



Notice of the Ordinary meeting of

Audit, Risk and Finance Committee

Te Kōmiti Kaute / Tūraru / Pūtea

Date:	Thursday 1 June 2023
Time:	9.00a.m.
Location:	Council Chamber Floor 2A, Civic House 110 Trafalgar Street, Nelson

Agenda

Rārangi take

Chairperson
Members

Ms Catherine Taylor
His Worship the Mayor Nick Smith
Deputy Mayor Rohan O'Neill-Stevens
Cr Mel Courtney
Cr Rachel Sanson
Ms Shanell Kelly

Quorum 3

Nigel Philpott
Chief Executive

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. For enquiries call (03) 5460436.

Audit, Risk and Finance Committee

This is a Committee of Council

Areas of Responsibility

- Any matters raised by Audit New Zealand or the Office of the Auditor-General
- Audit processes and management of financial risk
- Chairperson's input into financial aspects of draft Statements of Expectation and draft Statements of Intent for Nelson City Council Controlled Organisations, Council Controlled Trading Organisations and Council Organisations
- Council's Annual Report
- Council's financial performance
- Council's Treasury policies
- Health and Safety
- Internal audit
- Monitoring organisational risks, including debtors and legal proceedings
- Procurement Policy

Powers to Decide

- Appointment of a deputy Chair

Powers to Recommend to Council

- Adoption of Council's Annual Report
- To write off outstanding accounts receivable or remit fees and charges of amounts over the Chief Executive's delegated authority.
- All other matters within the areas of responsibility or any other matters referred to it by the Council

For the Terms of Reference for the Audit, Risk and Finance Committee please refer to document NDOCS-1974015928-887.

Karakia and Mihi Timatanga

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 24 February 2023

7 - 13

Document number M20013

Recommendation

That the Audit, Risk and Finance Committee

- 1. Confirms the minutes of the meeting of the Audit, Risk and Finance Committee, held on 24 February 2023, as a true and correct record.***

6. John Mackey Audit New Zealand

John Mackey from Audit NZ will brief the committee on the 2021/22 Audit which was presented to 24 February 2023 meeting.

7. Privacy Act 2020 - Reporting

13 - 25

Document number R27656

Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Privacy Act 2020 - Reporting (R27656) and its attachment (1738230957-18024); and***
- 2. Notes that Council's Privacy Policy and Breach Management Plan applies also to elected and appointed members and training on compliance with the Privacy Act has and will be provided as part of induction for elected and appointed members.***

8. Review of Council's Section 17A service delivery reviews process

26 - 33

Document number R27716

Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Review of Council's Section 17A service delivery reviews process (R27716); and***
- 2. Notes the findings from the review of Council's process for Section 17A service delivery reviews contained within this report.***

Recommendation to Council

That the Council

- 1. Approves the below changes to Council's Section 17A review process:***
 - a. Increase the value threshold that triggers a service delivery review under Section 17A of the Local Government Act 2002 from \$100,000 to \$1 million per annum; and***
 - b. Delegate the Chief Executive responsibility to sign off reviews unless they meet a threshold of either:***
 - i. proposing considerable change to the service's delivery and/or***
 - ii. is assessed as being of medium or high significance against Council's Significance and Engagement Policy; and***

- c. *An annual report be presented to Council on progress and outcomes of Council's Section 17A reviews.***

9. Quarterly Internal Audit Report - 31 March 2023 34 - 38

Document number R27624

Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Quarterly Internal Audit Report - 31 March 2023 (R27624) and its attachment (1194974384-3369).**

10. Internal Audit Plan 2023-2024 39 - 48

Document number R27626

Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Internal Audit Plan 2023-2024 (R27626) and its attachments (1194974384-3370 and 1194974384-3368).**

Recommendation to Council

That the Council

- 1. Approves the Draft Annual Internal Audit Plan for the year to 30 June 2024 (1194974384-3368).**

11. Quarterly Finance Report to 31 March 2023 49 - 76

Document number R27695

Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Quarterly Finance Report to 31 March 2023 (R27695) and its attachments**

(1857728953-779, 839498445-14467 and 839498445-14468).

12. Quarterly Risk Report - 31 March 2023 77 - 103

Document number R27625

Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Quarterly Risk Report - 31 March 2023 (R27625) and its attachment (1759736513-9).***

13. Health, Safety and Wellbeing Report to 31 March 2023 104 - 117

Document number R27582

Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Health, Safety and Wellbeing Report to 31 March 2023 (R27582) and its attachment (855153265-3812).***

CONFIDENTIAL BUSINESS

14. Exclusion of the Public

Recommendation

That the Audit, Risk and Finance Committee

- 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 7: Privacy Act 2020 - Reporting

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 Committee Meeting - Confidential Minutes - 24 February 2023	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 Section 7(2)(a) To protect the privacy of natural persons, including that of a deceased person
2	Health, Safety and Wellbeing to 31 March 2023	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	Organisational Risk - Deep Dives	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)(j) To prevent the disclosure or use of official information for improper gain or improper advantage
4	Quarterly Report 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
5	Quarterly Update on Debts - 31 March 2023	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

**Minutes of a meeting of the
Audit, Risk and Finance Committee**

Te Kōmiti Kaute / Tūraru / Pūtea

**Held in the Council Chamber, Civic House, 110 Trafalgar Street,
Nelson on Friday 24 February 2023, commencing at 9.03a.m.**

Present: Ms C Taylor (Chairperson), His Worship the Mayor N Smith,
Deputy Mayor R O'Neill-Stevens, Councillor M Courtney, R
Sanson and Ms S Kelly

In Attendance: Interim Chief Executive (L McKenzie), Group Manager
Infrastructure (A Louverdis), Group Manager Environmental
Management (D Bush-King), Group Manager Corporate
Services (N Harrison) and Governance Adviser (T Kruger) and
Assistant Governance Adviser (A Bryce-Neumann)

Apologies : Nil

Karakia and Mihi Timatanga

1. Apologies

There were no apologies.

2. Confirmation of Order of Business

There was no change to the order of business.

3. Interests

No interests with items on the agenda were declared.

Ms C Taylor (Chairperson) declared a non-pecuniary interest as a
Member and the Chair of the Regulatory Committee of Waka Kotahi and
as Chair of the Nelson Airport Noise Environment Advisory Committee.

4. Public Forum

There was no public forum.

5. Confirmation of Minutes

There were no minutes to confirm.

6. Quarterly Finance Report to 31 December 2022

Document number R27419, agenda pages 6 - 34 refer.

Group Manager Corporate Services, Nikki Harrison, took the report as read and tabled an updated page for the Operating Budget (1857728953-678) and answered questions on the Infrastructure revaluation impacts, flood events, staff expenditure increases due to inflation and recoveries breakdown.

Resolved ARF/2023/001

That the Audit, Risk and Finance Committee

- 1. Receives the report Quarterly Finance Report to 31 December 2022 (R27419) and its attachments (1857728953-647, 839498445-13756 and 839498445-13835).***

O'Neill-Stevens/Courtney

Carried

Attachments

- 1 1857728953-678 - Updated Operating Budget

7. Quarterly Internal Audit Report - 31 December 2022

Document number R27420, agenda pages 35 - 39 refer.

Audit and Risk Analyst, Chris Logan, took the report as read.

Group Manager Corporate Services, Nikki Harrison advised that if there were any high risk matters they would be reported to the Committee.

Resolved ARF/2023/002

That the Audit, Risk and Finance Committee

- 1. Receives the report Quarterly Internal Audit Report - 31 December 2022 (R27420) and its attachment (1194974384-3349).***

Taylor/Kelly

Carried

8. Quarterly Risk Report - 31 December 2022

Document number R27421, agenda pages 40 - 43 refer.

Audit and Risk Analyst, Chris Logan, took the report.

Group Manager, Corporate Services, Nikki Harrison advised going forward how the threshold of the top ten risks would be reported, reviewed and presented to the Committee.

Resolved ARF/2023/003

That the Audit, Risk and Finance Committee

- 1. Receives the report Quarterly Risk Report - 31 December 2022 (R27421).***

Courtney/O'Neill-Stevens

Carried

9. Health, Safety and Wellbeing Report to 31 December 2022

Document number R27426, agenda pages 44 - 61 refer.

Health Safety and Wellness Adviser, Malcolm Hughes, took the report as read and answered questions about the presence of homeless people in the parks and associated risks to security.

Resolved ARF/2023/004

That the Audit, Risk and Finance Committee

- 1. Receives the report Health, Safety and Wellbeing Report to 31 December 2022 (R27426) and its attachment (855153265-3563).***

O'Neill-Stevens/Courtney

Carried

The meeting was adjourned from 10.56a.m. until 11.07a.m.

10. Letter from Audit NZ on Annual Report for year ending 30 June 2022

Document number R27491, agenda pages 62 - 102 refer.

Group Manager Corporate Services, Nikki Harrison took the report as read and answered questions on the process for preparation of an

Item 7: Privacy Act 2020 - Reporting

external audit and the potential for additional fees charged by Audit NZ, if information was not readily available.

In response to questions Nikki Harrison advised that the updated Procurement Policy would be circulated to members and uploaded to Council's website next week.

Resolved ARF/2023/005

That the Audit, Risk and Finance Committee

- 1. Receives the report Letter from Audit NZ on Annual Report for year ending 30 June 2022 (R27491) and its attachment (2126778665-296)***
- 2. Notes Audit NZ's comments (2126778665-296) and how officers intend to address the issues raised.***

Kelly/Taylor

Carried

11. Exclusion of the Public

Resolved ARF/2023/006

That the Audit, Risk and Finance Committee

- 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:***

Courtney/O'Neill-Stevens

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	Quarterly Report 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	The withholding of the information is necessary: <ul style="list-style-type: none"> • Section 7(2)(g) To maintain legal professional privilege

Item 7: Privacy Act 2020 - Reporting

Item	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Particular interests protected (where applicable)
		exists under section 7	
2	Quarterly Update on Debts - 31 December 2022	Section 48(1)(a) The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7	The withholding of the information is necessary: <ul style="list-style-type: none"> • Section 7(2)(a) To protect the privacy of natural persons, including that of a deceased person • Section 7(2)(g) To maintain legal professional privilege

The meeting went into confidential session at 11.15a.m. and resumed in public session at 11.42a.m.

Karakia Whakamutanga

12. Restatements

It was resolved while the public was excluded:

1 CONFIDENTIAL: Quarterly Report on Legal Proceedings

2. *Agrees that the report Quarterly Report on Legal Proceedings (R27284) and its attachment (142319133-363) remain confidential.*

2 CONFIDENTIAL: Quarterly Update on Debts - 31 December 2022

2. *Agrees that the Report and its attachment (1857728953-643) remain confidential at this time.*

There being no further business the meeting ended at 11.43a.m.

Confirmed as a correct record of proceedings by resolution on (date)

Resolved

Privacy Act 2020 - Reporting

1. Purpose of Report

- 1.1 To provide a 6 monthly update on actions underway to monitor and manage privacy related matters following the coming into force of the Privacy Act 2020.

2. Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Privacy Act 2020 - Reporting (R27656) and its attachment (1738230957-18024); and***
- 2. Notes that Council's Privacy Policy and Breach Management Plan applies also to elected and appointed members and training on compliance with the Privacy Act has and will be provided as part of induction for elected and appointed members.***

3. Systems and controls

Privacy policy and breach management plan

- 3.1 Council's Privacy Policy and breach management plan (see Attachment 1, 1738230957-18024) has been finalised and provides guidance in how privacy matters will be addressed. This Policy applies to all employees, members (elected and appointed), and to any appointed "officers" of the Council who are directly employed by a contractor to the Council. It outlines what a privacy breach is, how it can be caused and the steps Council will take when a suspected/confirmed breach has occurred.
- 3.2 A breach/ near miss register has also been developed. The register has been carefully structured to provide information for the Privacy Officer on any system or training gaps without becoming a breach of personal information in itself.

Item 7: Privacy Act 2020 - Reporting

- 3.3 From the Policy, the work programme to ensure staff, contractors, members, and those holding statutory officer roles on behalf on Council understand and meet their privacy obligations has been updated.

IT and cyber security

- 3.4 Ongoing security improvements and training are undertaken to prevent breaches through cyber security risk.
- 3.5 The use of memory sticks is currently targeted (through discouragement and monitoring) to reduce risk of data loss.

Privacy statements

- 3.6 A number of privacy statements have been updated or drafted for regular activities of Council to provide increased transparency to the public around Council's collection, use and storage of personal information.
- 3.7 These include statements for use in Local Government Act consultation/ engagement, Resource Management Act (RMA) consultation, local/regional and national emergencies, competitions and surveys run by or on behalf of Council, and events (particularly where images may be captured).

4. Compliance Investigations

- 4.1 One compliance matter was raised and investigated since the previous reporting period to September 2022.
- 4.1.1 A party affected by the August 2022 rain event raised a complaint in relation to how their information was used during the recovery. On investigation the complaint was not upheld.
- 4.1.2 Nonetheless, privacy statements advising the community about the collection, use and storage of personal information in instances of local/ regional and national emergencies have been drafted and are currently under review. The intention is that this information be proactively placed on Council's website as well as included in communications should an emergency event occur.

Follow up actions from previously reported compliance matters

- 4.1.3 An updated privacy statement for RMA (Form 5) consultations has now been finalised for use.
- 4.1.4 A debrief was undertaken with staff involved in a matter related to two email communications sent in the second half of the 2021 year, and adjustments made to specific third-party interactions.

5. Training and advice

- 5.1 Privacy requirements for elected members were included in the induction programme for the incoming Council. Appointed members will also be provided with information on appointment.
- 5.2 A site has been established on Council's intranet to provide quick access for staff to privacy essentials including policy, training and other key information. Similar information will be provided to members via LGHub, Council's document sharing portal for member meeting and reference documents.
- 5.3 An induction presentation on privacy fundamentals has been prepared for Council workers, including actions they need to take if a breach is suspected.
- 5.4 A suite of Frequently Asked Questions has been initiated, which will be added to over time as queries, compliance matters or guidance from the Privacy Commissioner raise topics to cover.
- 5.5 Initial advice on the use of AI (ChatGPT) for Council activities has been provided, with further guidance to support decision-making to be prepared following anticipated guidance from the Privacy Commissioner in May.
- 5.6 Advice has been provided on a number of specific situations to ensure privacy matters are understood and compliance is maintained.

6. Conclusion

- 6.1 Both proactive and responsive actions continue within the privacy space.
- 6.2 Ways to appropriately resource the privacy work programme remains an ongoing discussion.

Author: **Devorah Nicuarta-Smith, Manager Governance and Support Services**

Authoriser: **Nicky McDonald, Group Manager Strategy and Communications**

Attachments

Attachment 1: 1738230957-18024 Privacy (personal information) policy and breach management plan [↓](#)

Review of Council's Section 17A service delivery reviews process

1. Purpose of Report

- 1.1 To report back to the Committee on a review undertaken of the process for Section 17A service delivery reviews.
- 1.2 To recommend changes to Council's Section 17A service delivery reviews process be approved by Council.

2. Summary

- 2.1 At its 22 September 2022 meeting, Council asked staff to undertake a review of Council's Section 17A service delivery reviews process. Staff reviewed the current process, comparing it against a sample of other councils' processes and Taituarā best practice guidance.

Informed by the findings of the review, staff recommend making changes to Council's current process, including increasing the value threshold for triggering a review, and clarifying what triggers different levels of sign-off for a completed review.

3. Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Review of Council's Section 17A service delivery reviews process (R27716); and***
- 2. Notes the findings from the review of Council's process for Section 17A service delivery reviews contained within this report.***

Item 8: Review of Council's Section 17A service delivery reviews process

Recommendation to Council

That the Council

- 1. Approves the below changes to Council's Section 17A review process:**
 - a. Increase the value threshold that triggers a service delivery review under Section 17A of the Local Government Act 2002 from \$100,000 to \$1 million per annum; and**
 - b. Delegate the Chief Executive responsibility to sign off reviews unless they meet a threshold of either:**
 - i. proposing considerable change to the service's delivery and/or**
 - ii. is assessed as being of medium or high significance against Council's Significance and Engagement Policy; and**
 - c. An annual report be presented to Council on progress and outcomes of Council's Section 17A reviews.**

4. Background

- 4.1 Service delivery reviews are a requirement of Section 17A of the Local Government Act 2002 and they determine whether the existing means of delivering a service remains the most efficient, effective and appropriate method. This includes consideration of the method of governance, funding, and delivery of the service and the alternative options that are available. The reviews do not cover the quality of services themselves.
- 4.2 There are two types of reviews:
 - 4.2.1 Reviews of service areas within Council, such as a business activity (activity reviews). These reviews may encompass the review of one or more service contracts.
 - 4.2.2 Reviews of services delivered via contract, such as a maintenance contract (contract reviews).
- 4.3 Under the Act, Council is required to undertake Section 17A service delivery reviews when it is considering a significant change to a level of service, and no less often than every six years. Contract reviews are undertaken within two years before the expiry of a contract.

Exemptions

- 4.4 Section 17A(3) provides two exemptions to these review requirements:

Item 8: Review of Council's Section 17A service delivery reviews process

- 4.4.1 A local authority is not required to undertake a review where delivery arrangements are bound by legislation, contract or binding agreement and cannot be changed within the next two years.
- 4.4.2 A local authority is not required to undertake the review if it is satisfied that the potential benefits do not justify the cost of the review e.g., the service is small or where cost savings resulting from a review may be minor. In 2015, Council, using the Procurement Policy as a guide, set a threshold that activities with a value of up to \$100,000 be exempt from review.

5. Discussion

- 5.1 Council at its 22 September 2022 meeting resolved:

Resolved CL/2022/239

- 2. *Requests officers undertake a review of the process for S17A service delivery reviews to reflect Taituara best practice advice and reports the review to the Audit, Risk and Finance Committee (or equivalent); and*

Council's process

- 5.2 Council's current process for Section 17A reviews is outlined below.
 - 5.2.1 Staff consider if a Section 17A service delivery review is required, taking account of the exemptions in paragraph 4.4.
 - 5.2.2 If the service is determined to be in scope of a review, staff undertake an initial assessment of the service. This assessment includes the current arrangements of the service; what the service is, why it is provided, how it is delivered and funded and what the operating costs are. If the initial assessment determines that a more in-depth review is required, staff analyse different delivery methods of the service and identify the most cost-effective option and what the recommendations of the review are.
 - 5.2.3 Section 17A reviews had been approved by the Senior Leadership Team but following a resolution of Council at the 22 September 2022 meeting, all now come to Council for approval.

Review of the current process

- 5.3 Staff have reviewed the current Section 17A review process as outlined below:
 - 5.3.1 Comparing Council's process against Taituarā best practice guidance.
 - 5.3.2 Comparing the process with other councils of a similar size.

Item 8: Review of Council's Section 17A service delivery reviews process

- 5.4 The key findings and recommendations from the review are outlined below.
- 5.4.1 Council's **value threshold** of \$100,000 to trigger a review is low. Taituarā guidance recommends that councils set a limit on contract value where any potential savings are deemed to be outweighed by the cost of doing a review. In 2014, following the introduction of Section 17A reviews, it provided a suggested example for a medium-sized council of a \$250,000 threshold. Nine years later Council's \$100,000 threshold is very much out of step, and this has been exacerbated by the high inflation environment. Staff recommend increasing the value threshold to \$1million.
- 5.4.2 To provide an indication of the amount of service delivery reviews under different threshold options, staff did an analysis of the number of activity reviews required under the existing threshold of \$100,000, compared with a \$500,000 and \$1 million threshold. Staff have calculated the estimated value of these activities by operating expenditure and overheads.
- 5.4.3 Please note, this is only an estimate, as the review areas would require an updated assessment of financial costs following the adoption of the Long Term Plan. In summary based on this analysis, there are:
- 5.4.3.1 38 activity reviews required at the \$100,000 threshold
- 5.4.3.2 27 activity reviews required at the \$500,000 threshold
- 5.4.3.3 23 activity reviews required at the \$1 million threshold.
- 5.4.4 The **process for approval of reviews** could be more efficient. The Local Government Act 2002 does not prescribe a sign-off process for Section 17A reviews. Currently, all Section 17A reviews are required to be approved by Council. To focus governance consideration on the most significant reviews it is recommended that the Chief Executive be delegated responsibility to sign off routine reviews. If reviews are either proposing considerable change to the service's delivery and/or are of medium or high significance against Council's Significance and Engagement Policy then they would come to Council for consideration.
- 5.4.5 If the current delegation stays in place, approximately 25 extra reports, applying the \$1million value threshold, would come to Council over the six-year review period. The number would be closer to 50 if the \$100,000 threshold remained. Other councils are similarly conscious of making best use of governance time in their Section 17A review process. Marlborough District Council, for example, undertakes a preliminary analysis every six years of its high-level delivery and relative cost effectiveness, and provides a single report to Council where decisions are made on

Item 8: Review of Council's Section 17A service delivery reviews process

any areas that require a more in-depth review. Tasman District Council doesn't have a policy on Section 17A reviews.

- 5.4.6 **An annual report to Council** on progress and outcomes of Council's Section 17A reviews would be useful to ensure elected members have oversight. Staff also propose a folder be made available in LGHub where Section 17A reviews are saved once approved by the Chief Executive. This means elected members can access completed reviews at any time.

3. Options

Option 1: Agree to recommend changes to Council's Section 17A reviews process, outlined in recommendation 3 of this report (recommended)	
Advantages	<ul style="list-style-type: none"> • Ensures elected members and staff efforts are focused on areas of high priority and significance and where greater efficiencies could be gained. • Council maintains oversight of the progress and outcomes of all Section 17A reviews.
Risks and Disadvantages	<ul style="list-style-type: none"> • None obvious.
Option 2: Do not agree to recommend to Council the proposed changes to Council's Section 17A reviews process	
Advantages	<ul style="list-style-type: none"> • None obvious.
Risks and Disadvantages	<ul style="list-style-type: none"> • Requires more staff and elected member time undertaking reviews, reducing resources for other priority work.
Option 3: Request amendments to the proposed changes to Council's Section 17A reviews process	
Advantages	<ul style="list-style-type: none"> • Amendments can be incorporated before the draft procedure goes to Council for approval.
Risks and Disadvantages	<ul style="list-style-type: none"> • Implementation of the procedure could be delayed and staff time would continue to be required to undertake reviews over the current \$100,000 threshold.

4. Next Steps

- 5.5 If the recommendations are approved by the Committee and subsequently by Council, staff will implement the changes, including setting up a folder in LGHub where all reviews will be saved.

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Author: Ailish Neyland, Policy Adviser

Authoriser: Nicky McDonald, Group Manager Strategy and Communications

Attachments

Nil

Important considerations for decision making
Fit with Purpose of Local Government The recommendation supports Council's requirements under Section 17A of the Local Government Act 2002. Undertaking Council activities in the most effective manner possible contributes to the four aspects of community wellbeing.
Consistency with Community Outcomes and Council Policy The recommendations support the following Community Outcomes: <ul style="list-style-type: none">• Our infrastructure is efficient, cost effective and meets current and future needs• Our communities have access to a range of social, educational and recreational facilities and activities.
Risk Recommending the proposed changes to Council reduces the risk that resources are allocated to reviews which realise minor or no benefits.
Financial impact The recommendations would have no direct financial impact to Council.
Degree of significance and level of engagement This matter is of low significance as it does not impact levels of service and has no financial impact and therefore no community engagement has been undertaken.
Climate Impact The decision in this report will have no impact on the ability of Council to proactively respond to the impacts of climate change now or in the future.
Inclusion of Māori in the decision making process No engagement with Māori has been undertaken in preparing this report.

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Delegations

The Audit, Risk and Finance Committee has the following delegations to consider in relation to the requirements of the Local Government Act 2002:

Areas of Responsibility:

- Council's financial performance
- Internal Audit
- Procurement Policy

Powers to Recommend to Council:

- All other matters within the areas of responsibility or any other matters referred to it by the Council.

Quarterly Internal Audit Report - 31 March 2023

1. Purpose of Report

- 1.1 To update the Audit, Risk and Finance Committee on the internal audit activity for the quarter year to 31 March 2023.

2. Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Quarterly Internal Audit Report - 31 March 2023 (R27624) and its attachment (1194974384-3369).***

3. Background

- 3.1 Under Council's Internal Audit Charter approved by Council on 15 November 2018 the Audit, Risk and Finance Subcommittee (now a Committee) requires a periodic update on the progress of internal audit activities. The 2022-23 Internal Audit Plan (the Plan) was approved by the Audit, Risk and Finance Subcommittee on 24 May 2022. The Plan provides for four planned audits, with an allowance for a further one 'unplanned' audit.

4. Overview of Progress on the 2022/23 Internal Audit Plan

- 4.1 A detailed summary is provided in Attachment 1 (1194974384-3369).

- 4.2 No internal audits were completed over the quarter to 31 March 2023 with prioritisation given to insurance claim preparation for the August weather event.

- 4.3 There are two remaining incomplete audits:

- 4.3.1 Resource consent case reviews internal audit was initially planned to be completed by an external contractor but is now being completed by neighbouring top-of-the-south councils via a reciprocal arrangement. Draft findings are expected after Easter.

Item 9: Quarterly Internal Audit Report - 31 March 2023

4.3.2 Records management compliance following Objective to SharePoint Migration Project internal audit commenced in March and will complement findings from the pre-IANZ-Building-business-unit internal audit (completed by an external contractor).

5. Significant external audits that are not reported separately to the Audit, Risk and Finance Committee

5.1 The International Accreditation New Zealand's (IANZ's) Building Consent Authority (BCA) two-yearly audit is due to commence in June 2023.

5.2 Reporting the progress on implementation of the Greenmeadows external review recommendation, has been incorporated into the 2023-2024 Annual Audit Plan for the first half of the year.

Author: Chris Logan, Audit and Risk Analyst

Authoriser: Nikki Harrison, Group Manager Corporate Services

Attachments

Attachment 1: 1194974384-3369 Annual Audit Plan Progress - 31 Mar 2023 [↓](#)

Internal Audit Plan 2023-2024

1. Purpose of Report

- 1.1 To approve the Draft Annual Internal Audit Plan to 30 June 2024.

2. Summary

- 2.1 The Internal Audit Charter, approved by Council on 15 November 2018, requires that at least annually, the internal auditor submits to the Audit, Risk and Finance Committee (ARF) an internal audit plan for review and recommendation to the Council for approval.

3. Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Internal Audit Plan 2023-2024 (R27626) and its attachments (1194974384-3370 and 1194974384-3368).***

Recommendation to Council

That the Council

- 1. Approves the Draft Annual Internal Audit Plan for the year to 30 June 2024 (1194974384-3368).***

4. Background

- 4.1 The internal audit plan consists of a work schedule as well as budget and resource requirements for the next financial year. These items are described in Attachment 2 (1194974384-3368).
- 4.2 The internal audit plan has been developed based on a prioritisation of a list of all potential audit topics using a risk-based methodology.
- 4.3 Feedback on the draft topics was sought from the Chair of the Audit, Risk and Finance Committee prior to this meeting.

Item 10: Internal Audit Plan 2023-2024

5. Discussion

- 5.1 A summary of previous year internal audits in are described in the Attachment 1 (1194974384-3370).
- 5.2 Like last year, the draft annual audit plan contains four planned topics and a placeholder for one ad hoc audit topics. A budget of \$21,360 has been allowed for should the ad hoc audit topics require external specialists. In previous years the budget has been \$25,000. This years' budget has been reduced due to the tight financial situation for council.
- 5.3 The planned topics are:
 - 5.3.1 implementation of the Greenmeadows external review (first half of 2023-24);
 - 5.3.2 roading network maintenance & resurfacing contract management (second half of 2023-24);
 - 5.3.3 annual fraud & conflict of interest testing (first half of 2023-24);
 - 5.3.4 records management compliance following Nelson Tasman Emergency Management IT improvement project (second half of 2023-24);

6. Options

Option 1: Approve draft plan (preferred option)	
Advantages	<ul style="list-style-type: none"> • Flexibility to audit emerging risk.
Risks and Disadvantages	<ul style="list-style-type: none"> • A loss occurs that may have been avoided had an audit taken place for one of the potential ad-hoc audit topics.
Option 2: Substitute an item on the audit plan	
Advantages	<ul style="list-style-type: none"> • Flexibility to audit emerging risk.
Risks and Disadvantages	<ul style="list-style-type: none"> • Increased delivery risk as placeholder ad hoc audit topics not fully scoped.
Option 3: Defer an item on the audit plan	
Advantages	<ul style="list-style-type: none"> • Increased flexibility to audit emerging risks.
Risks and Disadvantages	<ul style="list-style-type: none"> • Increased delivery risk as suitable ad hoc audit topic may not be found

Item 10: Internal Audit Plan 2023-2024

Author: Chris Logan, Audit and Risk Analyst
Authoriser: Nikki Harrison, Group Manager Corporate Services

Attachments

- Attachment 1: 1194974384-3370 - Internal Audits Summary At 30 June 2023
[↓](#)
- Attachment 2: 1194974384-3368 - Draft 2023-24 Internal Audit Plan - 31
March 2023 [↓](#)

Important considerations for decision making
Fit with Purpose of Local Government This report provides a plan to assess whether certain areas of Council's risk management, governance and internal control processes are operating effectively. Execution of the plan provides assurance that Council is effectively promoting the social, economic, environmental, and cultural well-being of communities in the present and for the future.
Consistency with Community Outcomes and Council Policy This report aligns with the Internal Audit Charter, approved by Council on 15 November 2018.
Risk If internal audits are not approved: the cost of external audits may increase, the frequency and severity of internal control failures may increase and it may become more difficult to retain Council's current credit rating.
Financial impact This decision will fit within existing budgets.
Degree of significance and level of engagement This matter is of low significance because it does not directly impact financial decisions, or the levels of services provided. Therefore, no consultation is required.
Climate Impact There has been no specific climate change impact considered in the preparation of this report.
Inclusion of Māori in the decision making process No engagement with Māori has been undertaken in preparing this report.
Delegations The Audit, Risk and Finance Committee Committee has the following delegations to consider <i>Areas of Responsibility:</i> <i>Internal audit Delegations:</i>

Item 10: Internal Audit Plan 2023-2024

Powers to Recommend (if applicable):

All other matters within the areas of responsibility or any other matters referred to it by the Council

Quarterly Finance Report to 31 March 2023

1. Purpose of Report

- 1.1 To inform the Committee of the financial results for Council for the nine months ended 31 March 2023 of the 2022/23 financial year, and to highlight any material variations.

2. Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Quarterly Finance Report to 31 March 2023 (R27695) and its attachments (1857728953-779, 839498445-14467 and 839498445-14468).***

3. Background

- 3.1 The whole of Council financial reporting provided to this Committee focuses on the nine-month performance (1 July 2022 to 31 March 2023) compared with the year-to-date (YTD) approved capital and operating budgets. The quarterly report includes Nelson City Council performance only and does not include its subsidiaries, associates and joint ventures.
- 3.2 Unless otherwise indicated, all information is against approved operating budgets, which is Annual Plan 2022/23, plus any carry forwards, plus or minus any other additions or changes as approved by the Council.
- 3.3 Commentary is provided below for significant variances of +/- \$500,000.

4. Financial Performance

- 4.1 For the nine months ending 31 March 2023, the Council's draft deficit is \$4,524,000 unfavourable to the operating budget.

Item 11: Quarterly Finance Report to 31 March 2023

4.2 Profit and Loss

Figures are shown in thousands (\$'000)	Year to Date Mar 2023				Full Year				
	Actuals	Operating Budget	Variance \$	Variance %	Full Year Forecast	Operating Budget	Annual Plan	Operating vs. AP	Forecast vs. Operating
Revenue									
Rates other than metered water, net of remissions	58,774	58,670	105	0%	78,317	78,226	78,226	0	91
Subsidies and grants	13,531	14,424	(892)	-6%	27,774	18,220	15,520	2,699	9,555
Fees and charges including metered water	20,126	20,838	(712)	-3%	28,799	30,387	30,397	(10)	(1,588)
Other revenue	13,896	11,014	2,882	26%	23,026	22,443	21,533	910	582
Interest received	611	89	522	586%	740	126	126	0	614
Other gains/losses	-	-	-	0%	714	545	545	0	169
Total revenue	106,939	105,035	1,904	2%	159,370	149,948	146,348	3,599	9,422
Expenses									
Personnel costs	26,153	24,623	(1,530)	-6%	34,871	32,914	32,841	(73)	(1,957)
Finance Costs	4,383	2,781	(1,602)	-58%	5,967	4,360	4,360	0	(1,607)
Depreciation and amortisation	27,269	23,372	(3,897)	-17%	36,520	31,356	31,356	(0)	(5,164)
Weather Event	15,395	12,358	(3,038)	-25%	18,238	12,358	-	(12,358)	(5,880)
Other expenses	52,100	55,738	3,638	7%	75,093	75,971	71,504	(4,467)	879
Total expenses	125,300	118,872	(6,428)	-5%	170,688	156,959	140,061	(16,898)	(13,729)
Net surplus/(deficit)	(18,361)	(13,837)	4,524	-33%	(11,318)	(7,011)	6,287	(13,298)	(4,306)
Capital Expenditure - excluding vested	43,523	65,036	21,513	33%	70,395	95,226	78,086	(17,140)	(24,831)

4.3 Full Year Budget

4.4 **The operating budget is a deficit of \$7,011,000, which is less than the annual plan budget by \$13,298,000.** The significant variances are as follows:

4.4.1 Revenue has been budgeted to increase by \$3.6m, which is due to \$2.3m Waka Kotahi weather event recoveries, as well as \$0.9m for Neighbourhood Parks development contributions.

4.4.2 Expenses have been budgeted to increase by \$16.9m. This is due to \$12.4m of weather event expenditure, \$1.2m Housing Reserve grant expenditure, as well as \$2.7m of Cawthron/Port grant expenditure carried forward from the previous year (subsequently removed from the forecast).

4.5 **The forecast budget is a deficit of \$11,318,000, which is less than the operating budget by \$4,306,000.** The significant variances are as follows:

4.5.1 Revenue has been forecasted to be \$9.4m higher. This is mainly due to an increase of \$7.7m in weather-event recoveries, \$0.9m for Neighbourhood Parks development contributions and an increase of \$0.6m for interest on short term investments. This is partially offset by a \$0.9m reduction in forestry income.

4.5.2 Expenses have been forecasted to be \$13.7m higher. This is mainly due to an increase of \$5.9m in weather-event expenditure, \$2.0m personnel costs, \$1.6m finance costs (offset by \$0.6m interest revenue) and \$5.2m depreciation expense. These higher than operating budget variances are partially offset by an under variance of \$0.9m in other expenses due to following reasons;

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- \$2.7m Cawthron/Port grant has been reforecast to Nil.
- Net of \$1.5m Housing Reserve grant has been moved to 2023/24.
- \$1.2m increase in harvesting cost (offset by higher forestry income as per 4.9).
- \$1.0m increase in regional sewerage costs due to significant increases in fixed charges and increased costs associated with wet weather in July/August 2022.
- \$0.7m increase in Nelson Resource Management Plan costs.

4.6 **Revenue**

- 4.7 **Rates income is greater than budget by \$105,000.** This is a result of wastewater rates being over budget. This is due to more connections being added than budgeted for (the budget workings were completed in May and the rate strike was in July).
- 4.8 **Subsidies and grants income is less than budget by \$892,000.** Significant variances are as follows:
- 4.8.1 **Waka Kotahi Subsidies are greater than budget by \$859,000.** \$0.7m relates to the Waka Kotahi public transport subsidies, due to additional public transport expenses.
- 4.8.2 **Green Waste income from Waste Minimisation Fund is less than budget by \$513,000.** Green waste is under budget in income due to expenses also being under budget. The main contributor to lower expenses, is the kerbside kitchen waste service, which has yet to commence.
- 4.8.3 **Government Grants (Capital in nature) are less than budget by \$1,532,000.** Waka Kotahi capital grant spend is \$2.1m less than budget due to delays in the capital programme which was caused by the August 2022 weather event taking priority. This is partially offset by an increase in the Ministry of Business grant of \$0.7m for Saxton Creek Stage 4 upgrade.
- 4.9 **Fees and Charges income is less than budget by \$712,000.** This is mainly due to Forestry income being less than budget by \$816,000 as a result of the changes to the planned timing of harvesting: Roding Forestry income is \$1.8m under budget against a nil budget which is partially offset by over budget forestry income of \$1m from Maitai and Marsden.
- 4.10 **Other revenue is greater than budget by \$2,882,000.** Significant variances are as follows:
- 4.10.1 **Development Contributions are \$2,223,000 greater than budget.** This is mainly due to the unbudgeted commercial developments happening in the region - the major developments

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being Coastal view (\$1.0m), 3D view (\$0.2m) and Bayview (\$0.2m).

4.11 **Interest received is greater than budget by \$522,000.** This is due to more funds being invested than planned because of pre-funding of debt to take advantage of the favourable borrowing conditions at the time.

4.12 **Expenses**

4.13 **Personnel costs are greater than budget by \$1,530,000.** This is mainly due to the following reasons:

4.13.1 The average salary increase of 5% was higher than the budgeted salary increase of 3%. In dollar figures, the increase in personnel costs to March 2023 is \$516,000 (which includes the increase in the annual leave balance).

4.13.2 Contractor/Temp and Training Staff costs are \$579,000 greater than budget. This is due to labour shortages and the higher turnover of council staff. While most of the business units contributed to this higher than planned variance, the biggest contributors were Consents and Compliance (\$615,000 over budget), Capital Projects (\$256,000 over budget), Transport and Solid Waste (\$233,000 over budget) and People and Capability (\$142,000 over budget).

4.13.3 Other staff costs are \$435,000 greater than budget. Significant variances include:

- Additional recruitment costs of \$99,000 due to staff turnover and labour shortages.
- Additional callout allowances (total allowances of \$88,000 paid YTD and \$65,000 higher than prior year). These allowances mainly relate to harbourmaster, emergency management, utilities engineering, and campground managers.
- Additional kiwi saver costs of \$34,000.
- Additional health & safety / wellbeing costs of \$20,000.
- Other items, such as additional overtime for unbudgeted public holidays, additional staff costs for covering staff on sick leave (sick/covid leave is up on prior year).

4.14 **Finance Costs are greater than budget by \$1,602,000.** This increase in interest costs is due to a) additional pre-funding of debt (which is offset by the variance in interest income of \$522,000), b) interest rate increases than planned and c) higher weather event borrowings.

4.15 **Depreciation and amortisation costs are greater than budget by \$3,897,000.** Depreciation has been based on the prior year asset

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valuations. In the 2021/22 financials, the asset valuations saw significant increases. This resulted in a much higher depreciation expense. This is especially evident in Roads (unsubsidised), Wastewater, Stormwater, and Water Supply.

4.16 **Weather Event costs are greater than budget by \$3,038,000.**

4.16.1 The spend to date on the August 2022 weather event is \$15.4m (against an approved budget to date of \$12.4m). Offsetting these expenses is \$2.6m of recoveries in "Subsidies and Grants".

4.16.2 Recoveries received to date are \$2.6m. This includes Waka Kotahi income of \$2.3m, as well as \$0.15m from NZ lotteries, and \$0.14m from insurance. Staff are progressing insurance claims, NEMA and Waka Kotahi subsidies with relevant agencies and forecasting to receive \$9.8m by year end which is reflected in the full year forecast above.

4.16.3 The Buildings & Structure Loss Adjuster has accepted claims for numerous sites but claims preparation/adjustment yet to be completed. To date we have only received insurance payments of \$0.14m for locations relating to the August 2022 Rain Event (300 Wakefield Quay & Civic House).

4.16.4 Weather event reporting goes to council quarterly, with the last meeting on 4 May 2023. The full year forecast weather event costs for 2022/23 is currently \$18.2 million (gross of recoveries).

4.16.5 There is a further of \$1.9m of capital expenditure outside of the net profit and loss (vs. a budget of \$0.5m).

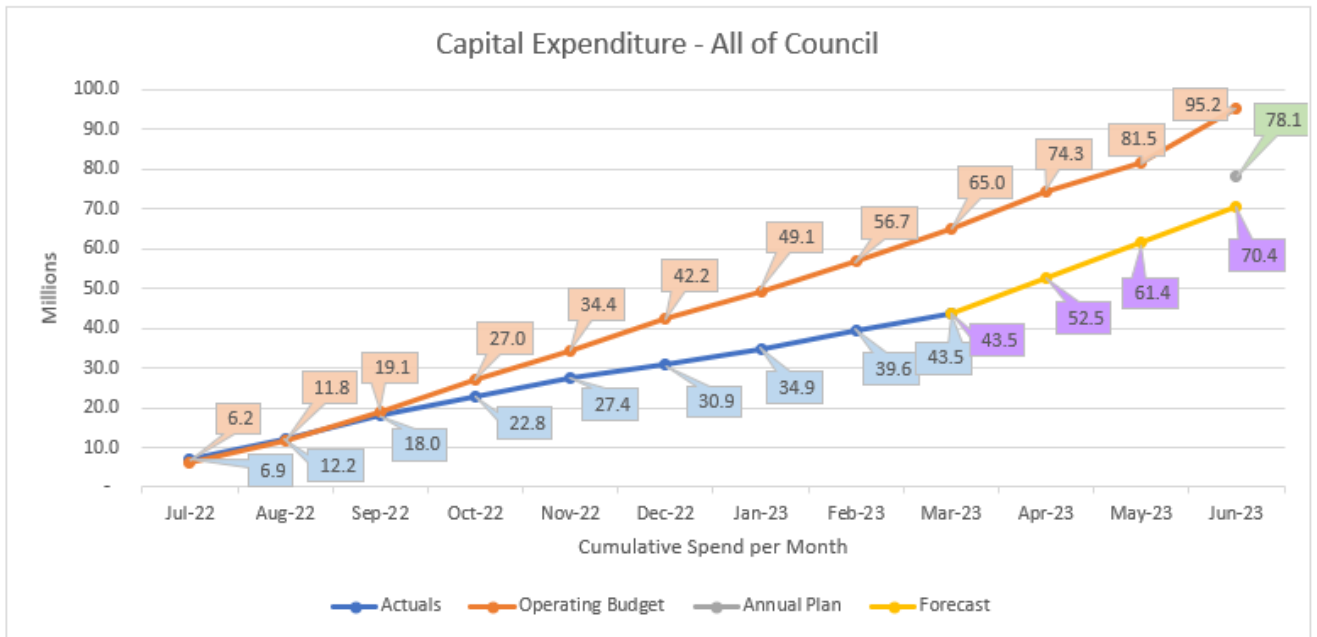
4.17 **Other Expenses are less than budget by \$3,638,000.** Significant variances are as follows:

4.17.1 **Cawthron/Port Grant expenditure is less than budget by \$1,350,000.** This is mainly due to the Cawthron institute and Port Nelsons' decision not to go ahead with the proposed Science and Technology Precinct. The forecast has been adjusted by the grant amount which is \$2.7m.

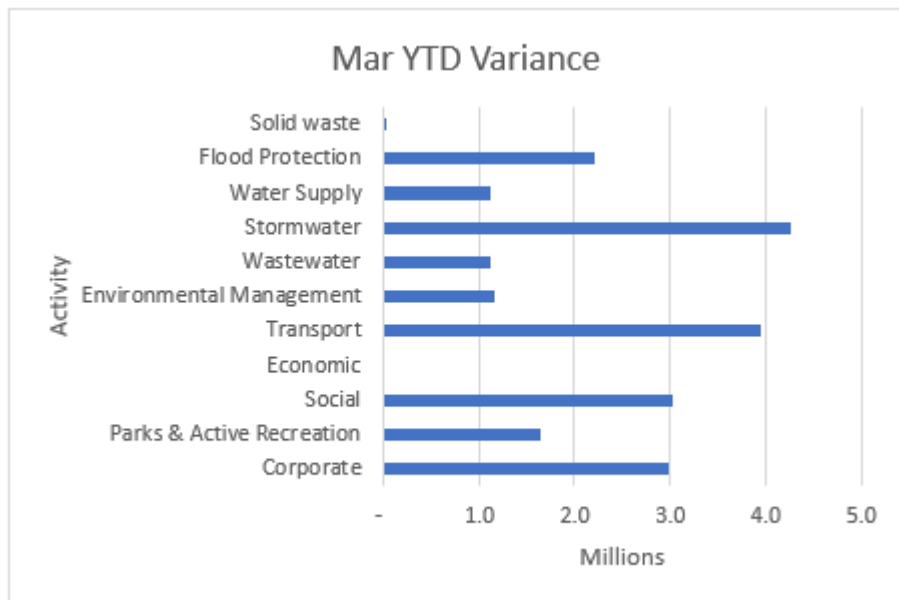
4.17.2 **City Development expenditure is less than budget by \$997,000.** This variance is solely due to the unbudgeted housing reserve grant payments which are scheduled to be paid in the 2023/24 financial year.

5. Capital Expenditure

5.1 Capital Expenditure (including staff time, excluding vested assets)



5.2 As at 31 March 2023, Capital Expenditure was \$43.5m, which is \$21.5m under the year-to-date operating budget of \$65.0m. This underspend is across all activities, with the main contributors being Transport (\$4.0m), Stormwater (\$4.3m), Corporate (\$3.0m), Social (\$3.0m), and Flood Protection (\$2.2m).



5.3 Out of the \$21.5m variance above, \$8.5m relates to Renewals, \$10.3m relates to Level of Service, \$1.2m relates to Capital Growth, and \$0.1m relates to Capital Staff Costs.

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- 5.4 Within capital expenditure, there is a spend of \$1.9m on the August 2022 weather event (against a budget of \$0.5m) for transport (\$0.5m), wastewater (\$0.3m), and flood protection (\$0.9m).
- 5.5 The largest year to date capital variances contributing to the \$21.5m variance are in the table below (variances +/- \$500,000, rounded to \$'000):

Project	Activity	Spend Type	Actuals	Budget	Var	Commentary
Civic House Ceiling Tiles	Corporate	Renewals	54	1,086	1,032	Project on hold awaiting taskforce decisions, carryforward all remaining funds.
Elma Turner Library Extension/Relocation	Social	Level of Service	116	900	784	Project stopped by Council.
Library Ceiling strengthening	Social	Level of Service	737	1,256	518	Significant risk to going over budget and achieving completion by EOFY discovered, undergoing investigation.
WC 212 Sealed Road Resurfacing	Transport	Renewals	1,288	2,153	865	Reduced programme to suit contractor resources
Pipe Renewals - Wolfe Street	Wastewater	Renewals	19	750	731	Construction delays resulting in work carrying forward into next financial year.
Haven/St Vincent Culvert renewal	Stormwater	Renewals	121	1,500	1,379	Construction delays has taken work through to 2024.
Washington Valley Stormwater Upgrade	Stormwater	Level of Service	2,070	3,191	1,121	Allocate Savings to Project ID 1917 as this will be needed
Rutherford Stage 1 - Stormwater Upgrade	Stormwater	Level of Service	6,406	7,453	1,047	This project has been completed, resulting in savings.
Tahunanui Hills Stormwater Catchment 3 - Days Track	Stormwater	Level of Service	0	734	734	Tracking as expected
Saxton Creek Stage 4 Upgrade	Flood Protection	Level of Service	6,057	8,550	2,493	Potential for carryover into FY23/24 \$1.5 - \$1.7M due to 12 week delay in programme.
Maitai Camp capital improvements	Social	Level of Service	113	624	511	Consent work is proceeding and further work to be completed based on decisions around camp compliance. Carryforward will be requested.
Streets for People	Environmental	Level of Service	39	635	597	On track for full spend of budget as projects are now underway.
Flood Recovery Channel Bank protection	Flood Protection	Level of Service	779	199	(579)	Forecast increased due to commitments.
Dam Upgrades	Water Supply	Level of Service	90	685	595	Carry forward request to complete design, delay to install new transformer/statcom unit and awaiting compressor delivery in 23/24FY for balance supply spend

- 5.6 Staff have reforecast the current year capital spend to 30 June 2023. The indicative capital carry forwards requested is \$21.9m, which is to be spread across years 3-4 of the Long Term Plan 2021/31 (i.e. 2023/24 and 2024/25). Changes are yet to be approved.

6. Cash Flow Management

6.1 Net Debt

	Sep Quarter Actuals	Dec Quarter Actuals	Mar Quarter Actuals
Opening Net Debt	(112,254,093)	(125,601,278)	(144,010,841)
Cash Movement	(3,351,808)	845,060	2,328,766
Debt Movement	4,623	(19,254,623)	(9,275,991)
Closing Net Debt	(125,601,278)	(144,010,841)	(150,958,067)
Debt/Revenue Ratio	84%	95%	104%
Borrowing Compliance with Covenants (<150%)	Yes	Yes	Yes

- 6.2 As at 31 March 2023, there was a net debt of \$150.9m (\$144.0m at 31 December 2022, and \$112.3m at 30 June 2022). Net debt has increased by \$6.9m since 31 December 2022, and \$38.7m since 30 June 2022.

- 6.3 For the nine months ended 31 March 2023, LGFA borrowings have increased by \$30.0m and term deposits have decreased by \$10.0m. This increase in debt has been to fund the unbudgeted August 2022 weather

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event (\$14.9m net expenditure), capital expenditure during the year (\$21.4m net of funded depreciation), as well as to fund working capital (\$4.3m net payables at 30 June 2022).

- 6.4 Budgeted net debt at 30 June 2023 was \$161.0m, this has now been forecasted to be \$165.2m.

7. Council Fundraising

- 7.1 Council's fundraising adviser position was established in 2020 to identify funding opportunities for Council and submit applications. It is aimed to provide updates to the Audit, Risk and Finance Committee on an annual basis to highlight challenges and opportunities for Council fundraising.

- 7.2 Fundraising trends nationally have been impacted by COVID-19, severe weather events (flooding, cyclone damage), inflation and fear of recession. The 2022 Not For Profit sector report noted it had been a challenging year for organisations securing sustainable funding due to factors including, variable investment returns, rarity of contract terms beyond one year and pressures on the discretionary income of donors. Events and community fundraising have had a particularly difficult time. Many organisations, including Councils are eligible to apply for grant funding but do not always do so, limited by their capacity to deliver projects if their applications are successful - due to staffing shortages, inflationary pressures or funding requirements which exclude management/overhead costs.

- 7.3 During the Jan to Dec 2022 period, the Fundraising Adviser has worked with a range of business units in submitting the following successful funding proposals:

- \$56,000 (Lottery Facilities Fund) towards Stoke Youth Park's Parkour gymnastic feature
- \$150,000 (Ministry of Business, Innovation and Employment) to fund the Welcoming Communities Programme.
- \$60,000 (Lottery Environment & Heritage) to fund Conservation Plans for Broadgreen, Isel and Melrose Historic Houses.
- \$193,000 (Tourism Infrastructure Fund) towards Maitai River path Sunday Hole renewal.
- \$6,000 (Ministry for Culture & Heritage) for Founders Waitangi Day Kai Fest.

Since January 2023 proposals currently in progress include:

- Waste Minimisation Fund: approximately \$75,000 to develop a Business Case for kerbside waste collection in partnership with TDC.
- Tourism Infrastructure Fund: \$1.1m towards the proposed Marina Promenade construction.
- Lottery Environment & Heritage Fund: Support for textiles promotion and website development.

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The Adviser has also provided support services for the Better Off Funding application and mentoring to entities who are users of Council assets (about potential funding opportunities eg Skate Nelson Bays successful bid for \$10,000 to Pub Charity NZ).

8. Follow up on Previous Meeting Questions

8.1 Harbour Master Costs

Harbourmaster Costs - Historical vs. Actuals			
Figures are shown in thousands (\$'000)	Full Year		
	Actuals 2020/21	Actuals 2021/22	Forecast 2022/23
Revenue			
Harbourmaster revenue	-	-	242
Rates revenue	82	87	93
Other revenue	46	45	61
Total revenue	128	133	395
Expenses			
Personnel costs	-	-	275
Finance Costs	-	-	2
Depreciation and amortisation	8	6	3
Other expenses	120	126	101
Total expenses	128	133	381
Net surplus/(deficit)	0	0	15
Capital Expenditure - excluding vested	-	-	350

8.2 The 2022/23 forecasted harbourmaster surplus is \$15,000. The surplus is \$15,000 more than compared to 2021/22 and 2020/21. While personnel costs are greater in 2022/23, this has been offset by the increase in harbourmaster revenue.

9. Project Health

9.1 A table summarising the health of projects across has been generated is included as attachment 2 (839498445-14467). It gives a red, amber or green rating for quality, time and budget factors.

9.2 The majority of the orange and red are as a result of delays – this was perpetuated with the wet winter and the weather event.

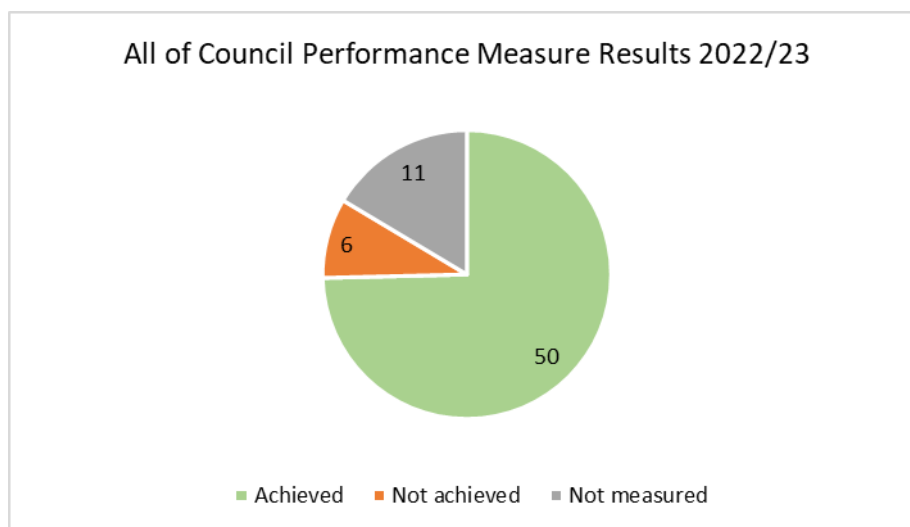
9.3 Projects on hold indicate projects that require further workshops or discussion.

10. Performance Measures

10.1 Council reports on 67 non-financial performance measures across its activity areas, as set out in the Long Term Plan 2021-31. These are evaluated as 'on track/not on track/not measured yet' for the first three quarters of the year.

Item 11: Quarterly Finance Report to 31 March 2023

- 10.2 Of the 67 measures, 50 are on track, 6 are not on track, and 11 are not measured yet. (24 February 2023 results were 49,7, and 11 respectively).



- 10.3 Attachment 3 (839498445-14468) details Council's performance measure results so far across all its activities.

Author: Prabath Jayawardana, Manager Finance
Authoriser: Nikki Harrison, Group Manager Corporate Services

Attachments

- Attachment 1: 1857728953-779 Finance Attachment Q3 Reporting Mar-23 [↓](#)
- Attachment 2: 839498445-14467 Mar2023 - Project Health Summary
16May2023 [↓](#)
- Attachment 3: 839498445-14468 Quarterly Reporting - 2022-23 -
Performance Measures 16May2023 [↓](#)

Quarterly Risk Report - 31 March 2023

1. Purpose of Report

- 1.1 To provide information to the Audit, Risk and Finance Committee on the organisational risks through to end of the third quarter of 2022/23.

2. Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Quarterly Risk Report - 31 March 2023 (R27625) and its attachment (1759736513-9).***

3. Background

- 3.1 This report includes an update on progress against the risk management work plan and describes key risk areas, divided by risk theme (organisational risks) and reporting Group.

4. Progress on Risk Management Work Plan

- 4.1 The 2022/23 risk management work plan, which was set prior to the appointment of the new Chairperson in February 2023 and prior to the Local Government Elections in September 2022, includes:
- 4.1.1 risk training for four business units – three completed
 - 4.1.2 two team leader or manager anti-fraud trainings – one completed
 - 4.1.3 new councillor risk management induction – not yet completed
 - 4.1.4 review risk tolerance with new chair of Audit, Risk and Finance – not yet completed
 - 4.1.5 updating the legal compliance consequence description – not yet completed

5. Putting Organisational Risks in Context

5.1 Risks relating to Council and joint operations are monitored via Council's risk register.

5.1.1 Risks relating to subsidiaries and joint ventures are limited to ownership risks. Risks relating to contracted-out activities are limited to residual/non-contracted-out risks. Specific asset, activity, legal matter, or project risks are rolled up into more general asset, activity, legal or project risks however any significant items are summarised in the last section.

5.2 Risk entries are categorised in two ways:

5.2.1 Operational risks with no apparent common theme or cause and hence unlikely to pose a threat at an organisational level (approximately 70% of risk entries by count), and

5.2.2 Organisational risks with identified common themes or causes which create risk concentrations that pose a threat at an organisational level (approximately 30% of risk entries by count)

5.3 The latter is the focus of this report and further detail is provided the next section.

6. Key Risk Areas by Theme (Organisational Risks)

6.1 "Disruption to Council service delivery due to significant increase in COVID-19 cases" is no longer being reported as an organisational risk but will still be covered by the Health, Safety and Wellbeing Report.

6.2 A summary of key risk themes is provided below. The attachment to this report describes each risk theme in more detail, its existing controls and planned risk treatments. For ease of comparison to the prior quarter, new text (with the exception of 'Central-government-led-reforms') in the attachment has been coloured red.

6.3 **R1 - Central-government-led-reforms** (Owner: Chief Executive). Whilst noting that project management is in place to manage organisational changes within the three-waters transition program both at the elected member and staff level, the risk rating remains at Very High.

6.4 **R2 - Lifeline services failure** (Owner: Group Manager Infrastructure). Flood-recovery work is ongoing, with contractor/resource capacity constraints and detailed scoping for many permanent infrastructure repairs yet to be completed. No other new emerging risks to report at this time. The risk rating remains at Medium.

6.5 **R3 - Illness, injury or stress from higher hazard work situations** (Owner: Group Manager Corporate Services). Workplace stress continues to emerge. The risk rating remains at High. For clarity, misalignment

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between the Health, Safety and Wellbeing Report has now been corrected, and the risk is now being reported consistently as High.

- 6.6 **R4 - Loss of service performance from ineffective contracts and contract management** (Owner: Chief Executive). Work on planned treatments paused due to staff vacancies. The risk rating remains at Medium.
- 6.7 **R5 - Compromise of Council service delivery from information technology failures** (Owner: Group Manager Corporate Services). No new emerging risks to report at this time. The risk rating remains at Low.
- 6.8 **R6 - Council work compromised by loss of and difficulties in replacing skilled staff** (Owner: Manager People and Capability). Vacancies have reduced over the quarter due to reduced resignations however some 'hard-to-fill' roles continue to remain open despite repeated recruitment efforts, engaging recruitment consultants and re-evaluating the job description. The situation is not expected to change soon with six Business Unit Manager roles recently becoming vacant. The organisational risk rating remains at Medium.
- 6.9 **R7 – Legal Risk** (Owner: Group Manager Strategy and Communications). No emerging organisational risks to report at this time noting that any new legal proceedings or emerging areas of increased litigation risk are separately reported in the quarterly report on legal proceedings. The organisational risk rating remains at Medium.
- 6.10 **R8 - Reputation damage and loss of public trust in the organisation** (Group Manager Strategy and Communications). No new emerging risks to report at this time. The risk rating remains at Medium

7. Key Risk Areas by Reporting Group

- 7.1 Office of the Chief Executive: No new emerging risks to report at this time.
- 7.2 Infrastructure Group: Risk is Very High due to aforementioned: supply chain risks for materials, labour and contractor capacity remains constrained across all business units resulting in elevated operational risk.
- 7.3 Community Services Group: Risks associated with Council owned campgrounds (two operated and one leased) remain elevated whilst non-compliance remediation actions are being implemented. The risks previously monitored by elected members through the Strategic Development and Property Subcommittee have been monitored through the usual organisational processes since that subcommittee ceased operating.
- 7.4 Environmental Management Group: Risk is High due to vacancies in four of the five Business Unit Manager roles. Risk relates to delivery, workload stress and ability to recruit.

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- 7.5 Strategy and Communications Group: No new emerging risks to report at this time.
- 7.6 Corporate Services Group: Insurance renewal risks emerging (cost and expansiveness of coverage) due to inflation pressures and recent losses (August rain event, January north island flooding and Hurricane Ian).

Author: Chris Logan, Audit and Risk Analyst

Authoriser: Nikki Harrison, Group Manager Corporate Services

Attachments

Attachment 1: 1759736513-9 - 3Q23 key organisational risks for ARF [↓](#)

Health, Safety and Wellbeing Report to 31 March 2023

1. Purpose of Report

- 1.1 To provide the Committee with a report on health, safety and wellbeing data collected over the period January to March 2023.
- 1.2 To update the Committee on key health and safety risks, including controls and treatments.

2. Summary

- 2.1 Three incidents of workplace stress requiring one week or more off work have been reported for this period.
- 2.2 To protect the privacy of individuals involved incidents relating to workplace stress and security incidents are outlined in a separate confidential report.
- 2.3 Council's key health and safety risk 'workplace stress' has been assessed as moving from a medium to a high risk.

3. Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Health, Safety and Wellbeing Report to 31 March 2023 (R27582) and its attachment (855153265-3812).***

4. Background

- 4.1 Elected members, as 'Officers' under the Health and Safety at Work Act 2015 (HSWA), are required 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 Committee.

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- 4.2 Health, safety and wellbeing performance data reports provide an overview based on key lead and lag indicators. Where a concerning trend is identified more detail is provided in this report to better understand issues, treatments and controls.

Providing an update on key health and safety risks expands on the very high-level overview provided in the organisational risk report.

5. Discussion

- 5.1 Incidents of note:

- 5.1.1 All injury or illness incidents of minor severity or greater for the reporting period are noted in the attachment and any significant incidents or incident trends of note are outlined below.

- 5.2 A significant near miss occurred while a contractor was operating a flail mower to trim roadside vegetation. A young child ran out from a residence getting within 3 metres of the operating machine while the cutting head was elevated off the ground. There was a high risk of being injured by debris ejected from the machine. Use of the flail mower to trim elevated vegetation (when there is no embankment behind the cutting head to prevent airborne debris) has been suspended in urban areas while alternative methods of vegetation control are investigated.

- 5.3 Comprehensive investigation reports outlining corrective actions have been received by Council for the Contractor Incidents, contractor fell into an open manhole at a worksite and a worker felt ill following exposure to landfill gas.

- 5.4 Security incidents continue to be reported in three key areas; libraries, marina and campgrounds. Marina incidents primarily relate to minor crimes by members of the public in the marina and are not Council workplace incidents. Library incidents generally relate to behaviour of individuals in and around the libraries with the key concern being the cumulative effect on staff wellbeing from dealing with repeated incidents.

- 5.5 Council COVID-19 reported case data shows that workplace controls continue to be effective even during waves of infection such as occurred in March, July and December 2022. These controls have remained unchanged since September 2022 and are expected to be adequate through further waves. Ensuring adequate ventilation in workplaces will be problematic throughout winter and is of particular concern in some meeting rooms.

- 5.6 Reported contractor health and safety oversight events remain at much lower levels than the previous two years. Communication with business unit managers is underway to try and improve the recording of this data. A new Health Safety and Wellbeing Advisor role will allow for more support to be provided to contract supervisors in recording contractor health and safety oversight activity.

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- 5.6.1 A review of the Health and Safety Governance Charter is underway and will be presented at the next Audit, Risk and Finance Committee meeting.

6. Key Health, Safety and Wellbeing Risks

- 6.1 Key health, safety and wellbeing risks have been reviewed. Changes to treatments and controls since the previous report are shown in red text.
- 6.2 Workplace stress (that staff become unwell as a result of workplace stress) risk has been assessed as increasing from a medium risk to a high risk. The key indicators leading to this assessment are, increased reported cases of staff requiring leave for workplace stress and results from the staff survey completed in March 2023. More detail will be provided on staff survey results once they have been reviewed by SLT and Business Unit managers.
- 6.3 COVID-19 (that staff or others are infected with COVID-19 at a Council workplace) has been removed from Council's key health and safety risks. Data relating to previous waves of infection show that Council's workplace controls are effective, and that significant business disruption is unlikely.
- 6.4 All other key health and safety risks are assessed as unchanged.

Author: Malcolm Hughes, Senior Health Safety and Wellness Adviser

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Attachments

Attachment 1: 855153265-3812 Health, Safety and Wellbeing Report - January - March 2023 [↓](#)

