



Notice of the Ordinary meeting of

Audit, Risk and Finance Committee

Te Kōmiti Kaute / Tūraru / Pūtea

Date:	Friday 15 September 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
Member Lindsay McKenzie

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

An apology has been received from Councillor R Sanson

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 1 June 2023 9 - 17

Document number M20175

Recommendation

That the Audit, Risk and Finance Committee

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

6. Audit New Zealand: Audit Letters 18 - 68

Document number R27895

Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Audit New Zealand: Audit Letters (R27895) and its attachments (2126778665-306, 2126778665-305 and 2126778665-312); and***

2. ***Notes that following feedback from the Audit, Risk and Finance Committee, His Worship the Mayor Hon Dr Smith will sign the Audit Engagement Letter to Audit NZ; and***
3. ***Notes the Committee can provide feedback on the Audit Proposal Letter to Audit New Zealand if required, noting His Worship the Mayor Hon Dr Smith will sign the letter once the Committee's feedback has been incorporated.***

7. Quarterly Finance Report to 30 June 2023 69 - 90

Document number R27698

Recommendation

That the Audit, Risk and Finance Committee

1. ***Receives the report Quarterly Finance Report to 30 June 2023 (R27698) and its attachments (1857728953-1036, 839498445-17283, and 839498445-17269).***

8. Quarterly Internal Audit Report - 30 June 2023 91 - 96

Document number R27678

Recommendation

That the Audit, Risk and Finance Committee

1. ***Receives the report Quarterly Internal Audit Report - 30 June 2023 (R27678) and its attachment (1194974384-3470).***

9. Quarterly Risk Report - 30 June 2023 97 - 124

Document number R27679

Recommendation

That the Audit, Risk and Finance Committee

1. ***Receives the report Quarterly Risk Report - 30 June 2023 (R27679) and its attachment (1759736513).***

10. Annual Tax Update 125 - 139

Document number R27574

Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Annual Tax Update (R27574) and its attachment (2130083480-450).***

11. Carry Forwards 2022/23 140 - 149

Document number R27806

Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Carry Forwards 2022/23 (R27806) and its attachments (332184083-4933 and 332184083-4932).***

Recommendation to Council

That the Council

- 1. Approves the carry forward of \$8.2 million–\$8.1 million to 2023/24 and \$143,000 to 2024/25; and***
- 2. Notes that this is in addition to the carry forward of \$21.9 million approved during the Annual Plan 2023/24 process, taking the total carry forward to \$30.1 million of which \$27 million is for the 2023/24 year and \$3.1 million is for the 2024/25 year; and***
- 3. Notes the total savings and reallocations in 2022/23 capital expenditure of \$2.6 million; and***
- 4. Notes that the total 2023/24 capital budget (including staff costs and work on attending to the slips originating on Council land and excluding consolidations, vested assets, scope adjustment and other August 2022 flood recovery budgets) will be adjusted by these resolutions from a total of \$85.7 million to a total of \$93.7 million; and***
- 5. Approves the carry forward of \$447,000 unspent operating budget to 2023/24.***

12. Draft Annual Report 2022/23 150 - 342

Document number R27872

Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Draft Annual Report 2022/23 (R27872) and its attachment (839498445-17289); and***
- 2. Notes the draft Annual Report 2022/23 has been prepared and will be audited before being presented to Council for adoption following audit, prior to the 31 October 2023 statutory deadline.***

13. Review of Health and Safety Governance Charter 343 - 354

Document number R27905

Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Review of Health and Safety Governance Charter (R27905) and its attachment (855153265-4133).***

Recommendation to Council

That the Council

- 1. Approves the revised Health and Safety Governance Charter (855153265-4133).***

14. Organisational Risk - Deep Dive 355 - 355

Document number R27837

Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Organisational Risk - Deep Dive (R27837).***

CONFIDENTIAL BUSINESS

15. 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	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 - 1 June 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 • Section 7(2)(j) To prevent the disclosure or use of official information for improper gain or improper advantage • Section 7(2)(g) To maintain legal professional privilege
2	Health, Safety and Wellbeing Report to 30 June 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	Quarterly Report on Legal Proceedings	Section 48(1)(a) The public conduct of this matter would be	The withholding of the information is necessary: <ul style="list-style-type: none"> • Section 7(2)(c)(ii)

Item	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Particular interests protected (where applicable)
		likely to result in disclosure of information for which good reason exists under section 7	<p>To protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest</p> <ul style="list-style-type: none"> Section 7(2)(g) To maintain legal professional privilege
4	Quarterly Update on Debts - 30 June 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	<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
5	Bad Debts Write-Off - Year ending 30 June 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	<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

Karakia Whakamutanga

**Minutes of a meeting of the
Audit, Risk and Finance Committee
*Te Kōmiti Kaute / Tūraru / Pūtea***

Held in the Council Chamber, Floor 2A, Civic House, 110 Trafalgar Street, Nelson on Thursday 1 June 2023, commencing at 9.03a.m.

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

In Attendance: Chief Executive (N Philpott), Group Manager Infrastructure (A Louverdis), Group Manager Environmental Management (M Bishop), Group Manager Community Services (A White), Group Manager Corporate Services (N Harrison), Group Manager Strategy and Communications (N McDonald), Team Governance Team Leader (R Byrne) and Senior Governance Adviser (H Wagener)

Apologies : Ms Shanell Kelly

Karakia and Mihi Timatanga

1. Apologies

Apologies

Resolved ARF/2023/010

That the Audit, Risk and Finance Committee

- 1. Receives and accepts the apologies from Ms. Shanell Kelly.**

O'Neill-Stevens/Sanson

Carried

2. Confirmation of Order of Business

There was no change to the order of business.

3. Interests

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

4. **Public Forum**

There was no public forum.

5. **Confirmation of Minutes**

5.1 24 February 2023

Document number M20013, agenda pages 7 - 13 refer.

Resolved ARF/2023/011

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.***

O'Neill-Stevens/Courtney

Carried

6. **John Mackey Audit New Zealand**

Document number R27736

John Mackey from Audit New Zealand briefed the Committee on the 2021/22 Audit which had been presented to 24 February 2023 meeting. He confirmed that the Council had met the statutory deadlines and no issues of concerns had been raised. He discussed the uncertainty regarding the revaluation of infrastructure assets, potential disclosure the proposed Water Services Reform Programme, the amendment of the drinking water standards by Taumata Arowa and the challenges faced to measure and audit greenhouse gas emissions.

7. **Privacy Act 2020 - Reporting**

Document number R27656, agenda pages 13 - 25 refer.

Group Manager Strategy and Communications, Nicky McDonald, and Manager Governance and Support Services, Devorah Nícuarta-Smith took the report as read and answered questions on completion and updating of the register, investigation of a recent privacy breach incident and proposed training in June 2023 of all staff on compliance.

Resolved ARF/2023/012

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.***

Courtney/Sanson

Carried

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

Document number R27716, agenda pages 26 - 33 refer.

Group Manager Strategy and Communications, Nicky McDonald, and Policy Advisor, Ailish Neyland took the report as read and answered questions on the implications of the proposed increase of the value threshold that would trigger a service delivery review under Section 17A of the Local Government Act 2002.

An amendment to the officers' recommendation to Council was proposed by inserting a new clause to request the Chief Executive to provide a report to the Council at the start of the Triennium listing all Section 17A Reviews to be undertaken over the three years, at which time Council would indicate any reviews that should be reported back to Council.

Resolved ARF/2023/013

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.***

Sanson/O'Neill-Stevens

Carried

Recommendation to Council ARF/2023/014

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. The Chief Executive provides a report to Council at the start of the Triennium listing all Section 17A Reviews to be undertaken over the three years, at which time Council may indicate any reviews that should be reported back to Council; and**
- c. 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**
- d. An annual report be presented to Council on progress and outcomes of Council's Section 17A reviews.**

Sanson/O'Neill-Stevens

Carried

9. Quarterly Internal Audit Report - 31 March 2023

Document number R27624, agenda pages 34 - 38 refer.

Group Manager Environment and Climate, Mandy Bishop and Audit and Risk Analyst, Chris Logan, took the report as read and answered questions on the reasons for neighbouring councils assisting with the review instead of an independent contractor, progress on an external review of the safety at ports and harbours and cash handling at Council and its facilities.

Resolved ARF/2023/015

That the Audit, Risk and Finance Committee

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

His Worship the Mayor/Sanson

Carried

The meeting adjourned from 10.09a.m. until 10.19a.m.

10. Internal Audit Plan 2023-2024

Document number R27626, agenda pages 39 - 48 refer.

Group Manager Environment and Climate, Mandy Bishop and Audit and Risk Analyst, Chris Logan, took the report as read. Following discussion

about the best way to monitor regulatory risks in relation to compliance with fire safety standards, an amendment was made to the officers' recommendation to investigate and report back on progress on an option to include an internal audit on the Building Act requirements for building Warrant of Fitness for next year as part of the Draft Annual Internal Audit Plan.

Resolved ARF/2023/016

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); and***
- 2. Requests that an internal audit for 2023/24 for the Building Act requirements for building Warrant of Fitness be added to the Draft Annual Internal Audit Plan, subject to other reviews that may be underway, and to report back on progress to the Audit, Risk and Finance Committee by 15 September 2023.***

Courtney/His Worship the Mayor

Carried

Recommendation to Council ARF/2023/017

That the Council

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

Courtney/His Worship the Mayor

Carried

11. Quarterly Finance Report to 31 March 2023

Document number R27695, agenda pages 49 - 76 refer.

Manager Finance, Prabath Jayawardana, took the report as read and answered questions on the infrastructure revaluation impacts and the effect of the unbudgeted weather event. Mr. Jayawardana advised on the reasons for the inclusion in the report of both the annual plan budget and the operating budget. Group Manager Infrastructure, Alec Louverdis answered questions on green waste income, dry weather overflow measurements of wastewater and public transport patronage improvements.

Resolved ARF/2023/018

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).***

Sanson/O'Neill-Stevens

Carried

12. Quarterly Risk Report - 31 March 2023

Document number R27625, agenda pages 77 - 103 refer.

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

Resolved ARF/2023/019

That the Audit, Risk and Finance Committee

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

Sanson/Courtney

Carried

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

Document number R27582, agenda pages 104 - 117 refer.

Health Safety and Wellness Adviser, Malcolm Hughes, took the report as read and answered questions about the lower contract management risk oversight and monitoring, the review of the Health and Safety Governance Charter and the staff survey.

Resolved ARF/2023/020

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).***

Courtney/Sanson

Carried

14. Exclusion of the Public

Resolved ARF/2023/021

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:***

His Worship the Mayor/Sanson

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 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	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

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	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

The meeting went into confidential session at 11.32 and resumed in public session at 12.05 p.m.

Karakia Whakamutanga

15. Restatements

It was resolved while the public was excluded:

1 CONFIDENTIAL: Health, Safety and Wellbeing to 31 March 2023

2. *Agrees that Report (R27668) remains confidential at this time.*

3 CONFIDENTIAL: Quarterly Report on Legal Proceedings

2. *Agrees that the report Quarterly Report on Legal Proceedings (R27619) and its attachment (142319133-424) remain confidential at this time.*

4 CONFIDENTIAL: Quarterly Update on Debts - 31 March 2023

2. *Agrees that the Report and its attachment (1857728953-773) remain confidential at this time.*

There being no further business the meeting ended at 12.06 p.m.

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

Resolved

Report Title: Audit New Zealand: Audit Letters
Report Author: Nikki Harrison - Group Manager Corporate Services
Report Number: R27895

1. Purpose of Report

- 1.1 To provide the Committee with the Audit Plan from Audit New Zealand (Audit NZ) for the year ending 30 June 2023.
- 1.2 To provide the Committee with the Audit Engagement Letter for the years ending 30 June 2023, 2024 and 2025 and ask for any feedback before the letter is signed by the Mayor.
- 1.3 To provide the Committee with the Audit Proposal Letter for the 2023, 2024 and 2025 financial years and ask for any feedback before the letter is signed by the Mayor.

2. Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Audit New Zealand: Audit Letters (R27895) and its attachments (2126778665-306, 2126778665-305 and 2126778665-312); and***
- 2. Notes that following feedback from the Audit, Risk and Finance Committee, His Worship the Mayor Hon Dr Smith will sign the Audit Engagement Letter to Audit NZ; and***
- 3. Notes the Committee can provide feedback on the Audit Proposal Letter to Audit New Zealand if required, noting His Worship the Mayor Hon Dr Smith will sign the letter once the Committee's feedback has been incorporated.***

3. Background

Audit Plan

- 3.1 The Audit Plan (Attachment 1 – 2126778665-306) sets out the audit arrangements and covers:
- Audit risks and issues, both specific focus areas for Council and areas of interest for all local authorities
 - Group audit
 - Audit process
 - Reporting protocols
 - Audit logistics
 - Expectations.

Materiality

- 3.2 Materiality refers to information that, if omitted, misstated, or obscured, could influence readers' overall understanding of the financial statements.
- 3.3 For financial statement materiality, Audit NZ has calculated Group and Parent materiality thresholds into overall, specific and 'clearly trivial'. All uncorrected misstatements other than those that are clearly trivial will be reported by Audit NZ.
- 3.4 For service performance information materiality, Audit NZ has identified materiality measures and presented them in a table. This will be reassessed during the audit.

Timing

- 3.5 The final audit is planned to commence on 11 September 2023, which is one week later than in previous years. There has been a change to the statutory deadline from 31 December back to 31 October 2023 for the 2022/23 Audit Opinions to be issued since last year.
- 3.6 The interim audit letter was received on 29 August 2023 and there are no matters to be brought to the Committee's attention.

Audit Engagement Letter

- 3.7 The Audit Engagement Letter (Attachment 2 – 2126778665-305) covers the years 30 June 2023, 2024 and 2025 and sets out the terms of the audit engagement and the respective responsibilities of the Council and Audit New Zealand.

Item 6: Audit New Zealand: Audit Letters

- 3.8 This letter is required to be signed by the Mayor to confirm that the details of the audit match Council's understanding of the arrangements.

Audit Proposal Letter

- 3.9 The Audit Proposal Letter sets out the proposed audit fees and audit hours covering the years 30 June 2023, 2024 and 2025 agreed with the Office of the Auditor-General (Attachment 3 – 2126778665-312).
- 3.10 Section 6 of this letter outlines that the proposed increase in audit fees be phased into full recovery by 2025 from \$177,000 per annum to \$284,000 – a 60% increase.
- 3.11 Officers have reviewed audit fees from 2010 when the annual fee was \$111,000 for approximately 700 hours of audit work. For the next three years, the annual audit is budgeted at 2,000 hours. In the period since 2010 officers understand that the audit requirements of non-financial performance measures have become more rigorous and accounting and auditing standards more complex.
- 3.12 John Mackey, the appointed auditor, will be available on Zoom at this Committee meeting to answer any questions that may arise.

Attachments

- Attachment 1: 2126778665-306 - NCC Audit Plan 2022-23 [↓](#)
- Attachment 2: 2126778665-305 - NCC Audit Engagement Letter 2023-2025 [↓](#)
- Attachment 3: 2126778665-312 - NCC Audit Proposal Letter 2023-25 [↓](#)

Quarterly Finance Report to 30 June 2023

1. Purpose of Report

- 1.1 To inform the Committee of the financial results for Council for the twelve months ended 30 June 2023, and to highlight any material variations.

2. Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Quarterly Finance Report to 30 June 2023 (R27698) and its attachments (1857728953-1036, 839498445-17283, and 839498445-17269).***

3. Background

- 3.1 The whole of Council financial reporting provided to this Committee focuses on the twelve-month performance (1 July 2022 to 30 June 2023) compared with the approved Annual Plan capital and operating budgets. This annual report includes the Nelson City Council consolidation, which incorporates Nelson Regional Sewerage Business Unit, Civil Defence, and Nelson Tasman Regional Landfill Business Unit. The Group accounts have not yet been prepared.
- 3.2 Unless otherwise indicated, all information is against approved Annual Plan 2022/23 budget. Commentary is provided below for significant variances of +/- \$500,000.

4. Financial Performance

- 4.1 For the twelve months ending 30 June 2023, the Council's draft deficit of \$11.4m against a budgeted surplus of \$6.9m (\$18.3m unfavourable to budget).
- 4.2 Net weather-related expenses amounted to \$15.6m (including abandoned assets), which is the majority of the \$18.3m variance to budget.

Item 7: Quarterly Finance Report to 30 June 2023

4.3 **Profit and Loss**

\$NZ000s	Council		
	Actual 2023	Budget 2023	Variance 2023
Rates	78,235	77,967	268
Fees and charges	35,388	41,652	(6,264)
Subsidies and grants	23,814	15,520	8,294
Finance revenue	872	-	872
Development/financial contributions	6,384	3,733	2,651
Other revenue	21,933	11,372	10,561
Other gains/(losses)	(5,014)	1,042	(6,056)
Total revenue	161,612	151,286	10,326
Personnel costs	(30,337)	(28,639)	(1,698)
Depreciation and amortisation expense	(38,354)	(33,466)	(4,888)
Finance costs	(6,996)	(4,964)	(2,032)
Weather-related expenses	(21,207)	-	(21,207)
Other expenses	(76,136)	(77,304)	1,168
Total operating expenditure	(173,030)	(144,373)	(28,657)
Share of joint operation's surplus	-	-	-
Surplus before tax	(11,418)	6,913	(18,331)
Income tax expense	-	-	-
Surplus after tax	(11,418)	6,913	(18,331)
Other comprehensive revenue			
Land and Infrastructure revaluations	253,214	30,554	222,660
Share of subsidiaries revaluations	-	-	-
Total other comprehensive revenue	253,214	30,554	222,660
Total comprehensive revenue	241,796	37,467	204,329

4.4 **Revenue**

4.5 **Rates income is greater than budget by \$268,000.** This is a result of wastewater rates being over budget due to more connections being added (the budget was completed in May and the rate strike was in July).

4.6 **Fees and Charges income is less than budget by \$6,264,000.** This is due to the following variances:

4.6.1 TDC recovery income is nil against a budget of \$2.8m due to actual income being recognised under other revenue (section 4.9.4). This is due to the classification differences for external reporting purposes.

4.6.2 Forestry income is less than budget by \$1m as a result of the changes to the planned timing of harvesting. Roding Forestry income is nil against a \$2.4m budget; Marsden Forest income is

Item 7: Quarterly Finance Report to 30 June 2023

\$0.9m against a nil budget; and Maitai Forest is \$1.0m against a budget of \$0.5m.

- 4.6.3 There is a year-end accounting adjustment of \$2.0m for forestry. This is because only the movement in forestry fair value is considered as income for external reporting purposes. This accounting adjustment offsets other expenses.
- 4.7 **Subsidies and grants income is greater than budget by \$8,294,000.** Significant variances are as follows:
- 4.7.1 **Waka Kotahi Subsidies are greater than budget by \$5.7m.** \$3.9m relates to weather-related recoveries (unbudgeted), \$1.2m for public transport subsidies, due to additional public transport expenses, and \$0.5m for other transport cost recoveries.
- 4.7.2 **Government Grants (capital in nature) are less than budget by \$2.3m.** Waka Kotahi capital grant spend is \$2.3m less than budget due to delays in the capital programme which was caused by the August 2022 weather event taking priority.
- 4.7.3 **NEMA Grants are greater than budget by \$4.5m.** This income is the current claim to NEMA for weather related costs up to 31 March 2023. A further claim for the period 1 April 2023 to 30 June 2023 is currently being done, and it is expected to be submitted in September. It is noted that we have not yet had confirmation of the \$4.5m from NEMA.
- 4.7.4 **Green Waste income from Waste Minimisation Fund is less than budget by \$0.8m.** 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 started later than planned.
- 4.7.5 **Other grants received is greater than budget by \$0.6m.** This includes \$0.3m of DIA Affordable Waters Grants, and \$0.3m of MBIE/Lottery grants for flood recovery. Both were unbudgeted.
- 4.8 **Finance Revenue is greater than budget by \$872,000.** 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.
- 4.9 **Development/Financial Contributions are \$2,651,000 greater than budget.** This is due to more development activity than budgeted. The major commercial developments in the region include 62 Ngāti Rārua, Summerset, Bayview, KFW, Solitaire, 3D View, Marsden, Housing New Zealand and HBO.
- 4.10 **Other revenue is greater than budget by \$10,561,000.** Significant variances are as follows:
- 4.10.1 **Vested Assets is greater than budget by \$6.3m.**

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- 4.10.2 **Dividend Income is less than budget by \$0.8m** due to less dividends from Port Nelson than budgeted for.
- 4.10.3 **Insurance Recoveries is greater than budget by \$1.8m.** This is an accrual for weather-related expenditure from the August 2022 floods.
- 4.10.4 **TDC Recoveries is \$2.8m greater than budget.** This income was reclassified from fees and charges where the annual plan budget sits, for reporting purposes.
- 4.11 **Other gains/(losses) is less than budget by \$6,056,000.** Significant variances are as follows:
 - 4.11.1 \$4.8m relates to abandoned assets, which are infrastructure assets that have been replaced in the fixed asset register. In 2022/23 this is high due to the August 2022 weather event.
 - 4.11.2 \$2.2m relates to the forestry activity, comprising of a \$0.7m loss on fair value of forestry, as well as a \$1.4m net loss in the forestry activity.
 - 4.11.3 Offsetting the above is a \$1.0m gain to budget on the fair value of swaps (\$2.0m total interest rate swap revaluation gain for the year).
- 4.12 **Expenses**
- 4.13 **Personnel costs are greater than budget by \$1,698,000.** This is mainly due to the following reasons:
 - 4.13.1 Average salary increase (5%) from July 2022 is higher than the budgeted increase of 3% as a result of higher wage inflation than anticipated when the budget was set. In dollar figures, the salary increase was \$0.9m greater than budget.
 - 4.13.2 There have been \$0.9m less of capitalised wages to budget. This variance is due to the recovery programme being operating expenditure rather than capital expenditure.
 - 4.13.3 While we were expecting \$0.8m in savings due to the high number of vacancies throughout the year, this was not the case due to; \$0.5m of Contractor/Temp and Training Staff costs, and \$0.3m of other staff costs.
 - 4.13.4 While most of the business units contributed to this higher than planned variance, the biggest contributors were Consents and Compliance (\$0.2m over budget), and People and Capability (\$0.3m over budget).
- 4.14 **Depreciation and amortisation costs are greater than budget by \$4,888,000.** Depreciation has been based on the prior year asset valuations. In the 2021/22 financials, the asset valuations saw significant

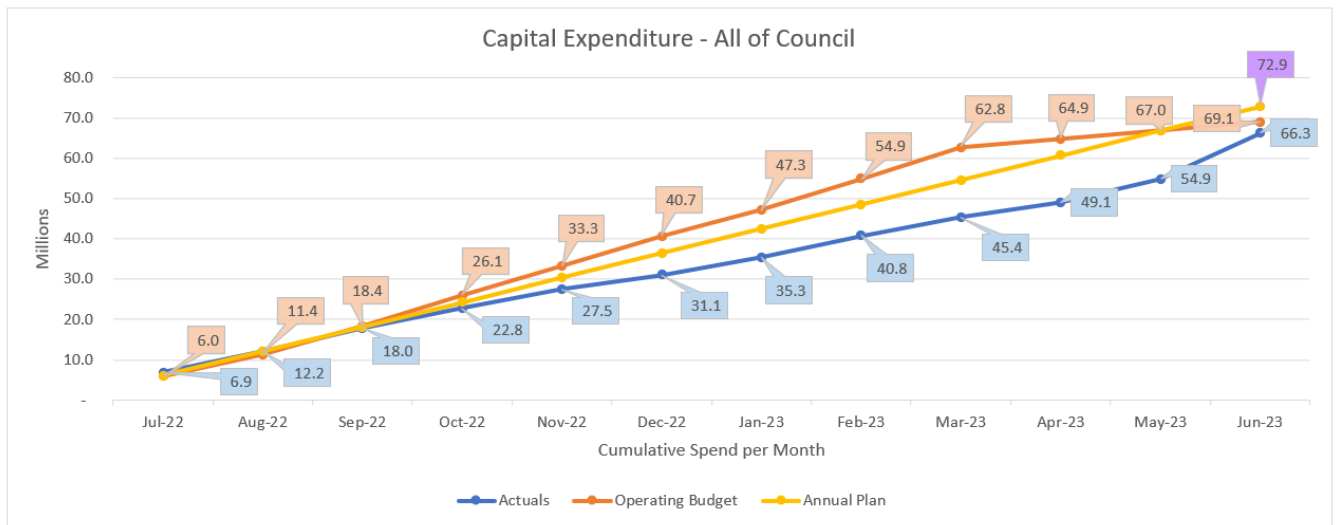
Item 7: Quarterly Finance Report to 30 June 2023

increases. This resulted in a much higher depreciation expense. This is especially evident in Roads (unsubsidised), Wastewater, Stormwater, and Water Supply.

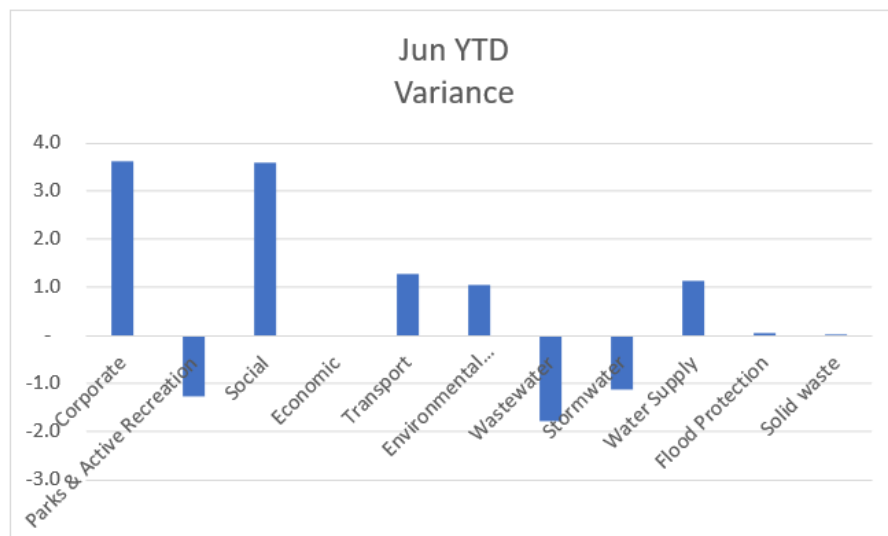
- 4.15 **Finance costs are greater than budget by \$2,032,000.** This increase in interest costs is due to a) additional pre-funding of debt (which is offset by the \$0.9m over variance in finance revenue), and b) \$1.1m increase in interest costs due to both higher interest rates and higher borrowings relates to August 2022 weather event.
- 4.16 **Weather Event costs are greater than budget by \$21,207,000.**
- 4.16.1 The spend to date on the August 2022 weather event is \$21.2m. Offsetting these expenses are recoveries in "Subsidies and Grants".
- 4.16.2 Recoveries to date are \$10.4m. This includes Waka Kotahi income of \$3.9m, \$0.15m from NZ Lotteries, \$0.11m from MBIE, \$1.8m from insurance, and \$4.5m from NEMA. Staff are progressing insurance claims, NEMA and Waka Kotahi subsidies with relevant agencies and the \$10.4m includes \$6.3m of accruals. A further claim for NEMA for the period 1 April 2023 to 30 June 2023 has not yet been submitted or accrued for.
- 4.16.3 Buildings & Structure Loss Adjuster has accepted claims for numerous sites but claims preparation/adjustment has yet to be completed. To date we have only received insurance payments of \$0.14m for locations relating to the August 2022 flood event (300 Wakefield Quay & Civic House).
- 4.16.4 Weather event reporting goes to council quarterly, with the last meeting on 10 August 2023.
- 4.17 **Other expenses are less than budget by \$1,168,000.** Significant variances are as follows:
- 4.17.1 **Transport-related expenditure is greater than budget by \$1.0m.** This includes \$0.5m of subsidised bus service (offset in revenue).
- 4.17.2 **Kerbside kitchen waste service is less than budget by \$0.7m** due to the delayed deployment of this service.
- 4.17.3 **Greenwaste and recycling levies is greater than budget by \$0.5m.**
- 4.17.4 **Forestry expenses is less than budget by \$2.5m.** This is due to an accounting adjustment to reverse the forestry expenses and move these to other gains/losses.
- 4.17.5 All other variances in other expenses are below \$0.5m.

5. Capital Expenditure

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



5.2 As at 30 June 2023, capital expenditure was \$66.3m which is \$6.6m under the full year Annual Plan budget of \$72.9m. The main contributors to the underspend were Corporate (\$3.6m), Social (\$3.6m), and Transport (\$1.3m).



5.3 Out of the \$6.6m variance above, \$5.4m relates to Renewals, \$0.4m relates to Capital Growth, \$0.9m relates to Capital Staff Costs, which is offset by \$0.1m Level of Service.

5.4 The reason for the \$0.1m overspend in Level of Service is a spend of \$4.2m on the August 2022 weather event. This was made up of transport (\$1.9m), wastewater (\$0.9m), stormwater (\$0.3m), water supply (\$0.1m) and flood protection (\$0.9m).

Item 7: Quarterly Finance Report to 30 June 2023

6. Cash Flow Management

6.1 Net Debt

	Sep Quarter Actuals	Dec Quarter Actuals	Mar Quarter Actuals	Jun Quarter Actuals
Opening Net Debt	(112,254,093)	(125,601,278)	(144,260,841)	(150,958,067)
Cash Movement	(3,351,808)	845,060	2,328,766	(13,397,297)
Debt Movement	4,623	(19,504,623)	(9,025,991)	(4,490,000)
Closing Net Debt	(125,601,278)	(144,260,841)	(150,958,067)	(168,845,364)
Debt/Revenue Ratio	84%	95%	104%	122%
Borrowing Compliance with Covenants (<150%)	Yes	Yes	Yes	Yes

6.2 As at 30 June 2023, there was a net debt of \$168.8m compared with budgeted net debt of \$161.0m (\$111.6m at 30 June 2022). Net debt has increased by \$57.2m since 30 June 2022.

6.3 For the twelve months ended 30 June 2023, LGFA borrowings have increased by \$45.0m and term deposits have decreased by \$25.0m. This increase in debt has been to fund the August 2022 weather event (\$21.5m net expenditure), capital expenditure during the year (\$30.7m net of funded depreciation), as well as to fund working capital (\$4.3m net payables at 30 June 2022).

6.4 Attachment 1 (1857728953-1036) shows compliance with the Treasury policy.

7. Rates Aging

7.1 Over the last twelve months officers have seen outstanding rates balances increasing slightly which highlights the cost of living and interest rate increases impacting on the community. Officers are working hard to get ratepayers on to payment plans.

7.2 Total rates outstanding as at 30 June 2023 were \$689,021. Below are the rates outstanding at the end of each rating quarter.

Total Rates Outstanding

Month	2022/23	2021/22	2020/21	2019/20	2018/19
Sep-22	997,122	665,090	636,747	660,983	646,839
Dec-22	815,028	637,611	488,509	550,873	510,313
Mar-23	858,820	728,270	549,820	548,763	572,137
Jun-23	689,021	732,112	459,910	513,157	504,423

8. Housing Capped Fund: \$2.5m drawdown

8.1 Council divested its 142 community housing units to Kāinga Ora in 2021. As part of the transfer of ownership, a Capped Fund was established from a portion of the proceeds to cover Kāinga Ora's costs for some specified types of work on the units. In June this year Kāinga Ora claimed an amount of \$2,497,872 from the Capped Fund to cover costs in relation to retrofitting and renewals at the Nayland units. As the works met the requirements of the Fund, the requested amount was drawn down leaving \$2,783,000 in the Fund as at 31 July 2023.

9. Project Health

9.1 Attachment 2 (839498445-17283) summarises the health of projects across Council. The table 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 due to weather events in August 2022 and May 2023, the impact of COVID-19 and supply chain delays in material and equipment from overseas.

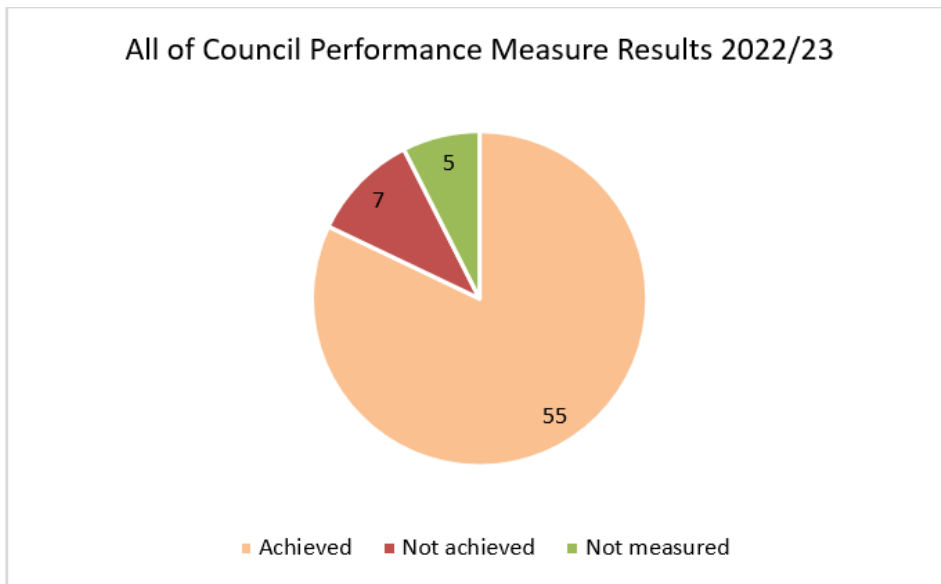
9.3 Projects on hold indicate projects that require further workshops or discussion.

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 'achieved, not achieved, or not measured' at the end of the year.

10.2 At the time of writing this report, 55 are achieved, seven are not achieved, and five are not measured yet. The percentages are measured as 82.08%, 10.44% and 7.46% respectively. If any results are challenged during the audit, these numbers may change slightly.

Item 7: Quarterly Finance Report to 30 June 2023



10.3 Attachment 3 (839498445-17269) 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: 1857728953-1036 - Finance Attachment Q4 Reporting March 2023 [↓](#)

Attachment 2: 839498445-17283 - Project Health Summary - 6Sept2023 [↓](#)

Attachment 3: 839498445-17269 - Final Quarterly Reporting - 2022-23 - Performance Measures September 2023 [↓](#)

Quarterly Internal Audit Report - 30 June 2023

1. Purpose of Report

- 1.1 To update the Audit, Risk and Finance Committee on the internal audit activity through to the end of the fourth quarter of 30 June 2023.

2. Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Quarterly Internal Audit Report - 30 June 2023 (R27678) and its attachment (1194974384-3470).***

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 (1194974384-3470).
- 4.2 The two remaining audits for the year ending 30 June 2023 were completed:
- 4.2.1 The resource consent case reviews internal audit resulted in no recommendations.
- 4.2.2 The internal audit of the migration of the document management system resulted in 13 recommendations, of which two high recommendations relate to:
- a) staff are finding it difficult to find NCC internal policies.

Item 8: Quarterly Internal Audit Report - 30 June 2023

b) staff cannot currently perform advanced searches.

4.3 The Audit Risk and Finance Committee has previously asked for status updates on any outstanding very high internal audit recommendations. A verbal update on the status of the high recommendations will be provided at the meeting.

5. Overview of Progress on the 2023/24 Internal Audit Plan

5.1 A possible audit of the Building Warrant of Fitness processes was tabled at the 1 June 2023 Audit Risk and Finance Committee. This potential audit has been deprioritised given that NCC's response to MBIE went beyond MBIE's request for information for three or more storied premises and noting that officers already had work under way with FENZ.

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

6.1 The International Accreditation New Zealand's (IANZ's) Building Consent Authority (BCA) two-yearly audit resulted in an initial assessment, summarised as follows:

	This assessment (RR):	Last assessment (RR):
Total # of "serious" non-compliances:	0	0
Total # of "general" non-compliances:	19	11
Total # of non-compliances outstanding:	17	8
Recommendations:	14	2
Advisory notes:	1	5

6.2 A verbal update on the status of the BCA audit will be provided at the meeting.

Author: Chris Logan, Audit and Risk Analyst

Authoriser: Nikki Harrison, Group Manager Corporate Services

Attachments

Attachment 1: 1194974384-3470 - Annual Audit Plan Progress - 30 Jun 2023 [↓](#)

Quarterly Risk Report - 30 June 2023

1. Purpose of Report

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

2. Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Quarterly Risk Report - 30 June 2023 (R27679) and its attachment (1759736513).***

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 – completed.

Item 9: Quarterly Risk Report - 30 June 2023

- 4.2 The legal compliance consequence description is being updated to improve clarity for officers and better reflect the local government context. The descriptions, as per below, have been set as to not change the Council risk tolerance.

Rating	Current - Legal compliance	Proposed - Legal risk
Extreme (5)	Litigation/ prosecution or civil action successful resulting in major (>50% of maximum available) fine/costs awarded and/or imprisonment of council officer.	No penalty or liability exposure and no harm to achieving objectives
Major (4)	Litigation/ prosecution or civil action successful resulting in minor fine(<50% of max available)/ costs awarded.	Risk of court action or investigation by government/regulatory agency resulting in any of the following: (ii) Formal warning; (i) Non-binding recommendations; (iii) Minor harm to achieving objectives, e.g., minor delay while legal dispute resolved.
Moderate (3)	Documented Breach of legislation, no legal action or prosecution or civil action not successful.	Risk of court action or investigation by government/regulatory agency resulting in any of the following: (i) Moderate penalty or liability exposure; (ii) Moderate harm to achieving objectives, e.g., legal challenge unsuccessful but results in moderate delay.
Minor (2)	Formal warning of breach from legislative authority.	Adverse findings against council by court or government/regulatory agency resulting in any of the following: (i) Major financial penalty or liability imposed; (ii) Major harm to achieving objectives, e.g., directed by court to re-make decision.
Insignificant (1)	Breach of minor legislation/ no legal action	Adverse findings against council by court or government/regulatory agency resulting in any of the following: (i) Extreme financial penalty or liability imposed; (ii) Imprisonment of officer; (iii) Extreme harm to achieving objectives

- 4.3 The description for the financial risk consequence domain, which was set in 2017, is also being updated to allow for 'fiscal drag'.

4.3.1 Dollar thresholds are being increased by 50% e.g. Extreme currently means *Overspend, loss (i.e. spend without result) or income loss of > \$5m OR >100% of business unit budget*, but will change to *Overspend, loss (i.e. spend without result) or income loss of > \$7.5m OR >100% of business unit budget*.

4.3.2 The 50% growth reflects the growth in Council's ability to bear financial risk, as measured by debt headroom and total equity.

- 4.4 The 2023/24 risk management work plan has yet to be set but officers welcome any views, e.g. whether there is a desire for a broader update of Council's risk tolerance/appetite.

5. Key Risk Areas by Theme (Organisational Risks)

- 5.1 Risks relating to Council and joint operations are monitored via Council's risk register. Approximately 30% of risk entries by count have been identified as having a common theme or cause which create risk concentrations that pose a threat at an organisational level. These organisational risks are described below.
- 5.2 **R1 - Central-government-led-reforms** (Owner: Chief Executive). Whilst noting that project management is in place to manage organisational changes within the Affordable Waters transition programme both at the elected member and staff level, the risk rating remains at Very High.
- 5.3 **R2 - Lifeline services failure** (Owner: Group Manager Infrastructure). Flood-recovery work is ongoing, with consultancy capacity constraints, especially geotechnical engineers. No other new emerging risks to report at this time. The risk rating remains at Medium.
- 5.4 **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.
- 5.5 **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.
- 5.6 **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.
- 5.7 **R6 - Council work compromised by loss of and difficulties in replacing skilled staff** (Owner: Manager People and Capability). Increase in turnover this quarter with some 'hard-to-fill' roles remaining open despite repeated recruitment efforts, engaging recruitment consultants and re-evaluating the job description. The situation is not expected to change soon with turnover at the Business Unit Manager level. The organisational risk rating remains at Medium.
- 5.8 **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.
- 5.9 **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.

6. Key Risk Areas by Reporting Group

- 6.1 Council's risk register does not contain specific asset, activity, legal matter, or project risks. Instead, these are rolled up into more general asset, activity, legal or project risks. Any significant specific risks which are new or emerging are summarised below by reporting group.
- 6.2 **Office of the Chief Executive:** No new emerging risks to report at this time.
- 6.3 **Infrastructure Group:** Risk is High due to recovery constraints. Supply chain and contractor constraint risks rated down to Medium (previously Very High). No new emerging risks to report at this time.
- 6.4 **Community Services Group:**
- 6.4.1 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 at the end of the last triennium.
- 6.4.2 Risks associated with wood processing waste deposited at Tāhunanui Beach in the 1960s/1970s are under investigation, with mitigation options to be brought to Council for consideration later in the year.
- 6.5 **Environmental Management Group:** Risk is High due to vacancies in two of the five Business Unit Manager roles. Risk relates to delivery, workload stress and ability to recruit.
- 6.6 **Strategy and Communications Group:** Retention and recruitment continue to be a challenge, magnifying certain risks such as workplace stress.
- 6.7 **Corporate Services Group:** Infrastructure 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 4Q23 key organisational risks for Audit, Risk and Finance Committee [↓](#)

Annual Tax Update

1. Purpose of Report

- 1.1 To advise the Committee 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 Committee

- 1. Receives the report Annual Tax Update (R27574) and its attachment (2130083480-450).***

3. Background

- 3.1 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 Tax Update (Attachment 1 – 2130083480-450) has been prepared as part of that framework.
- 3.2 The Annual Tax Update provides:
- A summary of the tax advice that Council has sought during the period 1 April 2022 to 31 March 2023.
 - Commentary on tax matters currently being addressed as at 31 May 2023.
 - A more general high-level update on the wider tax environment as it might affect Council.
 - An overview of the Tax Risk Management Strategy.
- 3.3 The Annual Tax Update report from Council's tax advisors (PWC), the Pay as You Earn (PAYE) compliance evaluation and Fringe Benefit Tax (FBT) compliance evaluation are included with this report as Attachment 1.

Item 10: Annual Tax Update

Tax advice received and matters addressed

3.4 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.

3.5 That said, it is appropriate to comment on the following areas where assistance has been provided to Council:

- Advice sought in relation to GST queries from ratepayers.
- Advice sought on Mayoral fund application for donee status with Inland Revenue, including assistance with submission of the application to Inland Revenue.

3.6 Finally, it is noted that Council has continued to obtain support as follows:

- Continued to subscribe to and actively use PWC's online Indirect Tax Policies and Guides.
- Maintained its subscription to PWC's "GST on Property Guide".
- Sought assistance on a number of ad hoc queries to strengthen Council's business decisions.
- Received assistance with completion and filing of Council's income tax return.

Tax strategy

3.7 Page 4 of the Annual Tax Update sets out work planned for the 2022/23 financial year up to 2024/25 and page 5 outlines the work done during the period ending 31 March 2023.

Other relevant matters

3.8 Pages 6 to 9 summarise tax developments during the period. Some of the matters that are of particular interest or relevance to Nelson City Council are:

- An increase in queries from Local Government clients regarding flexible working arrangements particularly where, in order to attract appropriate talent to roles, Councils are engaging employees and contractors from distant locations.
- Dividends from wholly or partially owned CCOs, port companies or energy companies are deemed to be exempt income when received by local authorities.

Council's tax figures

3.9 Generally, Council is exempt from income tax with the main exception being some income from CCTOs, such as subvention payments. However,

Item 10: Annual Tax Update

Council has significant tax obligations in relation to GST and PAYE in particular. The quantum is highlighted in this section.

3.10 In the 12 months ending 31 March 2023, Council has accounted for:

<i>Tax</i>	<i>12 month period ending</i>	<i>Amount</i>
GST output tax	31 March 2023	\$20.5million
GST input tax	31 March 2023	\$22.3million
PAYE and ACC	31 March 2023	\$7.3million
FBT	31 March 2023	\$57,000

3.11 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 those entities.

4. Conclusion

4.1 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.

4.2 The Tax Risk Management Strategy is a simple tool to ensure that tax risk is being identified and managed appropriately while providing the Committee with a quick visual tool to see the steps Council has taken to manage tax risk and the forward looking strategy.

4.3 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: Prabath Jayawardana, Manager Finance

Authoriser: Nikki Harrison, Group Manager Corporate Services

Attachments

Attachment 1: 2130083480-450 - Annual Tax Update 2023 [↓](#)

Carry Forwards 2022/23

1. Purpose of Report

- 1.1 To approve the carry forward from 2022/23 to the new financial year (2023/24).

2. Summary

- 2.1 Invoice processing is complete for the 2022/23 financial year and officers have reviewed project expenditure to identify savings and any required carry-over.

3. Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Carry Forwards 2022/23 (R27806) and its attachments (332184083-4933 and 332184083-4932).***

Recommendation to Council

That the Council

- 1. Approves the carry forward of \$8.2 million–\$8.1 million to 2023/24 and \$143,000 to 2024/25; and***
- 2. Notes that this is in addition to the carry forward of \$21.9 million approved during the Annual Plan 2023/24 process, taking the total carry forward to \$30.1 million of which \$27 million is for the 2023/24 year and \$3.1 million is for the 2024/25 year; and***
- 3. Notes the total savings and reallocations in 2022/23 capital expenditure of \$2.6 million; and***
- 4. Notes that the total 2023/24 capital budget (including staff costs and work on attending to the slips originating on Council land and excluding consolidations, vested***

Item 11: Carry Forwards 2022/23

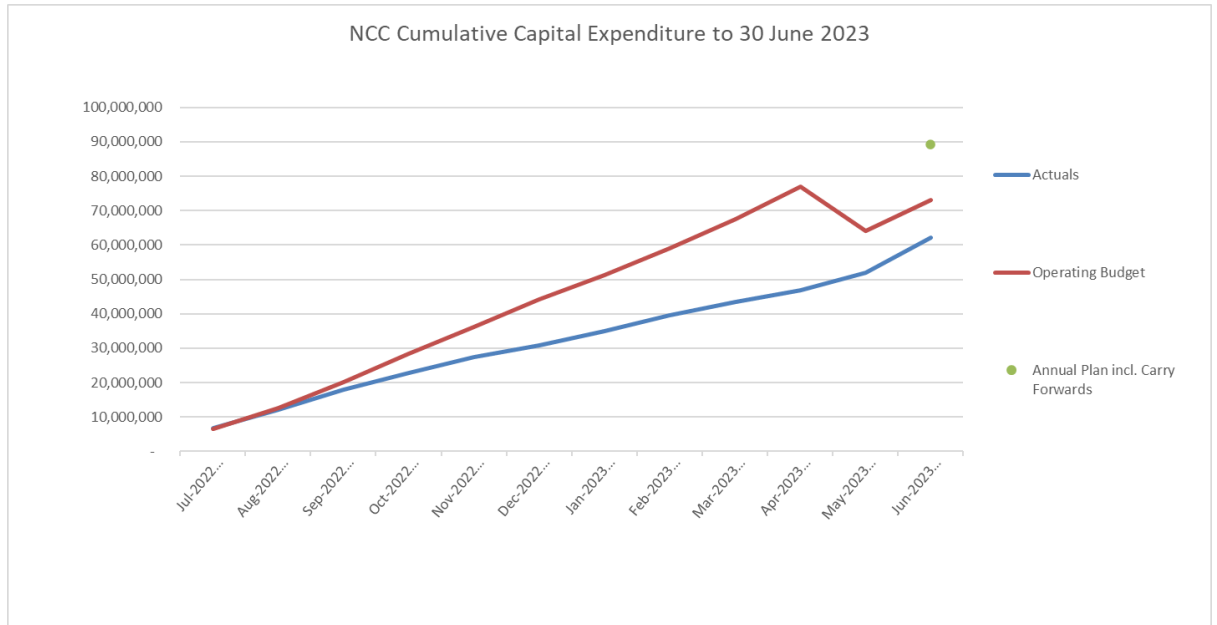
assets, scope adjustment and other August 2022 flood recovery budgets) will be adjusted by these resolutions from a total of \$85.7 million to a total of \$93.7 million; and

5. Approves the carry forward of \$447,000 unspent operating budget to 2023/24.

4. Background

- 4.1 The capital programme for 2022/23, as agreed in the Annual Plan 2022-23 totalled \$72.9 million, including staff costs and scope adjustment and excluding Nelson Regional Sewerage Business Unit (NRSBU), Nelson Tasman Regional Landfill and vested assets. Excluding scope adjustment from this figure, the capital budget for 2022/23 totalled \$80.6 million. These figures also include the budgets and actuals to date attending to remediating the slips that have originated on Council-owned land, but exclude all other budgets and actuals related to the August 2022 extreme weather event recovery. All figures quoted in this report are calculated on this basis.
- 4.2 Scope adjustment was applied in the Long Term Plan 2021-31 (as noted on page 222 of the LTP 2021-31) to the overall capital programme which adjusted the overall budget down by approximately 10% per year. This adjustment acknowledges that Council is unlikely to use the full capital budget in any given year and so helps to avoid over funding of activities. To show an accurate reconciliation of budget to actuals, approximately 10% is removed as scope adjustment from the figures in this report as mentioned in paragraph 4.1.
- 4.3 The addition of 2021/22 carry forwards, and other resolutions of Council over the 2022/23 year adjusted the total capital budget to \$98.1 million.
- 4.4 The 2022/23 capital budgets were forecast quarterly throughout 2022/23 with a view to what could realistically be achieved in the remainder of the financial year. The capital budget was reforecast to \$73 million in May 2023. The 2022/23 budget movements incorporated in year zero of the 2023/24 Annual Plan were approved during deliberations on the Annual Plan on 25 May 2023. In particular, \$21.9 million was carried forward from 2022/23 to 2023/24 and future years during the Annual Plan process.

Item 11: Carry Forwards 2022/23



Total capital expenditure for the 2022/23 year was \$62.1 million, \$27 million less than the Annual Plan 2022/23 including carry forwards of \$89.1 million.

Reconciliation of Annual plan to Actuals 2022/23			
Description	Movement \$000s	Balance \$000s	Details
2022/23 Final Inflated Annual Plan	-	72,863	This is capital budget including staff costs and excluding consolidations and vested assets.
Plus carry forwards from 2021/22 to 2022/23	8,559	81,422	As per carry forwards 2021/22 R27167.
Remove scope adjustment	7,688	89,110	See paragraph 4.2 for explanation. Result here is the green dot on the graph. (Annual plan including carry forwards)
Other significant budget changes approved by Council 2022/23:	2,000	91,110	Washington Valley Infrastructure upgrade hazardous coal tar disposal
	3,078	94,188	Rutherford Street Stormwater project budget brought forward from future years
	900	95,088	Purchase of 52 Grove Street
	978	96,066	Purchase of 41 Halifax Street
	1,400	97,466	Elma Turner Library seismic strengthening.
	200	97,666	18 Slips - 2022/23 portion of \$17.2 Million
	262	97,927	Other smaller Council decisions.
	130	98,057	Budget increases to match timing of grant income.
Budget Savings through AP 2023/24 carry forward	(3,150)	94,907	Council carry forward approval Deliberation 25 May 2023.
Carry Forward (2 yrs) approved during 2023/24 AP	(21,942)	72,965	Council carry forward approval Deliberation 25 May 2023. result is Red line in Graph above.
Total Savings/Reallocations for 2022/23	(2,578)	70,387	
Current carry forward request	(8,239)	62,148	
Actuals 2022/23	-	62,148	

4.5 Reasons for capital carry forwards include project delivery delays due to:

Item 11: Carry Forwards 2022/23

- Alterations to the phasing of multi-year projects resulting from wet weather (August 2022 and May 2023) and negotiations with external parties.
- Delay in lead time in procuring materials and equipment as a result of COVID-19.
- A large percentage of the infrastructure carry forward relates to projects that were well under way on site before the end of the financial year and hence committed but were delayed by wet weather and negotiations.

5. Discussion

Capital savings and reallocations

- 5.1 Officers identified savings and reallocations of \$2.6 million in capital expenditure in 2022/23. In total, this saving will have a positive impact on interest, depreciation and debt levels due to less borrowings and the capital expenditure not occurring.

Capital carry forwards

- 5.2 Officers have requested that a net \$8.2 million be carried forward. \$9 million to be added to 2023/24 and \$143,000 to be added to 2024/25 capital budgets while \$924,000 is being carried back from 2023/24 to cover some projects tracking ahead of schedule and some small overspends.
- 5.3 A breakdown of budget movements in total 2022/23 capital budgets is provided in Table 1 (Attachment 1 – 332184083-4933).
- 5.4 Table 2 (Attachment 2 – 332184083-4932) itemises capital projects with carry forwards requested greater than \$50,000. These are new carry forwards which have been requested in addition to those approved during the Annual Plan 2023/24 process.

Operating carry forwards

- 5.5 In addition to the capital carry forward requests, there are operating expense budgets, totalling \$447,000, that have been requested by officers to carry forward to 2023/24 as detailed below:
- Nelson Nature: waterways and terrestrial biodiversity budgets of \$158,000 (delayed national policy);
 - LIM improvement project \$10,000;
 - Archiving project \$44,000;
 - Weed control programme \$47,000;
 - Total mobility Ridewise implementation \$11,000;

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- Stormwater strategies for Tāhuna, central Nelson and renewals \$150,000;
- Building Act compliance dams \$5,000;
- SW Condition Assessments \$5,000;
- Storm and flood protection asset management support \$18,000.

6. Options

6.1 Council officers support Option 1, approve the recommendations. Not approving the recommendations would be problematic as the future scope of some of these projects has been agreed through Committee and Council resolutions including Annual and Long Term Plans prior to this meeting. Work has continued on these projects based on those decisions.

Option 1: Approve the recommendations	
Advantages	<ul style="list-style-type: none"> • Work has continued on 2022/23 capital projects and costs have been incurred • The carry forward spending is within previously approved budgets • The majority of carry forward requests are for projects that are in progress and carry forward of budget is required to realise expected Council outcomes
Risks and Disadvantages	<ul style="list-style-type: none"> • None
Option 2: Approve carry forwards with exceptions	
Advantages	<ul style="list-style-type: none"> • If Council wished, it could remove some items from the list of budgets to be carried forward • Savings in future debt, depreciation, interest and maintenance costs would occur
Risks and Disadvantages	<ul style="list-style-type: none"> • The projects concerned would then not have sufficient budget to be completed • Council does not have complete information through this report to fully inform such a decision

7. Conclusion

7.1 An analysis of capital expenditure against forecast for 2022/23 indicates:

- There are savings and reallocations from the capital budget of \$2.6 million compared to the approved budget for 2022/23.
- Capital budget of \$8.2 million not spent should be carried forward to the 2023/24 year.
- Operating expenses totalling \$447,000 have been requested by staff to carry forward to 2023/24.

8. Next Steps

8.1 Once approved, budgets will be updated to reflect the approved resolutions.

Author: Alistair Roper, Management Accountant

Authoriser: Nikki Harrison, Group Manager Corporate Services

Attachments

Attachment 1: 332184083-4933 Table 1 - Carry forwards 2022-23 [↓](#)

Attachment 2: 332184083-4932 Table 2 - Carry forwards 2022-23 [↓](#)

<p>Important considerations for decision making</p>
<p>Fit with Purpose of Local Government</p> <p>Approval of the recommendation will allow progress/completion of approved projects. This will promote social, economic and environmental wellbeing in the present and future through employment, stimulus of the local economy and delivery of public infrastructure and community services.</p>
<p>Consistency with Community Outcomes and Council Policy</p> <p>This decision supports all the community outcomes but most particularly that our infrastructure is efficient, cost effective and meets current and future needs.</p>
<p>Risk</p> <p>Failure to approve the recommendation will introduce risk (financial, contractor and community relationships) which does not currently exist.</p>
<p>Financial impact</p> <p>There is little financial impact from approving the recommendation as budgets are already approved and funded.</p>
<p>Degree of significance and level of engagement</p> <p>This matter is of low significance as budgets are already approved and the recommendation confirms business as usual. Therefore no engagement is required.</p>
<p>Climate Impact</p> <p>Adaptation</p> <p>This decision will have no impact on the ability of the Council or District to proactively respond to the impacts of climate change now or in the future.</p> <p>The decision is not sensitive to higher emission scenarios or more rapid climate changes.</p> <p>Mitigation</p> <p>This decision is likely to result in no impact in greenhouse gas emissions.</p>
<p>Inclusion of Māori in the decision making process</p> <p>No engagement with Māori has been undertaken in preparing this report.</p>

Delegations

The Audit Risk and Finance Committee has the following delegations to consider the 2022/23 carry forwards.

Areas of Responsibility:

- *Council's financial performance*

Powers to Recommend (if applicable):

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

Draft Annual Report 2022/23

1. Purpose of Report

- 1.1 To provide a copy of the draft Annual Report 2022/23 prior to auditing by Audit New Zealand.

2. Summary

- 2.1 The draft Annual Report for the 2022/23 financial year has been prepared and is provided as Attachment 1. The audit of the Annual Report is scheduled to commence mid-September, and there are likely to be some changes to the Annual Report as a result of the audit process.

3. Recommendation

That the Audit, Risk and Finance Committee

- 1. **Receives** the report **Draft Annual Report 2022/23 (R27872)** and its attachment (839498445-17289); and*
- 2. **Notes** the draft Annual Report 2022/23 has been prepared and will be audited before being presented to Council for adoption following audit, prior to the 31 October 2023 statutory deadline.*

4. Background

- 4.1 An Annual Report must be completed to comply with section 98 of the Local Government Act 2002.
- 4.2 The purpose of this Annual Report is to compare Council's actual performance in 2022/23 against the targets set out in year two of the Long Term Plan 2021-31. It also provides accountability to the Nelson community for the decisions made throughout the year.

5. Discussion

- 5.1 The attached draft Annual Report 2022/23 is intended to provide the Committee with information staff have to date. This is not the final Annual Report for the year, as it is likely to require modification through the auditing process, which is yet to occur.
- 5.2 The Local Government Act requires councils to adopt the final Annual Report within four months of the end of the financial year (31 October).
- 5.3 At the time of writing this report, Council is currently waiting to receive finalised draft financial statements and performance measures from some of its CCOs and CCTOs. Therefore, the group financial statements and performance measure tables have not been prepared yet.

Financial Commentary

- 5.4 The deficit before revaluation is \$11.4 million against a budgeted surplus of \$6.9 million. Net weather-related expenses amounted to \$15.6m (including abandoned assets), which is the majority of the \$18.3m variance to budget.
- 5.5 The reasons for this variance will be explained in the final Annual Report Note 40. This is yet to be completed however the variances are mainly due to following reasons:
- 5.6 Fees and charges are \$6.3 million lower than budget, this is mainly due to the following:
- TDC recovery income is nil against a budget of \$2.8 million due to actual income has been recognized under other revenue (section 5.10) as a result of the classification differences for external reporting purposes.
 - Harvesting income being lower than budgeted by \$3.0 million as a result of the changes to the planned timing of harvesting and a year-end accounting adjustment (where only the movement in forestry fair value is considered as income for external reporting purposes).
- 5.7 Subsidies and grants are \$8.3 million higher than budget mainly due to the following:
- Waka Kotahi income is \$3.4 million greater than budgeted. \$3.9 million relates to flood recovery (unbudgeted), \$1.2 million for public transport, and \$0.5 million for other transport cost recoveries. This is partially offset by a reduction of \$2.3 million in grants for capital expenditure due to delays in capital expenditure programme due to the August 2022 floods.
 - Accrued income for the NEMA claim for flood recovery of \$4.5 million which is unbudgeted.

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- Other income that has been received that has not been budgeted includes \$0.3 million of DIA Affordable Waters Grants, and \$0.3 million of MBIE/lottery Grants for flood recovery.
 - This is offset by a reduction of \$0.8 million in Waste Minimisation Income. This is due to expenditure being lower than forecasted, as kerbside kitchen waste service has yet to commence.
- 5.8 Finance income is \$0.9 million greater than budgeted. This is due to interest on short-term investments (i.e. pre-funding of debt).
- 5.9 Development/financial contributions are \$2.7 million greater than budget due to higher development activity than planned.
- 5.10 Other revenue is \$10.6 million greater than budget due to following reasons:
- Vested asset income was \$6.3 million more than budgeted.
 - Dividend/subvention income was \$0.8 million less than budgeted.
 - \$1.8 million of accrued insurance recoveries on the August 2022 floods.
 - \$2.8 million classification difference from Fees and Charges above (section 5.6).
- 5.11 Other gains/losses is less than budget by \$6.0 million due to \$4.8 million of abandoned assets as a result of the August 2022 flood event (mainly \$2.1 million of storm water assets and \$1.1 million of water supply assets), and \$2.2 million is due to a loss in the forestry activity. This is partially offset by a higher than planned gain of \$1.0 million on the revaluation of swaps (due to interest rate rises).
- 5.12 Personnel costs were \$1.7 million higher than budgeted mainly due to higher (5%) than budgeted (3%) average salary increase, Contractor/temp and training staff costs due to labour shortages, and other staff costs such as recruitment costs etc.
- 5.13 Depreciation and amortisation expense was \$4.9 million greater than budgeted. In the 2021/22 financials, the asset valuations saw significant increases. This resulted in a much higher depreciation expense than budgeted for. This is especially evident in Roads, Wastewater, Stormwater, and Water Supply.
- 5.14 Finance costs are greater than budget by \$2.0 million. \$0.9 million is due to an increase in interest from additional pre-funding of debt (offset against interest income in 5.8 above). and the remaining \$1.1 million is due to both interest rate increases and higher borrowings due to the weather event.

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5.15 Other expenses were \$20.0m greater than budget. This was mainly due to \$21.2 million spent on weather event expenditure due to the August 2022 floods. Other major variances include:

- \$1.0 million increase in transport-related expenditure (offset by Waka Kotahi grants above in 5.7).
- \$0.5 million decrease in kerbside kitchen waste service, due to the delayed deployment of this initiative.
- \$0.5 million increase in green waste and recycling levies.
- \$2.5 million decreases in forestry expenses due to an accounting adjustment to move net profit to other gains/losses.
- All other increases/decreases in other expenses are less than \$0.5 million.

5.16 The draft Land and Infrastructure Revaluations was \$222.7 million over budget:

- Infrastructure assets are revalued every year to smooth out the large fluctuations and accounted for \$253.2 million, which was all of the overall revaluation. This is against a budget of \$30.6 million. This is subject to change as the review process has not been finalised yet.
- Land is revalued every five years or when its fair value diverges materially from its carrying value. Land was not revalued in 2022/23 due to movements not being material from the 2021/22 financial year, when it was last revalued.

5.17 At 30 June 2023 Council's borrowings, net of deposits, cash and LGFA borrower notes were \$168.8 million compared to a budget of \$161.0 million. This variance of \$7.8 million is mainly due to the additional weather-related expenditure of \$21.2 million. This was offset by a) a reduction in the Capital Expenditure not reaching the full programme and ending less than budgeted by \$6.6 million against Annual Plan budget of \$72.9 million (excluding vested assets and joint operations, but including capital staff time and weather-related capital expenditure) b) due to an additional weather-related revenue received of \$3.7 million.

Rating Surplus (Deficit)

5.18 The rates deficit was \$2.2 million and has increased the balance of the Emergency Response Fund. This was due to additional spending on the August 2022 weather event this year.

Non-financial Performance

5.19 Council measures its non-financial success against performance measures set through the Long Term Plan. The Long Term Plan 2021-31 established 67 performance measures across Council's 11 activity areas. The

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measures are recorded as 'achieved', 'not achieved', or 'not measured' (where insufficient data is available to determine a result) at the end of the year.

- 5.20 The preliminary result for 2022/23 is 82.08% achievement (55 out of 67 performance measures were achieved). 13.43% (9 measures) were not achieved, and 4.47% (three measures) were not measured. Commentary on the performance measures is provided in the activity sections of Attachment 1.
- 5.21 The result for the previous year, 2022/23, was 81% achieved, 54 measures of the 67 measures set in the Long Term Plan 2021- 2031.

6. Conclusion

- 6.1 This report is provided for information. It is recommended that the Committee receives this report and notes that the final Annual Report 2022/23, with any changes resulting from the audit process, will be presented directly to Council for adoption before 31 October 2023.

Author: Nicky McDonald, Group Manager Strategy and Communications

Attachments

Attachment 1: 839498445-17289 - Draft Annual Report 2023 - 7Sept2023 [↓](#)

Report Title: Review of Health and Safety Governance Charter
Report Author: Malcolm Hughes - Senior Health Safety and Wellness Adviser
Report Authoriser: Nikki Harrison - Group Manager Corporate Services
Report Number: R27905

1. Purpose of Report

- 1.1 To approve the review of the Health and Safety Governance Charter (Governance Charter). This is Council's peak document relating to health and safety governance.

2. Summary

- 2.1 Changes for this review are minor and are primarily corrections to reflect changes in the organisation since 2020.

3. Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Review of Health and Safety Governance Charter (R27905) and its attachment (855153265-4133).***

Recommendation to Council

That the Council

- 1. Approves the revised Health and Safety Governance Charter (855153265-4133).***

4. Background

- 4.1 The Health and Safety at Work Act 2015 (HSWA) s44 outlines a duty of due diligence that applies to officers.
- 4.2 HSWA defines officers as persons who hold senior leadership or governance positions in a business or undertaking (PCBU). Elected

Item 13: Review of Health and Safety Governance Charter

members, the Chief Executive and in some cases other SLT members are considered officers.

- 4.3 The Institute of Directors (IOD) and WorkSafe published the 'Health and Safety Guide – Good Governance for Directors' in March 2016. This good practice guide is an established standard in regard to health and safety governance and the duty of due diligence. This guide was referred to when developing and reviewing the Governance Charter.
- 4.4 The Governance Charter is the peak document relating to health and safety governance in Council's health and safety management system (HSMS). It defines how Council sets health and safety expectations and sets out governance expectations in relation to health and safety. The Governance Charter was approved by Council in 2017 and last reviewed in 2020.

5. Discussion

- 5.1 No significant change to the Governance Charter is proposed for this review.
- 5.2 It is proposed that attendance at two Health and Safety Committee meetings per year by a member of the Audit, Risk and Finance Committee is removed from the due diligence targets. This change is proposed following feedback from members of the Health and Safety Committee that having elected members at this forum for staff participation and engagement may impact the willingness of staff to put forward concerns and suggestions from their workgroups.
- 5.3 Details of changes made to the Health and Safety Governance Charter for this review are outlined below.
- Heading page – Updated to reflect this review.
 - Specific leadership responsibilities (5.2.) – Name of risk oversight committee changed to reflect changes in Council committee structure since the previous review. (5.2.1) Approval of review changed from Governance and Finance Subcommittee to Council to reflect current delegations.
 - Manager Corporate Services responsibilities (5.2.8) – Process for members of Audit, Risk and Finance Committee attendance at Health and Safety Committee meetings removed.
 - Due diligence plan overview table (6.1) – Observe occasional Health and Safety Committee meetings removed from actions column.
 - Due diligence targets (6.2) – Commencement date for targets changed to October 2023 to reflect this review. Attendance at Health and Safety Committee meetings removed from targets.

Item 13: Review of Health and Safety Governance Charter

5.4 It is proposed that all other due diligence targets remain the same. Quarterly report data shows that these targets are achievable in normal circumstances. At the beginning of the new triennium and during COVID-19 restrictions the targets were not achieved.

6. Options

6.1 The preferred option (option 1) is to approve the Governance Charter as per the attachment provided. However, if minor changes are identified, an alternative option (option 2) requiring final sign off by the Audit, Risk and Finance Committee Chairperson has no significant disadvantages.

Option 1: Approve the reviewed H&S Governance Charter as per the attachment (855153265-4133)	
Advantages	<ul style="list-style-type: none"> • Council demonstrates positive due diligence in relation to health and safety matters in Council workplaces. This assists in meeting elected members’ obligations as officers under HSWA. • The review of this document is completed in the first year of the triennium and other items in the health and safety workplan can be progressed.
Risks and Disadvantages	<ul style="list-style-type: none"> • That there is no opportunity to further refine and improve the Governance Charter.
Option 2: Approve the reviewed H&S Governance Charter subject to minor changes and final sign off by the Chairperson of the Audit, Risk and Finance Committee	
Advantages	<ul style="list-style-type: none"> • Council demonstrates positive due diligence in relation to health and safety matters in Council workplaces. This assists in meeting elected members’ obligations as officers under HSWA. • The review of this document is completed in the first year of the triennium and other items in the health and safety workplan can be progressed.
Risks and Disadvantages	<ul style="list-style-type: none"> • Minor delay to approval of the reviewed Charter.
Option 3: Request changes to the Governance Charter for approval at a later meeting of the Audit, Risk and Finance Committee	

Item 13: Review of Health and Safety Governance Charter

Advantages	<ul style="list-style-type: none">• Provide further opportunity to reconsider the overall approach to peak documents within Council's HSMS.• Further changes or improvements to the Charter could be made.
Risks and Disadvantages	<ul style="list-style-type: none">• Some references in the Health and Safety Governance Charter remain obsolete.• Completion of a review of this key health and safety document is further delayed impacting the ongoing health and safety workplan.

7. Next Steps

7.1 The approved document will become the current version of the Governance Charter in Council's health and safety management system.

If the document is not approved (options 1 or 2), a revised version will be tabled at a subsequent meeting of the Audit, Risk and Finance Committee.

Attachments

Attachment 1: 855153265-4133 - Health and Safety Governance Charter - 2023 for approval [↓](#)

Important considerations for decision making
Fit with Purpose of Local Government As the peak document relating to health and safety governance at Council, a Governance Charter reviewed each triennium contributes to managing risk to Council's ability to fulfil its purpose.
Consistency with Community Outcomes and Council Policy The recommendations align with the Community Outcome: <i>Our communities are healthy, safe, inclusive and resilient.</i>
Risk This report aims to help elected members meet their due diligence obligations as 'officers' under the Health and Safety at Work Act 2015. The likelihood of adverse consequences is assessed as low based on the current record of Council's health and safety systems and the on-going monitoring of them. However, the consequences for Council could still be significant if there were to be a serious harm incident to a Council worker, contractor or other person. These consequences could include harm to people, prosecution of the Council and/or its officers, financial penalties, and/or reputational damage.
Financial impact There are no immediate budget implications arising from this report.
Degree of significance and level of engagement This matter is of low significance in regard to community or subgroups and no engagement has been required. As part of Council's health and safety management system, engagement with workers is required and has been completed through the Workplace Health and Safety Committee.
Climate Impact None.
Inclusion of Māori in the decision making process No engagement with Māori has been undertaken in preparing this report.

Item 13: Review of Health and Safety Governance Charter

Legal context

Council has an obligation under the Health and Safety at Work Act 2015 (HSWA) because it is classed as a Person Conducting a Business or Undertaking (PCBU), and elected members and Council's senior management have obligations as 'officers' under that Act.

Delegations

The Audit, Risk and Finance Committee has the following delegations to consider Health and Safety.

Areas of Responsibility:

- *Health and Safety*

Delegations:

- *None*

Powers to Recommend (if applicable):

- *Any matters within its areas of responsibility*

Organisational Risk - Deep Dive

1. Purpose of Report

- 1.1 To provide the Audit, Risk and Finance Committee an opportunity to have a discussion on organisational risk(s).

2. Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Organisational Risk - Deep Dive (R27837).***

3. List of organisational risks to be discussed

- 3.1 R4. Loss of service performance from ineffective contracts and contract management (with a focus of capital projects delivery).

Author: Chris Logan, Audit and Risk Analyst

Authoriser: Nikki Harrison, Group Manager Corporate Services

Attachments

Nil