence.

4. Key developments for the twelve months to 30 June 2019

4.1 For the twelve months ending 30 June 2019, the activity surplus/deficits are \$1.5 million favourable to budget. This is mostly due to income ahead of budget as expenditure overall is on budget.

4.2 The most significant variances to budget are:

- Dividends are ahead of budget by \$1.1 million reflecting:
 - the unbudgeted special dividend of \$750,000 declared by Port Nelson Limited in September 2018
 - the 2017/18 Nelson Airport Limited dividend of \$375,000 that was expected in the last financial year but declared too late to be accrued
- Interest income on short term investments is ahead of budget by \$505,000, as Council holds deposits to offset the pre-funding of debt which is maturing in 2019.
- Forestry harvesting income is behind budget by \$760,000 as only the Roding Harvest was completed in 2018/19 as planned. Harvesting of the Maitai block has been moved out to the winter of 2020. Expenditure is also behind budget (\$684,000) largely for the same reason.
- There are numerous variances in staff operating costs in the activities, however total staff operating costs are behind budget by \$174,000. Opex staff and overhead costs are over budget by \$289,000 and capex staff and overheads are under budget by \$463,000. Overall this includes savings in salaries and wages of \$129,000, in training costs of \$140,000, in depreciation of \$178,000 and in consultancy costs of \$114,000. Relieving and contractor costs are over budget by \$387,000, offsetting salaries and wages, and recruitment costs are over by \$48,000 reflecting the busy year.
- Unbudgeted recovery costs from the February 2018 storms have been incurred in the Parks and Transport activities particularly, \$395,000 in 2018/19 (note that this expenditure is funded through the Disaster Recovery Fund and income from insurance of \$302,000 has been received in relation to these events against expenditure over 2017/18 and 2018/19).
- Although resource consent income is behind budget by \$366,000 it is also 11% ahead of 2017/18. Expenditure is ahead of budget by \$279,000, with consultancy costs ahead by \$280,000 offset by

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vacancies in staff costs of \$200,000, and a new contract price greater than budget by \$174,000.

- Wastewater income is greater than budget by \$517,000 largely due to a catch up of trade waste invoicing relating to 2017/18.
- Council's share of NRSBU costs is greater than budget by \$450,000 resulting from an increased share of greater than budget management and maintenance costs.
- Water supply income is greater than budget by \$237,000 including unbudgeted income related to the supply of water to TDC during the drought.

4.3 Financial information provided in Attachment 1 includes:

- 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).
- Operating income and expenditure displayed against budget for both committee and category. Significant variances are noted against committees. Each committee will receive a more detailed analysis of variances by cost centre.
- A summary profit and loss statement also including the latest forecast position.
- 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. The current year balance sheets do not include consolidations.
- A debtor analysis graph over 13 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 – The line graph records actual expenditure against approved budget, and quarter two forecast (current understanding of most likely outcome). The bar graph records year to date expenditure against approved budget by committee.

4.4 Capital expenditure is \$6.6 million under approved budget year to date.

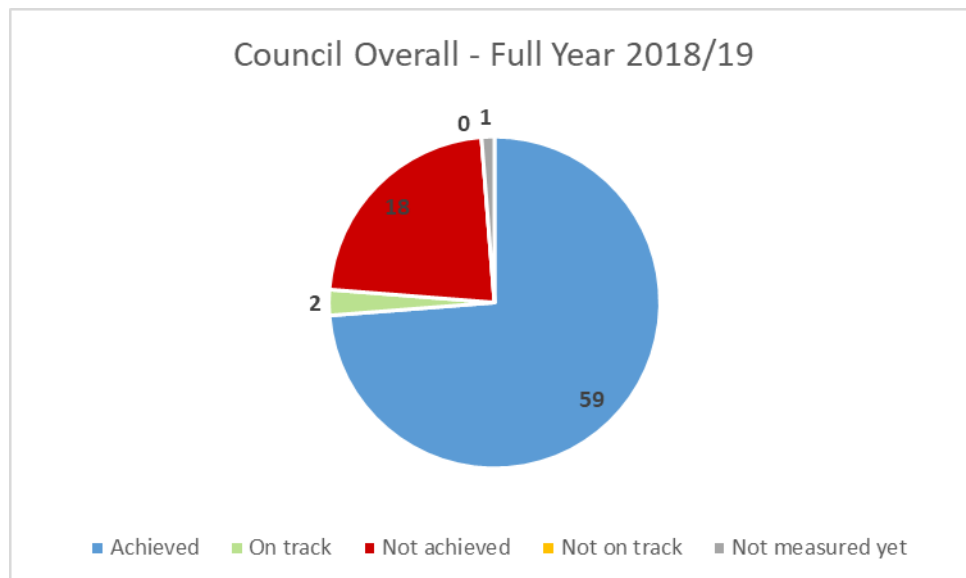
- The chart in Attachment 2 represents project health for all projects reported to other committees.

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- Project health is analysed based on three factors; quality, time and budget. From the consideration of these three factors the project is summarised as being on track (green), some issues/risks (yellow), or major issues/risks (red). Projects that are within 5% of their total budget are considered to be on track for the budget factor.
- More detailed project sheets are supplied in Attachment 3 for all projects with a red health assessment along with all projects with a budget greater than \$1m in the current financial year.
- The quarter four forecast for capital expenditure is \$6.1 million less than approved budget (\$35.2 million vs \$41.3 million excluding NRSBU, vested assets and consolidations). The approved budget of \$41.3 million includes \$1.5 million of the carry-overs agreed through the annual plan process.
- Total capital expenditure of \$34.7 million is within half a million (1%) of the quarter four forecast. Forecasting accuracy has predictably increased as the year has progressed, from 18% at quarter one to 6% at quarter three and 1% at quarter four.

5. Quarterly Review of Key Performance Indicators

The pie chart below shows overall Council performance to 30 June 2019 against performance measures set in the Long Term Plan. To date, 74% of measures were achieved by the end of the financial year, with some assessment remaining.



Insurance renewal

- 5.1 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 Marsh JLT (formerly Jardine Lloyd Thomson (JLT)) and Nelson City Council has various insurance policies including:

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- Material Damage – commercial and residential
 - Business Interruption
 - Motor Vehicle
 - Public and Professional Indemnity
 - Crime, Statutory and Employers Liability
 - Harbour Masters and Wreck Removal Liability
 - Hall Hirers Liability
 - Personal Accident
 - Forestry
- 5.2 The insurance was successfully placed for 1 July 2019 for this programme. The infrastructure asset insurance renewal is on 1 November 2019.
- 5.3 During the year the members of the collective signed an agreement agreeing in advance how any claim payments, which are subject to shared limits can be equitably disbursed in situations where more than one member has a claim within the same claim year and the shared limit is exceeded. This was signed by the Chief Executives of the Councils. The intention is a similar agreement will be signed for the infrastructure asset shared South Island collective prior to the renewal on 1 November 2019.
- 5.4 The policies held with a shared limit are currently:
- Business interruption additional expenses (\$10m)
 - Public Liability and Professional Indemnity (\$300m)
 - Statutory liability (\$2.5m)
 - Defence costs (\$500,000)
 - Employers liability (\$1m)
- 5.5 Where a second claim is made which would exceed the shared limit, then the distribution would be shared on the same basis as the current premium allocation.
- 5.6 Premiums have increased overall by \$210,000 (21%) mainly driven by increased material damage premiums. The increase is related to the increasing value of property insured (valuation and new assets) as well as premium increases. An allowance for premium increases of \$115,000 was included in the 2019/20 Annual Plan, and there is still some risk

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around costs for the infrastructure renewal in November given market conditions.

- 5.7 The policies for crime (fraud), statutory liability, employer's liability and hall hirer's liability have been provided by QBE for 2019/20 after Vero ceased to offer the crime (fraud) cover. Members of the collective along with Council Insurance Brokers (Marsh JLT) spent some time considering the new proposal and collectively decided that retention of the Crime cover was important enough to outweigh an increase in premium.
- 5.8 PF Olsen provided an alternative insurance quote to NCC to join their Standing Timber Insurance Policy group cover which has been accepted.
- 5.9 The policy was reviewed by Marsh JLT and advice given was to accept. The Policy is through Lloyd's market with an Insurance rating of A+ (Strong).
- 5.10 Cover limits have increased for wind damage (\$1M from \$500k) and re-establishment (\$1.6M from \$870k) but the annual premium is lower at \$14,653 compared to the previous policy of \$28,562 (with Primacy part of Allianz).

Insurance Market Summary in respect of Public Liability and Public Indemnity Insurance for Local Government

- 5.11 The UK insurance market including Lloyds is currently going through market reform, with the regulator requiring insurers to have acceptable business plans in place in order to continue to offer insurance. One outcome of this is that insurers are having to adopt a more risk based approach to underwriting, including how they are identify and treating risk at a very granular level. In terms of the Public Liability & Professional Indemnity this has meant that underwriters have firstly looked to consider the LG litigation environment in New Zealand, then they have focused on each individual council and its risk profile, including prior claims.
- 5.12 In that respect there has been a deterioration of Local Government's liability risk profile, with a trend towards adverse judgements where it is appears Councils are a convenient defendant to sheet a liability home to. Councils are also exposed to inflated claims costs through 'joint & several' liability where other liable parties may have liquidated their business to avoid liability and/or professionals significantly limiting their liability through contract. Significant claims are also becoming far more frequent even from smaller Councils, and class actions against Councils exacerbated by litigation funders, are all increasing claims costs.
- 5.13 Local insurers also appear to be withdrawing from offering this type insurance to Councils limiting long term reliable alternatives and potentially leading towards more restrictive terms to exclude systemic failure type of claims such as building defect claims.

6. Other notable achievements, issues or matters of interest

Community Services

- 6.1 The Community Funders Roadshow event was hosted by the Community Funders Network at Greenmeadows Community Centre on 24 May. The Roadshow was targeted at community organisations as a way of providing information on upcoming funding opportunities. The programme included presentations from Nelson City Council, Tasman District Council, Department of Internal Affairs, Rata Foundation, Te Puni Kōkiri and Creative Communities. Approximately 90 people attended with positive feedback received. Discussion is underway to look at repeating the event next year.
- 6.2 The Elmer Turner Library (ETL) has seen a significant increase in security related incidents since the beginning of July, mainly relating to intoxication, mental health and behavioural issues. Security guards have been engaged, a security review is under way and Police are working closely with the library team to mitigate this increase.
- 6.3 Broadgreen House has also seen a spate of security related issues during May with a group of young people lighting fires and abusing volunteers. Planned upgrades to the CCTV system, improvements with vegetation and proactive attention on those involved by Police appear to be resolving the issue.
- 6.4 Further discussion in relation to security incidents at ETL and Broadgreen House is contained in the Health and Safety report R10385.
- 6.5 Following the Bay Dreams event on 4 January at Trafalgar Park, negotiations are well advanced to confirm hosting the event in Nelson again. Negotiations include discussion on a longer term arrangement (subject to certain conditions being met).
- 6.6 A new system to put up street flags more easily and at lower cost is in place. The Flagtrax installation was started this quarter and sees a total of 80 installed on street light poles throughout the CBD.

Works and Infrastructure

- 6.7 The utilities team and the transport operations and activity management teams are now fully staffed, however there are six vacant positions in capital projects. Stress due to workload is a concern as in addition to these vacancies the teams have also had to cover time in lieu resulting from the Pigeon Valley fires.
- 6.8 The contract for the operation and maintenance of the Nelson Water Treatment Plant and its catchments was recently tendered and awarded to Fulton Hogan for a price of \$7,482,795.13. This price is spread over approximately 5 years with the ability to be extended by a further 5+5 years depending on satisfactory performance. Fulton Hogan is the current operator of the water treatment plant and was the only

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contractor to tender for this contract. The price tendered is within Council budgets. The new contract commences on 1 November 2019.

- 6.9 The Joint Waste Management and Minimisation Plan review was scheduled for completion in 2018. However, the late introduction of a per capita target, by the joint NCC/TDC working party and the operational delays caused by the Pigeon Valley fire, means that the plan will not be adopted by Nelson City Council until September 2019. A waste minimisation Action Plan will be developed in partnership with Tasman District Council once the plan has been adopted. In the last year alongside a focus on promoting composting and recycling of e-waste, the waste minimisation work programme has consisted of investigative work in the construction, business and textile waste sector, along with trial funding of projects to reduce waste at public events.

Planning and Regulatory

- 6.10 There has been a significant increase in the number of building consents and amendments being granted in quarter 4 compared to quarter 3 (278 compared to 183). The amendments have the effect of increasing the processing and inspections staff workloads as there is an area of rework required to complete each one.
- 6.11 The Future Development Strategy was adopted by the Joint Committee on the 26 July. This strategy has been prepared in response to the issues raised in the Housing and Business Capacity Assessment. The Strategy provides a framework for planning and also future investment in infrastructure.
- 6.12 With the help of funding from Maritime New Zealand the deputy harbourmaster continued at full time hours and conducted over 1500 safety checks, a 50% increase from last year's total. Five search and rescue operations with other organisations were successfully conducted. The deputy harbourmaster initiated a Women on Water workshop that has seen over 40 participants learn basic boating safety skills as a precursor to day skipper courses. School visits on water safety have been very well received by over 800 students.
- 6.13 Recruiting in the Planning and Regulatory teams continues to be challenging, mirroring the experience of councils across the country. This has led to difficulties in resourcing some projects and programmes.
- 6.14 Increased information reporting requirements by central government and within the regional and unitary local government sector have highlighted difficulties with current data systems to capture and report on a range of regulatory activities.

Sports and Recreation

- 6.15 Marina fees and charges were set through the 23 July committee report in consultation with the Marina Advisory Group. The Marina Advisory Group has subsequently requested that for practical reasons the boat ramp fees stay at \$5 rather than the CPI adjusted figure of \$5.20. The

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concern is that \$5.20 may discourage people from paying the fee altogether if they intend to use cash. The Marina Advisory Group are currently reviewing the fees and charges and propose that following further improvements to the boat trailer carpark in 2019/20 the ramp fee should be set at \$10 for the 2020/21 review.

- 6.16 Council is undertaking a revaluation of the Marina assets which will inform future funding for depreciation. Condition assessments are programmed this year which will inform funding for renewals. Once these processes have been completed the Marina Advisory Group will prepare proposed fees and charges for presentation to the Sports and Recreation Committee for adoption of the new fees in 2020.
- 6.17 A skate ramp has been installed at Marsden Recreation Reserve in Stoke. This is the first step in development of youth facilities for Stoke. Designs for some art work are currently being explored.
- 6.18 A new stake ramp has been installed at Tahunanui Reserve beside the basketball area. Officers have worked in partnership with an enthusiastic team of skaters, who have volunteered their time to be involved in the design process. The Arts Council is planning a project for the ramp. Both stake ramps have received positive feedback from the community and are receiving high levels of use.
- 6.19 Several public planting days have been undertaken this quarter including the Tahunanui front and back beaches, Whakatu Reserve, Botanical Hill, Todd Stream, Saxton Field and Paremata Flats Reserve. The planting days continue to be well supported by the public.
- 6.20 Staff and the Committee chairman met with the Waahi Taakaro Golf Club for its annual report. A number of requests were received and are being considered. The Club has reported a 30% increase in games played this year compared to last year which brings it much closer to the revenue targets set within its contract. The Chairman and Group Manager of Community Services have scheduled a visit to the Club.

Governance

- 6.21 There were 65 LGOIMA requests received between 1 April 2019 and 30 June 2019. 63 were responded to within the statutory timeframes, with one overdue and one still open.

Author: Tracey Hughes, Senior Accountant

Attachments

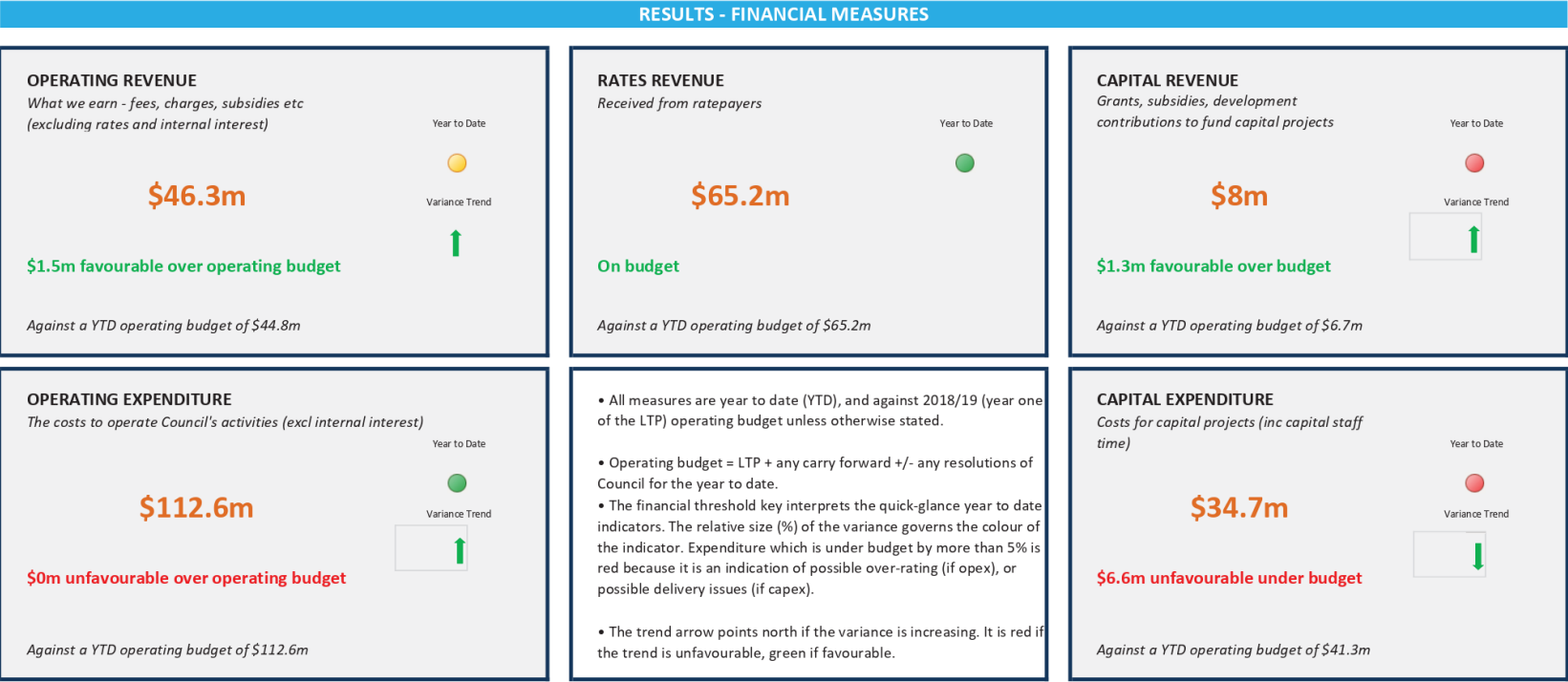
Attachment 1: A2224569 - Finance Report [↓](#)

Attachment 2: A2226256 - Project Health Summary [↓](#)

Attachment 3: A2232140 - Project Sheets [↓](#)

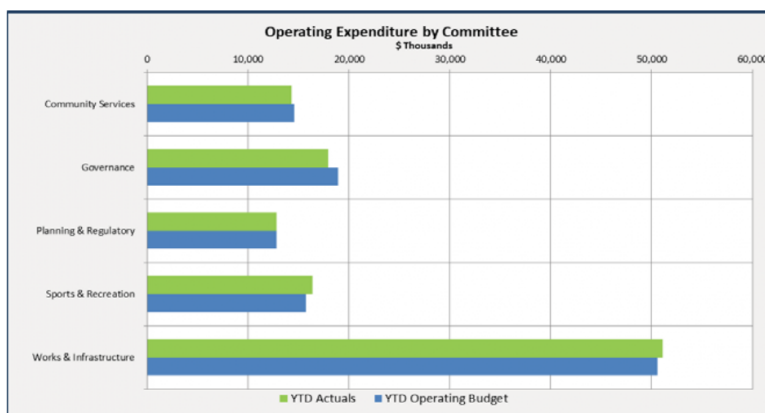
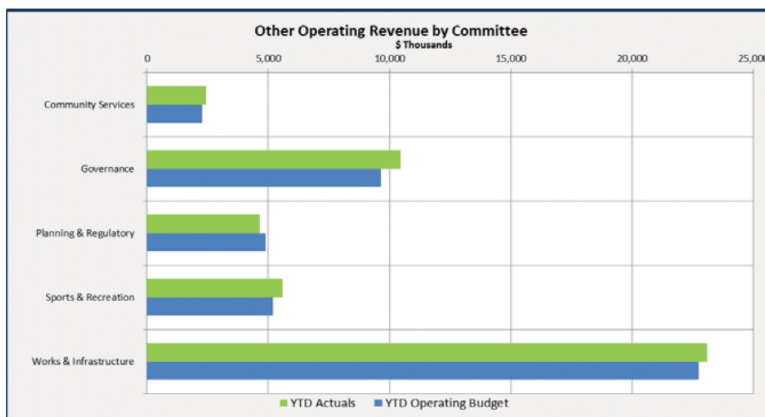
Financial threshold key	
●	± 2%
●	> 2% and ≤ 5%
●	> 5%

KEY INDICATORS
June 2019
Whole of organisation



June 2019

OPERATING INCOME AND EXPENDITURE BY COMMITTEE

**Other Operating Revenue and Operating Expenditure**

Community Services - Nelson Library expenditure is less than budget by \$217,000. Staff costs are under budget by \$111,000 due to staff vacancies, and depreciation expenditure is under budget by \$81,000.

Governance - Investment management revenue is greater than budget by \$1,215,000. Port Nelson dividend income is over budget by \$450,000 for the full financial year. An unbudgeted special dividend of \$750,000 was received in September. Regular dividends received in March and June of \$2,750,000 were under budget by \$300,000.

A dividend of \$375,000 was received from Nelson Airport in the current year but had been budgeted in the last financial year. Interest income on short term investments is ahead of budget by \$505,000, as Council holds deposits (currently \$10 million) to offset the pre-funding of debt which is maturing in 2019. **Emergency Response Fund income is greater than budget by \$202k** including an unbudgeted insurance refund for the February 2018 storm event.

Forestry income is less than budget by \$760,000. Forestry expenditure is less than budget by \$684,000.

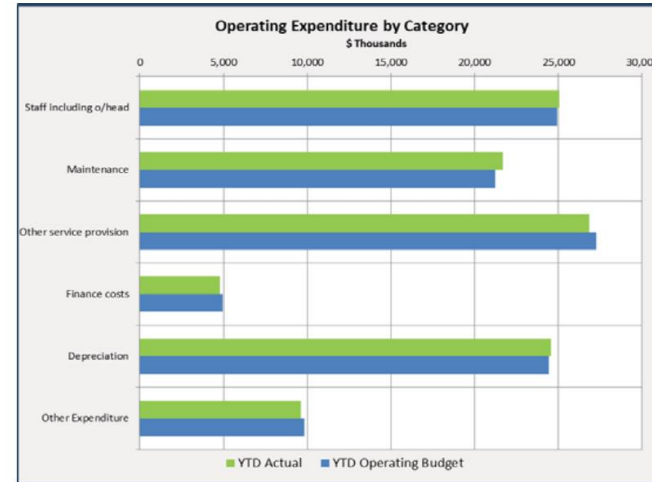
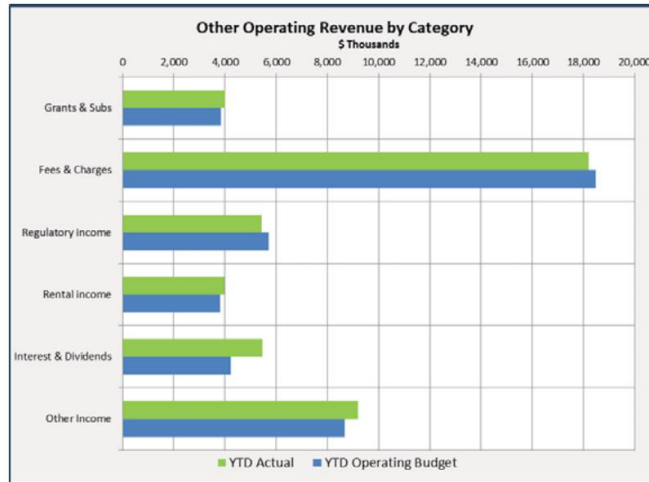
The Brook / York Valley Forest and Maitai Forest harvests that were scheduled in 2018/19 did not occur. Budgeted harvest income of \$1,659,000 was not earned, and budgeted harvest expenditure of \$1,180,000 was not incurred. The Roding Forest harvest was completed during the year as planned. The Roding Forest yielded harvest income that was \$900,000 over budget, and harvest expenditure that was \$464,000 over budget. The high income was driven by strong log prices and good access to domestic markets. The high costs relate to higher than budgeted post-operational clean-up costs.

Planning & Regulatory - Resource Consent income is less than budget by \$366,000. Resource consent income has increased 11% compared to last year actuals, however the 2018/19 budget has increased by approximately 50% year-on-year through the LTP and in hindsight this was overly optimistic. **Resource Consent expenditure is greater than budget by \$279,000.** This variance includes consultancy costs and the new EIL contract price. **Building Services income is greater than budget by \$176,000.** Fee income is over budget, with demand for these services being market driven. **Environmental Advocacy and Advice expenditure is less than budget by \$149,000.** This variance includes the allocation of staff costs, which is under budget by \$126,000.

Sports & Recreation - Esplanade and Foreshore Reserves expenditure is greater than budget by \$236,000. This variance includes unbudgeted February 2018 Storm event expenditure of \$209,000, which is funded by the Emergency Fund, as well as the allocation of staff costs relating to Modellers Pond. **Sports Parks income is greater than budget by \$165,000,** due to Bay Dreams rental income and venue hire recoveries. **Sports Parks expenditure is greater than budget by \$263,000,** including sportsfield maintenance and event and venue hire costs. **Trafalgar Centre income is greater than budget by \$109,000.** This variance includes unbudgeted venue hire recoveries, offset by rental discounts given of \$75,000. **Trafalgar Centre expenditure is greater than budget by \$263,000,** which includes maintenance costs, depreciation, and venue hire expenditure. **Brook Camp income is greater than budget by \$109,000** due to increased rentals. **Brook camp expenditure is greater than budget by \$241,000,** including contract staff costs, cleaning costs, and security. **Saxton Field expenditure is less than budget by \$233,000.** The Champion Carpark grant (\$102,000) and Velodrome Lights grant (\$60,000) are unspent for the year, and the Champion Drive grant is under budget by \$50,000.

Works & Infrastructure - Subsidised Roading expenditure is greater than budget by \$327,000, due to the allocation of staff costs. **Wastewater income is greater than budget by \$517,000.** Trade waste income is over budget by \$410,000 due to catch up invoices relating to the prior year being invoiced in the current year. **Wastewater expenditure is greater than budget by \$396,000.** The council's share of Regional Sewerage Business Unit costs is over budget by \$450,000. The NRSBU has incurred higher than budgeted management and maintenance costs. In addition, Council's proportionate share of costs, due to volumes and waste type, have increased compared to budget. **Water Supply income is greater than budget by \$237,000.** Commercial water income is over budget, and un-budgeted income of \$127,000 has been received for water supplied to Tasman District Council users during the drought.

OPERATING INCOME AND EXPENDITURE BY CATEGORY



More information on year to date income and expenditure variances are itemised in the quarterly reports to individual committees.

SUMMARY PROFIT AND LOSS

NCC Total	YTD Actuals	YTD Operating Budget 2018/19	YTD Variance	Total Annual Plan Budget 2018/19
Income				
Rates Income	(65,225)	(65,173)	(52)	(65,173)
Other Income	(46,274)	(44,744)	(1,530)	(42,741)
	(111,499)	(109,917)	(1,582)	(107,914)
Expenses				
Staff Operating Expenditure	25,053	24,934	119	24,840
Base Expenditure	40,708	40,508	200	39,259
Unprogrammed Expenses	5,573	4,683	890	4,114
Programmed Expenses	11,879	13,096	(1,217)	12,065
Finance Expenses	4,783	4,965	(182)	4,965
Depreciation	24,565	24,443	122	24,443
	112,561	112,629	(68)	109,686
(Surplus)/Deficit	1,062	2,712	(1,650)	1,772

Base Expenditure is expenditure that happens year after year, for example yearly contracts or operating Expenses.

Programmed Expenditure is planned, or there is a specific programme of works. For example, painting a building.

Unprogrammed Expenditure is reactive or unplanned in nature, for example responding to a weather event. Budgets are included as provisions for these expenses which are unknown.

Excluding internal interest.

June 2019

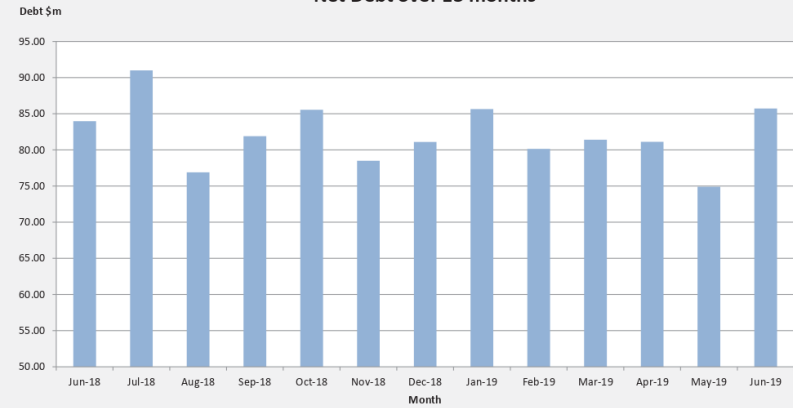
RESULTS - TREASURY MEASURES

DEBT/REVENUE RATIO*(Net external debt/operating revenue & rates at year end)***76.8%**

Full year outlook

*Against a full year expectation of 98.7% in the LTP Y1 & a benchmark of 150%***Borrowing Compliance**

	Compliance	YTD Actual	Full Year Ann Plan	Minimum	Maximum
Fixed: floating mix	◆	77.0%	n/a	55%	90%
Net interest: total revenue	◆	3.3%	4.5%	0%	10%
Net interest: rates revenue	◆	6.0%	6.8%	0%	20%
External debt: budgeted revenue	◆	89.3%	98.6%	0%	150%
External debt: equity	◆	7.0%	7.5%	0%	20%

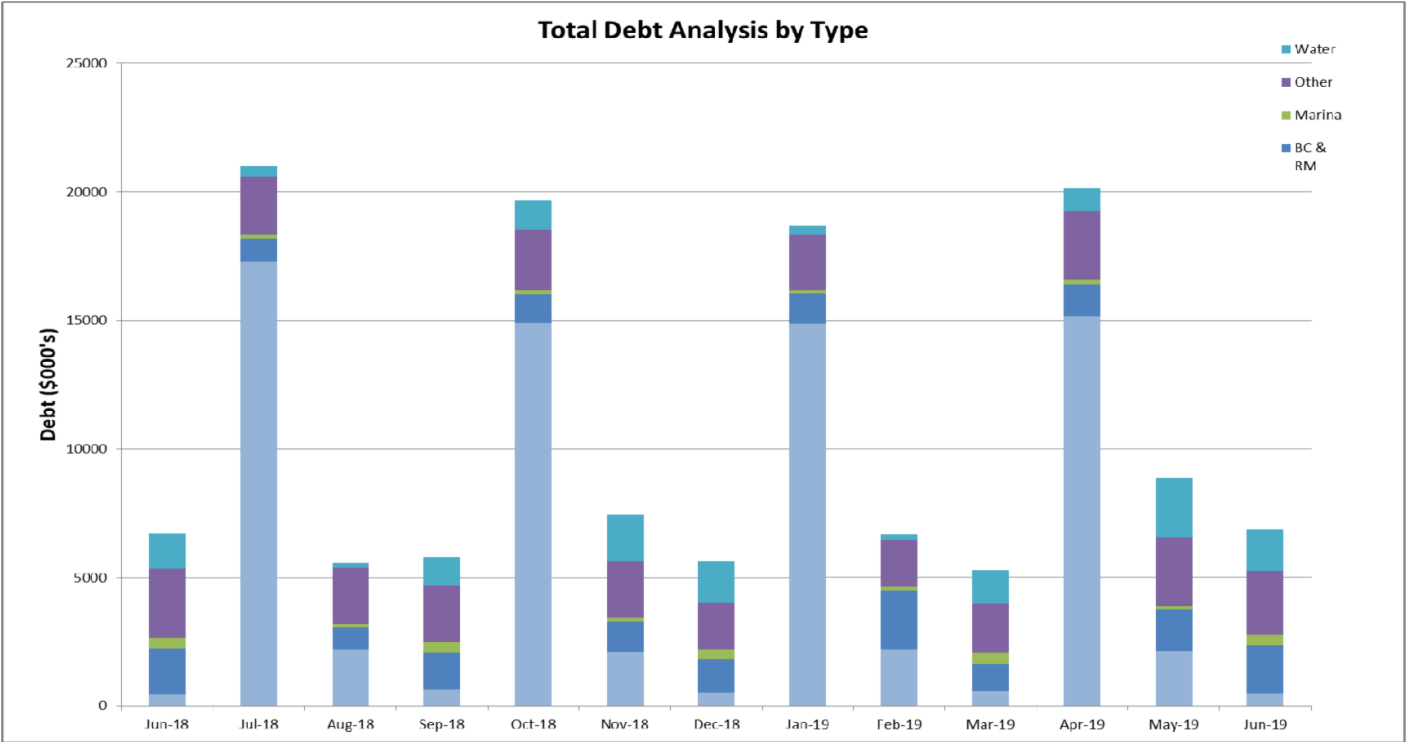
Net Debt over 13 months

ABBREVIATED BALANCE SHEET

	June 2019 YTD	March 2019 YTD	June 2018 YTD	
Includes call deposits				
Includes prepayments and current portions of loans to community organisations and related parties				
Shares in subsidiaries and associates				
Non-current portions of loans to community organisations and related parties (includes NRSBU)				
Term loans due within 12 months				
Current portion of employee benefit liabilities				
Housing NZ suspensory loan and Suter accrued depreciation				
Borrowings due after 12 months				
Non-current portion of employee benefits liability + derivatives revaluation as at 30 June 2017				
	Current Assets			
	Cash	5,269,440	4,598,423	7,122,000
	Receivables	14,086,889	6,699,228	13,921,000
	Other Current Assets	11,288,495	16,361,610	5,794,000
	Total Current Assets	30,644,823	27,659,260	26,837,000
	Non Current Assets			
	Fixed Assets	1,481,926,658	1,474,150,359	1,471,726,000
	Investments	54,979,774	54,949,774	44,344,000
	Other Non Current Assets	3,864,775	4,282,835	3,679,000
	Total Non Current Assets	1,540,771,206	1,533,382,968	1,519,749,000
	Current Liabilities			
	Payables	(14,996,807)	(12,778,648)	(16,518,000)
	Borrowings: Current	(1,000,000)	(1,000,000)	(6,400,000)
	Other Current Liabilities	(2,457,966)	(1,881,656)	(2,217,000)
	Total Current Liabilities	(18,454,773)	(15,660,304)	(25,135,000)
	Non Current Liabilities			
	Payables: Non Current	(1,306,918)	(1,269,424)	(1,101,000)
	Provisions	(1,659,430)	(1,659,430)	(1,659,000)
	Borrowings: Non Current	(93,000,000)	(93,000,000)	(76,000,000)
	Other Non Current Liabilities	(6,290,025)	(6,290,025)	(6,290,000)
	Total Non Current Liabilities	(102,256,373)	(102,218,879)	(85,050,000)
	Net Assets	1,450,704,884	1,443,163,045	1,436,401,000
	Equity			
	Accumulated Funds	(444,521,901)	(436,948,121)	(410,915,000)
	Reserves	(1,006,182,982)	(1,006,214,924)	(1,025,486,000)
	Total Equity	(1,450,704,884)	(1,443,163,045)	(1,436,401,000)

- The balance sheet remains strong, with the increase in equity quarter on quarter driven by the increase in fixed assets.
- Receivables increased \$7.4m, with \$2m of dividends receivable from Port Nelson, and year end income accruals.
- A \$5m deposit matured, funding much of the investment in fixed assets.
- Payables increased \$2.2 including some expenses accrued at year end.

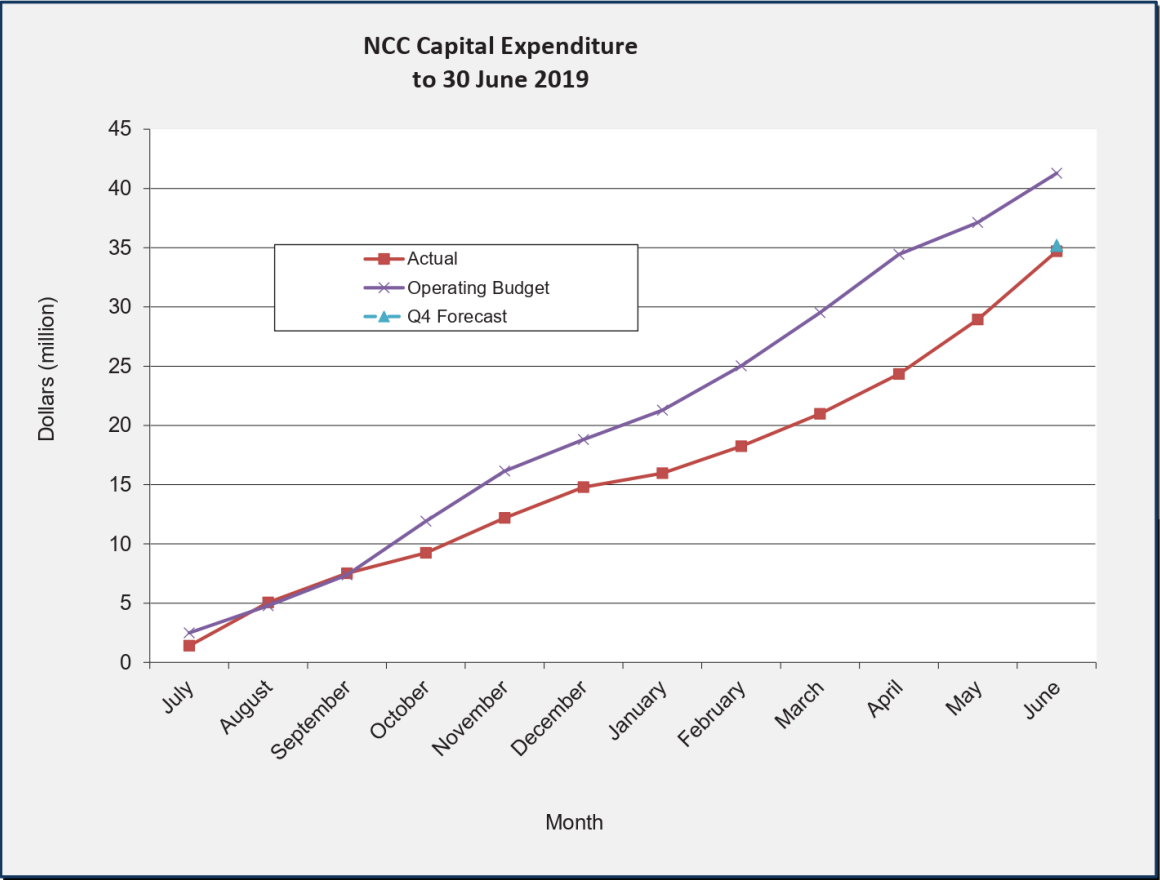
DEBTOR ANALYSIS

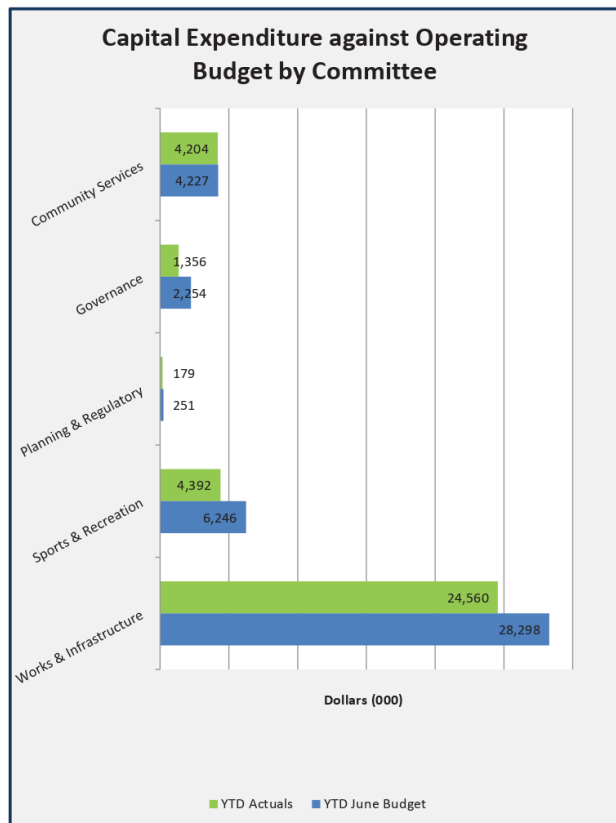


June 2019

RESULTS - CAPITAL EXPENDITURE

Excluding vested assets and NRSBU/NTRLBU capital expenditure. Including staff time.





Major variances (projects)

Further project information can be found in attachments 2 & 3

Projects between \$250k and \$1m are reported to their respective committees.

Community Services - Greenmeadows Centre is YTD \$544k over the full year budget. The Elma Turner Library extension, Stoke Library Structural Improvements, and new burial area at Marsden Valley Cemetary are under budget for the year.

Governance - The Nmap upgrade, Civic House Airconditioning project, and E-Plan are behind budget. The CBD Enhancements budget of \$195k is unspent.

Planning & Regulatory - There are no significant variances.

Sports & Recreation - The replacement of tiered seating at Trafalgar Centre has been completed within the full year budget. The General Reserve Land Purchase programme and Great Taste Trail connection improvements are behind budget. The Saxton Hockey Turf renewal has been completed under budget. The Grampians Reserve budget of \$150k is unspent.

Works & Infrastructure - Some significant projects have exceeded expectations, having been delivered under budget and within agreed timeframes. Projects that have been completed under budget with genuine savings include the Streetlight Conversion to LED (\$378k), Minor Flood Improvement programme (\$340k), Water Treatment Plant Membranes (\$225k) and the Residential Water Meter Renewal Programme (\$160k).

A small number of projects have required changes to their timelines due to circumstances outside Council Officers control, in particular Saltwater Creek Crossing, Railway Reserve/Princes Drive overbridge extension, Integrated ticketing, traffic light renewal programme, and the Whakatu Drive (Storage World) stormwater project.

Item 7: Quarterly Report to 30 June 2019: Attachment 2

	A	B	C	E	F	G	H	I
3	PROJECT HEALTH SUMMARY							
4	Q4 2018/19							
5	More detail on the projects summarised below can be found in the quarterly report for the relevant committee							
6	Committee	Project Name	Project ID	Scope/ Quality	Time	Cost		Overall Project Health
7	Community Services	Community Housing Renewals	1486	G	G	G		G
8		Greenmeadows Centre	1175	G	R	R		R
9		Art Works Programme (Tait, Ryan)	1143	G	G	G		G
10		Marsden new burial area	3206	G	G	O		O
11		Elma Turner Library Improvements	2226	G	O	O		O
12		Stoke Library structural Improvements	3302	G	G	G		G
13		Millers Acre Toilet upgrade	2002	G	O	G		O
14		Queens Garden Toilet	2909	G	G	G		G
15		Tahunanui Lions Toilet Upgrade	3180	G	O	G		O
16		Artworks Maintenance		G	O	O		O
19		Stoke Youth Park	1074	G	G	G		G
20		Strategy for Nelson's Ageing Demographic		G	G	G		G
21	Governance	Civic House Floor 1 upgrade	1195	G	R	G		R
22		Aircon for Civic House	1197	G	R	G		R
23		Civic House Capital Programme	1198	G	R	G		R
24		Annual Plan 2019/20	1361	G	G	G		G
25	Planning and Regulatory	Nelson Nature	n/a	G	G	G		G
26		Healthy Streams	n/a	G	G	G		G
27		Biosecurity	n/a	G	G	G		G
28		Eco-building design	n/a	G	G	G		G
29		Air Quality	n/a	G	G	G		G
30		Freshwater monitoring - quantity and quality	n/a	G	G	G		G
31		Coast and marine monitoring	n/a	G	G	G		G
32		Carbon emissions	n/a	G	G	G		G
33		Enviroschools	n/a	G	G	G		G
34		Whakamahere Whakatu Nelson Plan	n/a	G	G	G		G
35		E-Plan (Nelson Plan)	n/a	G	G	G		G
36		Coastal Hazards	n/a	G	G	G		G
37		Digital Building Control Sloution	n/a	G	G	G		G
38		HASHAA	n/a	G	G	G		G
39		City Development	n/a	G	G	G		G
40		Gambling Policy	n/a	G	G	G		G
42	Sports & Recreation	Marina Hardstand	1769	G	O	G		O
43		Public Boat Ramp Improvements	3187	G	G	G		G
44		General Reserves land purchase programme	1354	G	O	G		O
45		City Play Space	2294	G	G	G		G
46		Sea sports building at Marina	2142	G	O	O		O
47		Renew Saxton hockey turf	2156	G	G	G		G
48		Athletics Track renewal	2252	G	G	G		G
49		Road Entrance Champion Drive (Saxton Field)	2150	G	G	G		G
50		Reserve Management Plans	3001	G	R	G		R
51		Reserve Development Programme	1063	G	O	G		O
52		Great Taste Trail	2899	G	O	G		O

Item 7: Quarterly Report to 30 June 2019: Attachment 2

	A	B	C	E	F	G	H	I
	Committee	Project Name	Project ID	Scope/ Quality	Time	Cost		Overall Project Health
6								
53	Works & Infrastructure	Saxton Creek upgrade	2689	G	O	O		O
54		Whakatu Drive (Storage World) stormwater Improvements	2866	G	O	G		O
55		Saxton Creek Upgrade (Main Rd Culvert to Sea)	2964	G	O	G		O
56		Orphanage Stream upgrade	3289	O	O	O		O
57		On St Parking Meter renewals	1484	G	O	G		O
58		Integrated Bus Ticketing	2945	O	O	O		O
59		Bus terminal (CBD Interchange)	2997	G	O	G		O
60		Modellers Pond Solution [OPEX]	1379	O	G	G		O
62		Wastney Terrace piping ditch (stormwater)	2473	G	R	G		R
63		Nile Street East stormwater & flood protection upgrade	2624	G	G	G		G
64		Nayland Road / Galway	2840	G	G	G		G
65		Rutherford Street stormwater stage 1: Girls College	2850	G	G	G		G
66		Tahunanui Hills Stormwater- Moana Avenue to Rocks Road	2855	G	G	G		G
67		Parere Street Stormwater upgrade	2861	G	G	G		G
68		Footpaths renewal programme	1494	G	G	G		G
69		Sealed road resurfacing programme (renewal)	1540	G	G	G		G
70		Saltwater Creek Bridge Replacement	1314	G	O	G		O
71		Maitai shared path (Collingwood St to Nile St)	2173	O	R	O		R
72		New Footpath Programme	2798	G	G	G		G
73		Streetlight conversion to LED	3119	G	G	G		G
74		Tahunanui Cycle Network - SH6 Annesbrook Drive	3182	G	G	G		G
75		Westbrook Convergence Bridge deck replacement	3287	G	G	G		G
76		Seafeld Terrace remediation	3291	G	G	G		G
77		Maitai Valley Road shared path modifications	3139	O	O	O		O
78		Bridge Street and Hardy street sewer renewal	3126	G	G	G		G
79		Neale Park sewer pump station upgrade	1187	G	O	G		O
80		Nelson WWTP pond desludging [OPEX]	1191	G	G	G		G
81		Awatea Place sewer pump station	1716	G	O	R		R
82		Pump station resilience improvement programme	1914	G	G	G		G
83		Inflow and Infiltration Reduction Programme [OPEX]	2311	G	O	G		O
84		Gracefield Sewer Diversion	2884	G	O	G		O
86		Vanguard St (Totara - Franklyn) sewer upgrade	3294	G	G	G		G
87		Residential Meters Renewals	2128	G	G	G		G
88		Brooklands Water Renewal	2133	G	G	G		G
89		Water Treatment Plant Membranes Renewal	2555	G	G	G		G
90		Kakenga Road water renewal	3117	G	G	G		G
91		Hardy Street (Trafalgar St - Collingwood St) Water Renewal	3118	G	G	O		O
92		Annesbrook water renewal	3186	G	G	G		G
93		Bolt Rd Water Renewal	3283	G	G	G		G
94		Railway Res/ Prices Dr Underpass	2172	G	O	G		O
95		Maitai Flood Mitigation	1178	G	O	G		O
96		Montcalm/Arrow/Wash Vly/Hastings Stormwater	2054	G	G	G		G
97		Water Loss Reduction Programme	2803	G	G	G		G

Greenmeadows Centre				1175
New sports and community facility in Stoke.				
Overall Health		Quality	Time	Budget
Project Update (work completed, in progress, scheduled & budget change info)				
Project completed. Practical completion certificate issued.				
Project Risks				
No new risks to report with construction and completion of facility. Council is currently seeking advice on options for recovering losses.				
Project Issues				
Minor snag list items are being attended to.				
Budget				
2013/14 to 2017/18 Actuals				6,597,582
	2018/19	2019/20	2020/28	Total 2018/28
Initial LTP Budget	125,000	-	-	125,000
Carry-forwards	737,509			737,509
Amendments	-	-	-	-
Total Budget (2018-28)	862,509	-	-	862,509
Actual Spend	1,406,929			
Full Year Forecast	1,406,929	-	-	1,406,929

Figures exclude staff costs.

Reserve Management Plans				3001
Prepare the sportsground reserve management plan covering nine of Council's reserves: Botanics Sportsfield, Greenmeadows, Guppy Park, Maitai Cricket Ground, Marsden Recreation Ground, Neale Park, Ngawhatu Sportsfield, Victory Square and Waahi Taakaro Golf Course.				
Overall Health		Quality	Time	Budget
Project Update (work completed, in progress, scheduled & budget change info)				
<p>Note, comments relate to the Reserve Management Plan for Sportsgrounds only. Note, red as on hold while classification is carried out. This project commenced in 2015, with public notice of the intent to prepare the reserve management plan being given, and suggestions received. Since then, Council has classified Ngawhatu, Botanics and Victory under the Reserves Act. Previous work has included:</p> <ul style="list-style-type: none"> • Legal advice commissioned • A report to Council about classification of Greenmeadows was brought to Council in December 2018 and a decision was made at that meeting to undertake the classification within the next 18 months <p>Budgets: This project is being funded out of operating budgets in the Policy area.</p>				
Project Risks				
Land is required to be classified under the Reserves Act prior to the draft management plan being approved by Council for consultation. Delaying the classification creates a risk that the work to-to-date will need to be reviewed or amended before the classification is undertaken.				
Project Issues				
Greenmeadows has not yet been classified. Classification of reserves subject to the Reserves Act 1977 is required prior to the draft management plan being released for public input.				
Budget				
2013/14 to 2017/18 Actuals				139
	2018/19	2019/20	2020/28	Total 2018/28
Initial LTP Budget	-	-	-	-
Carry-forwards	-	-	-	-
Amendments	-	-	-	-
Total Budget (2018-28)	-	-	-	-
Actual Spend	-	-	-	-
Full Year Forecast	-	-	-	-

Figures exclude staff costs.

Civic House Floor 1 upgrade				1195
Civic House floor one refurbishment				
Overall Health		Quality	Time	Budget
Project Update (work completed, in progress, scheduled & budget change info)				
Project remains on hold while accommodation options are confirmed and no further progress was made from the third quarter. Budget was rephased out to 2019/20 where a decision to progress may be made.				
Project Risks				
No risks remain in this financial year now decision not to proceed has been made.				
Project Issues				
No concerning issues to report.				
Budget				
2013/14 to 2017/18 Actuals				190,381
	2018/19	2019/20	2020/28	Total 2018/28
Initial LTP Budget	588,000	-	-	588,000
Carry-forwards	(24,145)			(24,145)
Amendments	(453,855)	453,855	-	(0)
Total Budget (2018-28)	110,000	453,855	-	563,855
Actual Spend	112,442			
Full Year Forecast	111,078	800,000	-	911,078

Figures exclude staff costs.

Aircon for Civic House				1197
Install aircon on 4th floor and Ventilation for all Civic House.				
Overall Health		Quality	Time	Budget
Project Update (work completed, in progress, scheduled & budget change info)				
Project remains on hold while accommodation options are confirmed and no further progress was made from the third quarter. Budget of \$300K has been moved to 2019/20 where a decision to progress may be made.				
Project Risks				
No concerning risks to report.				
Project Issues				
No concerning issues to report				
Budget				
2013/14 to 2017/18 Actuals				167,334
	2018/19	2019/20	2020/28	Total 2018/28
Initial LTP Budget	395,000	255,500	620,731	1,271,231
Carry-forwards	-			-
Amendments	(300,000)	300,000	-	-
Total Budget (2018-28)	95,000	555,500	620,731	1,271,231
Actual Spend	-			
Full Year Forecast	-	400,000	620,731	1,020,731

Figures exclude staff costs.

Civic House Capital Programme				1198
Miscellaneous renewals and upgrades - furniture, plant & equipment, minor modifications, etc - develop detailed plan annually				
Overall Health		Quality	Time	Budget
Project Update (work completed, in progress, scheduled & budget change info)				
Year 1 programme has continued, but year 2 to 10 is currently on hold.				
Project Risks				
No concerning risks to report.				
Project Issues				
No concerning issues to report				
Budget				
2017/18 Actuals				80,416
	2018/19	2019/20	2020/28	Total 2018/28
Initial LTP Budget	252,000	1,371,524	2,706,428	4,329,952
Carry-forwards	-			-
Amendments	(92,875)	100,000	-	7,125
Total Budget (2018-28)	159,125	1,471,524	2,706,428	4,337,077
Actual Spend	76,235			
Full Year Forecast	75,964	166,132	2,706,428	2,948,524

Figures exclude staff costs.

Water Treatment Plant Membranes Renewal				2555
Renewal of membranes at the water treatment plant				
Overall Health		Quality	Time	Budget
Project Update (work completed, in progress, scheduled & budget change info)				
New membranes installation has been completed and the membranes commissioned. Budget: \$400k of initial projected underspend has been re-allocated to help fund the Hardy Street and Brooklands Road renewals. In addition to the early \$400k saving, a further \$200k has been saved compared to budget at the final stage of the project.				
Project Risks				
No concerning risks to report.				
Project Issues				
No concerning issues to report.				
Budget				
2013/14 to 2017/18 Actuals				4,505,085
	2018/19	2019/20	2020/28	Total 2018/28
Initial LTP Budget	3,000,000	-	24,734	3,024,734
Carry-forwards	-			-
Amendments	(400,000)	-	-	(400,000)
Total Budget (2018-28)	2,600,000	-	24,734	2,624,734
Actual Spend	2,370,639			
Full Year Forecast	2,371,000	-	24,734	2,395,734

Awatea Place sewer pump station				1716
Design and construct a new sewer pump station at Awatea Place including new rising and gravity trunk mains to allow decommissioning of both Parkers Road pump station sites. Along with a new storage facility off Beach Road.				
Overall Health	Quality	Time	Budget	
Project Update (work completed, in progress, scheduled & budget change info)				
Awatea Place pump station design and stakeholder consultation continues. Effects of deep excavation dewatering has been identified as a risk and is being assessed by a hydrogeologist. A cultural impact assessment has been commissioned for the project and is being undertaken by local iwi. Council has been challenged over use of Reserve land in Beach Road for the wastewater storage facility. A number of alternative options are being considered for the storage facility site before finalising a recommendation. Current estimates bring total project forecast in over budget and rephasing of LTP budgets required to match 19/20yr and 20/21yr forecasts. Construction timeframe has moved into the 20/21yr and LTP budgets to be adjusted to align with forward forecast out to 21/22yr.				
Project Risks				
There is a high project risk due to deep excavations with high groundwater table and tidal influences with effects of deep excavation dewatering being assessed by a hydrologist. Geotechnical investigation will confirm foundation requirements for design and potential for ground remediation requirements. Excavation risks and cost allowances for temporary works to be allowed in final construction estimates and currently increase the project budget requirement. J				
Project Issues				
Location of the proposed site has been challenged through the consultation process, other location options are being investigated.				
Budget				
2013/14 to 2017/18 Actuals				218,189
	2018/19	2019/20	2020/28	Total 2018/28
Initial LTP Budget	300,000	2,044,000	4,723,140	7,067,140
Carry-forwards	(57,695)			(57,695)
Amendments	50,695	-	936,805	987,500
Total Budget (2018-28)	293,000	2,044,000	4,723,140	7,060,140
Actual Spend	290,885			
Full Year Forecast	291,000	1,107,195	5,659,945	7,058,140

Wastney Terrace piping ditch (stormwater)				2473
Upgrade of the public stormwater system to serve the future development potential within the area. Will allow re-routing of stormwater along Wastney Terrace to Jolie Street to upgraded section at South end of street				
Overall Health		Quality	Time	Budget
Project Update (work completed, in progress, scheduled & budget change info)				
Two out of four landowners have signed easement agreements and one agreement is pending signature. Elected officials recently met with the final landowner to assist with the negotiations.				
Project Risks				
If negotiations continue to stall, officers may need to consider more formal powers (Public Works Act) to acquire easements or may consider cancelling the project.				
Project Issues				
The 2019/20 budget was amended in the 19/20 Annual Plan. The existing 20/21 budget is to be updated based on forecast via the 20/21 Annual Plan.				
Budget				
2013/14 to 2017/18 Actuals				248,698
	2018/19	2019/20	2020/28	Total 2018/28
Initial LTP Budget	-	817,600	835,584	1,653,184
Carry-forwards	9,933			9,933
Amendments	25,067	(717,600)	-	(692,533)
Total Budget (2018-28)	35,000	100,000	835,584	970,584
Actual Spend	26,356			
Full Year Forecast	27,000	100,000	1,553,184	1,680,184

Maitai shared path (Collingwood St to Nile St)				2173
Cycle facilities connecting the Wood, Brook and Maitai to CBD along the Maitai River.				
Overall Health	Quality	Time	Budget	
Project Update (work completed, in progress, scheduled & budget change info)				
Council staff have reviewed all feedback and the scope of this project. An engagement plan for iwi and other stakeholder is being prepared.				
Project Risks				
Ongoing path user conflict is a risk while there is a low level of service for the current user numbers and modes on the Maitai Path.				
Project Issues				
The diverse range of community feedback and issue has been reviewed. Many issues relate to the general operation of the road network in the Nelson east area and will be managed through routine activities. Issues specific to Maitai Path need to be managed alongside the Maitai Flood Protection project that will commence in 2019/20. The flood protection project will shape short term and long term solutions for the Maitai Esplanade, and could be an opportunity for the path facility project to develop with iwi and community involvement over a longer time period. The health index for time is red because the project has not met the 2018/19 delivery targets. The health index for quality and budget are yellow while uncertainty remains over project deliverables. The budget for 2018/19 was not spent.				
Budget				
2013/14 to 2017/18 Actuals				48,918
	2018/19	2019/20	2020/28	Total 2018/28
Initial LTP Budget	50,000	51,100	1,297,363	1,398,463
Carry-forwards	-			-
Amendments	(5,000)	-	-	(5,000)
Total Budget (2018-28)	45,000	51,100	1,297,363	1,393,463
Actual Spend	1,000			
Full Year Forecast	1,000	120,000	1,297,363	1,418,363

Sealed road resurfacing programme (renewal)				1540
Renewal of existing sealed carriageway surfaces across Nelson undertaken as part of the existing maintenance contract.				
Overall Health		Quality	Time	Budget
Project Update (work completed, in progress, scheduled & budget change info)				
<p>The 2018-19 year programme has been completed . Majority of work occurred between September - March. Refer resurfacing map for detailed programme as previously provided in the Councillors Newsletter update from 21Sep18.</p> <p>Budget amendment is approved shift from projected underspend in pavement rehabilitation.</p>				
Project Risks				
No concerning risks to report.				
Project Issues				
No concerning issues to report.				
Budget				
2017/18 Actuals				851,803
	2018/19	2019/20	2020/28	Total 2018/28
Initial LTP Budget	1,170,000	1,195,740	10,625,764	12,991,504
Carry-forwards	-			-
Amendments	80,000	-	-	80,000
Total Budget (2018-28)	1,250,000	1,195,740	10,625,764	13,071,504
Actual Spend	1,238,653			
Full Year Forecast	1,239,000	1,304,700	10,625,764	13,169,464

Neale Park sewer pump station upgrade				1187
Redevelopment and upgrade of Neale Park Sewer pump station to reduce odour and provide peak flow pumping requirements.				
Overall Health		Quality	Time	Budget
Project Update (work completed, in progress, scheduled & budget change info)				
The pump station is fully operational and the Contractor has disestablished from site. Minor work to complete includes painting of the control building and landscape planting. The control system for the generator installation allows future connection to the power grid should this be required during a power outage in Nelson or any Civil Defence Emergency.				
Project Risks				
No concerning issues to report.				
Project Issues				
No concerning issues to report.				
Budget				
2013/14 to 2017/18 Actuals				3,885,201
	2018/19	2019/20	2020/28	Total 2018/28
Initial LTP Budget	2,116,729	-	-	2,116,729
Carry-forwards	1,114,640			1,114,640
Amendments	(150,000)	-	-	(150,000)
Total Budget (2018-28)	3,081,369	-	-	3,081,369
Actual Spend	3,034,150			
Full Year Forecast	3,034,150	47,219	-	3,081,369

Saltwater Creek Bridge Replacement				1314
Construction of a replacement bridge to cross Saltwater Creek along the Maitai path.				
Overall Health		Quality	Time	Budget
Project Update (work completed, in progress, scheduled & budget change info)				
The contractor's allocated work area includes the grass area adjacent to Saltwater Creek at the north end of Rutherford Park. Construction is underway with work occurring on site along with the Bridge build being undertaken in Levin. There have been some issues associated with piling and weather conditions. This has resulted in an approximate two week delay in the completion timeline. The rephasing of the project to take it into the 2019/20 year was completed via the Annual Plan.				
Project Risks				
Contractors programme has work continuing into July 2019. There will be a period of time when there will be no creek crossing facility at this location and the alternative route will involve pedestrians crossing QEII Drive at the Haven Road roundabout, this is due to the extensive civil works required to improve the path on the QUH side of the bridge.				
Project Issues				
Two week delay to programme due to unforeseen piling conditions and verification requirements by geotech engineer				
Budget				
2013/14 to 2017/18 Actuals				121,047
	2018/19	2019/20	2020/28	Total 2018/28
Initial LTP Budget	400,000	-	-	400,000
Carry-forwards	502,822			502,822
Amendments	300,000	-	-	300,000
Total Budget (2018-28)	1,202,822	-	-	1,202,822
Actual Spend	596,013			
Full Year Forecast	802,000	400,000	-	1,202,000

Annual Tax Review

1. Purpose of Report

- 1.1 To advise the Subcommittee of Council's tax activities over the prior year and provide some context for the current tax environment.

2. Recommendation

That the Audit, Risk and Finance Subcommittee

- 1. Receives the report Annual Tax Review (R10239) and its attachments (A2221879 and A2221900).***

2. Background

- 2.1 The Tax Risk Governance Framework was adopted by Council in May 2017 as a proactive step towards identifying and managing tax risk to maintain its low risk profile. This annual update has been prepared as part of that framework.
- 2.2 This report provides:
- A summary of the tax advice that Council has sought during the period 1 July 2018 to 30 April 2019
 - Commentary on tax matters currently being addressed as at 30 June 2019
 - A more general high level update on the wider tax environment as it might affect Council
 - An overview of the goods and services tax (GST) review undertaken in the last financial year.
- 2.3 The annual tax review report from Council's tax advisors (PWC) and the detailed GST review are included with this report as attachments 1 and 2 respectively.

Tax Advice received and matters addressed to 30 June 2019

- 2.3 For the most part, the tax compliance of Council has been 'business as usual' for much of the year with the various tax returns (GST, PAYE, FBT, etc) being filed on time and without any concerns being raised.
- 2.4 That said, it is appropriate to comment on the following areas where assistance has been provided to Council:
- Advice was sought in relation to IRD's updated guidelines around vehicle use for Fringe Benefit Tax (FBT) and a voluntary disclosure was subsequently made.
 - PwC prepared and filed Council's 2018 Income Tax Return on time in March 2019.
 - In January 2019 PWC sought an indicative view from Inland Revenue (IRD) on Council's behalf in relation to electronic bus ticketing and the time of supply rules for GST.
 - A forward looking report was commissioned covering tax considerations relating to the evolution of Nelson City over a 10 year timeframe.
- 2.5 As per the tax risk strategy adopted by Council in 2017, a comprehensive GST review was undertaken toward the end of June 2018. The finalised report (attachment 2) can be summarised as follows:
- The Finance team is experienced and efficient in dealing with GST.
 - Some risk arises where one-off or unusual transactions have not involved the Finance team from early stages.
 - From 29 areas of focus 17 require no action and there are 12 recommendations for action to maximise efficiency and risk reduction, mostly of a minor nature and which are in hand.
- 2.6 A comprehensive FBT review was undertaken at the end of May 2019, and officers are currently working through the findings with PWC. Officers have spent some time recently considering various FBT issues and plan to do further work in this area not least relating to organisational awareness during the 2019/20 financial year.
- 2.7 Officers have committed to remaining up to date with tax issues in the sector and have attended tax updates as provided by SOLGM and PWC, as well as a refresher overview of indirect taxes and specific training aimed at officers new to the sector provided by PWC.
- 2.8 Council have now subscribed to PWC's GST on Property Guide to support both Property and Finance in this tricky area for GST.
- 2.9 Finally, it is noted that Council has continued to obtain support via:

Item 8: Annual Tax Review

- Subscribing to PwC's online Indirect Tax Policies and Guides;
- Maintaining a Tax Risk Governance Framework; and
- Adhering to a Tax Risk Management Strategy.

Tax Strategy

- 2.10 Page 6 of the PWC Tax Review (attachment 1) outlines work planned for the 2018/19 financial year and work done. It has been a more active year than anticipated illustrating that officers are mindful of Council's low risk tax profile and seek to address risks before they crystallise.
- 2.11 Page 7 sets out work planned for the 2019/20 financial year, including a review of our systems in relation to IRD's payday filing requirements and a tax technology and automation review.

Other relevant matters

- 2.12 Pages 9 to 11 of attachment 1 itemise tax issues that are of interest to the sector along with broader tax developments.
- 2.13 Of particular interest or relevance to Nelson City Council:
- IRD's ongoing internal transformation has caused disruption to usual services. NCC has experienced refunds in one tax type being swept to meet payments in another tax type even before due date, causing reconciliation issues and potential overpayments. Officers have addressed this with IRD and are hopeful that a solution has been implemented.
 - Once the IRD transformation project is fully operational we can expect to see the results of their ability to see significantly more data about each taxpayer. Before the issuance of pre-populated accounts to taxpayers occurs en masse (31 March 2020 projected), an analysis of our payroll data since payday filing was introduced will be performed to assess any risk areas. IRD have issued regulations relating to how errors in payday filing may be corrected.
 - Donee organisations must now be either on Schedule 23 of the Income Tax Act 2007 as approved donee organisations or listed on the charities register in a move to ensure greater transparency of donations tax credits.
 - IRD numbers are now required on all property transactions.

Council's tax figures

- 2.14 Generally Council is exempt from income tax with the main exception being income from CC(T)O's. However, Council has significant tax obligations in relation to GST and PAYE in particular. The quantum is highlighted in this section.

Item 8: Annual Tax Review

2.15 In the 12 months ending 31 March 2019, Council has accounted for:

Tax	12 month period ending	Amount
GST output tax	31 March 2019	\$17,683,809
GST input tax	31 March 2019	\$14,100,591
PAYE & ACC	31 March 2019	\$6,143,558
FBT	31 March 2019	\$13,090

2.16 Council also acts as agent for the Nelson Regional Sewerage Business Unit, Nelson Tasman Regional Landfill Business Unit and Nelson Tasman Civil Defence and Emergency Management. The numbers above exclude these entities.

3. Conclusion

3.1 Council formally adopted the Tax Governance Framework on 18 May 2017 and the Tax Risk Management Strategy on 14 December 2017. These form a solid foundation for managing tax risk.

3.2 The Tax Risk Management Strategy (included in attachment 1) is a simple tool to ensure that tax risk is being identified and managed appropriately while providing the Subcommittee with a quick visual tool to see the steps Council has taken to manage tax risk and the forward looking strategy.

3.3 The adoption of the Framework and the Strategy ensures that complacency does not arise amongst the finance team, senior leadership team or those with oversight for audit and risk.

Author: Tracey Hughes, Senior Accountant

Attachments

Attachment 1: A2221879 - PWC Annual Tax Review [↓](#)

Attachment 2: A2221900 - GST Compliance Review [↓](#)

Nelson City Council Annual Tax Update Year to 30 June 2019

By Phil Fisher & Annabel Duncan
June 2019



1

Report: Tax Annual Update to the Audit and Risk Committee

Tax Governance & Tax Risk Management

Introduction

Council adopted its Tax Governance Framework in May 2017. It was a proactive step towards identifying and managing tax risk in order to maintain Council's low risk profile.

A Tax Risk Management Strategy was established at the time of the Tax Governance Framework being introduced, and has now been operational for 2 full years. Council has shown its commitment to managing tax risk by not only achieving its strategy as set, but exceeding it in some areas.

As part of the Tax Governance Framework, we have prepared this annual tax update as a report to Council's Audit and Risk Committee (Committee) on progress made during the period up to 30 June 2019.

This memorandum provides:

- A summary of the more substantive tax advice Council has sought from PwC during the period 1 July 2018 to 30 June 2019.
- Commentary on tax matters currently being addressed as at 30 June 2019.
- A more general update on the wider tax environment which may affect Council, albeit kept to a high-level – refer Appendix A.

Context

Council is largely exempt (not completely) from income tax. However, Council pays significant amounts of indirect taxes including:

Tax Type	12 months to 31 March 2019*
GST Output tax paid	\$17,683,809
GST Input tax claimed	\$14,100,591
PAYE	\$6,143,558
FBT	\$13,090

**Aligning to the standard "tax year" for comparability with prior year.*

Significant work undertaken in Year to 30 June 2019

In line with Council's Tax Governance Framework, it is appropriate to report to the audit and risk committee on significant tax issues that arose throughout the year.

Council set a Tax Risk Management Strategy for the year ended 30 June 2019, details of which can be seen in Section 2. Council has been proactive in achieving its planned strategy.

For the most part, the tax compliance of Council has been 'business as usual' for much of the year with the various tax returns (income tax, GST, PAYE, FBT, etc.) being filed on time and without any concerns being raised.

Relevant tax work undertaken throughout the year included Council:

- Commissioning PwC to undertake an evaluation of FBT compliance.
- Commissioning PwC to present a tax training session focussed on issues relevant to Council.
- Staff attending various PwC training courses during the year, including an FBT Webinar and, whilst not tax, an important update on Public Benefit Entity Accounting Standards changes.
- Commissioning PwC to undertake an evaluation of GST compliance.
- Requesting assistance with the preparation and filing of the income tax return for the year ended 30 June 2018, as well as assistance in completing tax disclosure notes for the 2018 financial statements.
- Obtaining a report looking out 10 years and covering the relevant tax considerations associated with the projected evolution of Nelson City.
- Requesting PwC present to Council's Audit and Risk committee in July 2018 regarding overall awareness of tax issues for Local Authorities

In addition, to support the ongoing tax risk management, Council:

- Continued to subscribe and actively use PwC's online Indirect Tax Policies and Guides
- Acquired a subscription to PwC's "GST on Property Guide" specific to Local Authorities to mitigate the risks associated with GST and property transactions
- Sought assistance on a number of ad hoc queries to strengthen their business decisions with confirmation of the potential impact of the relevant tax issues

2

Report:
Tax Strategy
Year to 30 June 2019

Tax Strategy

Progress against
Strategy
FY 30 June 2019

Tax work done undertaken during the year exceeded the plan and demonstrates Council's commitment to delivering on its Tax Risk Management Strategy.

Tax services	Planned Work 30/06/2019	Actual Work Done 30/06/2019
Audit & Risk Committee Tax Awareness session		✓
Audit & Risk Committee 10 year tax outlook report		✓
Tax helpdesk facility	✓	✓
Access to online taxation policies	✓	✓
Tax compliance reviews undertaken		
· GST	✓	✓
· PAYE/withholding taxes		
· FBT		✓
GST Property Guide		✓
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	
· FBT Webinar		✓
· In house tailored tax training		✓

Tax Strategy

Current Proposed Strategy to 30 June 2023

Tax services	Financial year ending 30/06/2017	Financial year ending 30/06/2018	Financial year ending 30/06/2019	Financial year ending 30/06/2020	Proposed future strategy		
					Financial year ending 30/06/2021	Financial year ending 30/06/2022	Financial year ending 30/06/2023
Tax helpdesk facility			✓	✓	✓	✓	✓
Access to online taxation policies	✓	✓	✓	✓	✓	✓	✓
Tax Function Evaluation				✓			
Tax compliance reviews							
• GST			✓			✓	✓
• PAYE/withholding taxes					✓		✓
• Payroll Analyser data analytics testing				✓			
• FBT			✓				✓
Income tax – group tax efficiency review				✓			
Income tax return independently reviewed	✓	✓	✓	✓	✓	✓	✓
Tax disclosure notes independently reviewed	✓	✓	✓	✓	✓	✓	✓
Tax agency – income tax	✓	✓	✓	✓	✓	✓	✓
External advice sought on major tax issues	✓	✓	✓	✓	✓	✓	✓
Tax technology & automation assessment				✓	✓	✓	✓
Tax training provided to staff			As required				

3

Report: Tax Developments

Tax Developments

A brief overview of relevant tax developments over the year.

Other relevant points of note that will impact Council include:

- Inland Revenue continues to encourage public sector organisations to be tax compliant. One of the standard questions when Inland Revenue review any organisation is whether there has been an independent assessment of tax compliance, and if so, to request any reports issued.
- Inland Revenue's ongoing internal transformation has caused disruption to usual services. Clients are noting refunds automatically being swept from one tax type to meet a tax payment in another account. This is sometimes occurring prior to a due date. This is frustrating and time consuming to rectify often requiring multiple communications with Inland Revenue. We encourage clients to ensure all MyIR account balances are reconciled as a final step in the compliance process and at least monthly..
- Once the Inland Revenue transformation project is fully operational we can expect to see the results of their ability to see significantly more data about each taxpayer. The final step in the Transformation journey is for individuals to receive pre-populated accounts. While there have been some such accounts issued this year, we expect from 31 March 2020 that all individuals will be issued with these. We are encouraging our clients to ensure they are comfortable that their Payday filing transitions have been successful by applying analytical tools across their payroll data. Ideally employers would identify any risk areas before employees are given their first pre-populated accounts..
- The Tax Working Group issued its final report in February 2019. The Government is currently considering the recommendations made. The most significant recommendation was the introduction of a capital gains tax which has now officially been rejected by the Government.
- Inland Revenue kilometer rate methodology updated in operational statement OS 18/01: "Commissioner's statement on using a kilometre rate for business running of a motor vehicle". The statement introduces a two tier system and different rates for petrol/diesel, hybrid and electric vehicles. Further evolution of this two-tier approach are currently being considered.
- Donee organisations must now be either on Schedule 23 of the Income Tax Act 2007 as approved donee organisations or listed on the charities register in a move to ensure greater transparency of donations tax credits.

Broader Tax Developments

A brief overview of relevant tax developments over the year.

Other broader tax developments include:

- Consolidated Tax Group changes for Local Authorities effective 1 July 2019.
- Donee Organisations required to be listed with Charities Services in order to be able to claim tax credits against income tax paid. Effectively from 1 April 2019 QB 19/10 was also released clarifying the requirements of a donee organisation to establish and maintain a fund under s LD 3(2)(c) of the Income Tax Act 2007. The consultation reference for this item was PUB00337.
- Payday Filing went live 1 April 2019 requiring employers to submit PAYE returns within 2 days of a payday.
- Interpretation Statement IS 18/07: "Goods and services tax — zero-rating of services related to land" was released December 2018. The interpretation statement concerns 1 April 2017 amendments to the Goods and Services Tax Act 1985. The amendments relate to the circumstances in which services related to land can be zero-rated under s 11A(1)(e) and (k).
- Interpretation statement IS 18/04: "Goods and services tax – single supply or multiple supplies" updates and replaces IS 17/03: "Goods and services tax – single supply or multiple supplies".
- IRD Numbers required on all property transactions Supplementary Order Paper (SOP) No 248 to the Taxation (Annual Rates for 2019-20, GST Offshore Supplier Registration, and Remedial Matters) Bill (114-2). The SOP includes a proposal that will require all buyers and sellers of property to provide their IRD number as part of the transaction process. Previously, those buying or selling a main home did not have to provide an IRD number.
- QB 19/10 clarifying the requirements of a donee organisation to establish and maintain a fund under s LD 3(2)(c) of the Income Tax Act 2007. The consultation reference for this item was PUB00337.
- Regulations have been issued providing for how errors in an employer's employment income information for a payday may be corrected. Tax Administration (Correction of Errors in Employment Income Information) Regulations 2019 (LI 2019/62) were notified on 28 March 2019.
- Standard Practice Statement SPS 19/02 — Voluntary disclosures has been released by Inland Revenue with application from 27 March 2019. It replaces SPS 09/02 and follows the 2018 consultation document, ED0201.

Broader Tax Developments

A brief overview of relevant tax developments over the year.

- IS 19/01: Income tax — application of schedular payment rules to non-resident directors' fees The Interpretation Statement considers the situations in which tax must be withheld from directors' fees paid to non-residents. This includes a discussion of when directors' fees paid to non-residents are considered to have a New Zealand source. The Interpretation Statement then goes on to consider when and how much tax must be withheld and paid to the Commissioner, if withholding is required from directors' fees paid to a non-resident.
- Research and Development tax credit scheme introduced. The 15% tax credit is available from the beginning of the 2019/20 income year for income tax payers.
- GST on low value (under \$1,000) imported goods rules will apply from 1 December 2019. GST will apply at 15% on what will be known as "distantly taxable goods" and offshore sellers, marketplaces and redeliverers who exceed the GST threshold (NZD\$60,000) will be required to register for GST.

Local Government relevant matters

- PwC undertook some research recently into urbanisation. Whilst focussed around the 6 largest centres in New Zealand, it is an interesting read and provides some food for thought. A further article in the New Zealand Herald discussing the comparison in discretionary income between Auckland and Napier after factoring in housing and transport costs is also worth noting. Links below.
https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=12148026
<https://www.pwc.co.nz/insights-and-publications/2019-publications/citiesinstitute.html>
- Infrastructure Funding - The Government is currently investigating means by which large infrastructure projects can be funded where local authorities have funding constraints. This is an ongoing piece of work and brings into spotlight the limited means by which local authorities can currently generate revenue.
- The Wellbeing Budget has been the most recent output following some increased focus of the government in this area. Whilst there are a number of criticisms being imposed, and this is very much the start of a journey, this will be a key focus of this government, and is naturally of relevance to local government given the four key Wellbeing pillars of the Local Government Act
- Tax Policy have invited us to an open discussion on the tax framework for local government. Whilst it may be some time before any conclusions are reached, and legislative changes enacted, this is consistent with their previously signalled review of the income tax legislation as it applied to local government.

Tax Working Group Final Report

Released February 2019

Key recommendations with regards to the New Zealand tax system:

- **Capital gains tax:** Extend the existing coverage of taxing capital gains. Eight of the 11 members of the TWG favoured a broad capital gains tax that would apply at full income tax rates, on realisation (sale or other disposal) of an asset and with no allowance for inflation. This has now been ruled out by the Government and will not go ahead.
- **Environment taxes:** In the short term, expand the coverage and rate of the Waste Disposal Levy, strengthen the Emissions Trading Scheme (ETS) and advance the use of congestion charging. Strengthening the ETS would involve all emissions (including from agriculture) facing a price. Tax instruments that address water pollution and the extraction of water from rivers, streams and aquifers, are also discussed.
- **Company tax:** No plans to alter the company tax rate or move away from the imputation system.
- **Personal income tax:** Consideration was given to raising the bottom income tax threshold (currently \$0 - \$14,000) to \$20,000 or \$30,000, and potentially combining this with an increase in the second marginal tax rate (currently 17.5%) to 21%.
- **Retirement savings:** Encourage greater participation in Kiwisaver for low-income earners through various measures, including refunding the ESCT for KiwiSaver members earning less than \$48,000, increasing the member tax credit from 0.50 to 0.75 per \$1 of contribution and reducing the PIE rates for KiwiSaver funds,
- **Digital services tax:** Be ready to implement a digital services tax to if a critical mass of other countries move in that direction and New Zealand's export industries are not materially impacted.

Other possible areas earmarked for reform are changes to the loss continuity rules for startups, bringing back depreciation deductions on buildings if capital gains tax is extended, expanding deductions for 'black-hole' expenditure, and concessions for nationally significant infrastructure projects.

The full report can be found at: <https://taxworkinggroup.govt.nz/resources/future-tax-final-report>

Thank you

[pwc.co.nz](https://www.pwc.co.nz)

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Nelson City Council GST compliance review

*Version 2.0 released
13 August 2019*

*Version 1.0 originally
released 31 May 2019*

*This report was issued by PwC in accordance with our engagement terms as agreed with Nelson City Council,
and we accept no duty of care to any other party.*

pwc

5839562_1



Tracey Hughes
Senior Accountant
Nelson City Council
110 Trafalgar Street
Nelson, 7010

31 May 2019

GST compliance evaluation

Dear Tracey

The following is our report on the GST compliance of Nelson City Council (Council).

This report has been prepared for the purpose of providing an evaluation of Council's GST compliance and should not be relied upon for any other purpose.

This report is strictly confidential, unless described in the contract or as expressly agreed by us in writing, we accept no liability (including for negligence) to anyone else in connection with this report and it may not be provided to anyone else.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Phil Fisher".

Phil Fisher
Partner

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Abbreviations

BCTI	Buyer-created tax invoice
Council	Nelson City Council
CZR	Compulsory Zero-Rating
DIA	Department of Internal Affairs
GST	Goods and Services Tax
GST Act	Goods and Services Tax Act 1985
MBIE	Ministry of Business, Innovation and Employment
MPI	Ministry for Primary Industries
NRSBU	Nelson Regional Sewerage Business Unit
NTRLBU	Nelson-Tasman Regional Landfill Business Unit
NTCDem	Nelson-Tasman Civil Defence and Emergency Management
PAYE	Pay-As-You-Earn Tax
PwC	PricewaterhouseCoopers

1. *Executive summary*

This report summarises the core findings of the areas covered by this GST compliance evaluation where we consider there to be scope for further improvement.

The findings contained within the report were discussed with Mrs Tracey Hughes, Mr Andrew Bishop and Mrs Margie French at our exit meeting on 13 June 2018.

Overall Council has a well resourced team with good experience in dealing with GST. It is our view that the day-to-day management of GST is achieving a reasonably good level of compliance; however the one-off or unusual transactions may give rise to areas of risk if not identified. Crucial to identifying these situations is having the finance team involved (or at the very least made aware) of business decision making, early in the process. This way their current review practices will likely pick up on any anomalies. Increased automation of GST processes would also reduce risk of unusual transactions going through unidentified.

Specific instances of GST non-compliance or opportunities for savings are noted in Section 3 Summary of Findings.

Action plan

We include an action plan for Council to implement/record its decisions on all of the various matters raised in this report. Please note that certain more minor matters identified during the evaluation can also be found in that section.

While a 3 day evaluation cannot be expected to be as comprehensive as a full Inland Revenue investigation, Council should reflect positively on having taken the proactive step of instigating this evaluation and obtaining a clear, independent view of those areas that it should address to facilitate tax compliance.

2. *Scope of evaluation*

The scope of our GST compliance evaluation was set out in our proposal dated 25 May 2018. Briefly, the aim of the evaluation was to provide the Senior Accountant with an overall assessment of Councils' tax compliance in respect of GST and involved:

- Identifying any material instances of non-compliance, drawing on our experience in undertaking compliance evaluations across the local government sector;
- Ensuring that Councils' current policies and procedures facilitate tax compliance; and
- Enabling Council to demonstrate to Inland Revenue that it has taken reasonable care in managing its taxation affairs.

The initial on-site evaluation was undertaken between 11 June 2018 and 13 June 2018. The approach taken for the evaluation was to interview key staff (as outlined in **Appendix One**) and examine certain key documentation, together with the tax treatment applied to a variety of transactions undertaken by Council. The documents selected and employees interviewed were based on our knowledge of the current areas of tax on which the Inland Revenue is focusing, and our experience gained from our close involvement with the local government sector, of the problematic issues that can arise.

As agreed, the culmination of the evaluation is the following report, providing an overview of Council's compliance with existing tax legislation, our recommendations for policy and process improvements, where appropriate, and our comments on tax opportunities/risks identified.

We would like to convey our appreciation of the assistance and open co-operation provided by Council personnel throughout the course of the evaluation.

3. Summary of findings

Key

- ✓ High risk/immediate action required
- ✓ Medium risk/attention recommended in the medium term
- ✓ Low risk/for your information only
- ✓ Tax opportunity/action required

Area of focus	Our observation	Our recommendation	Action taken by Council	Priority
General				
GST return process	<p>Council uses a excel spreadsheet to perform the GST calculation. The spreadsheet is rolled forward each month and prior period figures are hard coded into the spreadsheet.</p> <p>The GST spreadsheet is prepared by the Assistant Financial Accountant and is reviewed by the Management Accountant and Group Manager Corporate Services.</p> <p>Once reviewed, GST returns are filed individually for the Joint Committees and Council.</p>	<p>Due to the manual process of rolling the GST spreadsheet over each month and hardcoding prior period figures, the opportunity for human error arises. We note this is mitigated by a dual review.</p> <p>We recommend Council periodically review the GST spreadsheet to test formulas are working as they expect¹.</p> <p>Council could look into automation tools to reduce human error. However, the time and cost would need to be considered against any potential benefits.</p>	<p>The GST return contains some proofs. Will now add additional quarterly checks of spreadsheet integrity.</p>	<p>✓</p>

¹ And regularly include spreadsheet errors in their 'list' of most common errors resulting in non-compliance.

Area of focus	Our observation	Our recommendation	Action taken by Council	Priority
GST return procedure	<p>Council has pro-mapped their GST return process at a high level and also have detailed process notes on file on how to prepare the GST returns with the new template.</p> <p>Even with detailed process notes on hand the first time the Assistant Financial Accountant attempted to prepare the GST return with the new template there was confusion on how the spreadsheet worked which inadvertently resulted in an error in the March period.</p>	<p>We recommend that Council updates their detailed GST return procedure document and reviews these periodically.</p> <p>This procedure needs to be detailed enough so that anyone in the Finance Team that has never filed the return before, could follow and correctly prepare and file the return.</p> <p>We understand Council identified a key person risk and a new staff member is being trained to prepare the GST return. This is great opportunity for the GST return procedure to be reviewed and updated alongside the induction/training.</p>	<p>Laura has completed the GST return from the instructions.</p> <p>Laura has updated the instructions and will complete the GST return again to make additional changes to further clarify how to complete the GST return so this can be completed by others easily.</p>	✓
GST policies	<p>Council subscribe to PwC's online tax policies.</p> <p>This keeps Council up to date with the ever-changing world of tax through subscriptions to tax updates and attending the PwC biannual tax training.</p>	No action required.	No action required.	✓
Joint Committees	<p>Council has recently begun accounting for GST separately for the Joint Committees. These include NRSBU, NTRLBU and NTCDEM.</p> <p>GST is calculated at 15% for all income and expenditure transactions relating to the Joint Committees.</p>	<p>We note that Council treating all income and expenses with GST at 15% is conservative.</p> <p>No action required.</p>	No action required.	✓

Area of focus	Our observation	Our recommendation	Action taken by Council	Priority
GST return disclosures	<p>Council correctly declares its zero-rated sales within 'Box 6' of the GST return (e.g. petrol taxes, zero-rated property sales, etc.).</p> <p>However, credit or debit adjustments (, such as bad debt write-offs, customs invoices, insurance payments received, etc.) are not disclosed in Boxes 9 and 13 in the GST return but are being included as ordinary GST.</p>	No action required.	A new GST code/flag is to be created for correct disclosure to Inland Revenue.	✓
Rates				
Early payment rates discount	<p>Ratepayers that pay their annual rates before the first instalment due date receive a 2% discount.</p> <p>No credit note is raised and provided to the ratepayer to reduce the value of the supply. No subsequent GST documentation is issued. This could lead to a ratepayer claiming input tax (if able to) on the full amount. This may also impact Council's output tax if the value of the supply is not reduced.</p>	We recommend Council review the wording in the rates instalment notice surrounding the GST on the discounted rates payable.	Will look at making an amendment to invoicing layout/formatting however need to also consider legal requirements. GST return is correct.	✓
Rates received in advance	Council correctly adjusts the GST return on the movement in the rates in advance account each month.	No action required.	No action required.	✓
Rates remission	<p>Where a rates remission occurs, the amount of GST returned can be reduced by treating the remission as a 'reduction' in the value of the supply.</p> <p>Council completes a journal to correct Council's GST output tax due to rates remission.</p>	No action required	No action required.	✓

Area of focus	Our observation	Our recommendation	Action taken by Council	Priority
Rates rebates	Output tax is triggered when the rates instalments are raised. Rates rebates are received from DIA on a regular basis.	No action required.	No action required.	✓
Rates penalties	Council correctly does not return GST on rates penalties.	No action required.	No action required.	✓
Rates rebates – retirement villages	Due to changes in rating legislation, residents of retirement villages that have a licence to occupy will now be entitled to a rebate in some instances. This represents a significant change to rates rebates as the recipient of the rebate may differ from a named ratepayer. While the GST treatment will follow the rates rebate, Council will need to ensure its systems can cope with this change and issue appropriate GST documentation accordingly. We note that at the time of this on site work, Council had not implemented this change.	We recommend Council remain up to date with the current rating legislation changes and the impact this might have on GST.	No action required.	✓

Area of focus	Our observation	Our recommendation	Action taken by Council	Priority
Rates charged to Council-owned residential properties	<p>As part of its rating process (both water and property rates), Council rates all properties within its District, including properties that Council owns.</p> <p>Technically, in our view this arrangement represents a 'self-supply', and Council should not be returning or claiming GST on rates charged to Council-owned properties. However, we understand that system restraints do not allow Council to isolate certain properties to not rate.</p> <p>To rectify this, Council performs a monthly journal to back out GST on rates charged to Council owned residential properties. Whilst it is a manual process that does present opportunity for human error, overall the GST position results in the correct outcome. Care should be taken when doing this journal.</p>	No action required.	No action required.	✓

Area of focus	Our observation	Our recommendation	Action taken by Council	Priority
Property				
Procedure documentation	<p>Council have pro-mapped the property transaction process. This includes the requirement for Finance to review property transactions for GST before the sale and purchase agreement is signed.</p> <p>However, Finance raised a concern that previously there was no follow up consultation from the Property team if the facts of the transaction were to change.</p>	<p>Due to the potential significant financial/tax risk in a singular transaction, we recommend Council ensure all property transactions are consulted with the Finance team.</p> <p>Finance should communicate to the Property team when first consulted that the GST treatment is subject to the current facts, and could be subject to change if the facts of the transaction were to change. The Finance team should also diary note the dates of the transaction and check in prior to settlement.</p>	Process to be updated.	✓

Area of focus	Our observation	Our recommendation	Action taken by Council	Priority
Review of specific property transactions	<p>Council does not undertake a significant amount of property transactions so while this may suggest it is a lower risk area for Council, due to the significant value of the transactions and the infrequency with which staff are required to deal with this technical area it can present a real risk.</p> <p>There have been few property sales, property acquisitions and land swaps in the last 24 months.</p> <p>On some of the sale and purchase agreements we viewed, documentation did not explicitly state if the vendor was registered for GST or not.</p> <p>Based on the documentation on file we could not explicitly conclude CZR was applicable.</p>	<p>We suggest that Council review all sale and purchase agreements dating back 4 years to ensure the documentation explicitly states if the vendor is registered for GST or not.</p> <p>The Risk for Council is treating a transaction as CZR and Inland Revenue determine CZR is not the correct treatment then the Council could be subject to the 15% difference.</p> <p>Council need to actively consider GST for every property transaction. We recommend this step is incorporated into the property sale and purchase procedure.</p>	Not necessary to check S&P agreements going back four years. Procedure checked for inclusion of GST at each step of the S&P process.	✓
Guidance / training for property team	From our discussion, uncertainty exists within the property team as to the GST treatment of property transactions that arise.	Council may also want to consider providing training to staff, or provide resources, such as the PwC Property Guide, which contains simple to follow flowcharts and explanations of the GST treatment to be adopted for a range of different property transactions.	Council has now subscribed to the The Property Guide specifically tailored for Local Authorities.	✓
Second hand goods credit	<p>The Parkers Road land swap transaction had not yet been completed at the time of the on site work due to Council requiring LINZ approval.</p> <p>If the transaction did go ahead we</p>	Council should continue to monitor the transaction to ensure the facts do not change before now and settlement and claim the second-hand goods credit in the relevant GST period.	VH and AB to follow up.	✓

Area of focus	Our observation	Our recommendation	Action taken by Council	Priority
	would expect the GST to be considered in respect of each transaction as if they were separate and distinct. Based on the facts at the time we would understand that Council would be entitled to a second-hand goods claim. The facts may have changed since the on-site time so a review of the contract is recommended.			
Camping grounds	<p>Council owns camping grounds, which have semi-permanent residents.</p> <p>Camping grounds are expressly included in the definition of “commercial dwelling” in the GST Act. This means that the supply of accommodation in a camping ground is a supply for GST purposes.</p> <p>We understand that Council charges GST at 15% on causal stays. This is appropriate.</p> <p>With regard to the semi-permanent residents, if Council is making a supply of domestic goods and services to a resident for a period in excess of 4 weeks, there is an opportunity for Council to return GST on 60% of the taxable value of the supply.</p> <p>The term “domestic goods and services” means the right to occupy whole or part of a commercial dwelling where included in the right us the supply of cleaning & maintenance, electricity, gas, heating etc.</p> <p>GST input tax can still be claimed at</p>	<p>Provided that Council is of the view that “domestic goods and services” are being supplied to semi-permanent residents, then Council should be returning GST on income from semi-permanent residents of the campground at the discounted GST rate of 9%, if the resident has been, or intends to stay for four weeks or longer.</p> <p>Council is entitled to claim GST at 15% and is not required to perform an annual non-deductible adjustment to camp ground expenses.</p> <p>We recommended that Council quantify its exposure and consider making a voluntary disclosure to Inland Revenue for any historical underpayment or overpayment of GST. As a side note, the additional output tax to be returned on the income will be mitigated by the previous denial of GST input tax claims in relation to the associated expenses.</p>	Voluntary disclosure to be completed and process change required.	✓

Area of focus	Our observation	Our recommendation	Action taken by Council	Priority
	<p>the standard 15% on expenses incurred in relation to these supplies.</p> <p>We understand that Council is not returning GST output tax on the supply of accommodation to the semi-permanent residents on the basis that it is the supply of accommodation in a dwelling.</p> <p>Council claims the full amount of GST input tax when invoices are processed and makes a corresponding annual adjustment for the non-deductible portion that relates to the supply of accommodation to the semi-permanent residents.</p>			
Residential rentals	<p>Council owns strategic residential houses and social housing which they rent out to tenants. The properties are managed by third party property management organisations and Council receives a net payment from the property management organisations.</p> <p>The provision of residential accommodation is exempt from GST. Council correctly does not account for input and output tax in relation to residential rentals.</p>	No action required.	No action required.	✓
GST apportionment	Council performs an annual GST apportionment for exempt supplies.	No action required.	No action required.	✓

Area of focus	Our observation	Our recommendation	Action taken by Council	Priority
Consents				
Building consent – time of supply	<p>Council charges a deposit on receipt of a building consent application. Council issues a final invoice for charges less the deposit when the building consent has been approved.</p> <p>For GST purposes, the time of supply is triggered at the earlier of an invoice being issued or any payment received.</p> <p>As such, deposits <u>can</u> trigger the time of supply for the full value of the building consent where the value of building consent is known at the time of the deposit. If the full value is not known, then GST is to be accounted for to the extent of the value known.</p>	<p>To ensure time of supply is not triggered on the full value of the consent costs at the time the deposit is receipted, we recommend reclassifying the nature of this initial payment as an “application fee”, rather than a deposit.</p> <p>The alternative would be to hold deposits in a stakeholder account until the consent is completed.</p>	<p>Change is required. Need to investigate the process so we do not take a deposit. GST is currently correctly returned on the deposit paid.</p>	✓
Resource consent credit note	<p>The credit notes issued for resource consents are not ‘valid’ credit notes as the documentation has the title “tax credit” rather than “credit note” as required by section 24 of the GST Act.</p>	<p>We recommend Council amends its credit note stationery to state “credit note” to ensure they meet the statutory requirements of a ‘valid’ credit note.</p>	<p>Change required - Cam to undertake project as this would apply to all credits not just resource consents. Need to understand the different templates.</p>	✓

Area of focus	Our observation	Our recommendation	Action taken by Council	Priority
BRANZ levies	<p>Council correctly does not account for GST on BRANZ levies. At month end, Council issues a schedule to BRANZ with the levy's collected for the month and deducts the commission including GST for the collection of the BRANZ levy.</p> <p>Council does not currently issue BRANZ with an invoice for the commission. However Council is required to issue a valid tax invoice if requested.</p>	No action required.	No action required.	✓
MBIE levies	We note that the GST treatment is changing in relation to MBIE levies and we understand that you have received a letter from MBIE explaining the impending changes.	Council should be aware of the impending changes that may be required to the GST treatment of MBIE levies and ensure these are adopted accordingly.	Checked and confirm.	✓
Dog registration				
Dog registration fees	<p>Council emails dog owners two months in advance regarding upcoming dog registration fees with an attached conditional invoice.</p> <p>Because the invoice is conditional and will not become a tax invoice until it is paid. Accordingly, GST is returned when the invoice is paid.</p>	No action required.	No action required.	✓
Refunded dog registration fees	Dog registration refunds are pro-rated from the date in which Council is notified the dog is no longer required to be registered.	No action required.	No action required.	✓

Area of focus	Our observation	Our recommendation	Action taken by Council	Priority
Other				
Revenue tax codes	Upon our review and discussions with Council there are Sundry Income revenue codes that are not set up with the correct GST setting. Council has confirmed these codes should include GST.	We recommend Council review all trial balance codes to determine if they have been correctly set up for GST. Council should quantify its exposure (if any) and consider making a voluntary disclosure to Inland Revenue for any historical underpayment of GST.	Review to be undertaken.	✓
Tax Invoices	Upon sample testing of accounts payable invoices, we found a couple of instances where a valid tax invoice were not held on file. There was also one case where GST was over claimed.	We recommend that Council remind staff of the credentials of a valid tax invoice as per legislation. Council should also check the GST amount on invoices received as some invoices may contain a mixture of taxable and exempt supplies. Additionally Council could consider automation of manual processes to reduce risk of data entry error.	Victoria managing and has gone through with applicable staff.	✓
Infringements	Council correctly treats freedom camping, parking tickets and various other offences as infringements which do not contain GST.	No action required.	No action required.	✓

Area of focus	Our observation	Our recommendation	Action taken by Council	Priority
Insurance proceeds	<p>We understand that Council has received only a couple of minor insurance proceeds in the past few years.</p> <p>Where Council receives insurance proceeds, the GST treatment of the proceeds follows the GST treatment of the insurance premium. Often there are insurance premiums that have overseas portions, which are not subject to GST at the standard rate.</p>	Currently a minimal risk, Council should ensure that it returns GST on insurance proceeds received to the extent it relates to an insurance policy where the premiums were subject to GST.	Add additional check to GST instructions to check insurance recoveries/balance sheet accounts.	✓

Appendix One - Key personnel

Person	Title
Tracey Hughes	Senior Accountant
Andrew Bishop	Management Accountant
Margie French	Assistant Financial Accountant
Rose Madden	Debtors Officer
Jitka Marigold	Creditors Officer
Cam Fraei	Team Leader Revenue
Peter Hunter	Team Leader – Property Services
Victoria Harper	Accounting and Property Services Manager
Rosetta McKenzie	Building Consents Administrator
Tammy Ward	Consents Administrator
Lucy Henderson	Team Leader Administrator EIL

Quarterly Key Risks Report - 1 April to 30 June 2019

1.

2. Purpose of Report

- 1.1 To provide information to the Audit, Risk and Finance Subcommittee on the key organisational risks.

3. Recommendation

That the Audit, Risk and Finance Subcommittee

- 1. Receives the report Quarterly Key Risks Report - 1 April to 30 June 2019 (R10217) and its attachment (A2233464).***

4. Background

- 4.1 Risk management activities during quarter four include:

- A review of the risk management structure and process;
- The exploration of options to ensure risk management activity is focussed on Council's core service delivery objectives;
- The identification of a potential software tool to enable consolidation of risk recording, to provide more effective risk ownership and visibility, and to provide more efficient reporting on risk.

- 4.2 Anticipated risk management activities during quarter one 2019-20 include:

- Planning a risk maturity benchmarking exercise;
- Planning a trial of the risk management software tool;
- Developing a revised risk management structure and related processes.

5. Risks to Achieving Council Long Term Plan Top Priorities

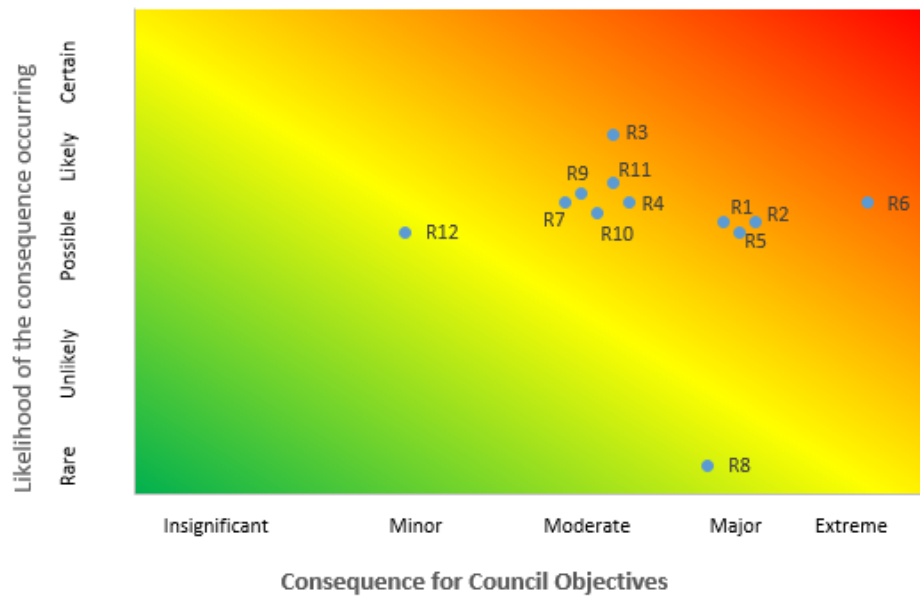
- 5.1 Updated information for quarter four is summarised below, with further detail on the risk areas, their controls and treatments set out in attachment one.
- 5.2 **Priority area Infrastructure (Risk 1).** During quarter four, there were no reported exceptions to the risk controls. The review dates for some planned risk treatments have been brought forward to ensure progress of these planned activities is reported through to the Audit Risk and Finance Subcommittee in a timely manner.
- 5.3 **Priority area Environment (Risk 2).** Planned risk treatments were further developed during quarter four. The risk profile for this priority area will be reviewed towards the end of quarter one 2019-20, once the recent report on Council's compliance, monitoring and enforcement practices has been considered by the Planning and Regulatory Committee.
- 5.4 **Priority area CBD Development (Risk 3).** Planned risk treatments have been updated during quarter four.
- 5.5 **Priority area Lifting Council Performance (Risk 4).** Planned risk treatments were further developed during quarter four. During quarter one 2019-20, the controls will be reviewed to provide more extensive and complete information, followed by a review of the risk profile.

6. Key Organisational risks

- 6.1 At end of quarter four, the known key risk areas for the four Long Term Plan top priorities, and the eight key organisational risks, are as summarised in the heat map, and table below. Brief updates are provided for the eight key organisational risk areas, with further detail in attachment one.

Item 9: Quarterly Key Risks Report - 1 April to 30 June 2019

Council's key residual risks heat map



ID	Risk Area	Rating	Owner
1	Council priority area: Infrastructure	High	Group Manager Infrastructure
2	Council priority area: Environment	High	Group Manager Environmental Management
3	Council priority area: CBD Development	High	Chief Executive
4	Council priority area: Lift Council Performance	Medium	Chief Executive
5	Lifeline service failure from natural hazards and similar events	High	Group Manager Infrastructure
6	Illness, injury or stress from higher hazard work situations	High	Group Manager Corporate Services
7	Loss of service performance from ineffective contracts and contract management	Medium	Chief Executive
8	Compromise of Council service delivery from information technology failures	Medium	Group Manager Corporate Services
9	Compromised decision making and public information from incomplete and difficult to access records	Medium	Group Manager Strategy and Communications

Item 9: Quarterly Key Risks Report - 1 April to 30 June 2019

ID	Risk Area	Rating	Owner
10	Council work compromised by loss of and difficulties in replacing skilled staff	Medium	Manager People and Capability
11	Legal liability and reputation loss from inadequate consideration of the law in decision making	Medium	Group Manager Strategy and Communications
12	Loss of public trust in the organisation	Medium	Group Manager Strategy and Communications

- 6.2 **Lifeline service failure from natural hazards and similar events (Risk 5).** The risk profile for this area will be reviewed towards the end of August 2019, to assess the impact of risk treatments that were completed or were in progress during quarter 4 2018-19. Risk treatments completed include a test of the organisation's major disruption response capability; actions resulting from the regional lifeline review; and development of the Maitai Emergency Action Plan is in progress.
- 6.3 **Illness, injury or stress from higher hazard work situations (Risk 6).** The residual risk rating in this area moved from Medium at the start of the year to High. The risk rating was reviewed and revised to High after taking into consideration public spaces and events provided by Council, in light of the attacks in Christchurch, and has remained as High whilst officers work through requirements for enhanced security awareness and physical controls at key Council workplaces. Risk treatments have been progressed throughout the year though most will not be completed until December 2019.
- 6.4 **Loss of service performance from ineffective contracts and contract management (Risk 7).** Treatments are underway, with progress being made on contract data consolidation and software tools to evaluate for suitability to support more effective contract management.
- 6.5 **Compromise of Council service delivery from information technology failures (Risk 8).** A number of planned treatments scheduled for quarter four were unable to be completed until July 2019. The effect of these completed treatments will be evaluated during quarter one 2019/20, and the residual risk profile will be updated accordingly.
- 6.6 **Compromised decision making and public information from incomplete and difficult to access records (Risk 9).** Risk treatments have been expanded and the review timetable updated.
- 6.7 **Council work compromised by loss of and difficulties in replacing skilled staff (risk 10).** Risk treatments have been further developed and the review timetable updated.

- 6.8 **Legal liability and reputation loss from inadequate consideration of the law in decision making (Risk 11).** Risk treatments have been further developed and the review timetable updated. Some treatments are completed, and the effect of these on the residual risk profile will be evaluated during quarter 2 2019-20, along with other treatments that are planned to be completed by then.
- 6.9 **Loss of public trust in the organisation (Risk 12).** The risk treatments and timetable have been updated, most of note is the adoption of the Communications and Engagement Strategy.

7. Risk Areas for Each Group

- 7.1 **Infrastructure Group:** The key risks being reported to the Works and Infrastructure Committee this quarter relate to delivery of the capital programme. Issues arising during the year such as issues with land negotiations, increased project costs that required additional funding, inability to attract tenderers, the fire emergency, and drought, all contributed to changes in the programmed timeline for some projects.
- 7.2 **Community Services Group:** No new emerging risks to report at this time.
- 7.3 **Environmental Management Group:** At the end of quarter four, risks to statutory timeframes and inefficiencies in building consent processing are the biggest concern, whilst necessary changes to the "AlphaOne" software system are implemented.
- 7.4 **Strategy and Communications Group:** No new emerging risks to report at this time. Previously reported risks relating to the management of social media, and the volume of reactive work, continue to be managed.
- 7.5 **Corporate Services Group:** No new emerging risks to report at this time.

Author: Arlene Akhlaq, Manager Business Improvement

Attachments

Attachment 1: A2233464 Key organisational risks report Quarter 4 April to June 2019 [↓](#)

Council Risk Profile - Key Organisational Risks: Quarter 4 2018-19

Council risk profile - attachment to quarterly report for audit risk and finance subcommittee (A2233464)

Overview

The purpose of this document

This document provides a profile of the key risks which the Council faces at the overall organisation level. Following good practice in corporate risk reporting, key risks are described from two perspectives;

- The effect of uncertainties on the Council's key objectives as set out in the organisation's long term plan – four key risk areas
- The effect of uncertainties on areas of council operation which affect the overall capacity of the organisation to deliver on all of its objectives – currently eight risk areas

In many cases the information required to meaningfully update risk levels requires significant time to acquire, so this is always a 'snapshot' for the indicated period.

Omitted areas:

This report does not provide an update on any risks to the organisation's overall expenditure programme, 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 control. 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).

Risk Profile

The following pages (one for each key risk area) set out:

- A summary of the nature of each risk area including the relevant part of the Council's objectives, the uncertain events considered and the consequent estimated level of risk using the Council's risk criteria – the green box on each page. As is normal risk management practice, levels are based on the largest consequence likelihood pair for the events considered.
- The assigned risk owner and the last update to the information for the risk area
- A diagrammatic representation of the current estimated level of residual risk (i.e. after considering controls), an indication of any risk movement over the reported quarter, and the intended effect of treatments or further actions to manage (usually reduce) risk levels - the grey box on the top right of each page
- A description of actions in place (controls) or proposed (treatments) to manage the risk including the intended effects of, likely timeframe and accountabilities for each action – the yellow box on each page.

1. Council priority area: Infrastructure																																			
Assigned risk owner:		Group Manager Infrastructure			Last update: June 2019																														
Residual risk identification and assessment					Residual risk rating map																														
Council objectives:	To provide and maintain water supply, wastewater and stormwater management systems, transport infrastructure and solid waste disposal to meet the current and reasonably foreseeable needs of the Nelson Community				<div>Likelihood</div> <table><tr><td>Almost Certain</td><td>Medium</td><td>Medium</td><td>High</td><td>Very High</td><td>Very High</td></tr><tr><td>Likely</td><td>Medium</td><td>Medium</td><td>High</td><td>High</td><td>Very High</td></tr><tr><td>Possible</td><td>Low</td><td>Medium</td><td>Medium</td><td>High</td><td>High</td></tr><tr><td>Unlikely</td><td>Very Low</td><td>Low</td><td>Medium</td><td>Medium</td><td>High</td></tr><tr><td>Rare</td><td>Very Low</td><td>Very Low</td><td>Low</td><td>Medium</td><td>Medium</td></tr></table> <div>InsignificantMinorModerateMajorExtreme</div> <div>Consequence</div>	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
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																													
Uncertain events considered:	Extreme natural hazard events (extreme weather, seismic events, large scale energy system failure) Service demand increases faster than projected Infrastructure component fails earlier than projected life																																		
Consequences		Likelihood	Assessed risk level																																
Major loss of Council infrastructure services to the Nelson community		Possible	High																																
Moderate level health impact on residents and visitors		Possible	Medium																																
Moderate level impact on Council reputation		Likely	High																																
						Risk Movement in reporting period: None Treatments are intended: To reduce both likelihood and consequences																													
MANAGING THE RISK																																			
Controls – what we have in place:			Treatments – what we are planning																																
Description	Accountability	Effect of control	Description	Expected effect	Timetable	Next review																													
Infrastructure planning	Group Manager Infrastructure	Improves resilience of infrastructure components reducing consequences	Actions from regional lifeline review – ongoing programme of stream flood protection work, wastewater pump station upgrades and water supply network enhancements/replacements Reduced inflow and infiltration to wastewater system	Increased flood protection (modelling, design and construction)	Modelling work completed awaiting decision on priorities for action	August 2019																													
Asset management plans for each network	Group Manager Infrastructure	Planned asset upgrading or replacement, reduces consequences		Increased resilience of supply for water Ongoing reduction of wastewater system overflows Increased pump station capacity	Water supply option investigations undertaken in 2018-19, pipeline replacements commenced Investigations re inflows commenced – will continue during 2019-20 year One Pump station completed one being designed																														
30 year infrastructure strategy	Group Manager Infrastructure	Long term improvement of infrastructure resilience	Improved cycling and walking facilities, upgrading local roading, including bridges, retaining walls etc., CBD bus terminus and parking upgrades	Encourage and provide for cycling and walking and improved traffic flows	Planning 2019–20 Implementation 2020-24	December 2019																													
Asset management information systems to track infrastructure item status	Group Manager Infrastructure	Provides data for decisions about infrastructure asset renewal, replacement etc.	Earthquake Prone Building Legislation implementation – identify and provide protection for strategic routes	Identification and enhanced protection of most significant transport routes	Over a 5 year period from amendment date	December 2019																													
Utilities performance monitoring and response	Group Manager Infrastructure	Identifies areas of service for upgrade, repair etc., to be executed	Execution of Nelson Tasman Waste Management and minimisation plan	Reduced environmental and health impacts from waste	Progressively over six years from now	June 2020																													

2. Council priority area: Environment													
Assigned risk owner:			Group Manager Environmental Management				Last update: June 2019						
Residual risk identification and assessment							Residual risk rating map						
Council objectives:	To respond to adaptation and mitigation issues associated with climate change within Nelson. To deliver environmental outcomes within Council’s capital projects, existing infrastructure and business case development. To effectively manage biosecurity risks across marine, freshwater and terrestrial domains. To enhance Nelson’s biodiversity in the freshwater and terrestrial domains. To manage land and soil resources. To maintain and enhance air quality, water quality, and water quantity To deliver effective and efficient regulatory services which manage environmental and built effects.						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
Uncertain events considered:	There is no drive or commitment (including financial) to act on environmental enhancement initiatives or statutory regulatory standards. Inability to deliver because of staff resourcing issues. Biosecurity failure causes pest species upsurge. Council investment decisions with inadequate environmental considerations. Natural hazard events causing disruption and impact												
Consequences			Likelihood		Assessed risk level								
Major damage to Nelson biophysical environment			Unlikely		Medium								
Major impact on Council reputation			Possible		High								
Major environmental impact from infrastructure damage on the natural environment			Possible		High								
Moderate legal impact from breach of and not giving effect to legislation or statutory plans			Unlikely		Medium			Risk Movement in reporting period: None Treatments are intended: to reduce both consequences and likelihood					
MANAGING THE RISK													
Controls – what we have in place:					Treatments – what we are planning								
Description	Accountability	Effect of control		Description	Expected effect	Timetable	Next review						
Legislative requirements to manage air quality, water quality and quantity, land management, forestry management, biosecurity (marine, freshwater and terrestrial) and biodiversity	Group Manager Environmental Management Group Manager Infrastructure	All environmental domains meet statutory requirements. Non-regulatory programmes deliver across the domains including eco-advice and warmer healthier homes		CEMARS carbon emissions monitoring and reduction programme for the community	Programme for measuring and promoting the reduction of greenhouse gas emissions by the community	To be established – climate change coordinator to be appointed	September 2019						
Resource consenting and building consenting	Group Manager Environmental Management Group Manager Infrastructure	Statutory compliance with legislation and plans to manage the natural and physical environment		Business cases to include assessment of environmental impacts	Council projects achieve improved environmental results	Being established for new business cases	June 2020						
CEMARS carbon emissions monitoring, and adaptive pathways work on adaption for Council	Group Manager Environmental Management	To provide baselines and data for future planning of emission reductions for Council operations. Confirm responses in areas likely to be impacted by climate change		Climate Change policy for the Council (Group Manager Strategy and Communications leads)	Will provide some high level objectives to guide Council decision making	In progress – see first line above	June 2020						
Weed and pest management, Council contracted and coordination of community programmes	Group Manager Environmental Management Group Manager Community Services	Control or reduce levels of existing pests and weeds, identification and where required action on potential incursions of new pest species		Response to national biosecurity strategy and national policy statement on biosecurity	Implementation and response will improve weed and pest management and incursion response capability	National documents still being developed. expected to be finalised during 2019-20 year	December 2019						
River and stream enhancement programmes (e.g. Healthy Streams)	Group Manager Environmental Management Group Manager Infrastructure Group Manager Community Services	Improved water and habitat quality in rivers and streams, and management of water quantity for ecological flows											

Natural hazard advice to property owners (e.g. via LIM)	Group Manager Environmental Management	Understanding of natural hazard impact by landowners					
Biodiversity improvement programmes e.g. Nelson Nature	Group Manager Environmental Management	Delivery of protection of significant natural areas, and enhanced species management					

3. Council priority area: CBD Development										
Assigned risk owner:			Chief Executive		Last update: June 2019					
Residual risk identification and assessment				Residual risk rating map						
Council objectives:	To maintain and enhance the Nelson central business district so it provides the commercial, cultural and city residence centre for Te Tau Ihu by; <ul style="list-style-type: none">using public (Council) investment in land and infrastructure to encourage private investment in the CBD – including managing the effects of climate changedelivering quality City Centre public spaces to attract more people for longer to the CBDcreation of visible precincts to attract business to use the CBD as a regional centreincreasing directly or indirectly the supply of residences in the CBD			<div>Likelihood</div>	Almost Certain	<div>Medium</div>	<div>Medium</div>	<div>High</div>	<div>Very High</div>	<div>Very High</div>
Uncertain events considered:	Decrease of CBD commercial activity CBD core infrastructure services failure or loss of CBD land use through climate change precipitated events (e.g. flooding) Cultural activities move from Nelson CBD Decline in CBD residential numbers				Likely	<div>Medium</div>	<div>Medium</div>	<div>High</div>	<div>High</div>	<div>Very High</div>
					Possible	<div>Low</div>	<div>Medium</div>	<div>Medium</div>	<div>High</div>	<div>High</div>
					Unlikely	<div>Very Low</div>	<div>Low</div>	<div>Medium</div>	<div>Medium</div>	<div>High</div>
					Rare	<div>Very Low</div>	<div>Very Low</div>	<div>Low</div>	<div>Medium</div>	<div>Medium</div>
Consequences			Likelihood		Assessed risk level					
Loss of trust and confidence in Council from decreasing CBD activity			Possible	Medium						
Moderate service failure from non-availablity of city centre residences			Likely	High						
Loss of CBD services from infrastructure services failure			Unlikely	Low						
Minor service failure from decreased public space quality or availalbity			Possible	Medium	Risk Movement in reporting period: None Treatments are intended: To reduce both consequences and their likelihood					

MANAGING THE RISK							
Controls – what we have in place:				Treatments – what we are planning			
Description	Accountability	Effect of control		Description	Expected effect	Timetable	Next review
Council provided waste collection & street cleaning	Group Manager Infrastructure	Enhanced CBD liveability		Investigation into new bus exchange	Improved transport connectedness	Investigation commenced quarter four 2018-19, not yet complete	October 2019
Council provides funding support for Uniquely Nelson	Group Manager Environmental Management	Primary role of Uniquely Nelson is to is to promote the CBD to encourage greater visitation, thereby increasing retail spend into the Nelson economy		Engagement of key stakeholders to understand future needs (for commercial and residential use)	Better definition of objectives	Already commenced – programmed for 2019-20	November 2019
City Development team established to coordinate developments to benefit CBD across Council	Group Manager Environmental Management	Provides resources and focus on CBD development activities (e.g. transport, property management, infrastructure development etc.)		Update of parking facilities and services	Improved accessibility for CBD	Investigations commenced in quarter four 2018-19	October 2019
Nelson City Events Strategy (adopted May 2018)	Group Manager Community Services Group Manager Strategy and Communications	Supports events that are aligned with the Economic and Community funding streams and their objectives of providing economic value, and supporting community wellbeing, our sense of identity and creating a partnership between the community and Council		Trials of pedestrian and market/ dining spaces in laneways based on Upper Trafalgar St vehicle access restriction	Improved pedestrian amenity and business use of city centre space	Completed	n/a
City centre focus group formed	Group Manager Environmental Management	Inform City Centre stakeholders of possible actions		Input to Nelson plan so the plan enables high quality commercial/ residential develop in city centre	Allow residential and commercial CBD development	Work commenced in latter part of 2018-19 Nelson Plan technical review in progress	To be confirmed
CBD Specific infrastructure upgrades	See under infrastructure above	See under infrastructure above		Transition of Upper Trafalgar Street to a pedestrian mall	Improved pedestrian amenity and business use of city centre space	Consultation for Upper Trafalgar Street pedestrian mall during quarter one 2019-20	October 2019

4. Council priority area: Lift Council Performance																																																
Assigned risk owner:			Chief Executive		Last update: June 2019																																											
Residual risk identification and assessment					Residual risk rating map																																											
Council objectives:	To maintain and develop the organisation’s capacity to respond to community need by: <ul style="list-style-type: none">Providing a single integrated information base about the state of and expenditure on assets needed to deliver services (e.g. transport, water supply, wastewater management etc.) to the Nelson communityStreamlining the management of contracts and contractors to obtain best value from expenditure on contracts and contractorsIntegrating existing systems so that information is internally linked to enable improved organisation and governance understanding of and response to uncertainties				<div>Likelihood</div> <table><tr><td>Almost Certain</td><td>Medium</td><td>Medium</td><td>High</td><td>Very High</td><td>Very High</td></tr><tr><td>Likely</td><td>Medium</td><td>Medium</td><td>High</td><td>High</td><td>Very High</td></tr><tr><td>Possible</td><td>Low</td><td>Medium</td><td>Medium</td><td>High</td><td>High</td></tr><tr><td>Unlikely</td><td>Very Low</td><td>Low</td><td>Medium</td><td>Medium</td><td>High</td></tr><tr><td>Rare</td><td>Very Low</td><td>Very Low</td><td>Low</td><td>Medium</td><td>Medium</td></tr><tr><td colspan="6">Insignificant Minor Moderate Major Extreme</td></tr><tr><td colspan="6">Consequence</td></tr></table>	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 Extreme						Consequence						
Almost Certain	Medium	Medium	High	Very High		Very High																																										
Likely	Medium	Medium	High	High		Very High																																										
Possible	Low	Medium	Medium	High		High																																										
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Rare	Very Low	Very Low	Low	Medium		Medium																																										
Insignificant Minor Moderate Major Extreme																																																
Consequence																																																
Uncertain events considered:	Lack of clarity of Council requirements Assets replaced while substantial service life remains Council systems slow or fail to work (people, record keeping, IT, Council decision making etc.)																																															
Consequences		Likelihood	Assessed risk level																																													
Minor level overspend on contract		Likely	Medium																																													
Minor level financial loss from contracted work not delivered or not delivered fully		Likely	Medium																																													
Moderate level service failure from suboptimal contract delivery		Unlikely	Medium																																													
Moderate trust and confidence loss from project delays or slow responding systems		Possible	Medium																																													
					Risk Movement in reporting period: None Treatments are intended: To reduce consequences and their likelihood																																											
MANAGING THE RISK																																																
Controls – what we have in place:				Treatments – what we are planning																																												
Description	Accountability	Effect of control		Description	Expected effect	Timetable	Next review																																									
Systematic contract and contractor management procedures	All business units using contractor’s services	Clear specification of contract requirements, legally defensible process for procurement		Refurbishment of Civic House to meet modern workplace standards	Improved workspaces to enable more efficient working and make the organisation more attractive to staff with the required expertise	Some work undertaken in 2018-19. Timetable for further refurbishment to be confirmed	December 2019																																									
Customer service standards and procedures	All business unit managers	Customer services managed in a timely and effective manner		Increased staffing levels , and review of organisational structure from time to time	Increased capacity in key organisational areas to improve performance	Funding agreed in Long Term Plan during 2018-19 and further adjusted through the Annual Plan 2019-20	March 2020																																									
				Build staff capability for iwi partnerships	Improved Council ability to work with iwi	Training in Te Reo and Kaupapa Maori Increased advisory capacity (Kaihautu) Commenced during 2018-19	June 2020																																									
				Update of asset management and asset recording systems	Improved decision making about when asset maintenance and replacement is required	Investigations commenced quarter four 2018-20 and continuing (Preliminary investigation shows separate systems for separate purposes may be required.)	December 2019																																									
				Update of contractor management and contract monitoring including integration with financial systems	Improved efficiency in contract expenditures	Development work started during latter part of 2018-19, not yet complete	December 2019																																									

5. Organisational risk area: Lifeline service failure from natural hazards and similar events																																		
Assigned risk owner:		Group Manager Infrastructure			Last update: June 2019																													
Residual risk identification and assessment				Residual risk rating map																														
Council objectives:	To provide and maintain water supply, wastewater and stormwater management systems, transport infrastructure and solid waste disposal to meet the current and reasonably foreseeable needs of the Nelson community			<div>Likelihood</div> <table><tr><td>Almost Certain</td><td>Medium</td><td>Medium</td><td>High</td><td>Very High</td><td>Very High</td></tr><tr><td>Likely</td><td>Medium</td><td>Medium</td><td>High</td><td>High</td><td>Very High</td></tr><tr><td>Possible</td><td>Low</td><td>Medium</td><td>Medium</td><td>High</td><td>High</td></tr><tr><td>Unlikely</td><td>Very Low</td><td>Low</td><td>Medium</td><td>Medium</td><td>High</td></tr><tr><td>Rare</td><td>Very Low</td><td>Very Low</td><td>Low</td><td>Medium</td><td>Medium</td></tr></table> <div>InsignificantMinorModerateMajorExtreme</div>	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
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																												
Uncertain events considered:	Incidences of severe weather, earthquakes, major fires, tsunami or major electricity or telecommunications failures																																	
Consequences		Likelihood	Assessed risk level																															
Major loss of services to the nelson community		possible	High																															
Moderate level environmental damage		possible	Medium																															
Moderate level health impact		possible	Medium																															
Moderate level impact on council reputation		likely	High																															
				Risk Movement in reporting period: none Treatments are intended: To reduce consequence																														

MANAGING THE RISK						
Controls – what we have in place:			Treatments – what we are planning			
Description	Accountability	Effect of control	Description	Expected effect	Timetable	Next review
Civil defence planning and management	Manager Emergency Management	Improves response systems reducing consequence	Implement learnings from the 2018 test of the organisation's major disruption response capability	Increase the organisational capability to respond and reduce consequences (e.g. reducing delays in restoring services after events)	This treatment is near completion as at 30 June 2019: <ul style="list-style-type: none"> Completion of updates to business unit major disruption response plans, by end of July 2019 Review of contractual provisions for priority services drafted Guidance for Incident Management Team, and outline process for initial action planning and decision making – completed June 2019 Timetable for two brief “table top” business continuity exercises per year, and the next full biennial exercise to be established by end of August 2019 	August 2019
Insurance/risk sharing	Group Manager Corporate Services	Provides resources by funding recovery				
Earthquake strengthening of buildings and structures (e.g. bridges)	Group Managers Community Services, and Infrastructure	Improves resilience of structures reducing consequences				
Structural engineer in building unit	Manager Building Consent Authority	Improved structural assessments of building consents	Use results from lifting Council performance (see above) to improve asset planning and delivery of results from contracting	Improved resilience of infrastructure components (e.g. roads, water systems etc.)	To be established (depends on above items under lifting Council performance)	To be confirmed
Data/IT systems backup and recovery	Manager Customer and Information Services	Continued customer service, data access etc. reducing consequences	Development of the Maitai Emergency Action Plan	Reduce the impact of an extreme event	Dam Breach Analysis report completed. Emergency action plan update scheduled for first half of 2019-20	December 2019
Business unit disruption response objectives and plans (updated annually)	Business Unit Managers	Increased speed of response to event reducing consequences				
Lifeline improvements in AMPs	Group Manager Infrastructure	Improved resilience in networks (e.g. stormwater system)				

7. Organisational Risk area: Loss of service performance from ineffective contracts and contract management													
Assigned risk owner:			Chief Executive						Last update: June 2019				
Residual risk identification and assessment							Residual risk rating map						
Council objectives:	To provide the expected service to the Nelson community through effective and efficient contracting (including contract supervision) for services, works, consultancy advice and other specialist services						Likelihood	Almost Certain	Medium	Medium	High	Very High	Very High
Uncertain events considered:	Incomplete or inadequate specification of services required Contracting which does not assign liability to the party which manages the risk Insufficient supervision of contractors to reasonably assure services are delivered to the specified standard Lack of information about contract requirements							Likely	Medium	Medium	High	High	Very High
Consequences						Likelihood		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	Extreme	
							Consequence						
						Risk Movement in reporting period: None							
						Treatments are intended: Reduce consequences/likelihood							
MANAGING THE RISK													
Controls – what we have in place:						Treatments – what we are planning							
Description	Accountability	Effect of control		Description	Expected effect	Timetable	Next review						
Use of legally defensible contracting templates for all new contracts	All contract writers	Contract risks allocated to the party able to manage them		Review and update of contractual tools for large civil construction contracts and civil engineering maintenance contracts	Contractual requirements, roles and responsibilities appropriately specified in future contracts. Legally defensible contracts for civil construction and maintenance	Civil engineering maintenance contracting procedure established Civil construction contract templates to be finalised quarter one 2019-20	September 2019						
Procurement training for all contract writers plus support & coaching	Manager Business Improvement	Clear specification of contract requirements, legally defensible process for procurement		Review and update of procurement policy	Potential to incorporate improved contract management policy elements, to support future contractual arrangements that are more effective for Council	Completion of policy review scheduled for October 2019	April 2020						
Reviews of contractor performance	Business Unit Managers	Improved surety that contractor delivers what is required		Consolidate contract information into a single information repository	Enables organisational-level monitoring of contract review dates. Provides the ability to more easily identify where to prioritise contractual effort, and to identify if contractual gaps exist	Scoping of work - completed Majority of existing data consolidated into a single data repository Evaluation of suitable information repository scheduled for quarter one 2019-20	March 2020						
Obligation to follow Council procedures built in to contracts where required	All contract writers	Contractors meet Council standards including health and safety, interactions with the public etc.		Plan improvements in contract management and contractor performance management	Ensures that contractual arrangements provides services to the community, efficiently and effectively	Procedure for contract monitoring and performance management drafted Procedure to be updated based on experience	March 2020						
Continuous improvement of contract specification	Manager Business Improvement	Improved contract letting performance		Plan integration of contractual information with financial and asset information	The scope and benefits of this integration are still to be evaluated	Investigation into feasible option in progress, continuing through quarter one 2019-20	March 2020						
Ongoing improvement of contract supervision procedures and practice	Business Unit Managers	Reduction of contractor substandard delivery, cost overruns and delays											

8. Organisational Risk area: Compromise of Council service delivery from information technology failures													
Assigned risk owner:			Group Manager Corporate Services				Last update: June 2019						
Residual risk identification and assessment							Residual risk rating map						
Council objectives:	To maintain the organisation’s information technology systems (including computer services and telecommunications) operating continuously and securely						Likelihood	Almost Certain	Medium	Medium	High	Very High	Very High
Uncertain events considered:	Equipment and software failures Electricity supply interruptions Cyber attacks Human errors							Likely	Medium	Medium	High	High	Very High
Consequences	Likelihood	Assessed risk level	Possible	Low	Medium	Medium		High	High				
			Unlikely	Very Low	Low	Medium		Medium	High				
			Rare	Very Low	Very Low	Low		Medium	Medium				
Major loss of Council services	Rare	Medium											
Moderate loss of Council services to the Nelson Community	Rare	Low											
Local level negative reaction or comment	Rare	Low											
							Risk Movement in reporting period: Low to Medium Treatments are intended: Reduce consequences						
MANAGING THE RISK													
Controls – what we have in place:			Treatments – what we are planning										
Description	Accountability	Effect of control	Description	Expected effect	Timetable	Next review							
Replacement of hardware and operating systems	Manager Customer and Information Services	Maintain currency of systems to enable security and computer system performance	Removal of dependency on bespoke systems (largely software)	Improved maintainability of IT services required for Council functioning	As opportunities arise –currently approx. 90% complete	August 2019							
Full offsite data backup at secure location	Manager Customer and Information Services	Council information copied against local system failure	IT strategic planning cycle – looks 3 years ahead	Planning for systems to match Council needs	3 year cycle – current strategic plan update completed	June 2020							
Redundant components in IT system	Manager Customer and Information Services	Allows continued operation in the event of component failure											
Annual recovery testing	Manager Customer and Information Services	Assurance that offsite back-ups function as intended	Evaluate and if required undertake cyber security training for all Council system users	Improved security against system access by unauthorised persons	Cyber security training scheduled for all staff in July 2019	August 2019							
Least number of vendors/ systems to meet Council needs	Manager Customer and Information Services	Simplicity of systems to decreases maintenance effort	Firewall upgrade	Greater protection of Council held data from cyber – attack	Scheduled for July 2019	August 2019							
Use of ITIL and COBIT frameworks for planning and delivery of IT systems	Manager Customer and Information Services	Implements accepted best practice in IT management											
Multiple telephone service providers	Manager Customer and Information Services	Redundancy in the event of failures	Evaluation of value of cyber insurance	(uncertain) monetary compensation for cost of cyberattack on Council systems	Evaluation done during 2018-19 year – not considered value for money Will keep reviewing the market	August 2019							
Multiple back-ups of electricity supply (UPS, and on site generator)	Manager Customer and Information Services	Operating security in the event of electricity supply failure	Ongoing testing of operation from alternate site (outside Nelson) and defences from cyber-attack.	Improved ability to respond to major disruptions and to cyber-attack	Tests carried out annually	August 2019							
Ability to work off-site, for most staff	Manager Customer and Information Services	IT systems and services largely available in the event Civic House unusable											
Ability to “switch over” to a redundant site	Manager Customer and Information Services	Continued provision and operation of IT systems											
Two factor authentication login implemented for system administrators	Manager Customer and Information Services	Improved security against system access by unauthorised persons											

9. Organisational Risk area: Compromised decision making and public information from incomplete and difficult to access records													
Assigned risk owner:			Group Manager Strategy and Communications				Last update: June 2019						
Residual risk identification and assessment							Residual risk rating map						
Council objectives:	To maintain records of Council business and provide public information in compliance with legislation and the reasonable expectations of the public and government.						Likelihood	Almost Certain	Medium	Medium	High	Very High	Very High
Uncertain events considered:	Mixed electronic and paper based recording so records not found Information required not recorded Advice completed with poor or incomplete information Use of uncontrolled areas (e.g. “the cloud”) for storing public records							Likely	Medium	Medium	High	High	Very High
Consequences		Likelihood		Assessed risk level		Possible		Low	Medium	Medium	High	High	
Ambiguities or omissions in advice to a decision maker		Possible		Medium		Unlikely		Very Low	Low	Medium	Medium	High	
Minor level (i.e. short term or small number affected) failure of Council service to the public		Possible		Medium		Rare		Very Low	Very Low	Low	Medium	Medium	
Minor level failure in relationship with iwi		Possible		Medium									
Minor level service loss to those wanting accesses to records		Possible		Medium		Risk Movement in reporting period: None Treatments are intended: To reduce likelihood for most consequences							
MANAGING THE RISK													
Controls – what we have in place:				Treatments – what we are planning									
Description	Accountability	Effect of control		Description	Expected effect	Timetable	Next review						
Quality assurance and sign off procedures	All staff with delegations Manager Governance and Support Services	Recorded information correct and complete		Continuously improve hardcopy records management	Improved compliance with records management legislation and accessibility of hardcopy information	In progress –reviewing offsite archives management against alternatives. Investigating electronic reference system for hardcopy archives	December 2019						
Specification of record keeping requirements in Council procedure library	Business Unit Managers	Clear and consistent direction on what and how to record Council information		Provide for specific records reading space for public use	Improved and more secure public access to records	In progress – currently customer services meeting room being used. Investigating use of redeveloped Elma Turner library for this	December 2019						
Records management policy and strategy	Manager Governance and Support Services	Compliance with government records related legislation		Establish archives storage and access facility	Improved security of and access to hardcopy records	Investigating as part of improved hardcopy records management.	December 2019						
Specialist records staff (archivist and records support)	Manager Governance and Support Services	Expert advice and records system operation		Review Council use of cloud systems so that documents are managed in compliance public record legislation	Management of electronic records in compliance with public records legislation	Investigation reveals that cloud based records can be managed by Council document management system – will require upgrade of current software	December 2019						
Use of GIS data accuracy input checking protocols	Manager Customer Services and IT	Assurance of accuracy of spatial data for Council business											
Reconfigured document management system implemented and being applied	Manager Governance and Support Services	Structure of Council records matches Council business; improved records management system usability											
All hardcopy record listed to national retrieval standard	Manager Governance and Support Services	Records accessible by specialist records management staff to make available to records users.											

10. Organisational Risk area: Council work compromised by loss of and difficulties in replacing skilled staff																																
Assigned risk owner:			Manager People and Capability				Last update: June 2019																									
Residual risk identification and assessment							Residual risk rating map																									
Council objectives:		To maintain sufficient staff expertise and numbers to enable the organisation to carry out all its functions efficiently and effectively					<div>Almost Certain</div> <div>Likely</div> <div>Possible</div> <div>Unlikely</div> <div>Rare</div> <div>Likelihood</div> <table><tr><td>Medium</td><td>Medium</td><td>High</td><td>Very High</td><td>Very High</td></tr><tr><td>Medium</td><td>Medium</td><td>High</td><td>High</td><td>Very High</td></tr><tr><td>Low</td><td>Medium</td><td>Medium</td><td>High</td><td>High</td></tr><tr><td>Very Low</td><td>Low</td><td>Medium</td><td>Medium</td><td>High</td></tr><tr><td>Very Low</td><td>Very Low</td><td>Low</td><td>Medium</td><td>Medium</td></tr></table> <div>InsignificantMinorModerateMajorExtreme</div> <div>Consequence</div>	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
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																												
Uncertain events considered:		Loss of experienced staff to other employers or leaving the workforce Market shortage of staff with the required knowledge and skills Training required to make new staff productive in the Council’s environment																														
Consequences			Likelihood		Assessed risk level																											
Moderate loss of Council services to the Nelson community			Unlikely		Medium																											
Minor level incapacity of staff – stress related			Possible		Medium																											
Minor level environmental or heritage damage			Possible		Medium																											
Locally focussed criticism of Council actions			Possible		Medium																											
							Risk Movement in reporting period: None Treatments are intended: To reduce likelihoods																									
MANAGING THE RISK																																
Controls – what we have in place:						Treatments – what we are planning																										
Description		Accountability	Effect of control			Description		Expected effect	Timetable	Next review																						
Council procedures documented in procedure library		Manager Business Improvement	Enables new staff or staff working in new area to execute work consistent with Council needs quickly			Implementation of software tool to support project planning and tracking		Web-based repository of up to date project information – reduces dependency on individual staff as all information easily available from a single source. More efficient use of staff time.	Implementation of tool for Capital Projects business unit – resource assigned to this work, rescheduled to begin quarter one 2019-20	October 2019																						
Improved file management structure		Manager Governance and Support Services	Enables staff to access correct up to date information to undertake Council business						Phased implementation timeframe to be determined.																							
Notice periods for staff leaving and handover procedures		Manager People and Capability	Reduces loss of knowledge during staff transitions			Review of current policies to aid retention of older workers		Improved retention of experienced staff	To be scheduled for 2019-20: Identify and review relevant policies Plan changes to policies as appropriate	October 2019																						
Succession planning		Business Unit Managers	Provides capability for staff to step up when senior staff leave			Review of the pay structure		More competitive pay rates to enable attracting and retaining staff.	Pay structure has been reviewed – results will be used in current remuneration round.	October 2019																						
Staff climate surveying and workplace support		Manager People and Capability	Up to date information about workplace culture to help inform workplace improvements			Update of leadership capability framework		Reduce staff turnover by improving the organisation’s working environment	Work underway – internal seminars being held framework redesign in quarter one 2019-20	October 2019																						
Wellness programme		Manager People and Capability	Help staff maintain work life balance																													
Use of contractors with an understanding of Council business		Business Unit Managers	Capacity to fill gaps temporarily when staff leave																													
Business plans to estimate capacity demands on staff		Business Unit Managers	Matching of staff to workload																													
Standard templates in place for project definition, planning, tracking		Manager Business Improvement	Project execution less dependent on current staff knowledge																													
Networking opportunities for staff		Business Unit Managers	Develop skills and knowledge of existing staff																													
Updated web based systems to recruit new staff		Manager People and Capability	Improved ability to identify and fill organisation’s knowledge gaps																													
Increased staffing levels in key areas (\$1.2M allocated current FY)		Business Unit Managers	More skilled staff to undertake required work																													

11. Organisational Risk area: Legal liability and reputation loss from inadequate consideration of the law in decision making													
Assigned risk owner:			Group Manager Strategy and Communications				Last update: June 2019						
Residual risk identification and assessment						Residual risk rating map							
Council objectives:	To make all decisions and exercise all its functions in compliance with the law, including legislation, regulation and common law					Likelihood	Almost Certain	Medium	Medium	High	Very High	Very High	
Uncertain events considered:	Insufficient knowledge of the applicable law when making or advising a decision Legal agreements made without consideration (or adequate consideration) of the parties’ ability to control risks to the objectives sought						Likely	Medium	Medium	High	High	Very High	
Consequences			Likelihood		Assessed risk level		Possible	Low	Medium	Medium	High	High	
Ambiguous or incomplete information base for decision			Unlikely		Medium		Unlikely	Very Low	Low	Medium	Medium	High	
Local level criticism of Council actions			Possible		Medium		Rare	Very Low	Very Low	Low	Medium	Medium	
Moderate level of financial loss to Council (e.g. contract failure)			Rare		Low								
Successful legal action against Council			Rare		Medium		Risk Movement in reporting period: None Treatments are intended: To reduce likelihoods						
MANAGING THE RISK													
Controls – what we have in place:				Treatments – what we are planning									
Description	Accountability	Effect of control		Description	Expected effect	Timetable	Next review						
Process for assessing the need for legal review prior to public consultation	Senior Leadership Team	Legally sound proposals for consultation (such as consultation documents and by-law proposals)		Review and update of contractual tools for large civil construction contracts and civil engineering maintenance contracts	Contractual requirements, roles and responsibilities appropriately specified in future contracts. Legally defensible contracts for civil construction and maintenance	Civil engineering maintenance contracting procedure established Civil construction contract templates to be finalised quarter one 2019-20	September 2019						
Induction of all staff includes basics of key legal obligations	Manager People and Capability	General awareness of Council’s legal operating environment		Development of enhanced tools for briefing tracking and reporting on legal advice	More effective and efficient provision and monitoring of legal advice	Revised system (LawVu) has been licensed. Timetable for system configuration and implementation to be determined in conjunction with supplier	September 2019						
Use local government wide good practice guidelines	Business Unit Managers	Council follows local government standardised good practice		Increased in-house legal capacity	Increased in-house capability for legal advice	Completed – second half time office legal adviser employed	n/a						
Procedures in place for operational tasks that require specific legal compliance, and to mitigate legal risk	Business Unit Managers	Improved compliance for these Council activities		Conduct of in-house training for staff on local government specific legal requirements	Improved staff knowledge of legal requirements for the Council’s work	Training sessions begun on an ad-hoc basis, more structured programme being developed	June 2020						
Documented previous legal advice available for all staff	Senior Legal Adviser	Ability to learn from the Council’s past actions		Establish legal drop-in clinic for staff	Access to legal advice reduces likelihood of compliance failure	Completed – the legal drop-in clinic can now operate on a weekly basis thanks to increased in-house legal capacity	n/a						
In attendance at Senior Leadership Team peer review of decision making reports to Committee and Council	Senior Legal Adviser	Likelihood of compliance failure considered in decision											
Review of Committee/Council reports that have a significant legal component	Senior Legal Adviser	Likelihood of compliance failure considered in decision											

12. Organisational Risk area: Loss of public trust in the organisation													
Assigned risk owner:			Group Manager Strategy and Communications				Last update: June 2019						
Residual risk identification and assessment							Residual risk rating map						
Council objectives:	To maintain trust and confidence in the Council by providing accurate information about the state of Council work and service delivery						Likelihood	Almost Certain	Medium	Medium	High	Very High	Very High
Uncertain events considered:	Promulgation of incorrect information about Council activities through both traditional and social media channels Unbalanced comment by opinion leaders							Likely	Medium	Medium	High	High	Very High
Consequences			Likelihood		Assessed risk level			Possible	Low	Medium	Medium	High	High
Local level negative comment and reaction to Council decisions or actions			Possible		Medium			Unlikely	Very Low	Low	Medium	Medium	High
National level negative comment and reaction to Council decisions or actions			Unlikely		Medium			Rare	Very Low	Very Low	Low	Medium	Medium
							Insignificant Minor Moderate Major Extreme						
							Consequence						
							Risk Movement in reporting period: None Treatments are intended: To reduce likelihoods						
MANAGING THE RISK													
Controls – what we have in place:							Treatments – what we are planning						
Description	Accountability	Effect of control		Description	Expected effect	Timetable	Next review						
Monitor media and provide information to staff and public including managing relationships with media outlets	Manager Communications	Provides accurate information and enables rapid response to misinformation Ensures staff have correct information about Council actions		Improved reporting on risk to Committees and Committee Chairs	Provides early information to Committee Chairs, and reports formally to Committees on risks within the Committees areas of responsibility	Implementation in progress - not yet complete - to be included as part of reset of organisational risk management	December 2019						
Communications and engagement plans for all significant projects	Business Unit Managers, with support from Manager Communications	Provides early accurate information about Council actions		Development of a Communications and Engagement Strategy, with governance oversight of implementation	Metrics for communications and engagement (test of effectiveness) to identify gaps in communication and enable improved public understanding and perception	Strategy document adopted by Council – completed	December 2019						
Customer surveys	Business Unit Managers	Monitoring of customer perceptions of Council actions				Implementation plan being developed and put into use – timetable to be advised							
Social media presence to reduce spread of incorrect information	Manager Communications	Reduces criticism based on incorrect information											
Staff induction training	Manager People and Capability	Staff understand the importance of clear communication											
Councillor Code of Conduct and Council Standing Orders	Council	Sets clear expectations of Council and Councillor conduct											
Councillor Interest register	Councillors (Manager Governance to maintain)	Clarity on non-Council interests of Councillors											
Media Policy	Manager Communications	Sets requirements and expectations for staff											
Conflict of Interest policy	Manager People and Capability	Sets requirements and expectations for staff											
Contracts post-October 2016 require contractors to direct media inquiries to Council	Business Unit Managers	Prevents contractors speaking on behalf of Council without permission											

Risk Matrix – Consequences x Likelihood

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

Residual Risk Tolerance

Risk Level	Description and Action	Authority for continued tolerance	Timing for implementing action	Obligation to promptly advise including advising treatments
Very High	Not normally tolerable, immediate intervention to reduce risk	Full Council on advice from CE	Immediate if possible but no more than one month	Full Council using best practicable means
High	Not normally tolerable, initiate action as soon as practicable to reduce risk below High	SLT or Group Manager (Council at CE discretion)	As soon as practicable but no more than 2 months	SLT or accountable Group Manager (Council at CE discretion)
Medium	Normally tolerable, frequently review to look for opportunities to further reduce risk where practicable	Business Unit Manager	At least within one quarter	Accountable Group Manager
Low	Acceptable risk, routine review for low cost actions to reduce risk further	No specific authority required	Routine review period (e.g. 3- 6 monthly)	None
Very Low	Acceptable risk, no specific actions to reduce further	No specific authority required	Only if incidental to another action	None

Health Safety and Wellbeing Performance Report

1. Purpose of Report

- 1.1 To provide the subcommittee with a quarterly report of health, safety and wellbeing data collected over the April to June quarter of 2019.
- 1.2 To update the subcommittee on key health and safety risks, including controls and treatments.

2. Summary

- 2.1 Notable incidents for this period were a vehicle being accidentally driven through a window at Stoke Library and an electrical fault generating enough heat and smoke to cause a fire alarm activation at Elma Turner Library.
- 2.2 Security incidents reported for this quarter included seven incidents at Broadgreen House.
- 2.3 Council's key risk 'Customer aggression threatening the health & safety of those who work for and with Council' remains assessed as high.

3. Recommendation

That the Audit, Risk and Finance Subcommittee

- 1. Receives the report Health Safety and Wellbeing Performance Report (R10385) and its attachment (A2231288).***

4. Background

- 4.1 Elected members, as 'Officers' under the Health and Safety at Work Act 2015, are expected to undertake due diligence on health and safety matters. Council's Health and Safety Governance Charter states that Council will receive quarterly reports regarding the implementation of health and safety. Council has delegated the responsibility for health and safety to the Audit, Risk and Finance Subcommittee.

Item 10: Health Safety and Wellbeing Performance Report

- 4.2 Health, safety and wellbeing performance data 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.
- 4.3 Reporting on key health and safety risks provides further depth and detail to the health and safety risks reported in the organisational risk report.

5. Discussion

5.1 Data Reports

- 5.1.1 Six of the 18 security incidents reported for the period occurred at Broadgreen House during June. Some vandalism has occurred and police have been in contact with the youths involved. A number of controls have been implemented including increased security patrols, pruning of trees to improve visibility, installation of CCTV and improved lighting. The controls appear to have been effective and no further incidents were reported at Broadgreen House during July.
- 5.1.2 The increase in security incidents at libraries reported for February 2019 did not continue during the quarter covered by this report. It should be noted that, at the time of writing this report, there had been 15 security incidents reported at Elma Turner Library during July 2019, compared with 32 incidents for all libraries in the first six months of the year. This resulted in a security guard being engaged for 30 hours per week as a temporary control. These incidents primarily related to the behaviour of intoxicated customers or those with mental health issues.
- 5.1.3 The number of over-speed events for the period as recorded by the E-Road in vehicle monitoring system is at the lowest rate since the system was installed in Council vehicles.

5.2 Incidents of note

- 5.2.1 A significant near miss occurred during April when a member of the public accidentally drove a vehicle through a window at Stoke Library. There were no injuries resulting from this incident.
- 5.2.2 An electrical fault in a switchboard at Elma Turner Library generated enough heat and smoke to cause a fire alarm activation. The switchboards in the library have since had upgrade work completed to prevent similar incidents happening in the future.
- 5.2.3 Although occurring outside this reporting period, it should be noted that there was a fatality at Stoke Library in early July as a result of a customer medical event. Staff actions in responding to this incident were commendable. Support for affected staff was provided following the incident by Workplace Support.

5.3 Key Health and Safety Risk Update

- 5.3.1 The key health and safety risk 'Customer aggression threatening the health & safety of those who work for and with Council' has been assessed as remaining a high risk. The assessed likelihood of an extreme consequence incident has reduced from possible to unlikely, however the risk remains a high risk using Council's risk criteria.
- 5.3.2 New Zealand's national terrorism threat level has been reduced to medium after being raised from low to high immediately following the Christchurch mosque shootings. The national terrorism threat level and the type and frequency of security incidents recently reported are key considerations in completing this risk assessment.
- 5.3.3 Existing controls such as risk assessments for meetings already consider the national terrorism threat level. Police are now advised of large Council run gatherings such as citizenship ceremonies. Work is underway to include terrorism threat and venue vulnerability assessments in event and venue safety management plans.
- 5.3.4 All other key health and safety risks are assessed to remain as medium risks.
- 5.3.5 Where new treatments have been planned or have been implemented as controls since the last report this is indicated by red text in the attachment.
- 5.3.6 Where possible timeframes are indicated for treatments.

5.4 Due Diligence Activities

- 5.4.1 SLT members completed four safe work observations during this quarter.
- 5.4.2 Councillor Dahlberg participated in a safe work observation at the Tantragee water treatment plant.

5.5 Staff Wellbeing Initiatives

- 5.5.1 76 staff attended the Oranga Mahi wellbeing at work program that was completed by most other staff in 2017.
- 5.5.2 50% of staff received influenza vaccinations.

Author: **Malcolm Hughes, Health and Safety Adviser**

Attachments

Attachment 1: Health, Safety and Wellbeing Report, April - June 2019
(A2231288) [↓](#)

Health, Safety and Wellbeing Performance Report

April - June 2019

Overview

This report provides a quarterly update of the key health and safety data, and an overview of the key health and safety risks which the Council faces.

In particular:

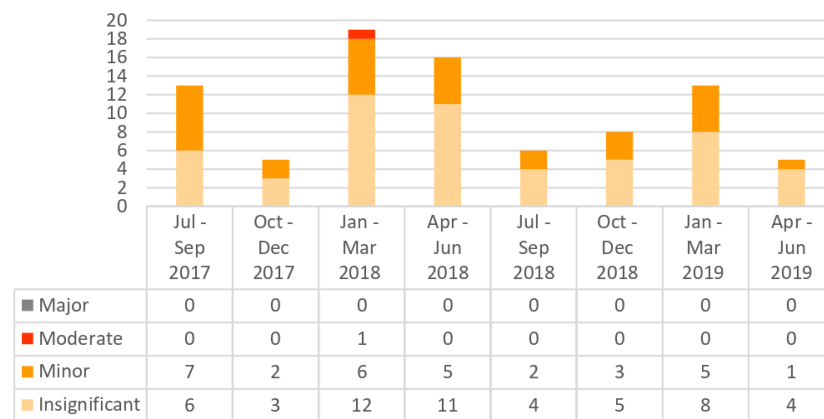
1. Notable incidents were a vehicle being accidentally driven through a window at Stoke Library and an electrical fault generating enough heat and smoke to cause a fire alarm activation at Elma Turner Library.
2. Six of the eighteen security incidents reported for this quarter occurred at Broadgreen House.
3. Council's key risk 'Customer aggression threatening the health & safety of those who work for and with Council' remains a high risk. This is primarily due to the National terrorism threat level being medium.

Section 1 – Incidents and Assurance Activity

1.1 All Reported Injury or Illness Events

This chart shows all illness or injury incidents reported as events into Council's health and safety database (InControl). They are broken down by severity. Injury or illness incidents of minor severity or greater are explained further in section 1.3 of this report.

1.1 All Reported Injury & Illness
(By Severity)

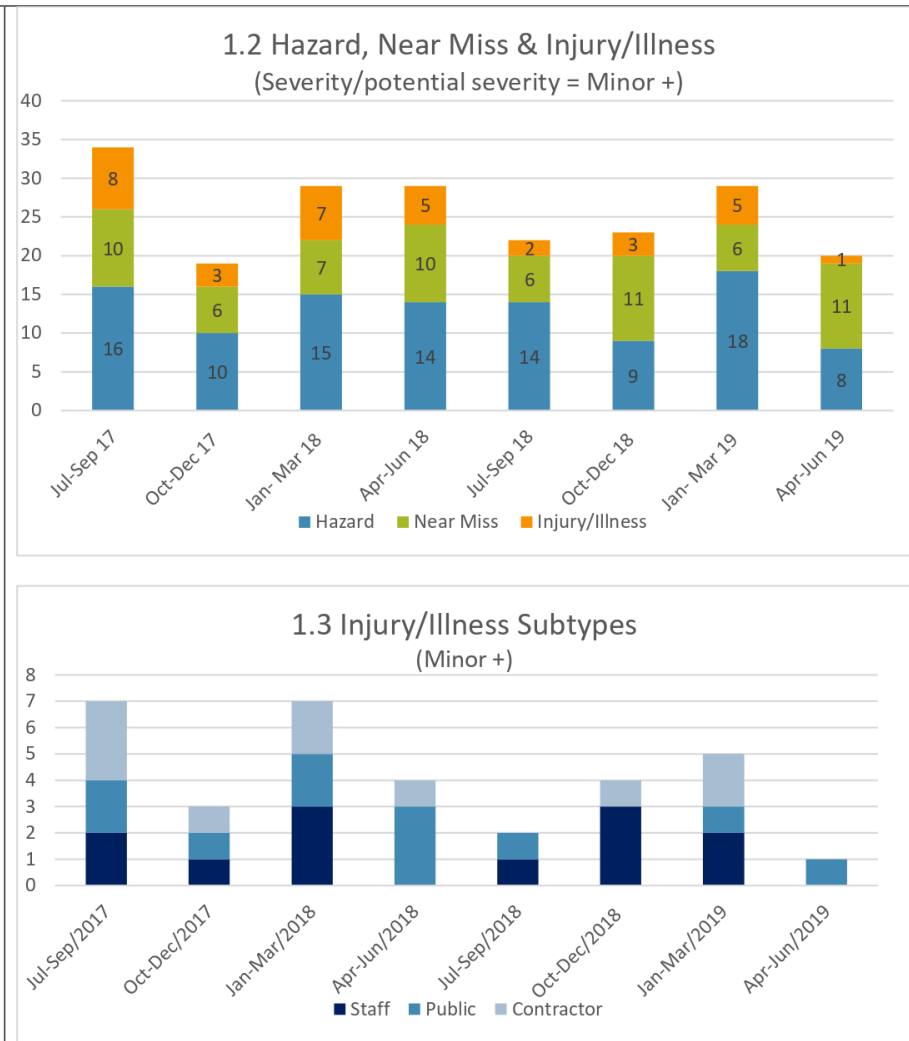


1.2 Hazard, Near Miss & Injury/Illness

This stacked chart shows hazards, near misses, and injury or illness incidents relative to each other. The reporting of hazards and near misses allows controls to be improved without an injury or illness occurring. Events where the severity or potential severity is insignificant have been removed from this chart to improve consistency. Significant near misses for this period included a member of the public accidentally driving a car through a window at Stoke Library, an electrical fault causing a fire alarm activation at Elma Turner Library, a bookshelf falling off a wall in a Council office and a contractor carrying out Council work in the CBD without an adequate traffic management plan.

1.3 Injury/Illness Subtypes (staff, contractor, public)

The only illness or injury incident reported for this quarter was a Customer having a seizure while at the Nightingale Memorial Library.



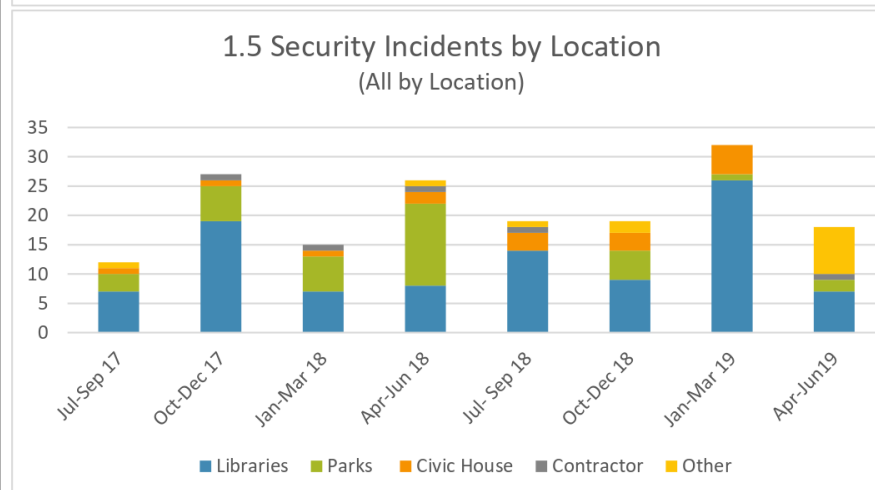
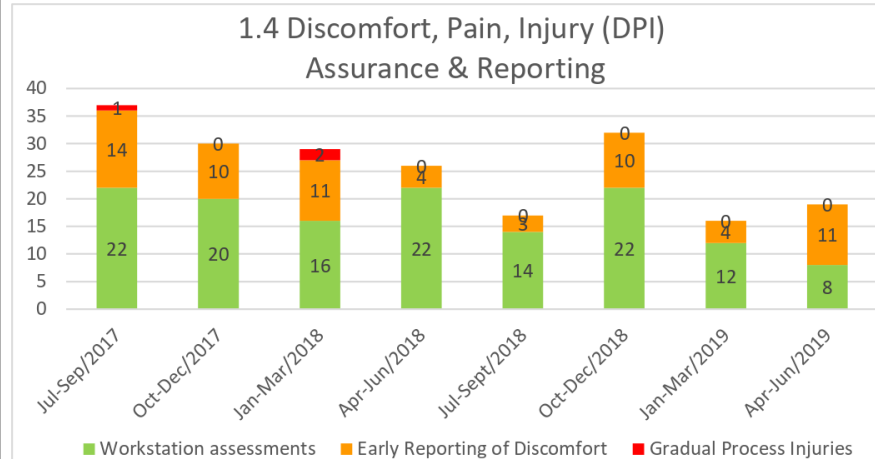
1.4 Discomfort Pain Injury (DPI)

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 workstation and habit changes alone. Or where medical treatment or time off work was required.

1.5 Security Incidents

Six security incidents were reported at Broadgreen House during June. Some vandalism has occurred and police have been in contact with the youths involved. A number of controls have been implemented including increased security patrols, pruning of trees to improve visibility, installation of CCTV and improved lighting.

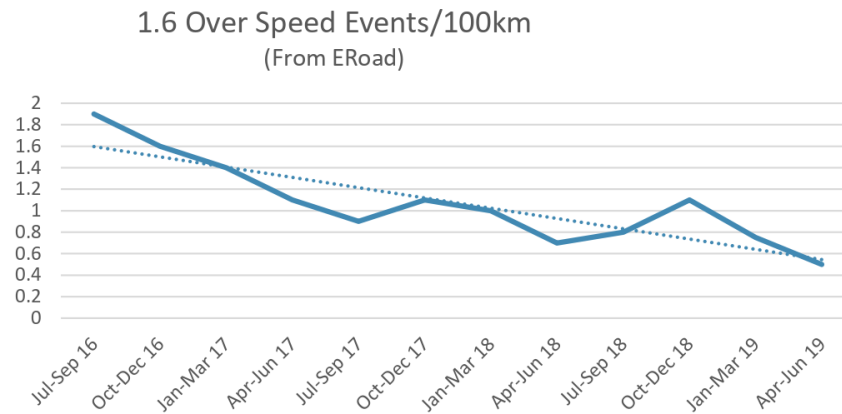


1.6 Vehicle Over Speed Events

The data for this report comes directly from ERoad reports. An over-speed event is any time the posted speed limit is exceeded by >10Km/h.

Most of these events occur at a small number of locations where the speed limit changes from 70 or 100 to 50 Km/h.

We expect to see a further decrease in over speed events due to the installation of upgraded hardware in vehicles that warns drivers of excessive speed.

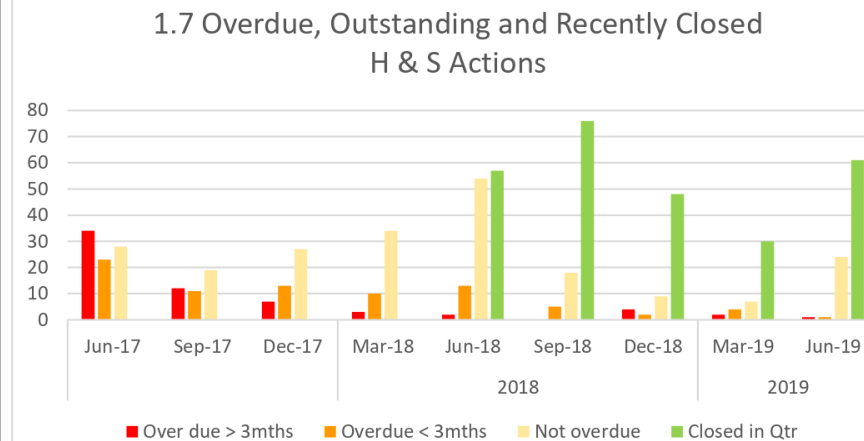


1.7 Outstanding H&S Actions

This chart shows health and safety related actions as recorded in Council's health and safety database (InControl).

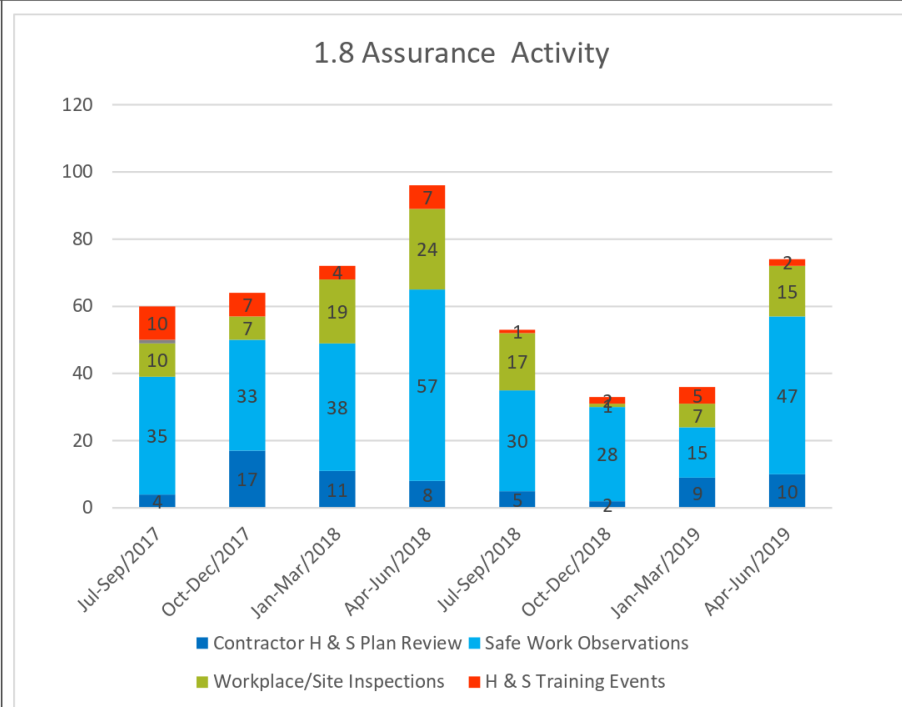
We now have data from April 2018 to show the number of actions closed during the reporting period in addition to those outstanding or overdue at the end of the quarter.

More detailed quarterly reports of individual actions, both outstanding, overdue and recently completed, are provided quarterly to Council's Senior Leadership Team.



1.8 Assurance Activity

These are proactive activities to monitor health and safety in Council work including that completed by contractors. Many health and safety activities are integrated into everyday work, those reported in the data base are generally activities specifically focused on ensuring effective health and safety systems are in place and work is completed safely. This chart shows some of the key health and safety assurance activities that have been completed.

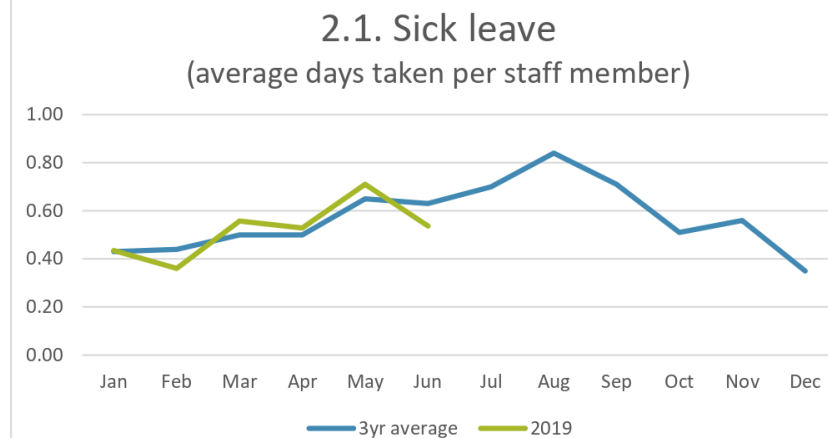


Section 2 – Staff Wellbeing

2.1 Sick Leave

This chart shows the average number of sick leave days taken by staff each month. This data provides some insight into staff health and wellbeing. There are numerous factors affecting the effectiveness of this measure, and it should only be considered a guide to trends against the data from previous years.

We now have enough data to show the current year against the average for the same month in the previous three years.



Section 3 - Key Health and Safety Risks

3.1 Insufficient oversight of contractors to meet Council's duties as a PCBU that has influence and control over the work

Why do we see this as a risk?

Under the Health and Safety at Work Act 2015 Council has responsibilities for ensuring the health and safety of workers and others in situations where it contracts work to be done. If these responsibilities are not adequately met any injury or illness as a result of contracted work may lead to Council being prosecuted along with the contractor. Most of Council's particularly hazardous work or work that may put the public at risk is completed by contractors.

Managing the risk

Council manages this risk by having a comprehensive contractor health and safety management plan and process's in place.

Controls – What we have in place

- Contractors are required to demonstrate a level of health and safety competence through a pre-qualification process
- Standardised contract templates with clear health and safety requirements are in use for all new contracts
- There is a process for review of contract specific health and safety plans
- Contractor work is monitored with specific focus on health and safety
- There is a process for reviewing contractor health and safety performance
- Revised procurement training modules with Contractor health and safety component are delivered to key staff
- Asbestos management plans for Council assets are provided to contractors

Treatments - What we are planning

- Integration of 'contracts data base' with contractor health and safety requirements

Risk Owner

Chief executive

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 updated: July 2019

3.2 Customer aggression threatening the health & safety of those who work for and with Council

Why do we see this as a risk?

Council's objective is to have all those who work for us safe at work. Council staff, elected representatives, contractors and volunteers can be threatened and abused while carrying out duties at Council facilities or in the field, leading to work stress and fatigue. Those who have a public interface (e.g. Customer Service centre, contracted staff, public events, libraries) experience aggression on a regular basis.

Managing the risk

Council is working on reviewing and managing the risk through best practice H&S management systems and continuous improvement.

Controls - What we have in place

- Crime prevention through environmental design (CPTED) is considered in design of all new Council facilities
- CCTV surveillance in key Council workplaces including CCTV system upgrade at all libraries
- Improved physical security in many workplaces as a result of security reviews
- Difficult customer training provided for staff in high exposure roles
- Minimum cash holdings
- Risk assessments are completed for Council meetings and large events
- Workplace support available to manage post incident trauma
- Proactive use of security guards when indicated by increased risk
- Police advised of all large gatherings such as citizenship ceremonies (March 2019)
- **Bomb Threat and lockdown procedures practiced**

Treatments - What we are planning

- **External security review for libraries (Oct 2019) and Founders Heritage Park (February 2020)**
- **Introduce terrorism threat and vulnerability tools to event and venue risk assessments**

Risk Owner

Chief Executive

Residual Risk Rating

High

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

Down from high(15) to high(10)

Last Update: July 2019

3.3 Staff becoming unwell as a result of either or both the stresses of the role or the sedentary nature of their work

Why do we see this as a risk?

Staff are exposed to workstation associated risks of discomfort, pain and injury through much of their work. Work related stress was identified as higher than acceptable by 48% of staff who responded to the 2017 staff survey this improved to 32% in the 2018 Survey.

Managing the risk

Risks associated with workplace stress are managed by a range wellbeing initiatives that go above and beyond mandatory requirements. Council manages Discomfort, Pain and injury (DPI) risks through best practice systems focused on prevention.

Controls - What we have in place

- Workstation assessments are provided for all new employees
- Early reporting of discomfort procedure is in place and further workstation assessments or other actions completed as required
- Training and systems for the prevention of book-handling injuries for library staff
- Wellbeing at Work Oranga Mahi accreditation achieved
- Working well together' policy in place with training provided
- Wellness team ensures there remains a focus on worker wellbeing over and above mandatory requirements in a workplace
- Regular communications and involvement in initiatives to improve mental health awareness
- Workplace Support – wellbeing services available to all staff
- Additional staffing resource allocated to key areas
- Oranga Mahi wellbeing at work training is scheduled for staff who did not complete the program in 2017, including refresher training for connectors and champions

Treatments - What we are planning

Risk Owner

Chief Executive

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: July 2019

3.4 The nature of field work when alone and/or in remote an isolated locations exposes workers to a higher likelihood of injury

Why do we see this as a risk?

The nature of some field operations exposes workers (including contractors, council staff and volunteers) to the increased likelihood of accidents impacting on the objective to keep our people safe. Lone workers (such as building inspectors parking staff etc.), and workers undertaking hazardous tasks, (river work, forestry activities, working at heights, confined spaces, or with asbestos or hazardous substances) are particularly exposed.

Managing the risk

Council manages this risk by having general procedures and specific guidance to support task specific risk assessments for lone work and work in remote and isolated locations.

Controls - What we have in place

- Lone Worker Policy and procedures
- On the job and formal risk assessment procedures
- Communication devices such as cell-phones, two way radios and personal locator beacons are provided as required
- Vehicle tracking technology is in all Council vehicles

Treatments - What we are planning

- Improve communication capability for lone or remote and isolated workers in areas without effective cell-phone coverage (Oct 2019)

Risk Owner

Chief Executive

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: July 2019

3.5 That staff or others are injured as a result of driving or travelling in a vehicle while at work

Why do we see this as a risk?

Driving or travelling in a motor vehicle is the one workplace situation many staff are exposed to where a single error by a staff member or an unknown person could result in a serious injury or fatality.

Managing the risk

Council manages this risk through improved awareness, focused competent drivers and safe well maintained vehicles

Controls - What we have in place

- A vehicle use policy that addresses safe vehicle use
- Vehicle purchasing policy with a focus on higher safety ratings
- In vehicle monitoring that includes real time location and records over-speed events (ERoad)
- Comprehensive vehicle inspection and maintenance schedule
- Ongoing communications regarding safe driving
- Driver training provided as required
- **Upgrade of in vehicle monitoring hardware**

Treatments - What we are planning

- **Implementation of vehicle rollover and impact alert system (2020)**

Risk Owner

Chief Executive

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: July 2019

Internal Audit - Quarterly Progress Report to 30 June 2019

1. Purpose of Report

- 1.1 To update the Audit, Risk and Finance Subcommittee on the internal audit activity for the quarter to 30 June 2019.

2. Recommendation

That the Audit, Risk and Finance Subcommittee

- 1. Receives the report Internal Audit - Quarterly Progress Report to 30 June 2019 (R10302) and its attachment (A2227441).***

3. Background

- 3.1 Under Council's Internal Audit Charter approved by Council on 15 November 2018, 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.
- 3.2 The current Internal Audit Plan for the year to 30 June 2019 was approved by Council on 15 November 2018. It provides for up to three audits - two planned, with an allowance for a third unplanned audit. As there was no urgent concern raised during the year that could have resulted in the third audit, the time set aside for this contingency was spent on much-needed business improvements.
- 3.3 Included in the attached report (A2227441) is an update on the progress of the performance management system review, and on business improvement initiatives that form part of the current Internal Audit Plan.

4. Conclusion

- 4.1 Apart from the target completion date being stretched from 30 June 2019 to 31 July 2019 for the review of the status of recommendations from prior external reviews/audits relating to project management, there

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has been good progress made on planned activities related to the Internal Audit Plan for the year ended 30 June 2019.

- 4.2 The foundations for sound business improvements are in place over the primary areas of concern identified by Council.
- 4.3 Also worthy of note, by having one focus on corrective solutions to mitigate high risks identified from internal audits, the Business Improvement team has been able to progress these (as noted in R10303 *Internal Audit – Summary of New or Outstanding Significant Risk Exposures and Control Issues to 30 June 2019* and its attachment A2227319).

Author: Lynn Anderson, Internal Audit Analyst

Attachments

Attachment 1: A2227441 - Internal Audit - Quarterly Progress Report to 30 June 2019 [↓](#)

Quarterly Progress Report to 30 June 2019 for Audit, Risk and Finance meeting 27 August 2019

Annual Audit Plan - 2018-19 (Approved 15 November 2018)

INTERNAL AUDITS				
Responsible	Audit Topic	Audit Objective	What could go Wrong?	Progress
Internal Audit Analyst/External	Adhoc allowance	Adhoc	Adhoc	None identified - business improvement work has taken priority during this period
External	Library cash collection processes	Determine the strength of the control environment and procedures relating to all sources of cash collection (including debt collection) at the libraries. Identify any areas for improvement.	Inconsistent processes or a weak control environment may lead to loss or misappropriation of Council assets and/or reputational damage	Complete
External	Performance Management	Evaluate the effectiveness of the current system of managing employee performance. Locate data that demonstrates the realisation of benefits such as improved employee satisfaction, performance, development, and buy-in of strategic objectives	Council's delivery of its objectives can be affected by underperforming or dissatisfied staff, and may not guide the organisation towards continuous improvement	Contractor selected; onsite work complete; initial draft report to be socialised 24 July 2019.
BUSINESS IMPROVEMENT				
Topic	Work Proposed	What could go Wrong?	Progress	
Internal Audit Analyst	Integration of Contract Management and Accounting Information systems	Contribute to the project to develop and integrate MagiQ's contract management module with its existing financial system to help management contract risk and contractor performance	Poor visibility of contracts and of contractor performance across Council may lead to financial and reputational loss	<p>Update as at end of Q3: After completion of software testing, the option for migrating to the MagiQ contracts software module has been put on hold whilst requirements are reviewed and updated. The issues around contract management and contractor performance management are known and understood.</p> <p>An initial consolidation of multiple existing business unit contract registers, will be completed during Q4. This will result in a single contracts register for the organisation, and will provide corporate visibility of contracts, contract value, and renewals.</p> <p>A review and assessments of options for linking contract and financial data will be completed during Q4. Q4 progress: A simple single organisational register has been created which is providing improved visibility of contracts outside Capital Projects. The latter are recorded and identifiable in a separate database. Two alternative options have been identified for contract management and these will be evaluated in Q1 2019-2020, with a business case and final decision anticipated by the end of the quarter. Officers are currently working with Council's accounting system software provider to determine the feasibility of incorporating contract numbers within purchase orders which could provide the desirable link with the financial system.</p>

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BUSINESS IMPROVEMENT				
	Topic	Work Proposed	What could go Wrong?	Progress
Internal Audit Analyst	Asset Management	This may include assisting with a review of all work in progress and reviews in the asset management space with a view to obtaining an overall picture of council's current asset management maturity . This would help inform the Senior Leadership Team's decision of the top three-five focus areas specific to council for business improvement in 2019. This work may also/instead include an evaluation of organisational risk from the quality and completeness of current source data which informs asset planning, decision-making and resource allocation; assessment of information gaps from International Infrastructure Management guidelines (IIM) and provision of recommendations to the Senior Leadership Team for business improvements to reduce risk to the level acceptable to management	The asset information does not flow between systems and therefore does not fully inform asset management planning and resource allocation. It is therefore likely that council is sub-optimally managing its assets and more reactive work is occurring. This could lead to service, reputational and financial loss	Update as at end of Q3: Known issues, and areas of uncertainty with our asset management practice have been noted. During Q4, documentation of existing asset registers will begin, to enable identification of any areas of duplication or inconsistency across asset records, and to understand how the data is used to inform asset management and future planning. Q4 progress: Documentation of existing asset registers is in progress and an initial assessment of organisational requirements for asset management and planning has begun. This will be explored further in Q1 and Q2 2019-2020.
Internal Audit Analyst	Project Management	Review status of recommendations from prior external reviews/audits, evaluate gaps and recommend improvements in order to achieve Senior Leadership's agreed level of project management maturity	Poor project management systems, controls and performance may lead to service, reputational and financial loss	Update as at end of Q3: A review of the status of prior external reviews/audits will be completed during Q4. Q4 progress: This work was scoped but has not been completed during Q4. The work is assigned with a delivery date of 31 July 2019.

Internal Audit - Summary of New or Outstanding Significant Risk Exposures and Control Issues to 30 June 2019

1. Purpose of Report

- 1.1 To update the Subcommittee on new or outstanding risk exposures following internal audits included in the Internal Audit Plan to 30 June 2019.

2. Recommendation

That the Audit, Risk and Finance Subcommittee

- 1. Receives the report Internal Audit - Summary of New or Outstanding Significant Risk Exposures and Control Issues to 30 June 2019 (R10303) and its attachment (A2227319).***

2. Background

- 2.1 Under section 9.1 of the Internal Audit Charter, the Audit, Risk & Finance Subcommittee and the Governance Committee are to be informed of internal audit results where appropriate.
- 2.2 Under section 9.4, the Audit, Risk and Finance Subcommittee requires a periodic update of any significant risk exposures and control issues identified from internal audits completed.

3. Summary

- 3.1 Issues identified in the attachment (A2227319), *Summary of New and Outstanding Significant Risk Exposures and Control Issues Identified from Internal Audits*, relate to internal audits performed to 30 June 2019.
- 3.2 The attached report shows nine high risks outstanding from the previous report presented to the Audit, Risk and Finance Subcommittee meeting

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of 21 May 2019. Details of progress in Quarter 4 (Q4) for each are shown **in red**.

- 3.3 No new high risks have been identified.
- 3.4 The Business Improvement team has been assigned many of these corrective actions and has made good progress addressing mitigations.

Author: Lynn Anderson, Internal Audit Analyst

Attachments

Attachment 1: A2227319 - Internal Audit - New or Outstanding Significant Risk Exposures and Control Issues to 30 June 2019 [↓](#)

Summary of New or Outstanding Significant Risk Exposures and Control issues Identified from Internal Audits - 30 June 2019

Audit	Audit Findings	Impact	Rating	Recommendations	Progress
Business Continuity Planning	(1) There was a Business Impact Analysis (BIA) performed in 2009 as part of an IT Disaster Recovery Plan but this is outdated and the order of priority could be flawed. There is no clearly defined BIA review period; (2) There is no defined Crisis Management Plan or structure which can lead to the selection of inappropriate recovery strategies and misuse of resources and support; (3) There is no defined Crisis Management Team which can lead to confusion and uncertainty during an event; (4) Business continuity planning should be standardised throughout the organisation to ensure consistency and simplicity. A plan was found for Payroll but it was limited and lacked critical components. Other business units may have similar strategies but these were not sighted (5) While members of an Incident Management Team (IMT) have been identified, their roles and responsibilities are not clearly defined or included in an Incident Management Plan (this finding considered a duplication).	In the event of a large disruptive event (for example an earthquake) this often results in large scale loss of key services such as water supply, waste. While there is a low likelihood of these events occurring, Council's ability to respond rests to a considerable extent in its preparedness for this.	High	(1) Conduct Council wide BIAs; (2) Develop a Crisis Management Plan or structure; (3) Establish Crisis Management Team roles and responsibilities; (4) Develop Business Continuity Plan	Q3 progress: Finding out what provision there is in Council contracts to direct the contractor to complete different work in the event of a major disruption, for contracts that relate to the priority services identified in the business continuity plan; work to enhance the Incident Management Team (IMT) awareness of their business continuity scope of responsibilities and how this aligns with EOC responsibilities is scheduled to complete during Q4; Development and implementation of IMT "first response" procedures and supporting tools is scheduled for completion during Q4. Q4 progress: Assessment of priority services and whether there are suitable contract provisions for these has been completed. Where gaps exist, a risk assessment will be completed in Q1 2019-2020 and action taken accordingly. IMT first response procedures and supporting tools have been implemented; an IMT desk top exercise is scheduled for 2 October 2019 and it is intended that two or three similar exercises will be completed during 2020. The next biennial whole-of-Council exercise is planned for August 2020.
Water Contamination Prevention	The Maitai Dam Emergency Action Plan is being developed by an external engineering contractor. In the DRAFT document, Clause 5.9.2 states that given the potential impact classification the dam (and to ensure industry guidelines are met) a full scale exercise involving the Police and Civil Defence Emergency Management should be undertaken at no more than 10 year intervals. While it is considered that the risk of dam failure from sabotage is low, there are other risks (e.g. an extreme earthquake event which damages the dam) that should be considered. A full training exercise has not been carried out since the dam was constructed but this will be performed - currently proposed before the end of September 2018. Council's external engineering contractor is to provide a failure modes effects analysis for the dam and a site specific (dam) seismic assessment will be received within the next three months. Note - this information may affect the risk rating of this finding	In the event of an extreme event which damages the Maitai Dam and causes flooding, Council may not have an adequate response plan, leading to an extended delay to resuming services or possible loss of life	High	a) Proceed as planned with finalisation of Maitai Emergency Action Plan and supporting data which will inform the vulnerability of the Maitai Dam to sabotage or seismic activity. b) Proceed with planning for a full scale exercise within the next three months following development of the finalised Maitai Dam Emergency Action Plan.	Q3 progress: The final version of the Dam Breach Analysis is due from the engineering consultant. Council staff are to meet with Civil Defence as soon as possible to lay the foundations for an evacuation plan (an earlier meeting was delayed by the Pigeon Valley fire). Q4 progress: Final report has been received from the engineers. Planning for a multi-agency workshop to be held before the end of the calendar year 2019 has commenced. Note: Although the engineers' report shows that the likelihood of a major seismic event damaging the dam is very low, there are other failures that were identified in the report. The impact of these could be major or extreme with respect to Council's reputation, or major environmental damage. While the likelihood is very low (unlikely), the risk is still considered high. The action will therefore remain in this report until the above workshop has been held and there is a reasonable level of confidence that the Emergency Action Plan is fit-for-purpose and has been tested to the satisfaction of officers. Additional activities to reduce the other identified risks is outside the scope of this report.

Summary of New or Outstanding Significant Risk Exposures and Control issues Identified from Internal Audits - 30 June 2019

Audit	Audit Findings	Impact	Rating	Recommendations	Progress
Contract Renewals	There has been a good uptake of the use of the new contract templates since July 2017. In general there has been a significant improvement to the quality of contracts being formed at Council. Challenges remain around how best to record new (and existing) Council contracts without a reliable system or repository. In particular we found that the visibility of contracts relating to the highest value of spend at Council was low. We note that work is in progress to ensure that all contracts will be saved in the document management system. At the time of the audit we confirmed that buyer generated tax invoices (which are generally Council's largest contracts) were still not able to be recorded in the electronic purchase order system. A decision to determine the best form for all engineering contracts to ensure the risk to Council is acceptable, has yet to be made.	Without the ability to find contracts, or a reliable contracts register for infrastructure contracts it is difficult to have oversight over their existence, their management or whether there is financial loss through paying for services more than once	High	Within an agreed period, proceed with the decision whether to upgrade Council's forms for NZS3910 contracts in order to minimise risk to Council; Remind Officers of storage procedures for contracts; Proceed with the development/integration of a contract management system (currently a MagiQ module) which allows the measurement and management of the performance of contracts and contractors, and enhances auditing; Complete project to incorporate contracts in the purchase order system	Q3 progress: A meeting is planned for 17 April to finalise amendments to technical specifications before implementing Terrace Publications version of NZS3910. See also below for progress relating to centralised contract register and data collection relating to contract management. Q4 progress: All technical amendments have been resolved and officers expect to have updated contract templates completed in Q1 2019-2020.
Control Environment	The audit found there is generally a low level of risk maturity across Council. Business Unit risk registers vary in their completeness and review and there is no central risk register for Senior Management and Council to have oversight. Further, Clause 6.2 of the Risk Management Policy is not being applied consistently across Council "The Chief Executive is responsible for ensuring that this policy is actioned across the organisation in a consistent manner and specifically that appropriate risk management is applied to all forms of planning and decision making. This includes allocating sufficient resources".	Officers who have not yet been persuaded of the benefits of the new risk based approach, or that the risk framework is too time consuming, not practical, or cannot be applied in all situations may limit their responsibilities for identifying and managing risk. Where there is no visible Council-wide risk register, previously identified risks may not be shared and Council may be exposed unnecessarily to reputational, legal or financial risks	High	a) The Senior Leadership Team should formally address their concerns relating to the current Risk Management Policy and its implementation. The outcome should be an agreed approach that is clearly driven by this Team. b) A review which considers whether the change management procedures for risk management implementation, and for those used generally across the organisation, are best fit for Council.	Q3 progress: A risk management maturity benchmarking exercise is planned for Q1 2019-20, and will include maturity assessment of the risk management policy. Regarding Clause 6.2 of the Risk Management Policy, during Q3 the Risk and Procurement Analyst reviewed multiple decision making reports prior to submission for Committee agenda and advised report writers where risk advice could be strengthened. Risk management processes and tools are scheduled for review during Q4 alongside consolidation of business unit risk registers into a single central register. Q4 progress: Existing risk management processes and tools have been reviewed for relativity and usability. The development of a more usable risk framework for managers which will be focussed on council's priority services and activities is in progress. An "easy to use" tool that will support risk management has been identified, and this will be trialled in Q2 2019-2020.
Monitoring & Management of Contractor Performance	It was found that there is a highly variable approach to the identification and management of contract risks, and that there was not the appropriate level of resource applied to contracts that present a significant risk to Council. The benefit of including risk information in a contract register, is the ability to monitor contract performance on a risk basis by focusing on the highest risk contracts.	This may result in poor performance not being identified and appropriately reported to decision makers. This may also mean that high risks are not actively monitored which could have greater impacts on Council related to quality, cost, lost income, delays, penalties, or reputational damage.	High	Council should incorporate a contract risk framework in their policies and procedures. Contracts should be assessed at a contract level (i.e. large, complex, high public profile). This should then drive the level of monitoring and reporting requirements. Additionally, the framework should describe the criteria for identifying contract risks. The risk rating should then drive the level of performance requirements.	Q3 progress: Priority scope has been identified as the contracts that deliver Council's most critical core services, and this will form the basis of an initial framework for identifying and managing contract risk. Multiple contracts registers are being consolidated into one central register during Q4, which will more easily allow us to assess where there are gaps in contract risk identification. Q4 progress: See comments immediately below re alternative solutions identified for managing contracts. Once the preferred solution has been approved, contract risk identification and management will be incorporated into the solution.

Summary of New or Outstanding Significant Risk Exposures and Control issues Identified from Internal Audits - 30 June 2019

Audit	Audit Findings	Impact	Rating	Recommendations	Progress
Monitoring & Management of Contractor Performance	There is an inconsistent approach to managing contracts at the Council. Each business unit is responsible for managing its own contract registers that are used to store key contract information. The registers do not include key contract performance or contract risk information that can drive performance monitoring and reporting. In addition, there are no Council wide registers where the Council can easily identify how many contracts there are and the total value.	When contract registers are not complete or accurate there is limited oversight on the existence of contracts or contract performance. It increases the likelihood of fraud when a complete view of contracts is not understood at an organisational level. Moreover, there is a risk that if contract performance information (contract obligations, standards, key performance indicators) is not summarised, then key performance requirements may not be monitored appropriately.	High	The Council should have processes to ensure all contracts and key contract data are recorded centrally and have been accurately and completely recorded. The best way to achieve this is through an integrated contract management system. At a minimum, the Council needs to implement a process where every business unit records consistent information that can be consolidated into a Council wide contract register. The level of information recorded would depend on the contract risk.	Q3 progress: After completion of software testing, the option for migrating to the MagiQ contracts software module has been put on hold whilst requirements are reviewed and updated. The issues around contract management and contractor performance management are known and understood. An initial consolidation of multiple existing business unit contract registers, will be completed during Q4. This will result in a single contracts register for the organisation, and will provide corporate visibility of contracts, contract value, and renewals. A review and assessments of options for linking contract and financial data will be completed during Q4. Q4 progress: A simple single organisational register has been created which is providing improved visibility of contracts outside Capital Projects. The latter are recorded and identifiable in a separate database. Two alternative options have been identified for contract management and these will be evaluated in Q1 2019-2020, with a business case and final decision anticipated by the end of the quarter. Officers are currently working with Council's accounting system software provider to determine the feasibility of incorporating contract numbers within purchase orders which could provide the desirable link with the financial system.
Monitoring & Management of Contractor Performance	With the lack of organisational wide systems there is a reliance on staff effectively performing their roles. At a Group level competency is assessed through performance reviews, however contract management skills and attributes are not explicitly addressed. There is no formal process for assessing staff contract management competence.	It is likely that not all staff are competent to effectively manage contracts. This may lead to risks not being appropriately identified and managed or non-performance not identified. This could result in cost over- runs, legal risks or service delivery outcomes not being achieved.	High	The Council should have a robust process which ensures contract managers are competent to perform their roles. This would normally include; clear job descriptions, competency matrices, development plans, trainings and regular performance reviews.	Q3 progress: The learning needs analysis aspect of this will be undertaken in the first quarter of 2019 - 2020. Q4 progress: No change
Council-Owned Property & Facilities Maintenance	There is no link between the financial system and the asset systems used at the Council. Further, assets are not consistently set up in the asset systems and the financial system. As a result of limited asset information and the fact that the asset management systems are not aligned with the financial system, the asset management plans are not accurately informed and therefore not as directional and as detailed as they could be. This could lead to sub-optimal asset management and additional costs from reactive maintenance. This also results in a requirement for annual maintenance programmes to be separately developed based on the limited information available.	It is not currently possible to effectively identify the costs associated with individual assets. This may result in the Council failing to make effective decisions on the maintenance or replacement of assets through analysis of associated costs. Any manual process to gather maintenance data is not an efficient use of time, and increases the likelihood of Council's assets not being effectively managed.	High	1. Investigate the possibility of linking and aligning the asset management system with the financial system to enable analysis of the actual cost of each asset. 2. Ensure staff is held accountable by performing regular checks to ensure that all teams have effectively updated their asset registers on a periodic basis.	Q3 progress: Known issues, and areas of uncertainty with our asset management practice have been noted. During Q4, documentation of existing asset registers will begin, to enable identification of any areas of duplication or inconsistency across asset records, and to understand how the data is used to inform asset management and future planning. Q4 progress: Documentation of existing asset registers is in progress and an initial assessment of organisational requirements for asset management and planning has begun. This will be explored further in Q1 and Q2 2019-2020.

Summary of New or Outstanding Significant Risk Exposures and Control issues Identified from Internal Audits - 30 June 2019

Audit	Audit Findings	Impact	Rating	Recommendations	Progress
Library Cash Collection Processes	Library Management require upskilling in their understanding and application of financial management tools and techniques.	Inadequate oversight of financial transactions or misinterpretation of financial information may lead to unusual transactions being missed or to possible loss of revenue.	High	Recommend Accounting 101 training is undertaken by libraries management staff, financial reporting and oversight improved.	Q3 progress: Finance has provided budgeting training sessions for the Library Management Team; One-on-one support is available on an as-needs basis. Finance has also been working through general ledger line item requirements with libraries management so that financial reporting is more meaningful, and a generalised Finance 101 training session will be developed once all the new systems have been fully developed. A closer working relationship between libraries management and finance is underway. The risk is still considered high until all the library's revenue is recorded in one place and reports are generated to improve management oversight. Q4 progress: There has been a considerable increase in financial knowledge by members of the library management team over the last 12 months; substantial improvements to debt management processes are evident and ongoing.