

Mā tō tātou takiwā
For our District

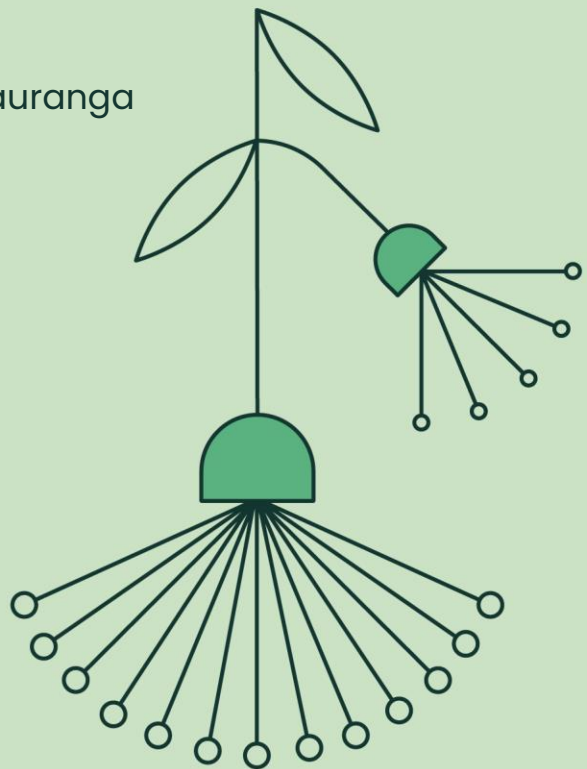
Audit, Risk and Finance Committee

Kōmiti Arotake Tūraru me Ahumoni

ARF23-2

Tuesday, 23 May 2023, 12.30pm

Council Chambers, 1484 Cameron Road, Tauranga



Audit, Risk and Finance Committee

Membership:

Chairperson	Cr Murray Grainger
Deputy Chairperson	Cr Tracey Coxhead
Members	Cr Richard Crawford Cr Grant Dally Mayor James Denyer Cr Anne Henry Cr Rodney Joyce Cr Margaret Murray-Benge Deputy Mayor John Scrimgeour Cr Allan Sole Cr Don Thwaites Cr Andy Wichers Stuart Henderson – Independent Member
Quorum	Seven (7)
Frequency	Quarterly

Role:

The main purpose of the Committee is to assist Council in providing oversight of matters relating to the quality and integrity of financial reporting, independence and performance of the external auditors, effectiveness and objectivity of the internal audit programme, and oversight of business risks and compliance activities.

Scope:

Responsibilities:

- Assist Council in fulfilling its responsibilities for financial statements and external financial reporting.
- Monitor the Council's external and internal audit process and the resolution of any issues that are raised.
- Review key formal external accountability documents such as the Annual Report in order to provide advice and recommendation in respect to the integrity and appropriateness of the documents and the disclosures made.
- Provide a forum for communication between management, internal and external auditors and the governance level of Council.

- Ensure the independence and effectiveness of Council's internal audit processes, with oversight of the internal audit programme and findings.
- Oversee the development of the Council's Annual Report.
- Oversee the development and management of financial policies and delegations.
- Monitor existing corporate policies and recommend new corporate policies to prohibit unethical, questionable or illegal activities.
- Support measures to improve management performance and internal controls.

Responsibilities:

Audit (internal and external):

- Ensure appropriate accounting policies and internal controls are established and maintained and
- assist Council in ensuring the effective and efficient management of all business risks.
- Ensure an appropriate framework is maintained for the management of strategic and operational risk (including risk appetite). Review risk including technical insurance matters.
- and participation in national risk management practices, health and safety risk management and implementation of risk management processes.
- Review the effectiveness of the Long Term Plan audit or any audit relating to an amendment to the Long Term Plan
- Review the effectiveness of the annual audit.
- Monitor management response to audit reports and the extent to which the external audit recommendations concerning internal accounting controls and other matters are implemented.
- Monitor the delivery of any internal audit work programme and implementation of any significant recommendations including control risk, accounting and disclosure practices.
- Engage with Council's external auditors regarding the external work programme and agree the terms and arrangements of the external audit in relation to the Annual Report.
- Engage with internal and external auditors on any specific one-off audit assignments.
- Review the effectiveness of the control environment established by management including the computer information management systems controls and security. This also includes a review/monitoring role for relevant policies, processes, and procedures.

Risk management:

- Review the Risk Management Framework, and associated procedures to ensure they are current, comprehensive and appropriate for the effective identification and management of Council's financial and business risks including fraud and cyber security.
- Review the effectiveness of the system for monitoring Council's financial compliance with relevant laws, regulations and associated government policies.
- Review whether a sound and effective approach has been followed in establishing Council's business continuity planning arrangements.
- Review Council's Fraud Policy to determine that Council has appropriate processes and systems in place to capture and effectively investigate fraud related information.

Financial:

- To monitor the operational performance of Council's activities and services against approved levels of service.
- Monitor financial performance against any Council approved joint contracts with other local authorities.
- Report financial outcomes and recommend any changes or variations to allocated budgets including both operational and capital expenditure.
- Provide oversight of legal risks, claims or proceedings (excluding the approval of any legal settlements).
- Recommend the adoption of the Annual Report and the approval of the Summary Annual Report to Council.

Power to Act:

The Committee is delegated the authority to:

- Receive and consider external and internal audit reports.
- Receive and consider staff reports on audit, internal control and risk management policy and procedure matters as appropriate.
- To approve the Auditors engagement and arrangement letters in relationship to the Annual Report.

Power to Recommend:

To make recommendations to Council and/or any Committee as it deems appropriate.

Power to sub-delegate:

The Committee may delegate any of its functions, duties or powers to a subcommittee, working group or any other subordinate decision-making body, subject to the restrictions on its delegations and provided any sub-delegation includes a statement of purpose and a specification of task.

Notice is hereby given that an Audit, Risk and Finance Committee Meeting will be held in the Council Chambers, 1484 Cameron Road, Tauranga on: Tuesday, 23 May 2023 at 12.30pm

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1 PRESENT**2 IN ATTENDANCE****3 APOLOGIES****4 CONSIDERATION OF LATE ITEMS****5 DECLARATIONS OF INTEREST**

Members are reminded of the need to be vigilant and to stand aside from decision making when a conflict arises between their role as an elected representative and any private or other external interest that they may have.

6 PUBLIC EXCLUDED ITEMS**7 PUBLIC FORUM**

A period of up to 30 minutes is set aside for a public forum. Members of the public may attend to address the Board for up to five minutes on items that fall within the delegations of the Board provided the matters are not subject to legal proceedings, or to a process providing for the hearing of submissions. Speakers may be questioned through the Chairperson by members, but questions must be confined to obtaining information or clarification on matters raised by the speaker. The Chairperson has discretion in regard to time extensions.

Such presentations do not form part of the formal business of the meeting, a brief record will be kept of matters raised during any public forum section of the meeting with matters for action to be referred through the customer contact centre request system, while those requiring further investigation will be referred to the Chief Executive.

8 PRESENTATIONS

8.1 BANCORP TREASURY UPDATE AND PRESENTATION

File Number: A5335847

Author: Azoora Ali, Chief Financial Officer

Authoriser: Adele Henderson, General Manager Corporate Services

EXECUTIVE SUMMARY

Bancorp Treasury will present an overview of market trends and forecasts, along with their implications for Council. Specifically, their presentation will focus on:

- Trends and forecasts for domestic inflation;
- Forecasts for market interest rates; and
- How Council has positioned itself within its treasury strategy to mitigate interest rate risks.

RECOMMENDATION

1. That the Chief Financial Officer's report dated 23 May 2023 titled 'Bancorp Treasury Update and Presentation' be received.
2. That the presentation from Bancorp Treasury dated 23 May 2023 be received.

9 REPORTS

9.1 FINANCIAL PERFORMANCE UPDATE AS AT 31 MARCH 2023

File Number: A5142640

Author: Sarah Bedford, Finance Manager

Authoriser: Azoora Ali, Chief Financial Officer

EXECUTIVE SUMMARY

The purpose of this report is to inform Elected Members on progress of the financial results for the six-month period ended 31 March 2023.

RECOMMENDATION

That the Finance Manager's report dated 23 May 2023 titled 'Financial Performance Update as at 31 March 2023' be received.

SUMMARY FINANCIALS

1. The following is a summary of the financial performance for the period ended 31 March 2023 along with associated financial statements. Overall Council has tracked well for the period against its key metrics (refer to **Attachment 1**).
2. The current budgets from a capital delivery perspective have been re-forecasted to reflect the expected end position by budget managers.
3. The below table sets out shows a summary of our progress to date:

Statement of comprehensive revenue and expense	Actual YTD \$000's	Budget YTD \$000's	Variance YTD \$000's
Revenue	92,687	96,299	(3,612)
Expense	82,126	85,000	2,874
Surplus/(deficit)	10,561	11,299	(738)
Total Revenue – Actual vs Budget	71%		
Total Expenses – Actual YTD vs Budget YTD	72%		
Statement of financial position	Actual YTD \$000's	Budget Full Year \$000's	
Assets	1,750,663	1,744,154	
Liabilities	125,663	160,004	
Equity	1,624,833	1,584,150	

4. Financial Performance – The overall financial results show a favourable surplus to date of \$10.6M. This is a \$738K un-favourable variance to budget.
5. Balance Sheet – As at March council's Assets are 104% (higher PP&E) and Liabilities are 79% of the target full year budget, this is due to lower borrowings.
6. Treasury – There were no new loans taken out in the last quarter.
7. Council remains within its debt, interest, and liquidity ratio policy limits.
8. Capital Expenditure – Total capital expenditure of \$34.83m was \$46.13m lower than the full year budget of \$71.37m. This represents capital expenditure of 48% of the full year budget.
9. Council has marginally breached two timeline policies in relation to its interest rate hedging. This is because of adopting a new treasury policy in December 2020.

10. Bancorp has suggested potential hedging instruments to bring council back within policy.

ATTACHMENTS

1. **Quarterly Financial Report – March 2023**  



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Q3 Quarterly Financial Report : March 2023 – Period 9

Financial Summary

Financial snapshot



Q3 Quarterly Financial Report : March 2023 – Period 9

Financial Statements

Statement of Comprehensive Revenue and Expense Council Wide

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE PERIOD ENDED 31 MARCH 2023	2023	2023	2023	2022	2023	2023	2023	2023
	Actual	Budget	Variance		Actual YTD	Budget	Revised Budget	Forecast
\$000	Year to date	Year to date	Year to date	Year to date	as % of Budget Full yr	Full year	Full year	Full year
Revenue								
Rates	65,136	65,489	(353)	61,772	74%	88,337	87,318	86,848
Subsidies and grants	9,085	11,424	(2,338)	14,669	58%	15,706	15,232	12,114
Development and financial contributions	8,788	10,526	(1,738)	6,917	61%	14,345	14,035	11,717
Fees and charges	6,840	6,343	497	7,457	80%	8,594	8,457	9,120
Interest revenue	124	193	(69)	78	47%	265	257	165
Other revenue	2,714	2,325	389	3,259	86%	3,165	3,099	3,618
Total revenue	92,687	96,299	(3,612)	94,152	71%	130,411	128,399	123,583
Expenses								
Personnel costs	19,975	21,503	1,528	17,776	70%	28,642	27,226	26,633
Depreciation and amortisation expense	17,905	18,847	942	17,169	71%	25,172	25,149	23,873
Finance costs	2,804	3,004	200	1,006	68%	4,144	4,006	3,739
Other expenses	41,442	41,646	204	40,124	74%	55,920	59,712	55,256
Total expenses	82,126	85,000	2,874	76,075	72%	113,877	116,093	109,502
Surplus/(deficit) after tax	10,561	11,299	(738)	18,077	64%	16,534	12,778	14,081

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Statement of Comprehensive Revenue and Expense by Activity

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE	2023	2023	2023	2022	2023	2023	2023	2023
FOR THE PERIOD ENDED 31 MARCH 2023	Actual	Budget	Variance	Actual	Actual YTD as	Budget	Revised	Forecast
\$000's	Year to date	Year to date	Year to date	Year to date	% of Budget FY	Full year	Budget Full year	Full year
Revenue								
Communities	7,779	7,377	402	9,836	78%	9,937	9,836	10,372
Reserves & Facilities	9,493	11,186	(1,694)	14,915	63%	15,032	14,915	12,657
Regulatory	9,465	9,909	(444)	13,212	71%	13,279	13,212	12,619
Water Supply	11,142	10,622	520	14,163	78%	14,233	14,163	14,856
Wastewater	11,459	10,916	544	14,554	78%	14,621	14,554	15,279
Stormwater	4,773	5,370	(596)	7,160	66%	7,215	7,160	6,364
Transport	23,851	25,459	(1,608)	33,945	68%	34,957	33,945	31,801
Solid Waste	3,842	4,628	(786)	6,170	61%	6,328	6,170	5,122
Natural Environment	881	726	155	969	88%	997	969	1,175
Representation	2,630	2,654	(24)	2,318	74%	3,570	3,539	3,507
Planning for the future	3,330	3,359	(29)	4,479	73%	4,544	4,479	4,440
Economic	829	870	(41)	1,160	70%	1,190	1,160	1,105
Corporate Services	3,213	3,223	(10)	4,297	71%	4,511	4,297	4,284
Total revenue	92,687	96,299	(3,612)	127,178	71%	130,411	128,399	123,583

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	2023 Actual	2023 Budget	2023 Variance	2022 Actual	2023 Actual YTD as % of Budget FY	2023 Budget Full year	2023 Revised Budget Full year	2023 Forecast Full year
	Year to date	Year to date	Year to date	Year to date				
Expenses								
Communities	7,110	7,602	(492)	11,138	69%	10,281	11,138	9,480
Reserves & Facilities	6,441	7,032	(592)	9,377	68%	9,410	9,377	8,588
Regulatory	10,592	9,826	765	13,012	80%	13,166	13,012	14,122
Water Supply	10,505	10,096	410	13,461	71%	14,698	13,461	14,007
Wastewater	10,522	9,007	1,516	12,009	75%	14,115	12,009	14,030
Stormwater	3,419	2,405	1,014	3,206	76%	4,505	3,206	4,559
Transport	20,600	19,870	731	26,493	77%	26,911	26,493	27,467
Solid Waste	2,893	4,115	(1,223)	5,487	51%	5,626	5,487	3,857
Natural Environment	601	1,190	(589)	1,693	46%	1,301	1,693	801
Representation	2,714	2,649	65	2,220	77%	3,533	3,803	3,618
Planning for the future	2,827	3,350	(523)	4,512	63%	4,513	4,512	3,769
Economic	600	634	(34)	854	72%	829	854	800
Corporate Services	3,303	7,225	(3,922)	11,048	66%	4,987	11,048	4,404
Total expenses	82,126	85,000	(2,874)	114,510	72%	113,877	116,093	109,502
Surplus/(deficit) after tax	10,561	11,299	(738)	12,668	64%	16,534	12,306	14,081

Q3 Quarterly Financial Report : March 2023 – Period 9

Financial performance variances commentary

Revenue

- Rates Income of \$65.1m is tracking in line with year-to-date budget with a variance of only \$0.3m.
- Subsidies and Grants of \$9.1m are \$2.3m below year-to-date budget. This is due to timing of the Waka Kotahi subsidy claims and budget phasing.
- Financial Contributions of \$8.8m are \$1.7m below year-to-date budget. This is due to lower than expected Reserves activities and timing differences with budget phasing.
- Fees and Charges are \$6.8m and \$0.5m higher than year-to-date budget which reflects the increased activity in the building, consent, and dog control areas.
- Other Revenue of \$2.7m is higher than year-to-date budget by \$0.4m and includes unbudgeted Insurance Recoveries of \$0.2m.

Expenses

- Personnel Costs of \$20m are lower than year to date budget by \$1.5m which is mainly due to unfilled vacancies.
- Depreciation expense of \$17.9m is \$1m lower than year-to-date budget, this is a timing factor as depreciation is driven from existing asset budgets, with current year capitalisations for this financial year are underway.
- Finance Costs of \$2.8m is \$0.2m lower than year-to-date budget due to lower than planned borrowings, this is a reflection of

Q3 Quarterly Financial Report : March 2023 – Period 9

Council's capital programme tracking at 51% of full year budget as at March 2023.

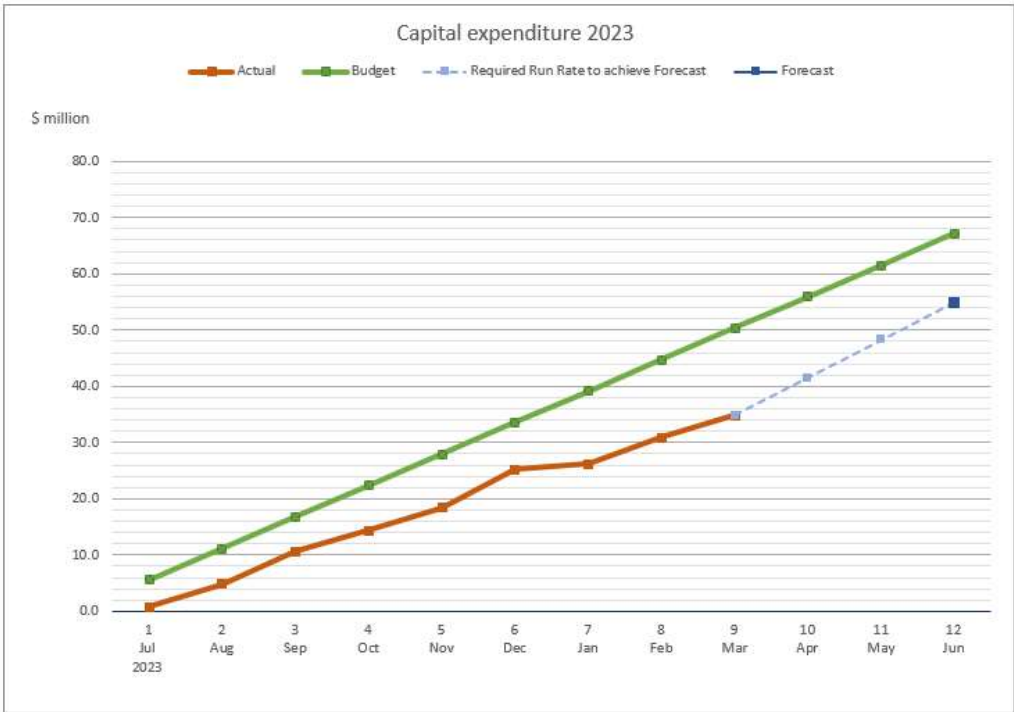
- Other Expenses of \$41.4m are lower than year-to-date budget by \$1.7m, largely driven by additional level of service projects (see next page).

Capital Expenditure

Council Capital Expenditure								
	2023 Actual	2023 Budget	2023 Variance	2022 Actual	2023 Actual YTD	2023 Budget	2023 Revised Budget	2023 Forecast
	Year to date	Year to date	Year to date	Year to date	as % of Budget Full yr	Full year	Full year	Full year
Total Capital Expenditure	34,829	50,340	(18,001)	15,967	0	67,121	70,440	54,945

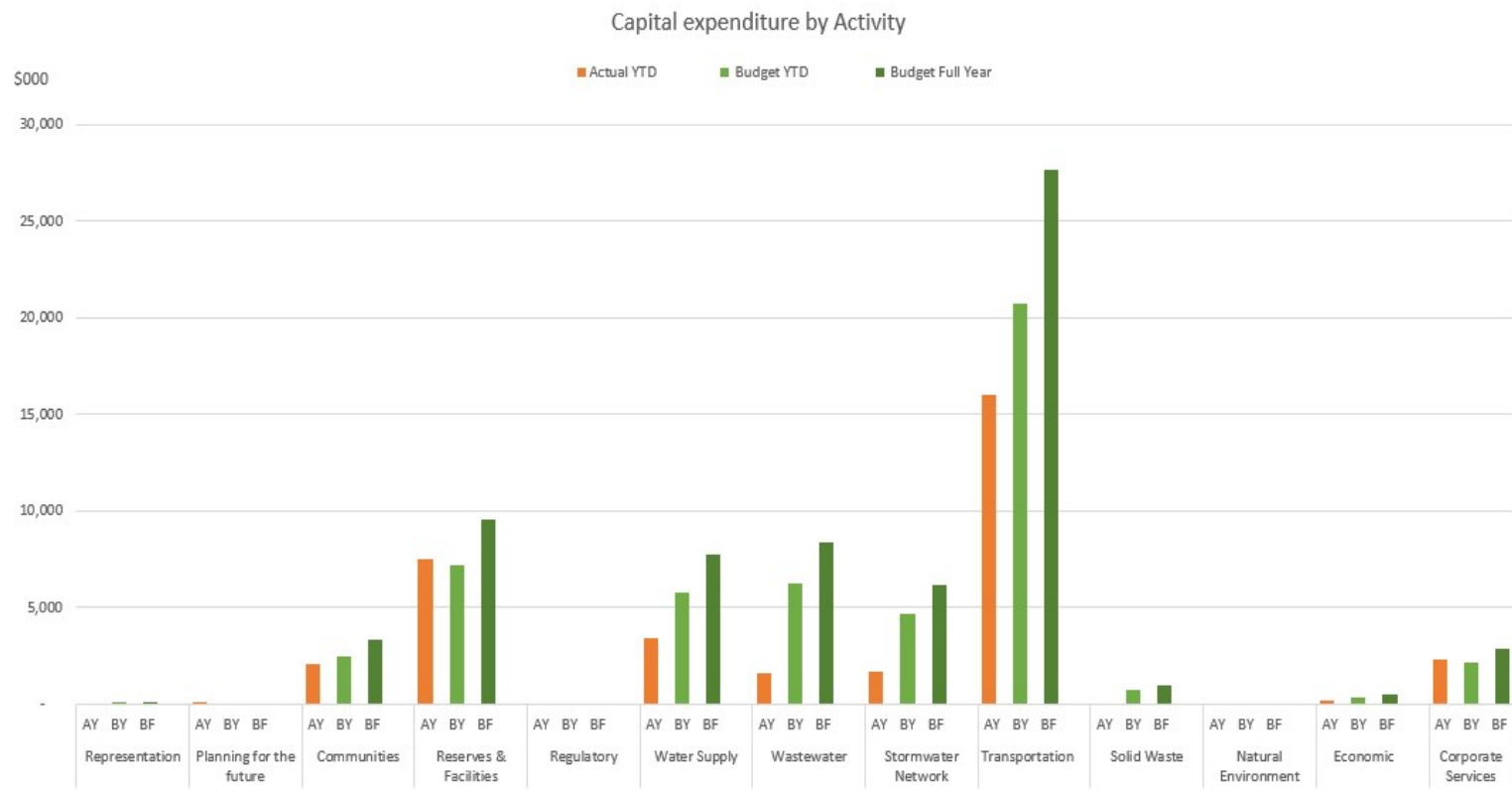
Q3 Quarterly Financial Report : March 2023 – Period 9

Overview



Council’s capital programme spend is \$34.8m as at March 2023 compared to full year budget \$67.1m. This spend to date makes up 52% of Council’s anticipated capital programme delivery for 2023. The forecasted spend for year end is \$54.9m.

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Capital expenditure by Activity								
\$000	2023 Actual Year to date	2023 Budget Year to date	2023 Variance Year to date	2022 Actual Year to date	2023 Actual YTD as % of Budget Full yr	2023 Budget Full year	2023 Budget Full year	2023 Forecast Full year
Representation	-	27	(27)	-	0%	36	36	-
Planning for the future	37	-	26	-	n/a	-	15	37
Communities	2,038	2,467	(443)	259	62%	3,289	3,309	2,162
Reserves & Facilities	7,495	7,159	21	3,994	79%	9,545	9,966	6,986
Regulatory	-	-	-	-	n/a	-	-	-
Water Supply	3,435	5,779	(2,806)	2,736	45%	7,705	8,321	6,564
Wastewater	1,591	6,264	(5,048)	3,614	19%	8,352	8,852	4,302
Stormwater Network	1,675	4,636	(3,021)	1,044	27%	6,181	6,262	4,258
Transportation	16,046	20,756	(5,730)	13,704	58%	27,675	29,035	27,425
Solid Waste	-	736	(736)	-	0%	981	981	10
Natural Environment	-	-	-	-	n/a	-	-	-
Economic	181	359	(178)	4	38%	479	479	67
Corporate Services	2,330	2,158	(59)	(1,341)	81%	2,877	3,185	3,134
TOTAL	34,829	50,340	(18,001)	24,014	52%	67,121	70,440	54,945

Capital Expenditure Analysis

This commentary provides analysis of variances for amounts higher than \$300,000 against budget.

- Reserves & facilities is \$0.8m overspent compared to year-to-date budget with District Reserves having unbudgeted land purchases.
- Water supply is \$2.3m below year-to-date budget, this is being driven by delays with the Youngson WTP UV unit project related to Resource Consent \$0.5m and impacts of weather delays and resource constraints on other projects.
- Wastewater is \$2.3m below year-to-date budget. This is largely impacted by weather delays and resource constraints on other projects. The following are key projects contributing the variance:
 - Waihi Beach WW SAS Lagoon project is under year-to-date budget of \$0.2m due to delays with rescoping the project.
 - Te Puke WWTP is \$1.2m under year-to-date budget due to consent delays and impacts on planning and design.
- Stormwater Network is \$2.9m under year-to-date budget due to delays in mainly related to Ōmokoroa Structure Plan projects being \$2m and includes delays related to design updates for works around Prole Rd .
- Transportation is \$8.6m under year-to-date budget. This is being driven by the following specific projects:
 - Katikati Structure Plans – spend year-to-date is \$0.2m, with the Structure Plans Manager projecting \$1.6m spend by 30 June.
 - Omokoroa Structure Plans – year-to-date spend is \$7.3m which is below by \$1.1m, the Engineering and Special Projects Manager has indicated projected \$11-12m spend up to 30 June.
 - Asset Management for Transportation is below by \$1.6m year-to-date budget, this is due to the timing of physical works which have been adversely affected by the unusually high summer rainfall and storm events.
- Solid Waste is \$0.7m under year-to-date budget. This is a result of not finding suitable land in the Ōmokoroa area for the establishment of the mentioned facility, halting further design consultation work. Initial negotiations on a suitable section of land did not go through due to a too high asking price.

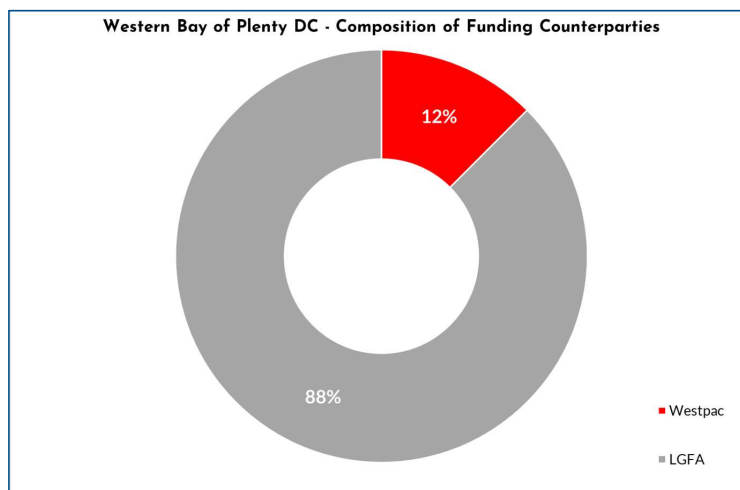
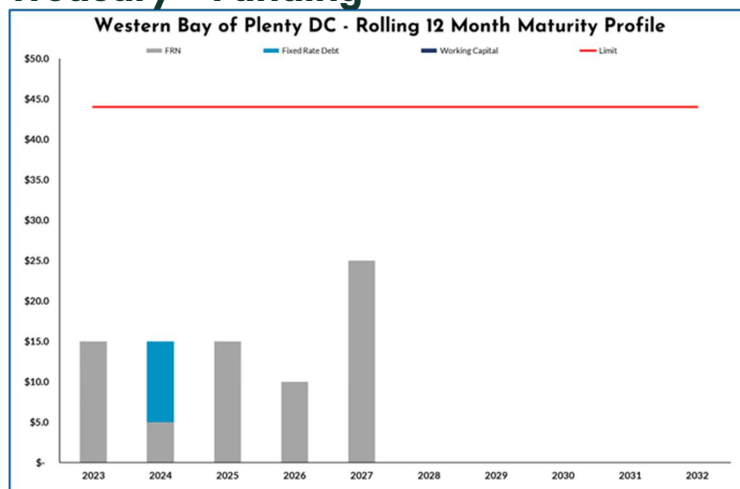
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Statement of Financial Position

	2023	2023	2022
	Actual	Budget	Actual
STATEMENT OF FINANCIAL POSITION	Year to date	Full year	Year to date
AS AT 00 JANUARY 1900			
\$000			
Current assets			
Cash and cash equivalents	21,812	39,091	51,935
Receivables	19,947	16,371	13,741
Prepayments	1,030	1,008	937
Non-current assets held for resale		1,250	
Total current assets	42,789	57,719	66,613
Non-current assets			
Other financial assets	12,542	11,519	12,380
Investment in associates	3,316	3,558	3,258
Property, plant and equipment	1,678,187	1,652,118	1,527,924
Intangible assets	4,679	7,613	3,995
Forestry assets	8,938	11,626	10,490
Total non-current assets	1,707,663	1,686,435	1,558,046
Total assets	1,750,452	1,744,154	1,624,659
Current liabilities			
Payables and deferred revenue	35,527	32,664	39,162
Derivative financial instruments	795		422
Borrowings and other financial liabilities	15,000	15,000	20,000
Employee entitlements	2,266	3,699	2,344
Provisions	313	696	313
Total current liabilities	53,901	52,059	62,241
Non-current liabilities			
Borrowings and other financial liabilities	65,000	95,000	70,000
Employee entitlements	19		20
Provisions	6,743	12,945	7,424
Total non-current liabilities	71,763	107,945	77,444
Total liabilities	125,663	160,004	139,685
Net assets	1,624,789	1,584,150	1,484,974
Equity			
Accumulated funds	964,937	955,372	948,010
Reserves	659,852	628,778	536,964
Total equity	1,624,789	1,584,150	1,484,974

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Treasury – Funding



Debt
\$80.0m
 Total Drawn Debt

Weighted Average Margin
0.74%
 Margin on Facilities

Headroom
\$30m
 Undrawn Bank Facilities

Liquidity
\$21.8m
 Cash + Deposits

Key Metrics

External % Debt Borrowed as Floating	87.5%
External % Debt Borrowed as Fixed	12.5%
Current % of Debt Fixed	81.9%
Current % of Debt Floating	18.1%
Value of Fixed Rate (m)	\$65.5
Weighted Average Cost of Fixed Rate Instruments	4.30%
Weighted Average Cost of Fixed Rate Instruments (incl margin)	4.98%
Value of Forward Starting Cover	\$21.0
Weighted Average Cost of Forward Starting Cover	3.87%
Value of Floating Rate (m)	\$14.5
Current Floating Rate	5.53%
Current Floating Rate (incl margin)	6.32%
All Up Weighted Average Cost of Funds Including Margin	5.22%
Total Facilities In Place	\$110.0

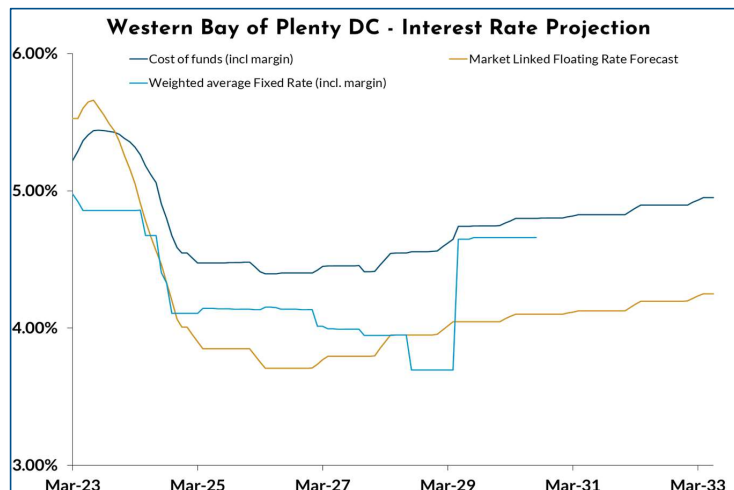
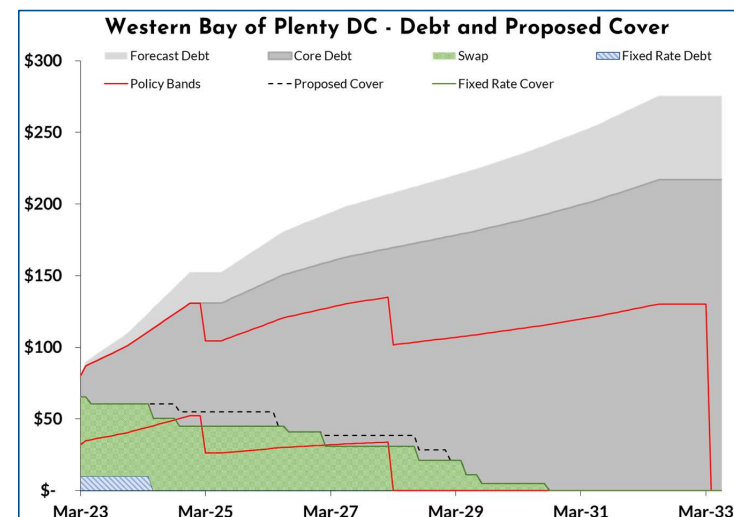
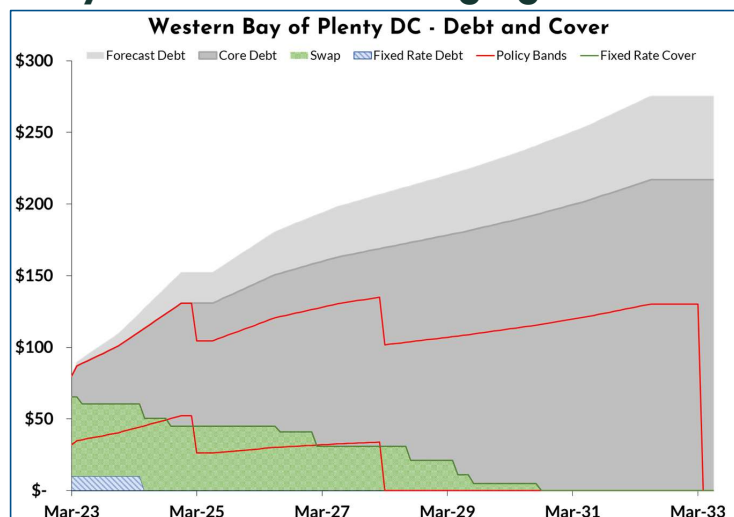
POLICY BANDS

Period	Minimum Cover	Maximum Cover	Weighted	Within Policy?
			Average Cover %	
0 to 2 years	40%	100%	76.8%	BREACH
2 to 5 years	20%	80%	34.4%	BREACH
5 - 10 years	0%	60%	18.3%	OK

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Treasury – Interest Rate Hedging



Strategy

- › Western Bay is below the minimum of interest rate hedging policy at the end of the 0-2, and 2-5 year buckets due to forecast debt climbing, and swaps naturally decaying. No cover was added during the quarter as swap rates were volatile, but questions remain about forecast debt. As a result, there is requirement to add to portion of fixed rate hedging to bring cover levels back above minimums.
- › Our recommendation is to consider the following interest rate swaps:
 - › \$8m starting May 2024 and maturing May 2026 (indicative rate: 4.11%)
 - › \$5m starting Feb 2027 and maturing Feb 2029 (indicative rate: 3.82%)
- › Swap rates are still looking beyond the current hiking cycle and imply a deteriorating domestic outlook, while the RBNZ forecasts a recession later this year. This is reflected in an inverted swap curve. With this in mind, we recommend targeting cover by placing orders for these swaps at rates closer to 3.50% to take advantage of any further inversion in the yield curve. Forward starting swaps have been volatile during the quarter, but are back near their recent lows, which makes it a relatively good time to consider adding cover if there is comfort around future debt levels.
- › We will continue to monitor the market and Western Bay's forecast exposures for opportunities to increase fixed rate hedging levels further if we see further moderation in forward starting interest rate swaps.

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Q3 Quarterly Financial Report : March 2023 – Period 9

Treasury – Interest and Liquidity Risk

Interest Rate Risk

- 'Interest Rate Risk' is the risk that either investment returns will fall materially short of forecast, or, that financing costs will exceed projections due to adverse movements in interest rates.
- The RBNZ surprised markets with an outsized 50bps hike against expectations of just 25bps. In its view, inflation remains too high and employment too robust. The RBNZ also expressed its displeasure at the recent fall in mid to longer term swap rates and hinted that this was part of the reason for a 50bps hike verses the expected 25bps hike.
- There are many signs of a slowing economy and that the OCR hikes to date are having the desired effect, however, the RBNZ appear to be impatient to see inflation come down.
- Western Bay is below the minimum of interest rate hedging policy at the end of the 0-2, and 2-5 year buckets. It is recommended by Bancorp that we enter into new forward dating swaps in order to bring interest rate risk back within policy.

Liquidity Risk

- 'Liquidity Risk' is the risk that Council may not have enough liquid cash or committed facilities on hand to fund operations. This is because Council's cash flow is dependent on the maturity of cash investments and loans.
- As at 31 March 2023, Western Bay remains within its debt, interest, and liquidity ratio policy limits.

DEBT RATIOS AND LIMITS			
	As at 31 Mar 23	Council Max Policy Limits	Policy
Net Debt as a % of Total Revenue	62%	<200%	OK
Net Interest as a % of Total Revenue	3%	<20%	OK
Net Interest as a % of Annual Rates Income	4%	<25%	OK
Liquidity Ratio	165%	>110%	OK
Liquidity Ratio = (external term debt + committed loan facilities + available liquid short-term financial investments to existing external debt)			

Q3 Quarterly Financial Report : March 2023 – Period 9

Treasury –Bank / Investment Counterparty Risk

- Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where the Council is a party. The credit risk to the Council in a default event will be weighted differently depending on the type of instrument entered into.
- As at 31 March 2023, Western Bay remains within its counterparty credit risk policy.

BANK / INVESTMENT COUNTERPARTY EXPOSURE LIMITS							
Counterparty	Rating (minimum long term)	Gross Limit (m)	IR Swaps (m)	Bank/Investments (m)	Total (m)	% of Gross Limit	% of Total Exposure
ANZ	AA-	30	2.8	21.8	24.6	82%	93%
ASB	AA-	30	-	-	0	0%	0%
BNZ	AA-	30	1.9	-	1.9	6%	7%
Westpac	AA-	30	-	-	0	0%	0%
		120	4.7	21.8	26.5	22%	100%

9.2 TAX RISK GOVERNANCE FRAMEWORK

File Number: A5335688

Author: Azoora Ali, Chief Financial Officer

Authoriser: Adele Henderson, General Manager Corporate Services

EXECUTIVE SUMMARY

1. A Tax Risk Governance Framework was adopted in 2021 by Council as a proactive step towards identifying and managing tax risk to maintain the Councils low risk profile. The framework requires a report to the Committee annually outlining compliance and risk management.

RECOMMENDATION

1. That the Chief Financial Officer's report dated 23 May 2023 titled 'Tax Risk Governance Framework' be received.
2. That the presentation from Pricewaterhouse Coopers (PwC) dated 23 May 2023 be received.

BACKGROUND

2. Council has engaged Pricewaterhouse Coopers (PwC) as our Tax advisors to provide an annual update on our Tax Risk Governance Framework and compliance to our tax risk management strategy for Council to proactively manage its tax related risk.
3. This work programme includes detailed evaluations of Council's processes and procedures relating to the types of tax Council has the most potential exposure to (GST, PAYE and FBT). These evaluations are designed to ascertain areas of risk, provide an independent assessment of compliance and to provide recommendations for improvement.
4. The Tax Governance Framework outlines the proposed risk profile and strategies taken towards Council's taxation risk management, as well as the proposed work programme for the next three financial years.
5. The Tax Governance Update contains the following and will be presented by PwC:
 - Summary of the tax accounted for by Council;
 - Proposed Tax Risk Management Strategy;
 - Tax advice provided during the period; and
 - Recent tax developments to Council and specifically to local government.

ATTACHMENTS

1. **PWC Tax Governance Update May 2023**  

Western Bay of Plenty District Council Annual Tax Update

By Phil Fisher & Kelly David
May 2023



Introduction

Introduction

A Tax Risk Governance Framework was adopted by Western Bay of Plenty District Council (Council) as a proactive step towards identifying and managing tax risk to maintain the Council's low risk profile. As part of the Tax Governance Framework, we have prepared this annual tax update as a report to Council's Audit and Risk Committee.

This document provides:

- A summary of the more substantive tax advice Council has sought from PwC during the period 1 April 2022 to 31 March 2023.
- Council's tax strategy achieved to date, and proposed for upcoming years.
- A more general update on the wider tax environment which may affect Council and the local authority sector more broadly.

Tax Governance

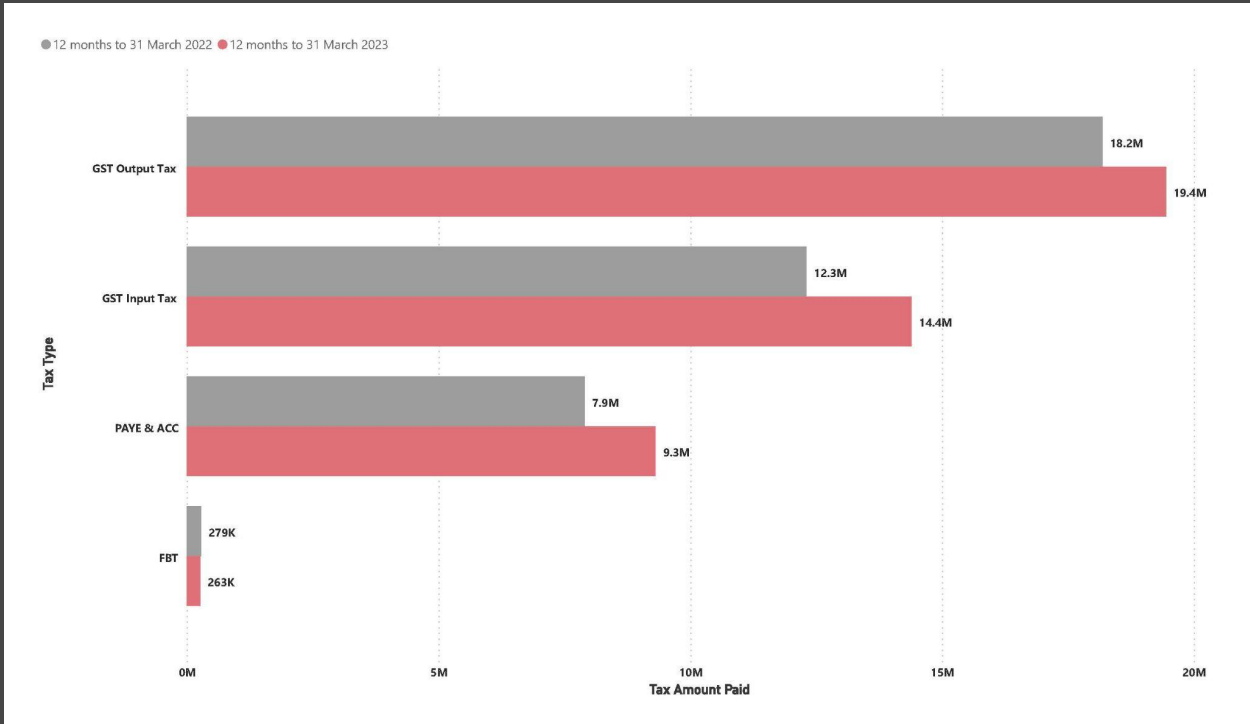
Inland Revenue has increased its focus on significant enterprises and their approach to tax governance and tax risk management. This has included the issuance of tax governance review letters to a number of organisations; the questions in that letter are reproduced in Appendix One for reference.

Ultimately, Inland Revenue's guidance around good governance focuses on the need for organisations to develop an effective tax control framework. As Council has developed a comprehensive tax risk management strategy, Council can have confidence that it is meeting Inland Revenue's expectations.

Western Bay of Plenty District Council tax figures

The tax accounted for by Council

Council is largely exempt from income tax, but is required to account for a number of other indirect taxes. The following provides a representation of the main taxes accounted for by Council during the two years ended 31 March 2022 and 31 March 2023.



Proposed Tax Risk Management Strategy

Council's tax strategy - past and proposed future					
Financial Year to 30 June:	2021	2022	2023	2024	2025
PwC tax helpdesk facility	✓	✓	✓	✓	✓
PwC online tax policies & guides	✓	✓	✓	✓	✓
PwC GST compliance property guide	✓	✓	✓	✓	✓
Independent tax evaluations:					
• PAYE - Standard		✓			
• GST - Full Review			✓		
• Payroll analytics (optional add-on)				✓	
• FBT			✓		
• Tax Control Effectiveness Assessment					✓
Report to Audit and Risk Committee on tax risk management		✓	✓	✓	✓
External advice sought on major issues	As required	As required	As required	As required	As required
Tax training provided to staff			✓		✓

Tax advice provided during the period

Tax advice sought – period ended 31 March 2023

For the most part, the tax compliance of Council has been 'business as usual' with the various tax returns (income tax, GST, PAYE, FBT, etc.) being filed on time. Council has continued to show a proactive approach to its tax compliance and utilised PwC's assistance for various queries for a range of tax types.

Relevant work undertaken throughout the year, included:

- PAYE Compliance Evaluation - we concluded that the Council has a very high level of PAYE compliance, particularly in the areas of procedural documentation and the proactive seeking of advice. There were however two principle risk areas: the tax treatment of wellness reimbursements and withholding tax compliance.
- Advice on the GST treatment for pensioner housing. This is an area of GST complexity and the transaction needed specific tax consideration to ensure that the correct treatment is applied.
- Commissioned PwC to prepare and file the 2022 income tax return.
- Provided FBT advice, including reviewing Council's Q4 2022 FBT return.

To support the ongoing risk management, Council:

- Continued to subscribe and actively use PwC's online indirect Tax Policies, Tax Helpdesk and GST Property Guide.
- Commissioned PwC to provide an annual update

Recent tax developments relevant to Council

Taxation (Annual Rates for 2022–23, Platform Economy, and Remedial Matters) Act 2023

The Taxation (Annual Rates for 2022–23, Platform Economy and Remedial Matters) Act 2023, enacted 31 March 2023. Changes relevant to council include:

- Remedial changes to the GST tax invoice rules
- A fringe-benefit tax exemption for public transport and e-bikes
- Changes to GST on legislative charges (e.g. levies)
- Changes to the GST treatment of government grants and subsidies paid to public authorities

GST invoice rules

Earlier last year the Government enacted changes to the GST invoicing and record-keeping requirements effective 01 April 2022, which included removing the requirement to obtain IRD approval to issue Buyer Created Tax Invoices, removing the requirement for reissued invoices to be marked as “copy only”, and changes in relation to the use of shared invoices.

A number of further proposed changes were deferred until 01 April 2023. These changes were intended to modernise business practices and provide greater flexibility to businesses - however the drafting of these rules was overly complex. As such, a number of remedial amendments have been included in the current Act to bring the new rules closer to the original policy intent. Some of the key GST invoicing changes effective from 01 April 2023 include:

- A change in terminology means “Tax invoices” are now referred to as “Taxable Supply Information” (TSI).
- The low-value threshold is increasing to \$200. Where the amount is below \$200 (GST incl.), there is no requirement to issue information for supplies or keep records of any taxable supply information.
- There is no longer a requirement to include the words “Tax invoice” in a prominent place on TSI.
- Where the price is over \$200 (GST incl.) the TSI must include the date upon which the tax invoice is issued, or where no invoice is issued, the seller must show the date of the supply.
- The quantity or volume of the goods and services supplied is no longer required.
- Where the price is \$1000 (GST incl.) or more, the TSI must still include the name and address of the buyer
- TSI for sales over \$200 (GST incl.) must include the total amount of GST charged, the GST exclusive (net) amount, and the total consideration, including GST; or the total amount including GST, and a statement that it includes GST (provided that the gross amount is inclusive of GST at 15%)

New Fringe-Benefit Tax (FBT) exemptions

The Act introduces a new FBT exemption which applies to public transport fares subsidised by an employer, where it is provided mainly for the purpose of an employee travelling between home and work. This will only apply where the public transport is via bus, train, ferry, tram, or cable car.

In addition, the Act introduces a new FBT exemption for certain vehicles (bicycles, e-bikes, scooters, and e-scooters) provided to employees for the purpose of travelling between home and work, as contained in a Supplementary Order Paper introduced on 14 March 2023. This exemption does not apply to low-interest loans provided to employees for the purchase of such vehicles.

GST on legislative charges

To ensure consistency, the Act has made changes to the GST treatment of legislative charges (e.g. levies) by deeming all such charges as subject to GST. The term “charge” is not defined, but is described as any liability to pay money. However, it does not include penalties, fines, interest, or general taxes.

There will be a staged implementation of change, and the new rule will apply in relation to any new legislative charges which come into force on or after 1 July 2023, and to existing legislative charges from 1 July 2026.

Interestingly, it appears Inland Revenue are moving away from determining the application of GST based on fundamental principles, and increasing the ‘tax take’ through a blanket approach of charging GST. The question to be considered by Council is whether this proposed change will affect the legislative charges overseen by Council. Regardless, it could be an opportune time to consider the GST treatment of all fees and charges imposed by Council; this can feature in the scheduled GST compliance review.

GST on government grants and subsidies paid to public authorities

The Act amends section 5(6D) of the GST Act 1985. Previously this provision deemed any payment in the nature of a grant or subsidy to another person, *other than to another public authority*, as consideration for a supply and subject to GST. This amendment removes the exclusion for *grants made to a public authority*.

This should not significantly impact Council, but is an important change to note. Where most GST issues arise for grants and local authorities, is in determining whether Council are receiving as principal, or as agent of the public authority. This is particularly pertinent when the grants relate to a Civil Defence (or similar) emergency. In case such an event occurs for Council, it would be useful to have a clear policy and procedure relating to the treatment of grants from the public sector.

Recent tax developments continued...

Tax Relief in response to flooding and Cyclone Gabrielle

In response to the North Island flooding events and Cyclone Gabrielle, the Government introduced the Supplementary Order Paper No 319 to the 2022-23 Tax Bill (the SOP). This provided tax relief for employers' welfare contributions and accommodation provided to employees. The tax relief provisions include:

- A tax exemption for ex-gratia welfare cash contributions to affected employees made within 8 weeks of the first date of the relevant event, as follows:
 - Up to \$5,000 in cash or benefits (refer below); and
 - Accommodation.
- A FBT exemption for certain non-cash benefits for 8 weeks from the first date of the relevant event:
 - Benefits provided to an employee that, along with any ex-gratia cash payment, did not exceed \$5,000 in total; and
 - Sundry benefits (e.g. an employer provides the 'benefits' to a recovery centre and it is hard to identify what benefits a specific employee has received). In this situation there is no specified limit.
- An extended tax exemption (from 3 - 5 years) for accommodation expenditure for employees working on projects of limited duration where the project entails relocating employees to assist the recovery and rebuild after the floods or cyclone.

Protection of Personal Information

During the response to Cyclone Gabrielle, Council may have collected / received more Personal Information than they would typically hold (for instance, missing persons lists, vulnerable people lists, volunteers, donee information etc).

During a state of emergency the Civil Defence Information Sharing Code takes effect, which means that Council may collect, use, and disclose Personal Information in order to respond to the emergency. It is designed to help agencies work together. However, this code is time bound; having finished on 13 April 2023 for Cyclone Gabrielle.

This was a useful reminder that it is important that Council has a plan in place to review the information collected or received. Particularly relevant during an emergency response, is the need to:

- Identify what information needs to be retained and what information should be deleted or destroyed
- Retrieve any information shared with third party agencies.
- Identify if Council has removed any information security controls during the emergency and, if so, has Council worked through how to reinstate those controls.
- Identify any learnings relating to information collection and sharing and whether this should be built into plans for dealing with future events.

FBT rate for low interest loans increased

The Income Tax (Fringe Benefit Tax, Interest on Loans) Amendment Regulations 2023 (SL 2023/22) come into force on 1 April 2023 and the regulations were notified in the New Zealand Gazette on 2 March 2023. The regulations increase the rate of interest that applies for fringe benefit tax purposes to employment-related loans from 6.71% to 7.89%. The new rate applies for the quarter beginning 1 April 2023 and for subsequent quarters.

GST Treatment on fees paid to directors and board members

Inland Revenue has released three public rulings (BR PUB 23/01, 23/02, and 23/03) relating to the GST treatment of fees paid to directors and board members - considering whether professional directors are eligible to be registered for GST.

The Commissioner has prepared an Operational Position (OP 23/01) giving guidance on the application of these rulings for professional directors who have incorrectly taken the view that they are carrying on a taxable activity. The Commissioner will not require these taxpayers to retrospectively deregister, however, those professional directors who are not carrying on a taxable activity must deregister with effect from 30 June 2023, or such other date as may be determined by the CIR. The rulings replace earlier ruling BR Pub 15/10 and apply from 1 April 2023 for an indefinite period.

Whether settlement payments were taxable employment income

Inland Revenue has published Technical Decision Summary TDS 23/01 determining that settlement payments were considered taxable employment income.

The Tax Counsel Office (TCO) determined that the settlement payments were not in the nature of payments for hurt and humiliation and the Record of Settlement was not a sham to the extent of the description of settlement payments.

This is a useful publication in that it helps reinforce Inland Revenue's position in relation to payments made pursuant to s123 of the Employment Relations Act 2000, and when these may or may not be treated as tax-free. Such payments are relatively common in the local government sector.

Recent tax developments continued...

Commissioner's escalation policy for technical issues

Inland Revenue issued a commissioner's statement on 20 March 2023 in relation to Inland Revenue's Technical Issues Escalation Policy and Process.

The intention of the policy is to ensure that Inland Revenue staff apply the legislation consistently. The statement sets out the obligations for all Inland Revenue staff but does not create any rights for customers to have issues reconsidered by Inland Revenue. It also helpfully sets out examples of circumstances when the taxpayers can rely on a view from Inland Revenue as being the Commissioner's interpretation of the law.

Cross border workers and tax arrangements

The new Bill also includes a number of changes for cross-border workers' tax arrangements to take effect from 1 April 2023. Some of the key changes include the new employer registration requirements and the safe harbour provisions.

New employer registration requirement

Non-resident employers with employees working in New Zealand will need to register as employers with Inland Revenue if they provide their employees with non-cash benefits or make contributions to their superannuation scheme or fund (unless an agreement is reached with the employee that the employee is responsible – this must be documented).

Safe harbour provision

A safe harbour provision has been introduced for non-resident employers who have incorrectly determined that they do not have a sufficient presence in New Zealand, and as a result, that they do not have New Zealand PAYE, FBT and ESCT obligations.

For completeness, we note the proposed change to move to consider NRCT on a 'single payer' basis was not enacted.

IPSAS 41

The new financial instruments standard, PBE IPSAS 41 is mandatory for June 2023 financial year ends. For Council's who early adopted the interim financial instruments standard PBE IFRS 9, this will be an easier transition than for those who are transitioning from the older standard IPSAS 29. The main changes are:

- The introduction of a new model for classifying and measuring financial assets
- A new forward looking approach to impairment that takes into account expected credit losses and will likely lead to earlier recognition of doubtful debts
- A new less restrictive hedge accounting model
- Increased disclosure requirements.

The accounting for financial instruments is a complex area and the new rules are no exception to that, however as these rules largely mirror changes that were made in the for profit sector with NZ IFRS 9, there is a lot of experience from the for profit sector that can be drawn on to facilitate this transition. Numerous local authorities are requesting support with IPSAS 41 at the moment to ensure they meet their obligations.

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PwC

Inland Revenue activity

Recent discussions with senior Inland Revenue staff have confirmed that they will be moving to increasing use of data analytics of tax returns submitted, in particular in relation to payroll and GST. We have already seen evidence of the power of this with Inland Revenue cross checking payroll filings for wage subsidy reconciliations.

From our meetings with Inland Revenue, it is evident we are moving into a new era of less traditional audits, and the use of targeted analytics. In response, we are increasingly providing data analytical evaluations over payroll filings, GST etc.

We note that a number of local authorities, and associated entities, are having GST refunds 'held' pending provision of further information to Inland Revenue. A delayed response to the initial Inland Revenue request typically results in a more substantive set of questions. Council should be mindful of this and carefully consider what and how it responds to requests for information. Furthermore, proactively notifying Inland Revenue of the rationale for the GST refund will enable quicker processing of and receipt of the refund.

Other recent tax developments include:

- The Taxation (Use of Money Interest Rates) Amendment Regulations 2023 were notified in the New Zealand Gazette on 16 March 2023 and come into force on 9 May 2023. The regulations amend the Taxation (Use of Money Interest Rates) Regulations 1998 to increase the taxpayer's paying rate of interest on unpaid tax from 9.21% to 10.39% per annum. The Commissioner's paying rate of interest on overpaid tax is increased from 2.31% to 3.53% per annum.
- The last Inland Revenue approved mileage rates were for the 2021-2022 income year. The tier 1 rate was increased to 83 cents per kilometre for the year, which reflects a combination of a vehicle's fixed and running costs and is used for the business portion of the first 14,000 kilometres travelled by the vehicle in a year, or in the absence of full log-book details, the first 3,500km of business mileage. The Tier 2 rates that apply otherwise are significantly lower, and the actual rate depends on the type of vehicle (i.e. Petrol, Diesel, Electric or Hybrid).

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Tax developments in the local authority sector

Significant developments over the past year which will impact the local authority sector:

Income Tax on Local Authorities

On 30 March 2023, the Taxation (Annual Rates for 2021-22, GST and Remedial Matters) Act received Royal Assent.

The 2021-22 Bill specifically proposed a number of changes to the way local authorities are taxed on income from CCO's.

Dividends – As initially proposed, dividends from wholly owned CCOs, port companies or energy companies are deemed to be exempt income when received by local authorities. The Act also extends the exemption to include both wholly and partly owned CCO's, port companies and energy companies. In addition, dividends received from CCO's by CCO holding companies with 100% local authority ownership will also be exempt income.

Donations – The Act has removed the ability for local authorities to claim a deduction for charitable donations, with effect from the 2022-23 income year onwards.

Imputation credits – The proposed restriction from converting imputation credits to tax losses has been removed from the Act. This is on the basis that it is no longer necessary given the changes to exempt dividends. Whilst imputation credits will not be required to be attached to the exempt dividends paid to local authorities, CCO's *may* choose to attach imputation credits if they so wish.

Interest Deductions – The Bill originally proposed that deductions for finance costs would be limited to only those incurred on loans to Council Controlled Trading Organisations (CCTO) and borrowings to acquire shares in a CCTO. This was concerning as it would have the effect of disallowing interest deductions relating to CCO's, despite there being a nexus to assessable income. Further, the definitions of CCO and CCTO between the Income Tax Act 2007 and Local Government Act 2002 were not entirely clear. As a result of the concerns raised, this proposal was deferred pending further work on the definitions of CCO and CCTO and the wider local government sector reforms. This is extremely positive, as this proposal had the potential to significantly raise the cost of borrowing for local authorities.

Tax Loss Offsets – Tax loss offsets will remain possible within local authority groups that meet the normal criteria, and we had it confirmed that a local authorities historic tax losses will still be able to be carried forward.

Flexible working arrangements

Inland Revenue has recently released an updated Determination EE004 in relation to payments to employees for working from home and for using their own telecoms/usage plans, effective for payments made by employers from 1 April 2023. There is no substantive change from the previous Determination EE003 which it replaces, though we note there is no longer an end date for the period to which this Determination applies. The 'safe harbour' thresholds have been updated as follows:

- A tax-free payment of up to \$400 (no change from EE003) for furniture or equipment purchases
- A tax-free payment of up to \$7/week (increased from \$5/week in EE003) for telecommunication usage plans
- A tax-free payment of \$20/week (increased from \$15/week in EE003) for other working from home costs (e.g. electricity).

There has been a notable increase in queries from public sector organisations regarding flexible working arrangements, particularly where in order to attract appropriate talent to roles clients are engaging employees and contractors from distant locations. Some are working remotely from outside the region and some are travelling frequently to the region. In more extreme cases, Council's are looking to retain the services of employees even when they move overseas; this has significant tax compliance risks and obligations.

Further, Inland Revenue released the Operational Statement 19/05: *Employer provided travel from home to a distant workplace income tax (PAYE) and fringe benefit tax* in December 2019 which provided some guidance in this area. However, this guidance was in relation to travel costs and there are some discrepancies between how travel is treated compared to how the provision of accommodation is treated. Though this document is still in draft it provides a good indication of Inland Revenue's position on the matter.

In relation to accommodation, we note that Inland Revenue released OS 21/01 10 June 2021 *Operational Statement on the income tax treatment of accommodation provided to employees*. While no substantial changes emerged, it does consolidate a number of the various tax rules that apply to accommodation payments.

Overall, we recommend that all flexible and remote working arrangements Council is considering entering into are discussed with the finance team prior to agreeing with an employee. Failure to do so can add a considerable unexpected tax cost and compliance burden.

Final word

The tax environment is constantly evolving, and as Inland Revenue move out of the Business Transformation phase to the Business As Usual phase, we have already seen increased focus on tax compliance and management of tax risks.

As noted earlier, Inland Revenue has issued their Tax Governance Questionnaire to a number of organisations. This campaign marks a fundamental shift in Inland Revenue's thinking and approach. Essentially, Inland Revenue is moving away from being focussed on taxpayers being compliant, and are broadening their thinking to include tax risk that is created through processes, operations and systems - essentially to protect the integrity of the NZ tax system and base.

An observation is that many New Zealand organisations would struggle to positively respond to the questions posed by Inland Revenue. Our recent experience is that many organisations have largely focussed on income tax considerations and other tax types tend to have less attention. This is particularly true for payroll, which often sits within HR and the visibility for the Finance team is limited.

At the same time, like most New Zealand organisations, Council has been grappling with the challenges of Covid-19. Accordingly, having an easily operationalised tax control framework (which Council currently has) and a focus on meeting tax compliance needs is essential, removing one of the risks that is prevalent for all New Zealand organisations. We consider Council is well-placed to meet the expectations of Inland Revenue.

Appendix One - IR is expecting more from your Tax Governance...

Inland Revenue have, over the last two years, commenced a long-term campaign focussed on considering the extent to which organisations have introduced tax governance strategies and the extent to which they have adequate controls, processes and procedures that underpin their tax compliance. Connected to this, Inland Revenue has invested significantly in data analytics and is beginning to use transactional level data to test and target taxpayers. As a large taxpayer it is important that Council's tax control framework is effective and is fit for the future. The recent questionnaire issued to 300 taxpayers representing a cross-section of New Zealand organisations is outlined below. Importantly, the tax governance framework, and independent tax compliance reviews commissioned by Council over recent years enables Council to have confidence in its ability to respond if it received a questionnaire or were to have its tax compliance reviewed.

Inland Revenue Tax Governance in Practice Questionnaire

- | | | |
|----|---|--------------------------|
| 1 | Does the company have a well-documented overarching tax strategy? | <input type="checkbox"/> |
| 2 | Does the CFO or Tax Manager formally confirm, at least once annually, that this strategy has been regularly reviewed, updated where necessary and followed in practice? | <input type="checkbox"/> |
| 3 | Does the company have a tax control framework to manage day-to-day tax risks? | <input type="checkbox"/> |
| 4 | Has the operation of the tax control framework been tested independently in the last three years? | <input type="checkbox"/> |
| 5 | In the last three years, have any tax control deficiencies been identified? If yes, have any follow up actions been taken to remediate those deficiencies? | <input type="checkbox"/> |
| 6 | Are key internal policies, procedures and controls covering the data collection, analysis, calculation, recording and reporting for tax filing and other tax compliance requirements, documented and available for examination if required? | <input type="checkbox"/> |
| 7 | Does a review take place at least annually for changes to accounting policies upon which group financial statements are prepared and all items examined where tax treatment may differ materially from financial accounting treatment? | <input type="checkbox"/> |
| 8 | Is there a robust process in place for the finance and/or tax teams to stay on top of all relevant changes in tax law and related Inland Revenue guidance? | <input type="checkbox"/> |
| 9 | Is a process in place to identify significant transactions (including those which need to be reported to the board or relevant board sub-committees) in respect of which external advice and/or binding rulings may be required? | <input type="checkbox"/> |
| 10 | Does senior management report regularly to the board or relevant board subcommittees on potentially material tax issues or risks? | <input type="checkbox"/> |

Council is like any other taxpayer in that it is required to be tax compliant. Whilst Inland Revenue cannot disclose the non-compliance of a taxpayer, by virtue of its public profile and the need to publish a range of documents publicly, including full financial statements, and the risk of a LGOIMA, any non-compliance by Council could become a public matter.

Accordingly, whilst there are numerous 'risks' for Council to manage, tax risk management is an integral part of good governance and Council needs to be able to demonstrate that it is committed to ensuring compliance with its tax obligations.

Tax Administration Act

New amendments introduced in March 2019 giving IRD the power to collect, use, and compel disclosure of tax information, effectively giving IR powers to regularly collect large datasets (and transactional-level data).

9.3 HEALTH AND SAFETY REPORT

File Number: A5142631

Author: Clint Boyle, Health, Safety and Wellbeing Lead

Authoriser: Adele Henderson, General Manager Corporate Services

EXECUTIVE SUMMARY

This report provides a summary of:

- The health and safety performance across the organisation;
- Significant health and safety risks and safety events for the reporting period; and
- The progress against the health and safety strategy and work programme.

RECOMMENDATION

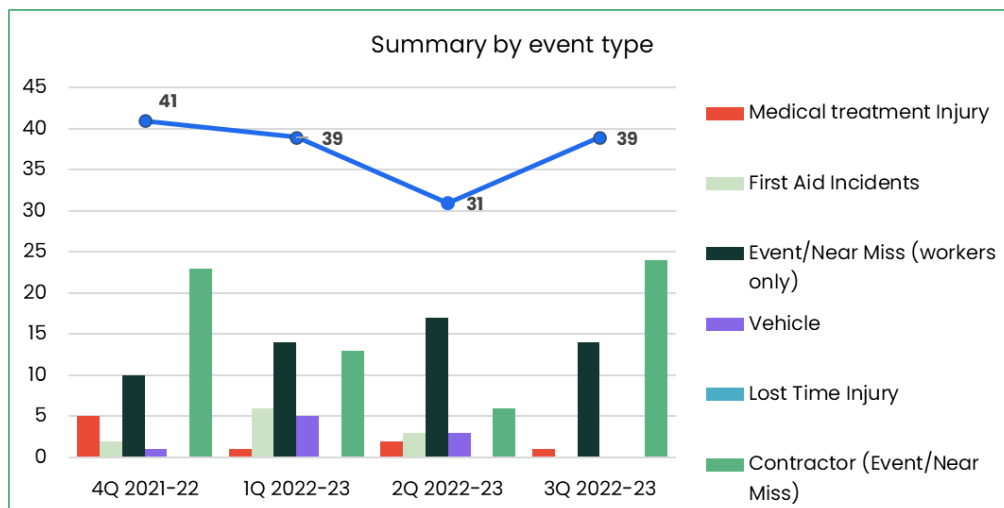
That the Health, Safety and Wellbeing Lead's report dated 23 May 2023 titled 'Health and Safety Report' be received.

SUMMARY OF PERFORMANCE

The overall health, safety and wellbeing performance from our people and our contractors was positive throughout the quarter. The primary focus was for the Health, Safety and Wellbeing Lead to gain understanding and information around how our people and contractors include and implement safety within their day to day tasks, key hazard areas and identifying overall areas for improvement. The complexity of Council has resulted in a wide array of target areas, which are built into the strategy document that has been produced, awaiting Senior Leadership Team review. Exposure to aggravated and abusive customers remains a key focus area for the Council, as we seek to reduce the likelihood of exposure to these types of events by taking a more innovative and mature review of the contributing factors and acting accordingly.

Summary – Event Type

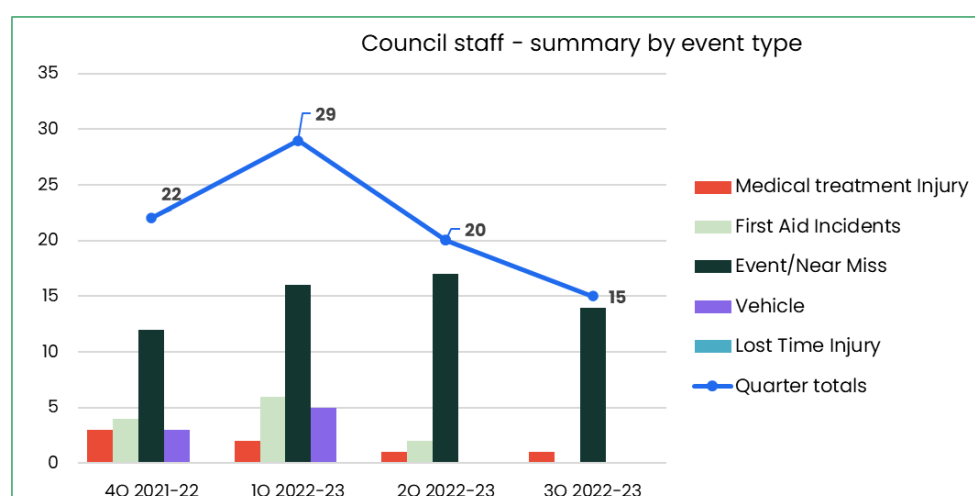
Overall, the events reported through the quarter show a general reduction in the frequency of most incident types, with the exception of contractor events. There has been an increased focus on close engagement with key contractors, and encouraging better reporting from them given they perform the majority of our physically demanding tasks. This explains the increase in contractor events. Council staff reported a reduced number of events in all event categories through the quarter.



Council Staff Events

Council staff events have continued to decrease quarter on quarter. The vast majority of events have been low severity in nature, however there was a continued occurrences of our people being exposed to verbal assault events from members of the public. Two of these events were classified as high potential events – an overview of these events is presented later in the report.

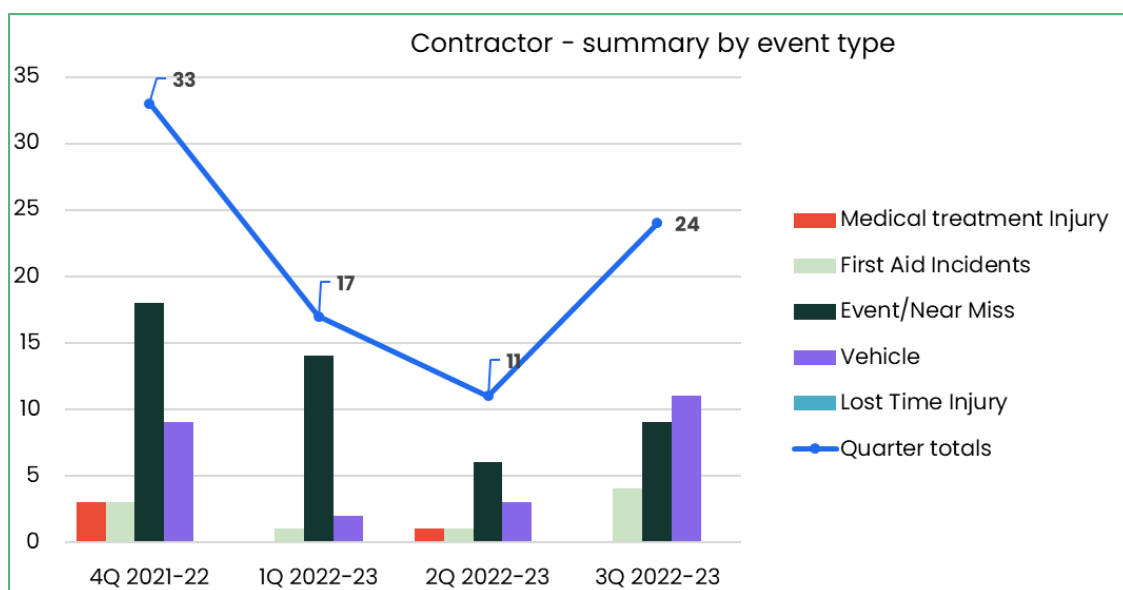
There was one injury requiring medical treatment throughout the quarter. This was a minor shoulder discomfort requiring physio treatment and was caused by an office worker performing non routine tasks. Further review of incident classifications is required to ensure incidents and appropriately classified.



Contractor Events

Contractor events have increased in volume from the previous quarter. The Health, Safety and Wellbeing Lead has been engaging directly with many of the lead contractors throughout the quarter via contract review meetings. In addition to establishing solid working partnerships, the interactions have held a key goal of promoting a healthier incident reporting culture.

A number of the contractor events involved vehicles or mobile plant, and often resulted in damage to property. Driver behaviour has been a topic of conversation with key contractors, with an underlying theme being that drivers are rushing to get the job done. In addition to encouraging drivers to take time to do the job safely, Council have also encouraged the contractors to review staffing levels, work loads and task expectations placed on workers.



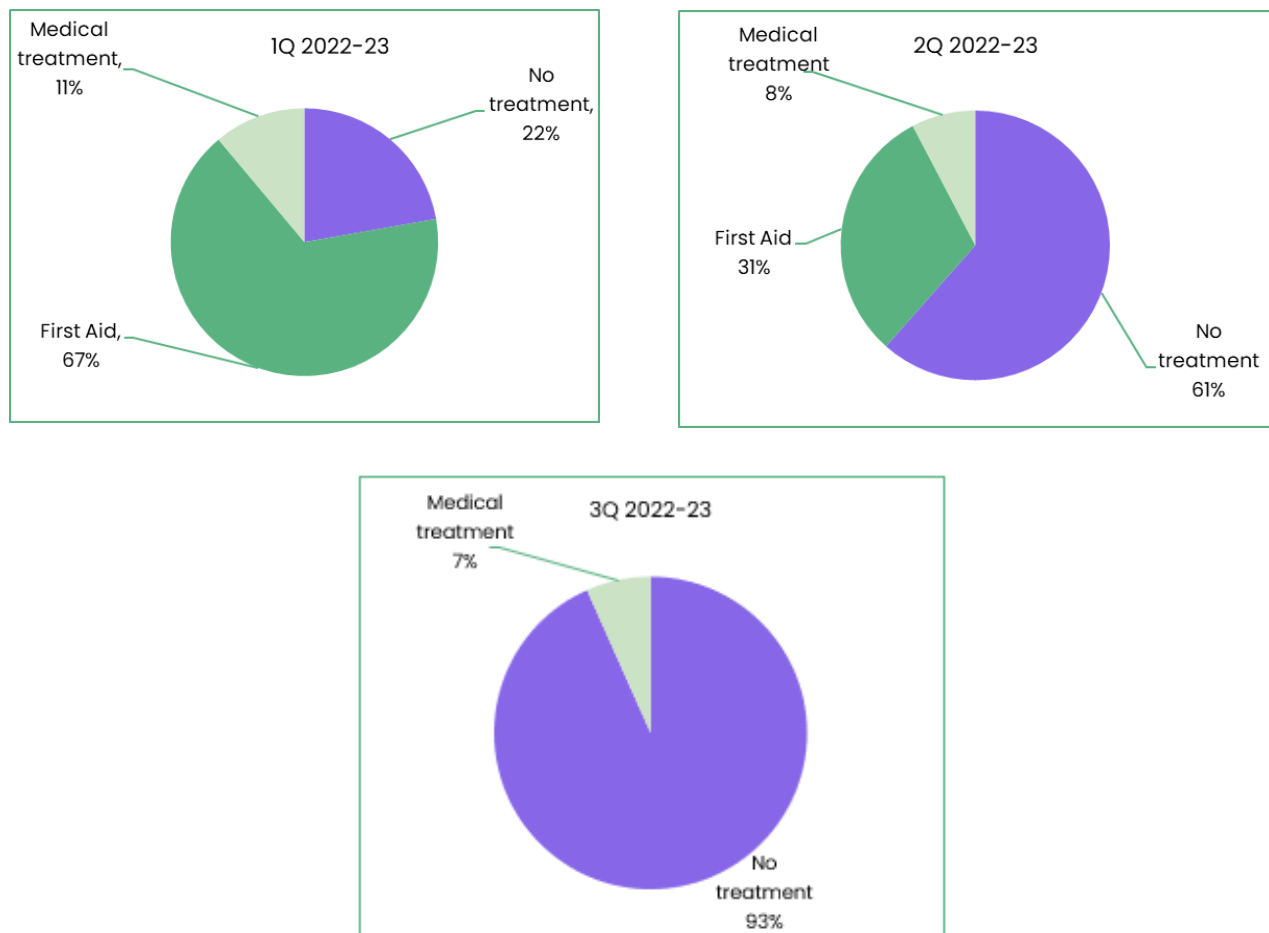
Event by Injury Severity 2022–2023

A proposal was presented to Senior Leadership Team (SLT) during the period, which reviewed the risk rating and event severity guidelines used to assess Council health and safety activities.

A broad aim of our health, safety and wellbeing journey will be to move to a risk-based approach to how we manage hazards, risks and events. This will include proactive hazard and risk management processes (to be developed), event severity rating, and

incident investigation requirements. Ensuring that hazards, risks and events are assessed and graded appropriately and consistently will be important as Council move through this journey.

Injury severity outcomes for the quarter indicates that the treatment required for events was continuing to reduce in significance. Once incident classification definitions are aligned with severity descriptions, this will allow reporting of a much more streamlined and accurate representation of severity.



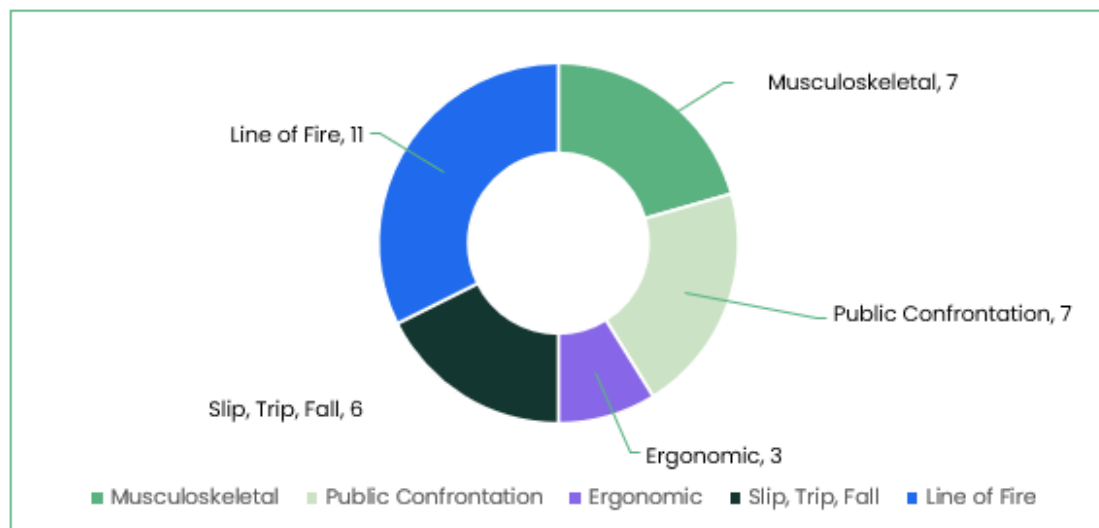
Mechanism of Incident 2022-2023

Evaluating and identifying mechanisms of incident/injury trends is important to inform activities that are presented to the business, and to reduce the frequency of events moving forward.

Line of Fire continues to be the predominant underlying cause of many of our people events. Examples of line of fire are events caused by being hit by a moving object, hitting

an object with a body part, or being in the way of an uncontrolled release of energy (steam, flame, sparks etc).

Public confrontation was the single largest cause of events our people were exposed to in Q3 – this is aligned with the increased focus by Council to identify contributing factors, and changes that can be made to reduce the frequency of these interactions.



Lag Indicators (Accident/Incident Frequency Rates)

The metrics reported are provided in a rolling 12-month form.

There is still not an efficient way to capture the hours worked by contractors on WBOPDC contracts, and therefore the frequency rates listed below remain WBOP DC staff only.

Incident Classification Guidelines is also under review. The TRIFR increased over the quarter from 8.76 the previous quarter, to 10.20 within this quarter. This is due to the medical treatment injury, which in reality was a minor injury that required no modification of duties, restricted hours or extensive treatment. Re-classification would likely place this as a First Aid Injury.

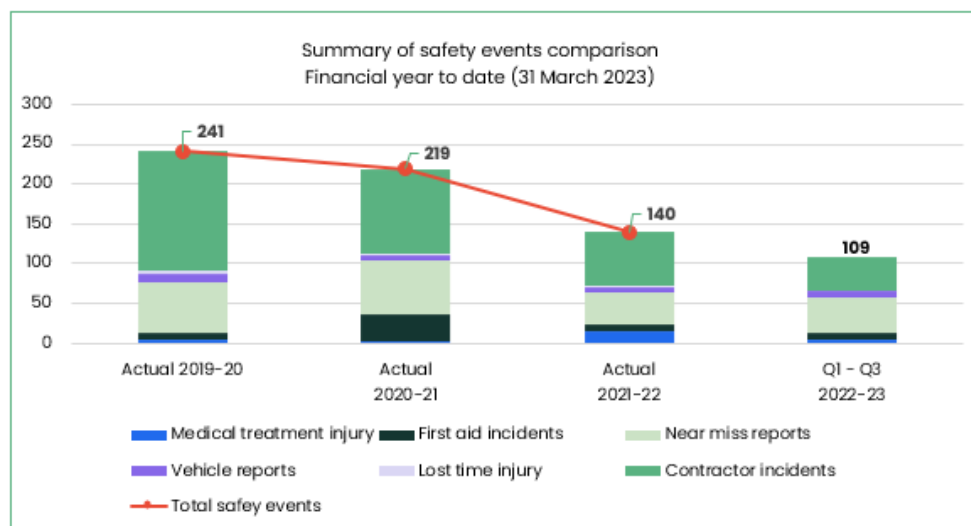
- *Lost Time Injury Frequency Rate (LTIFR). This is the number of lost time injuries per 1,000,000 hours worked.*
- *Total Recordable Injury Frequency Rate (TRIFR). This is the number of recordable injuries per 100,000 hours worked.*
- *Lost Time Injuries (LTI's).*

Metric	Western Bay of Plenty District Council
LTIFR (rolling 12 months)	0.00
TRIFR (rolling 12 months)	10.20 <i>previous 8.76</i>

Number Lost Time Injuries (LTI). (rolling 12 months)	0
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Summary of Safety Events – Financial Year to Date (31 March 2023)

Quarter 3 performance indicates that we are on track to meet or better the 2021/2022 total event result. The severity of the events is also showing a reduction year on year.



HIGH POTENTIAL SAFETY EVENTS

Aggressive Customers

There were two significant events in the quarter where Council staff were confronted with verbal aggression from members of the public. Both related to our Animal Services Officers.

1. Physical Confrontation Event

Three Council staff (two Animal Services Officers, one Technical Support Officer who was accompanying the ASOs to understand their daily tasks) attended an address to speak with the dog owners about registering their dogs. A male occupant initially provided some verbal aggression towards our staff. This progressed to physical aggression, where our staff experienced close proximity intimidation, including poking our worker in the cheek, as our people retreated to deescalate the situation. The occupants then obtained a length of timber, which they threatened to hit our people with. Our team got in their vehicle and looked to leave the property. As they did, a second occupant threw a metal bar at the vehicle, striking the ute. Further threats were made as our team were leaving, including the threat of ramming our vehicle with theirs. Team Leaders and the Police were notified of the event. There

was no physical harm to our team members, and after a debrief with each team member, it was identified that there were no obvious psychological issues either.

2. Barkes Corner Event

Animal Services were informed by Police of the presence of dogs at a property of a disqualified dog owner. As the Police had taken the individual to custody for an unrelated issue, Council was informed that it was an opportune time to seize the dogs – an opportunity which was taken. In discussions with the residents of the property regarding the dogs, it was advised that the dogs belonged to a housemate, who was not disqualified. Arrangements were made to have the required payment and registration paperwork completed, and the dogs to be returned. Due to previous issues with conflict relating to the property, Council staff were on high alert. On arrival to Barkes Corner, the new owner subjected our Animal Services, Compliance and Customer Services team to a barrage of abuse, foul language and personal insults. This lasted approximately 90 minutes. Police were called to assist as the visitor became more agitated and abusive – it was believed that the person was impaired by a substance. Police did not arrive. The payment and animal handover were arranged at Barkes Corner the following day.

The following day, the person arrived at Barkes Corner and was greeted outside, with the doors locked, by Animal Services and Compliance. The visitor was once again agitated and abusive, and Police were called again. Council staff felt as though the situation was going to escalate to a more physical confrontation, so elected to remain inside with the doors locked after receiving the payment, until Police arrived to facilitate the final handover. Once the Police arrived, the remainder of the transaction occurred without incident. Once again, there were no physical injuries, however team members did experience some anxiety post event. Co-worker support and encouragement to use EAP was discussed with affected staff. There does not appear to be ongoing issues.

Review and Action Plan

Though the trend was identified in the previous report, a more structured approach to identifying issues and supporting our people has recently been requested by our senior leaders. Our people react well in attempting to deescalate situations as they present, however Council is of the view that more can be done to support our staff.

The review and action planning includes:

- Review and update of security set ups at our locations eg remote door locking, panic buttons, security guards.
- Increased availability of CCTV footage at Omokoroa Library.

- Review of site layouts, and how these contribute to situations – specifically, Katikati Library.
- Learning Teams/Collective Insights sessions with affected teams;
- Improved relationships with local police.
- Review of Crime Prevention Through Environment Design (CPTED) proposal from 2022 – an external review of our locations, and recommendations to improve site safety.
- Communications campaign aimed at our community to promote respectful treatment of our staff.
- Management support to Empower our staff to take alternative, less confrontational approaches to how they do their jobs e.g. engagement /relationship first, compliance/enforcement last.

WELLBEING

Our people have not reported any stress or wellbeing issues in the quarter.

Council is in the early phases of embarking on a journey to establish a much more mature wellbeing strategy for our people. This will be created around evidence-based frameworks and will seek to identify and understand psychosocial risks within our Council, before looking at ways to address these risks and improve the work experience for our people – ultimately resulting in improved wellbeing at work.

There continues to be a range of wellbeing based initiatives offered to our people. These are organised by various staff within the business and are aimed at providing health and fitness based activities for our people to get involved with. These will continue through the year, forming part of the overall strategy.

HEALTH AND SAFETY STRATEGIC WORK PROGRAMME

Knowledge Focus

The site specific online inductions for Waihi Beach Wastewater treatment plant and Katikati Wastewater treatment plant continued. The inductions were completed and presented to Utilities for review. Feedback was provided, and this is being actioned by our supplier Work SI Limited currently.

Strategy Development

The primary focus of the January to March quarter was learning and understanding our organisation, the work we undertook, how we did it and how we 'did' health, safety and wellbeing. The activities to facilitate this included

- Site tours of our various sites;
- Worker engagement with key stakeholders;
- Contractor engagement/relationship building with primary contractors;
- All of staff survey; and

- Vault incident reporting trends.

From this information the health, safety and wellbeing strategy was developed and populated. The key subjects within the strategy are awaiting final approval by SLT. Once this is completed, the action items contained within the strategy can begin, with the overall aim of becoming a more mature, innovative and behaviourally safe business.

HEALTH AND SAFETY COMMITTEE

The Health and Safety Committee met twice during the reporting period. This committee reviews key issues around health and safety within our operations. Much of the discussion through this quarter has been around the learnings from the observational review, survey completion and results, and strategy development.

Emergency preparedness has been discussed at length, particularly with the reality of flexible work arrangements. HSW have engaged with the local fire department to understand requirements of the emergency planning from their perspective, and this has been incorporated.

Work continues to define the intent and responsibilities of the Health and Safety Committee, and how information discussed and generated within this meeting is filtered throughout the organisation. The meeting often has senior leadership representation within it.

FOCUS FOR NEXT QUARTER

Strategy

With the broad landscape of health, safety and wellbeing now more visible, the implementation of the strategy will take precedence through the remainder of the year. This will include introducing and reporting on lead indicators, which were outlined in the previous quarters report.

Key Hazards

As outlined earlier in this report, the risk presented to our teams from aggressive or abusive customers is a key focal point, and one that is expected to increase in frequency due primarily to social pressures. How Council operates is one aspect of managing this hazard that we can control, so investigations will occur to understand what it is that we do that contributes to these events, and how we can adapt to reduce the likelihood. Further work to understand other drivers, and the implementation of reasonable controls and changes, will be a key focus.

Incident Reporting and Systems Use

A key gap identified in the survey and conversations with our people is that there is a significant gap in understanding what events need to be reported, and how to use our system that records these. This indicates that there is likely a level of under-reporting of incidents within our operations.

Communications

We will be seeking to increase the nature and frequency of our health, safety and wellbeing related communications. This is important as we look to normalise health, safety and wellbeing discussions within our teams.

9.4 RISK AND ASSURANCE REPORT MAY 2023

File Number: A5142649

Author: Ernest Bernard, Risk and Assurance Manager

Authoriser: Adele Henderson, General Manager Corporate Services

EXECUTIVE SUMMARY

The Risk and Assurance report is to provide the committee with information on the risk management and internal audit activities since the last Audit, Risk and Finance Committee in February 2023.

RECOMMENDATION

1. That the Risk and Assurance Manager's report dated 23 May 2023 titled 'Risk and Assurance Report May 2023' received.
2. That the Audit, Risk and Finance Committee recommend that Council approve the draft 'Risk Management Framework'.
3. That the Audit, Risk and Finance Committee recommend that Council approve the updated Western Bay of Plenty District Council Strategic Risk Register.

BACKGROUND

1. The Risk and Assurance Report May 2023 provides and update on:
 - KPMG Post SLT Workshop;
 - Western Bay of Plenty District Council's (WBOPDC) Draft Risk Management Framework;
 - WBOPDC Updated Strategic Risk Register;
 - The Risk Management Work Programme;
 - Internal Audit Plan 2022/2023 to 2025/2026; and
 - Cyber Security Report.
2. The Draft Risk Management Framework (**Attachment 2**) was reviewed by KPMG and recommendations provided were taken onboard and updated.
3. In the previous Audit, Risk and Finance Committee Meeting the proposed internal audit plan was reported and in that meeting Risk and Assurance advised the Committee that SLT will be reviewing the Internal Audit Plan and a final proposed plan is reported in the attached Risk and Assurance Report May 2023.

4. The details of the proposed Internal Audit plan for the financial year 2023/2024 is reported in the Risk and Assurance Report May 2023 (**Attachment 1**).
5. Risk and Assurance has been working with Information Technology (IT) to obtain assurance in the area of cyber security. IT has provided a report (**Attachment 1**) on the cyber security risk and controls that are in place.

ATTACHMENTS

1. **Risk and Assurance Report May 2023**  
2. **KPMG review of the Draft Risk Management Framework**  



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1. Risk Management

1.1 Purpose of Report

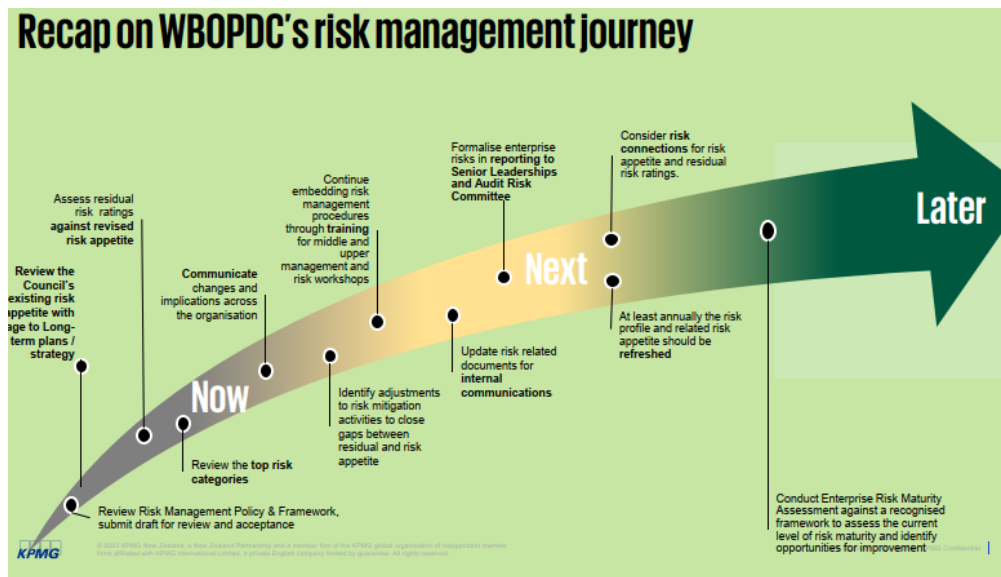
The key purpose of the risk management report is to provide a base of discussion and to trigger an effective risks conversation by the Committee. The report provides the Committee with an update on: -

- KPMG Post SLT Workshop
- WBOPDC's Draft Risk Management Framework
- WBOPDC's Updated Strategic Risk Register
- The Risk Management Work Programme

1.2 Background

WBOPDC's SLT carried out a Strategic Risk Workshop that was facilitated by KPMG. The workshop was carried out to run through the following:-

- A recap on WBOPDC's risk management journey
- Key Risk Concepts
- WBOPDC's strategy and emerging risks
- Risk interconnectivity concept
- WBOPDC's risk appetite settings
- Next Steps from the workshop



1.3 Overview WBOPDC's Draft Risk Management Framework

Purpose

The Risk Management Framework establishes Western Bay of Plenty District Council's commitment, its responsibilities, approach, processes, and practices for appropriately managing risks and encouraging behaviours that align with the Council's values and support the achievement of its strategic objectives and delivering on the long-term plan. The Risk Management Framework is integrated into our day-to-day operations, enabling us to take informed decisions by being able to identify, assess and manage risks. This framework is in line with ISO 31000:2018 Risk Management.

KPMG has completed their review of the Draft Risk Management Framework (attached in the report). There were no significant improvements that were noted from the review. A suggestion to adopt a new risk matrix which enables a more accurate placing of a risk when it is assessed came out of the review. Risk and Assurance also suggested that a separate Project Risks Impact/Consequences (specific to Project risk) table be inserted in the draft, and this has been agreed by KPMG.

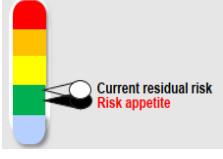
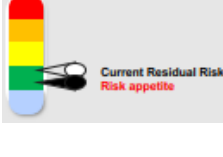
We have presented the final Draft Risk Management Framework for the Committee to recommend to Council for the Draft Risk Management Framework to be approved.


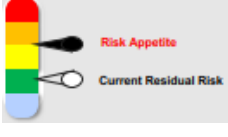

1.4 WBOPDC Key Strategic Risks

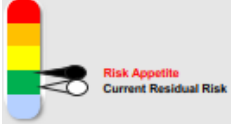

The Council's Strategic Risk Register has been reviewed via the recent SLT risk workshop which was facilitated by KPMG. The workshop had seen all SLT members fully engaged in the discussion, making it to be a very productive exercise. The exercise had produced two new strategic risks and one strategic risk title revised. We have put forward in this report for the updated Strategic Risks for WBOPDC for the Committee to recommend to Council for it to be approved.





1.5 Detailed Strategic Risk Register

Risk Name & Description	Risk Owner	Risk Settings	Risk appetite rationale
Risk 1: Operational Risk Overview of risk area The risk of delay or inability to deliver and execute on projects or provide services or conduct regular Council operations as a result of the failure of internal processes or controls, systems, or inadequate staff members available. This may result in financial loss of reputation from IT/cyber risk events, fraud events, and/or internal process/control failure.	Deputy Chief Executive/ General Manager – Infrastructure Group, and General Manager Corporate Services		Delivery of key projects and the long-term plan is critical to the achievement of planned community outcomes and is central to the key strategic vision of the Council. The Council has a 'Low' risk appetite for the management of operational risk which could cause potential delays in project delivery, impact the Council's operations, reputation quality of service delivery, and result in failure to meet community expectations.
Risk 2: Health, Safety, and wellbeing The risk of harm, injury or illness of/to employees, contractors, volunteers or community members accessing the Council's premises, sites, or events, and not meeting legal HSW requirements, as a result of an unsafe work environment and failure to meet workplace obligations. This could potentially lead to death or serious harm or injury, adverse impacts on	General Manager Corporate Services		The Council understands the importance of providing a safe working environment to its employees, contractors, volunteers, and members of the community and ensuring that everyone is adequately supported during stressful times (such as pandemic, natural events – cyclone). The Council recognises this as its key priority and has a 'Low' risk appetite for the risk, even considering

staff/contractor mental health and well-being, financial losses, and (costs for) fines and reputational damage.			some risks will be outside of its ability to control. Health, Safety and Wellbeing risks will not be traded-off for other risks and priorities while delivering on its strategic objectives.
Risk 3: Community Sentiment (new) WBOPDC's inability to maintain a strong strategic relationship with the community and actively engage with them to identify and understand their expectations or areas of concern. As a result, the Council's actions and initiatives may be perceived in a negative manner and not supported by the community. This may adversely impact the Council's ability to successfully deliver on key initiatives and plans, and its reputation	General Manager – Strategy and Community		The Council aims to have an increased engagement with the community to be able to understand, identify, manage and deliver on their expectations and develop a strong relationship. This reflects in the Council's 'Low' risk appetite for failing anticipate and support potential opportunities for development in the district.
Risk 4: Partnership with Iwi and Māori stakeholders There is a risk that WBOPDC doesn't deliver on the commitments to Mana Whenua (supporting Māori and Iwi businesses through social procurement), treaty principles and obligations, and fails to maintain a trusted relationship with Iwi and Māori communities and meet their expectations resulting in loss of reputation.	General Manager Strategy and Community and General Manager Corporate Services		The Council has the ambition to prioritise and build upon key relationships with Iwi and Māori stakeholders. This is important to deliver on the Council's strategy and long-term plan but will need to be balanced with the wider community plans and expectations. The Council has a 'Medium-High' risk appetite for managing the risk.
Risk 5: Climate Change The failure to adequately identify, understand, address and respond to climate change regulations, reforms and requirements including	General Manager Strategy and Community and Deputy Chief Executive/General Manager Infrastructure Group		Currently, there is still uncertainty about the government response and expectations relating to climate change to enable the Council to appropriately plan its

reducing greenhouse gas emissions, and considering the wider impacts prior to providing the consent under Resource Management Act, Building Act and similar legislations.			response. The Council recognises the importance of increasing focus on climate. change risks and is determined to support the identification of climate change risk, monitoring and assessing the impact. This drives the Council's 'Medium' risk appetite.
Risk 6: Growth and Financial Sustainability The risk that WBOPDC is unable to obtain adequate funding and effectively manage the cost and cashflow and meets its financial obligations resulting from changing Central Government expectations and increase in project and operating costs. This may have a significant impact on the Council's ability to deliver and execute on its strategic objectives and regional growth prospects and achieve the desired community outcomes.	Deputy Chief Executive/General Manager – Infrastructure Group		Effective management of funds and ensuring financial sustainability is fundamental to successfully delivering on the Council's growth objectives and long-term plan for the region. The Council generally has a conservative approach to its financial strategy. The Council has a 'Low-Medium' risk appetite for the risk, which needs to be balanced with the delivery and achievement of planned outcomes.
Risk 7: Central Government Reforms (revised) The risk that WBOPDC is unable to obtain adequate funding and effectively manage the cost and cashflow and meet its financial obligations resulting from changing Central Government expectations and increase in project and operating costs. This may have a significant impact on the Council's ability to deliver and execute on its strategic objectives and regional growth prospects and achieve the	General Manager – Regulatory Services		The Council acknowledges and anticipates an increase in legislative changes being introduced by central government that can have a significant impact on the Council's strategy. The Council has a 'High' risk appetite which reflects its limited ability to control the changes being introduced and its aim to engage early on sector advocacy and working closely with government agencies to understand the planned changes and their impacts.

desired community outcomes			
<p>Risk 8: Significant external events</p> <p>WBOPDC's failure to appropriately prepare and respond to sudden, unforeseeable, and uncontrollable, complex or ambiguous external events. This includes natural disaster events such as flooding, cyclones, earthquakes, economic volatility such as recession, fluctuations or increase in interest rates and uncertainty in the political and social environment. These may potentially impact the Council's ability to provide services in the community and effectively conduct its operations.</p>	<p>General Manager – Corporate Services, and deputy Chief Executive/ General Manager – Infrastructure Group</p>		<p>The Council recognises the importance of continued operation of critical Council activities, movement of resources, successful implementation of business continuity or crisis management plans and ensuring community well-being during significant external events. The 'Medium' risk appetite highlights the limited ability to control the occurrence, and predict the nature and extent of the potential impact of significant external events.</p>
<p>Risk 9: People, Capability and Capacity (new)</p> <p>WBOPDC's failure to attract, retain and develop staff members with desired skill sets. Such capability and capacity gaps within the Council may stretch its ability to adequately drive and support delivery of its long-term plan, key projects and initiatives.</p>	<p>General – Manager Corporate Services</p>		<p>The Council recognises the significance of having a skilled and engaged workforce to deliver on its long-term strategic outcomes and initiatives. The current shortage in the talent market further exacerbates the risk. The Council has a 'Low' risk appetite appreciating the need to invest in its people to ensure it has the desired knowledge and skills to deliver quality services to the community.</p>

1.5 Emerging Risks

Below are emerging risks that warrants the attention of the Committee that has been identified by the Senior Leadership Team (SLT)

Event	Emerging risk	Identifying manager	Department / Section	Way forward
3Waters Transition CEO is meeting Entity B and has been a real concern.	Resourcing and additional costs	GM Infrastructure	Infrastructure	To have communications to go out to staff so they are not feeling uncertain.
Cyclone Gabriel – Storm damages	Unable to meet the programme delivery targets as effort is diverted towards the damages from the storm	GM Infrastructure	Infrastructure	This matter will be managed in more detail i.e. progress report and updates by the Projects and Monitoring
There is an increasing concern that we are now into winter, staff don't feel like they had a summer and there is also pressure of emergency management with the uncertain weather events	Staff resourcing and wellbeing being affected through the uncertainty of weather events and other global events	Senior Leadership Team	All Groups	It is an emerging issue that needs to be monitored and managed with a Health and Safety focus.

1.6 Progress report on the Risk management Work programme

Below is the Risk management work programme and highlighted (green) indicates completion, (amber) is work in progress and (red) unable to meet the timeframes due other priorities that affected the progress of the workshop.

#	Review	Mar 23	Apr 23	May 23	Jun 23	Jul 23	Aug 23	Sept 23	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24
<p><i>The risk workshops will be carried out by introducing the risk management framework prior to running the workshops (the risk management framework will be reviewed by KPMG and sent to SLT for approval)</i></p> <p><i>For each business unit there will be two workshop sessions.</i></p> <p><i>Session 1 – Identification of risk, Inherent risk rating</i></p> <p><i>Session 2 – Risk analysis (mitigating controls in place) and residual risk</i></p>														
1.	Strategic Risks													
	SLT Risk Workshop	✓			✓			✓			✓			
2.	Operational Risks													
	Infrastructure													
	Transportation		✓	✓		✓	✓		✓	✓				
	Utilities		✓	✓		✓	✓		✓	✓				
	Resource Recovery and Waste Treatment & Solid Waste		✓	✓		✓	✓		✓	✓				

#	Review	Mar 23	Apr 23	May 23	Jun 23	Jul 23	Aug 23	Sept 23	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24
	Reserves and Facilities		✓	✓		✓	✓		✓	✓				
	Corporate Services													
	Finance			✓	✓		✓	✓		✓	✓			
	IT management			✓	✓		✓	✓		✓	✓			
	People and capability			✓	✓		✓	✓		✓	✓			
	Regulatory Service Group													
	Compliance and monitoring	✓	✓		✓	✓		✓	✓					
	Building Service	✓	✓		✓	✓		✓	✓					
	Development Engineering	✓	✓		✓	✓		✓	✓					
	Environment	✓	✓		✓	✓		✓	✓					
	Strategy and Community Group													
	Strategic Management			✓	✓		✓	✓		✓	✓			
	Kaupapa Māori			✓	✓		✓	✓		✓	✓			
	Community and Strategy			✓	✓		✓	✓		✓	✓			
	Customer Service			✓	✓		✓	✓		✓	✓			
	Governance			✓	✓		✓	✓		✓	✓			

Completed
Work In Progress
Not Completed

2. Internal Audit (IA)

2.1 Internal Audit Plan 2022/23 to 2025/26

In the previous Audit, Risk and Finance Committee Meeting the proposed internal audit plan was reported and in that meeting Risk and Assurance advised the Committee that SLT will be reviewing the Internal Audit Plan and a final proposed plan will be reported in the May 23 meeting.

Please see below the finalised proposed Internal Audit Plan.

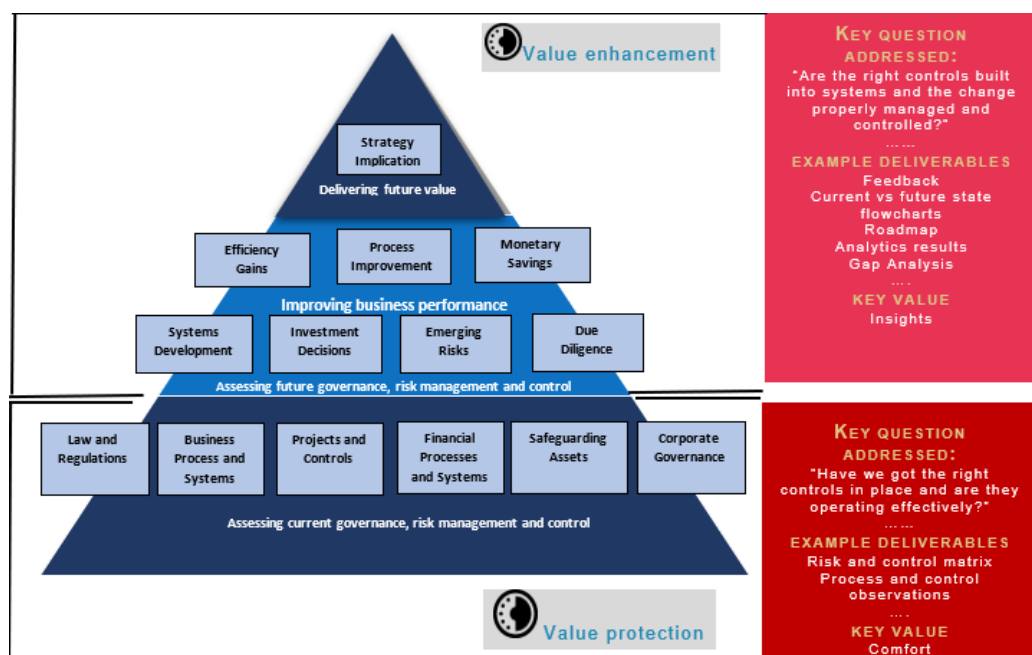
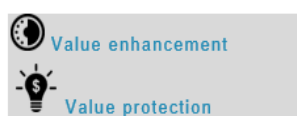
#	Review	FY 23/24	FY 24/25	FY 25/26
Core / cyclic coverage				
<i>Key Risks Areas</i>				
1.	Rates setting, billing, remissions & collection.		✓	
2.	Financial Contributions inputs, setting and billing.	✓		
3.	Procurement Accounts payable, banking and transaction controls. Operational spend monitoring/management. Probity/sensitive expenditure controls, analysis and sample-test.		✓	
4.	Payroll processing.			✓
5.	Capital spend/project management: Sample test and review key project controls.	✓	✓	✓
6.	Financial controls: reconciliations, reporting, ledger administration and overhead/internal allocations.		✓	
7.	Contract management.		✓	
8.	LIMs preparation, billing and issuing.			✓
9.	Fraud Gap Analysis	✓		
10.	Alcohol, Food licence - billing, issuing, & compliance Resource consent – billing & issuing. Building consent – billing & issuing. Animal control - billing, issuing, & enforcement.		✓	
11.	Resource consent and Building Consent – enforcement. Resource consent compliance.	✓		

#	Review	FY 23/24	FY 24/25	FY 25/26
12.	Site operational controls, cyclic visit: (Pools, community facilities, service desks, libraries, nurseries, park-sites).		✓	
13.	Asset Management Review <ul style="list-style-type: none"> Fleet Management Asset purchase and disposal (non-construction) 		✓	
14.	Management of Forestry		✓	
15.	Environmental, Social and Governance: - Sustainability Framework	✓		
16.	Cash Control Review			✓
17.	Facilities maintenance and security		✓	
18.	Treasury & cash flow management.			✓
19.	GST, PAYE and FBT tax compliance evaluation	✓		
20.	IT software licence management			✓
21.	Credit management		✓	
22.	Asset purchase and disposal (non-construction)	✓		
23.	Infrastructure renewals planning and prioritisation		Roading ✓	Property & Reserves ✓
24.	Vested Asset Process Review	✓		
25.	Parks management/operations		✓	
26.	Property Lease Management			✓
27.	Grant award: application evaluation, payment & performance			✓
28.	Events: booking, billing, management			✓
29.	Cyber Security & Privacy / Public Records Act compliance		✓	

The Internal Audit Plan for year 23/24 has 8 audits that SLT has indicated as areas that the business requires further assurance to ensure risks are mitigated and that there are adequate controls in place to mitigate the risks in those areas.

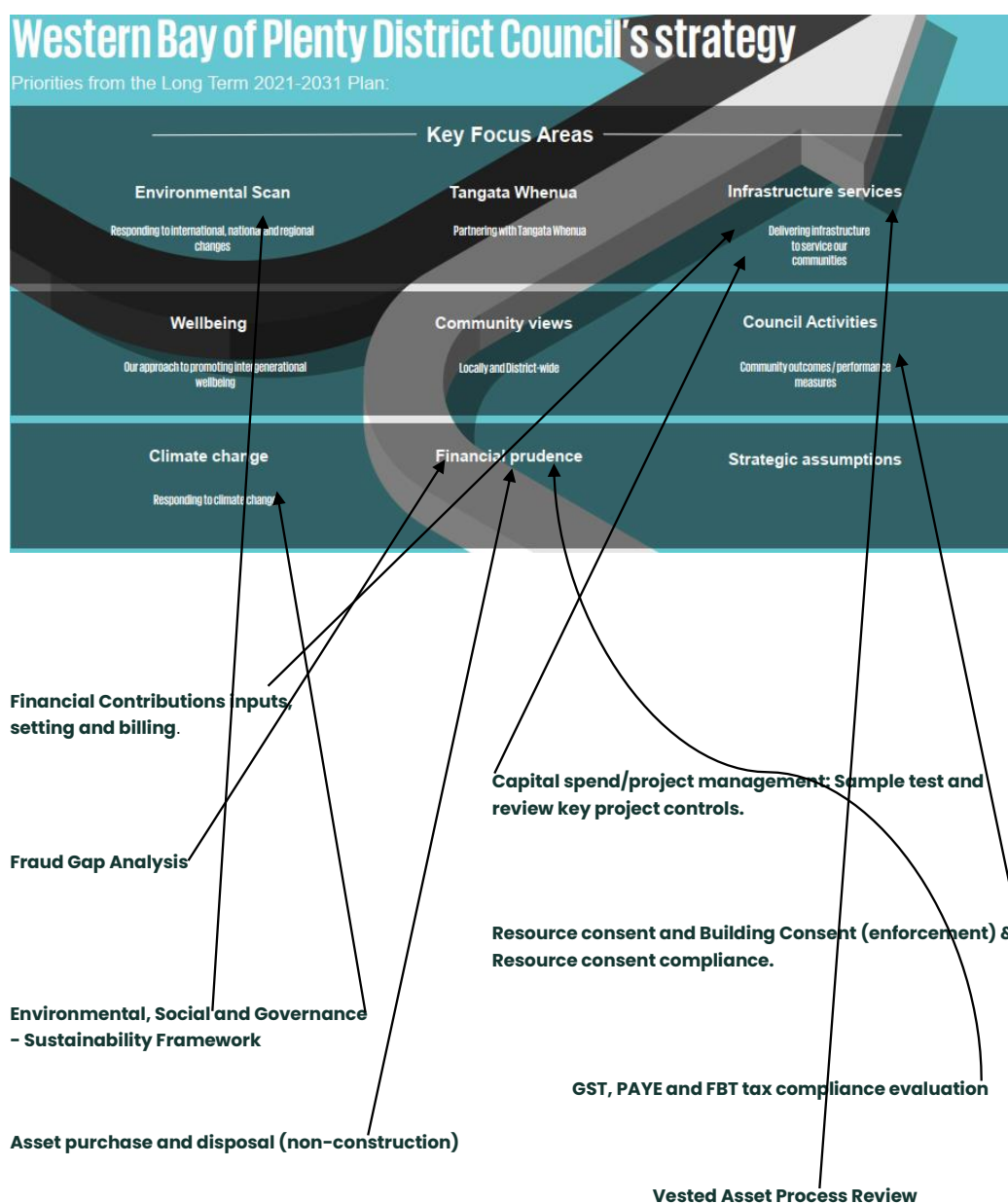
2.2 Internal Audit Strategy

Focus has been placed on achieving the right balance between value protection “value protection” reviews (discipline in following control procedures) and value enhancement (process improvement or efficiency) internal audit engagements.



2.3 Linking the Internal Audits 23/24 to WBOPDC's Key strategic focus areas

Below is a linkage between the final proposed internal audits 23/24 to WBOPDC's Key strategic focus areas. The assessment and decision making of what internal audits are to be carried out are derived from the strategic objectives of the Long-Term Plan. All Risk and Assurance activities are aligned to ensure that good and sound governance and risk management practices are implemented to ensure that the LTP strategic objectives are achieved.



3. Cyber Security Report

The purpose of this report by the Information Technology business unit is to provide the assurance that matters surrounding cyber security risk are managed effectively with adequate controls in place.

1. The Western Bay of Plenty District Council (WBOPDC) underwent a cyber-security assessment in December 2022. The assessment was conducted by Cybersmart. The audit assessed WBOPDC's existing cyber security measures against the expected criteria and standards relevant for our business type. All outstanding issues raised by Cybersmart have been reviewed and are on the security risk register for action. The tool for the register creation and assessment is – ALGIM SAM for Compliance (The Association of Local Government Information Management Self-Assessment and Management Platform) – SAM for Compliance has been live and in use for some time.
2. SAM for Compliance is also a reporting tool, with the IT team updating changes regularly throughout the year. A yearly Information Security Assessment should also be carried out by an external 3rd party to ensure the accuracy of SAM for Compliance data.
3. The Security Assessment for WBOPDC was conducted by a consultant who is based in the Bay of Plenty and has a significant network and security footprint with major companies in New Zealand. Cybersmart is a leader in these fields.
4. SAM for Compliance Cyber Security benchmark results 'NZ Councils vs Western Bay' are available on request.
 - It is important to note that the security standards are assessed against varying levels of compliance and that – at the highest level – the standards are not applicable to our organisation or industry. That is, WBOPDC's cyber security does not need to be at the same level expected for the banking sector or the Intelligence Service. An appropriate level of investment is currently being decided by IT.
5. The impact of phishing email attacks and the staff turnover rate means that to rely on yearly or 6 monthly cyber security awareness training seminars is unwise. Attendance of these seminars by staff and management is inconsistent due to work commitments etc. Council will deploy the ALGIM "Phriendly Phishing" tool to perform a baseline assessment of WBOPDC and recommend any staff on to online awareness training as required. This will become part of the staff training record within Council.
6. A normal level of email spam and threat activity has been received in the last three months.

7. Council continues to look into Cyber security insurance. The insurance premiums will be dependent on the strength of our systems, processes, and controls. Should any perceived gaps exist cyber security insurance may be considered.
8. The completion of the updated disaster recovery plan – and subsequent real-world testing of said plan – is due within the next quarter. Our new disaster recovery systems are installed, and critical systems are being synchronised. The backup technology has been upgraded.
9. Our offsite Isolated Recovery Site (Vault) has been delayed due to network provisioning delays and capacity – this is now in progress. The Vault is a hidden copy of council that cannot be accessed by council or council IT – this to protect ‘us from ourselves’ and from ‘deep intrusions’ as was seen by the Waikato DHB. The Vault can only be opened by the vendor under the authority of designated council leadership.
10. Design work has been brought forward to commence on WBOPD’s “cold recovery” site when “bullet point 9.” above is complete. This is a low-cost 3rd datacentre/cloud site that Council would recover to: from the Isolated Recovery Vault. This site would also be used to convert our existing cloud archives into the new ‘backup format’.
11. Our online Council Information Security Policy (Standards) has been finalised for review by the CIO and GM Corporate Services. Going forward IT Policy will be referred to as “our Council Information Security Standards” to better align with industry standards. These standards will be published to staff and record acceptance.



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Risk Management Framework

1 Introduction

1.1 Purpose

The purpose of Western Bay of Plenty District Council is to promote the economic, social, cultural and environmental wellbeing of its communities, now and in the future¹. Council plays a key role through the way it delivers its services, to support approximately 57,355 residents. Population growth has a lot of benefits but also creates challenges for the delivery of services and funding both new and ongoing infrastructure work. Collectively a framework of processes and tools is created to ensure Council remains a responsive organisation that is in touch with the community while proactively managing change.

The Risk Management Framework establishes Western Bay of Plenty District Council's commitment, its responsibilities, approach, processes, and practices for appropriately managing risks and encouraging behaviours that align with the Council's values and support achievement of its strategic objectives and delivering on the long-term plan. I. The Risk Management Framework is integrated into our day-to-day operations, enabling us to take informed decisions by being able to identify, assess and manage risks. This framework is in line with ISO 31000:2018 Risk Management – Guidelines and should be read in conjunction with the Risk management Policy.

Related objectives include:

- Explicitly linking strategy and long-term plan outcomes to risk management
- Establishing an overall risk management governance structure

¹ Western Bay of Plenty District Council – Te Kaunihera a rohe mai i nga Kuri-a-Whare ki Otamarakau ki te Uru – Wellbeing Plan – Informing our Planning 2021-2031

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- Defining risk management accountabilities and responsibilities
- Describing the Council's risk management approach and processes to be adopted by all staff members and contractors
- Providing guidance to make informed risk-based decisions
- Promoting risk management awareness and culture, and applying a consistent risk management approach

This framework provides overarching guidance for the wider set of specific risks owned by SLT members such as health and safety, climate change, and risks from specific projects. Specific risks or compliance management policies should be read in conjunction with the risk management framework to understand the approach and requirements for managing risks.

1.2 Meaning of Risk

Risk is defined as 'the effect of uncertainty on achieving our objectives'² – in other words it is the things that stand in the way of achieving our goals/strategic objectives. Strategy and risk are two sides of the same coin. Risk is therefore an uncertainty of outcome that can either give rise to a positive outcome (opportunity) if managed well as well as a negative outcome (threat) if not adequately mitigated.

Common characteristics of Risk

- Uncertainty of an event
- Can happen in the future (may or may not be something happening right now)
- If it does happen it could affect what we wanted to achieve either in a positive or negative way.

2. Why do we need Risk Management?

2.1 Importance of Risk Management

The benefits of creating a robust Risk Management Framework that can be applied across all part of the Council include:

- Improve our strategies and processes through identification of what stands in the way of its achievement, and take appropriate action to mitigate those risks

² ISO31000:2018 Risk Management – Guidelines

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- Making informed choices through better decision-making practices by prioritising our actions and available resources, and distinguishing among alternative courses of planned mitigation measures
- Establishment of a strong foundation for good governance
- Encourages an open and transparent culture for risk discussions
- Providing confidence to our Elected members, key external stakeholders and the wider community that risks are being managed proactively
- Compliance with relevant legal and regulatory requirements
- Adopt new and innovative ways of working
- Prioritisation of resources to high-risk and strategic areas of focus for the Council

2.2 Risk Management and our Council Values

Risk Management is strongly positioned to align with our values:

<p>Creating value Going the extra mile to deliver the right result.</p>	Getting to the right result by ensuring the benefits outweigh the cost
<p>Working together Working as a team to get things done and looking after each other.</p>	Brings diverse views together to reach a common understanding of how we would work together to achieve our outcomes
<p>Professionalism and integrity Knowing what we do and doing what we say.</p>	Making the right decisions and owning up to our actions
<p>Caring for our customers Understanding our customers and being adaptable in our approach.</p>	Encourages us to be proactive to new and emerging risks and adaptive to improve existing processes to enhance customer experience

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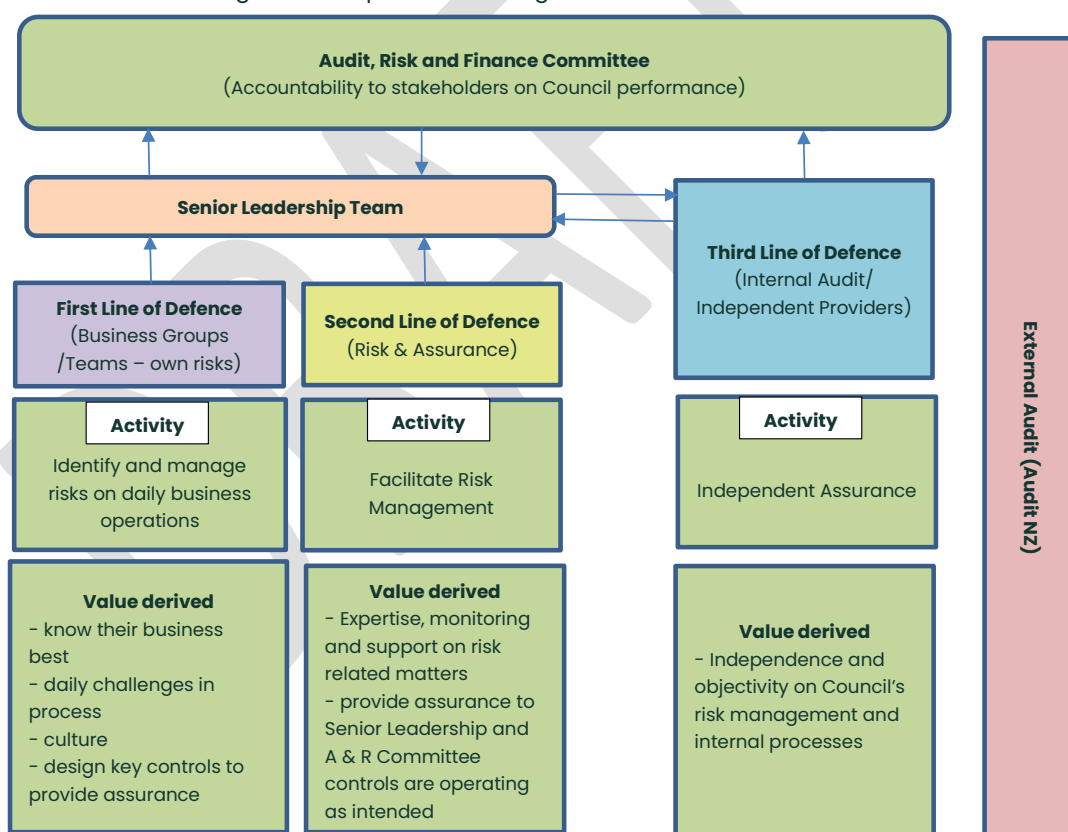
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3 Governance

3.1 Three Lines of Defence – Council’s way of managing risk

The three lines of defence (or 3LOD) model is an accepted regulated framework³ designed to facilitate and embed an effective risk management framework that clarifies accountabilities, and roles and responsibilities.

The Council’s risk management responsibilities align to the three lines defence model.



While each of the three lines of defence have a different role to play, working together

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helps to draw a full picture of Assurance for the Council, how well the risks are being managed, and support with identifying areas for further improvement.

3.2 Who has oversight and accountability for Risk Management?

Roles and Responsibilities of Elected Members and Staff of Council

Role	Responsibilities
Governance & oversight	
Councillors	<ul style="list-style-type: none"> - Outlining the strategic direction while balancing different expectations and perceptions to deliver outcomes that are in the best interest of the district - Determining the extent of risk the Council is willing to accept to achieve and deliver on its strategic objectives and long-term plan initiatives. - Defining and reviewing risk appetite for its most critical risks. - Setting policies and approving the Risk Management Framework
Audit, Risk and Finance Committee	<ul style="list-style-type: none"> - Providing independent, objective advice regarding the design and implementation of the Council's Risk Management Framework. - Supporting the Councillors with understanding the risk exposure considering the risk appetite levels. - Reviewing the effectiveness of Council's risk management framework, and its control environment in mitigating the most critical risks. - Reviewing and approving this framework.
Audit, Risk and Finance Management Committee	<ul style="list-style-type: none"> - The ARF Management Committee will meet on a quarterly basis prior to ARFC meeting. The members of the SLT will be primarily composed of the material risk owners. The SLT shall be responsible for: - Monitoring risks identified by the Councillors as key/material - Ensuring the risk and control assessments are consistent and considered within the context of the Council and its strategic objectives and long-term plan initiatives. - Maintaining SLT focus over ongoing risk management and monitoring activities - Identifying key risks and issues to be reported to the

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	<p>Councillors/ARFC for further discussion</p> <ul style="list-style-type: none"> - Enhancing risk conversations at SLT level
Chief Executive (CE)	<ul style="list-style-type: none"> - Overall responsibility of Risk Management in the Council - Reviewing the Council's policies and risk management framework
Business Groups – 1st Line of Defence	
Senior Leadership Team/Group Managers	<ul style="list-style-type: none"> - Owning the risks within their business group. - Identifying new and emerging risks. - Setting and monitoring the Council's risk appetite - Developing risk management strategies/ plans for managing risks within their business group in alignment with this framework. - Reviewing Council's risk register on a quarterly basis to ensure controls are designed to help with effective management of key risks. - Developing a risk-aware culture to be driven from Top-down - Escalating risks from business group to CE - Complying with the approved overall RMF and related policies and plans that embed effective risk management practices in the business group. - Monitoring and reporting of risks arising within their respective business group.
Risk Owners	<ul style="list-style-type: none"> - Having authority to manage a particular risk and are held accountable - Reviewing the assessment of risks assigned on a quarterly basis - Ensuring controls are designed and operating effectively to manage the risk - Designing action plans to mitigate and manage the risk and monitor until completion - The Council's top risks are owned by SLT
Risk Champions	<ul style="list-style-type: none"> - Keeping up-to-date risk registers for their business group that are reviewed every quarter - Facilitating risk discussions with Group Manager and the wider business team and escalating risks where appropriate
Council Staff	<ul style="list-style-type: none"> - All staff have a responsibility to be risk-conscious in carrying out their duty. - Supporting and enhancing risk conversations. <p>Understanding the Council's risk appetite, risk profile and</p>

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	<p>risk management processes and practices.</p> <ul style="list-style-type: none"> - Ability to use judgement to discern if something is not right and identifying potential risks through discussions with the manager. - Day-to-day management of risks.
Role	Responsibilities
Risk & Assurance – 2nd Line of Defence	
Risk and Assurance Manager	<ul style="list-style-type: none"> - Implementing the Risk Management Policy and Framework and help with embedding of Council's risk management capability and culture. - Identifying and reporting significant risks and issues to SLT / Audit, Risk and Finance Committee. - Facilitating risk discussions and providing risk advice to SLT and supporting management of risks across the Council. - Working closely with independent providers for Internal audit to identify any weakness areas that require additional assurance and development of targeted risk mitigation measures/strategies. - Ensuring teams within business groups in the Council have a Business Continuity Plan (BCP) and these are updated every year to reflect any changes.
Internal Audit/ Independent Provider – 3rd Line of Defence	
Internal Audit	<ul style="list-style-type: none"> - Provide independent assurance to the Audit, Risk and Finance Committee and SLT over the design and operating effectiveness of the Council's risk management framework and internal control environment.

3.3 Escalation of Risk – When do we escalate risk?

An effective risk management framework enables staff members to make risk-based informed decisions. This means having clear understanding of where and when to take, avoid or mitigate risks. This also includes ensuring that key risks are being discussed and managed at the right level, and escalated in a timely manner, when required. A key risk may need to be escalated to SLT or ARFC to ensure it is assessed by the right people and remains within the Council's risk appetite.

A risk is escalated if the current residual risk rating worsens, and this exceeds the manager's authority, or it has moved out of the accepted risk appetite of the Council. A risk is escalated based on its residual rating level.

The table below shows Council's escalation of risk as to who has the authority to accept the risk based on the residual risk rating.

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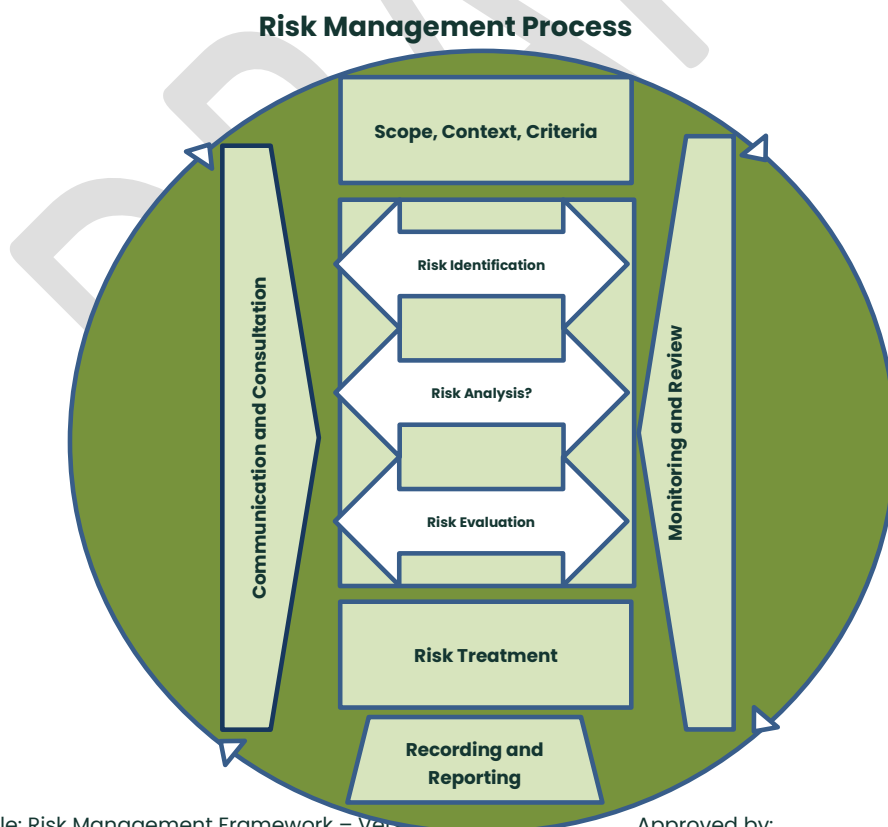
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Residual Risk Rating	Risk Escalation / Acceptance
Extreme	Senior Leadership Team and Council
Very High	Senior Leadership Team (SLT)
High	General Managers
Medium	Risk Owner
Low	Risk Owner

4 Manage Risks across Council

4.1 Risk Management Process

Risk Management Process is defined as a structured approach for identification, evaluation, monitoring, management and reporting of key risks, to minimise the negative impacts, they may have on the Council. Risk Management is an ongoing process, iterative in nature where one would have to revisit steps to account for new information, change in strategic direction/objectives, and changes in organisational structure or business processes.



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4.1.1 Scope, Context, Criteria

Understanding the Council objectives helps to establish the context for the operating environment which is influenced by external and internal factors. This helps to define the scope and purpose of the risk assessment and who is the right person to determine the risk rating criteria for the assessment of risks.

Starting with a clear understanding of what we are trying to achieve, and the operating environment will help identify risks that stand in the way of achievement of our objectives. Considerations to keep in mind while planning an approach to Risk Management include but not limited to:

Some questions for consideration to determine scope, context, and risk criteria**Scope**

- What are the objectives and decisions that need to be made?
- What is the time, location, any specific inclusions or exclusions?
- Are the appropriate techniques being used to assess risk?
- What are the resources required and their assigned responsibilities?
- What relationship does this have with other projects, processes, and activities?

External/Internal Environment

- Are there any social, cultural, political, regulatory, legal, economic and environmental factors whether local, regional, or international to consider?
- Will our external stakeholder relationships be negatively impacted and to what extent?
- Can we continue fulfilling our contractual commitments and obligations?
- Are there any laws / regulations we would need to consider?
- What are the factors that may influence the internal context, e.g., governance, organisational structure of the Council, culture, policies and processes, information systems, interdependencies etc.?

Setting Risk Criteria

- What is the nature and type of uncertainty that could affect the Council's objectives?
- How are consequences and likelihood for Council defined and measured?
- How is the level of risk determined?
- Are we consistent in the use of measurements?
- Are combinations and sequences of multiple risks considered?
- Does Council have capacity to handle the risk?

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4.1.2 Risk Appetite

Risk Appetite is a very important aspect of Risk Evaluation. Council's risk appetite refers to the amount of risk that the Council is willing to accept or take to achieve its objectives whereas Risk Tolerance is the amount of loss the Council is willing to bear should a risk occur. Risk Appetite and Tolerance aids decision-making as Council will understand how much risk it can pursue / loss it can bear to achieve its objectives.

Types of Risk Appetite of the Council

Very High-risk appetite: Council takes an aggressive approach towards risk taking to pursue its goals even though the negative impact can be large (Risk seeking).

High risk appetite: To pursue Council's goals/objectives, Council is willing to accept some impact negative in nature (Risk tolerant).

Medium risk appetite: Council adopts a balanced approach towards taking risk giving attention to both goals and negative outcomes in an equal manner where the goal/objectives of the Council are achieved with some negative impact. (Risk neutral).

Low risk appetite: Council is cautious in its approach towards risk taking and pursue its goals and objectives only if there is a small negative outcome. (Moderately risk averse).

Zero risk appetite: Council will not accept any negative impact to pursue its goals/objectives (Risk averse).

4.1.3 Risk Identification

The purpose of risk identification is to find, recognise and describe the risk that threatens the achievement of Council's objective. Relevant, appropriate and up-to-date information is very important for the purposes of risk identification.

Risk identification can be done through any one of the following techniques, but a combination of techniques would be ideal to gain consensus and consider all possible sources of risk.

Top-down risk assessment:

Integrating risk management within its annual strategy refresh process to identify potential risks to the strategy and resulting from the planned strategic/long-term initiatives. This includes an annual risk refresh at SLT and Councillors/ Audit and Risk Committee levels to confirm and agree on the key/material risks and the Councillor's appetite for those risks.

Bottom-up risk assessment:

Additionally, the SLT members or business managers may require their team members to identify, record and assess specific process level risks, systemic risks identified from

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incident/issue analysis, and findings from independent reviews.



4.1.3.1 Types of Risk

The main types of risk at the Council are:

Strategic Risk – Risk that affect the growth and performance of the Council and can be created from strategic business decisions taken.

Operational Risk – Risk that arise from “business as usual” Council activities.

Critical Risk – Risk that has a potential fatal or serious, life-altering injury by working in an uncontrolled environment outside of Council and dealing with the public.

Hazard – Health and Safety risk that arise from a site.

4.1.4 Risk Analysis

Risk Analysis refers to rating the risk. A Risk Matrix is used to rate risks which is the product of the likelihood of a risk event occurring and its potential consequence should it occur.

Risks are rated from “very low” to “very high”. Risk Analysis consists of 3 steps:

- Assess Inherent Risk – assess likelihood and impact of risk in the absence of any controls
- Identify current controls and evaluate the effectiveness of controls – identify controls and evaluate if the controls are effective enough to mitigate the risk
- Assess Residual Risk – assess likelihood and impact of risk considering the effectiveness of existing controls. The risk that remains is the current level of risk for the Council.
- Target residual risk – risk rating that the Council is aiming to achieve and is fit

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for operating and supports strategic and growth objectives. This is based on the risk appetite articulated for the key risks.

4.1.5 Risk Evaluation

The purpose of risk evaluation is to support decisions to pursue or mitigate the risks and identify the relevant risk treatment plan. Risk evaluation refers to the level of comfort derived from the residual risk which is based on the current controls that are operating in the system and the Council's appetite for the risk

4.1.5 (a) What is a Control?

A control is defined in the ISO 31000 standard as "Controls include any process, policy, device, practice, or other actions that modify risk" (in other words a control reduces the likelihood/impact when the risk occurs). There are different types of controls:

Type of Control	Purpose	Examples
Preventative	Control designed to reduce the likelihood of the occurrence of risk.	Segregation of duties to prevent fraud, access codes to enter sensitive areas in buildings
Detective	Control designed to find gaps within the Council's system/processes.	Manager reviews monthly spend report of their staff.
Corrective	Control designed to mitigate the impact once the risk has occurred.	Managing a Conflict-of-Interest declaration through an investigation procedure
Directive	Control designed to guide required behaviour of staff	Training, Guidelines, Incentives

4.1.5 (b) Effectiveness of Controls

It is important to rate controls individually to identify if a control is operating as it is intended to reduce the likelihood/impact of the risk when it occurs. The assessment of control rating is based on the following criteria:

Control Rating	Description
----------------	-------------

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Not Assessed	Effectiveness of Control has not yet been assessed.
Ineffective	Significant control gaps exist and do not reduce the risk as the design or operating effectiveness of the control is ineffective.
Partially Effective	Deficiencies in the control design or operating effectiveness that do not address the risk or control may not be consistently applied, hence risk is only partially reduced.
Effective	Control is well designed and operating effectively to reduce risk. These controls are consistently applied to address the root causes and/or drivers of risk.

If the Council is not satisfied with the residual risk rating based on the current controls operating in the environment, the Council will consider further treatment options.

Factors to consider for assessment of Risk Evaluation

Council's appetite for risk
Are the controls working as Council intended to mitigate the risk?
Costs, benefits and opportunities from the risk

4.1.6 Risk Treatment

Risk Treatment refers to the process of selecting and implementing control measures to modify the likelihood or impact of risk or both. The following are the Risk treatment responses for the Council.

Council Risk Response	Meaning
Accept	No further treatment required
Take further action to modify impact and/ or likelihood	Not satisfied with current residual risk, further planned mitigations are required
Avoid/ Eliminate	Deciding not to start or continue with the activity that gives rise to the risk (steer clear from source of risk)
Transfer (to WBDC team or Group)	Sharing the risk across Council's Teams/Groups
Transfer (outside WBDC)	Sharing the risk (e.g., buying insurance, transfer to

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	<i>another entity)</i>
<i>Drive/ Enhance</i>	Taking or increasing the risk to pursue an opportunity

A single risk response can be chosen, or a combination of options could work together to achieve the desired outcome.

The benefits obtained/expected need to be compared to the cost of managing the risk (cost benefit analysis). This is vital to ensure cost effective actions act as a means of achieving the desired outcomes for the Council.

4.1.7 Development of Treatment Plans

Treatment plans are necessary to describe how the chosen treatment response option will be implemented. To achieve the Target Risk rating, treatment plans need to be developed to achieve the acceptable level of residual risk.

Treatment plans should include the following necessary information:

Proposed actions/planned mitigations, timelines, resource requirements, roles and responsibilities of all parties involved in the proposed actions.

The ultimate authority for a Treatment plan is the Risk owner but they can delegate authority to other people for specific actions to be completed within the Treatment plan. The gap between the Residual risk versus Target risk is to be understood well before the treatment plan is developed as once the root cause is identified, relevant and appropriate action can be taken.

5 Health and Safety

The Risk Management Framework can be applied both to hazards arising from works conducted, and also to incident and injury outcomes. To align the risk assessment criteria with the incident outcome rating, it is imperative that the Council have defined incident classifications which align to the overall Risk Management Guidelines defined within Appendix C. This will enable accurate and consistent incident classification based on the risk matrix universally applied across Council. Incident risk rating and response is captured within the Vault system.

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In addition, refining how Council assess and review health and safety hazards and risk will facilitate a risk-based methodology to effectively manage the hazards and risks our workers and contractors face. Such a risk-based approach will define repeat behaviours and tasks that we expect of our staff to assist with this risk mitigation. Finer details of the activities included in the risk-based methodology will be determined on establishment of the annual Health, Safety and Wellbeing Strategy.

Importantly, the risk management framework is designed to be applied to work hazards created by works conducted by Council or contractors – it cannot effectively assess health and safety aspects of all areas of the district. Council works risk assessment does consider impacts to members of the public while works are being conducted. Safety in design should be applied for all projects that Council direct or control, however mitigating all hazards on all public facilities and environments for day-to-day use is not reasonably practicable via this methodology.

5.1.1 H&S Risk Incident Outcome Definitions

Health and Safety outcomes are highlighted within Appendix C, however for additional clarification the definitions below should be read in conjunction with Appendix C.

Impact rating	Impact rating definitions
Minor	No treatment required. An event occurred, however there was minimal to no injury sustained. Future similar events will result in a similar outcome.
Moderate	First Aid treatment required. This can be administered by a first aider in the workplace. A consultation to the medical provider without any actual treatment would also be classified as first aid.
Serious	Medical Treatment is required for the injury, but the worker is able to continue with some work duties. This may be full duties, or restricted/modified duties. Some low severity outcome incidents may also be classified as medium risk events, due to the risk matrix calculations and the nature of the event.
Major	Injuries that result in legitimate lost time for workers i.e., where they are unable to perform any work tasks (regular or alternative) during their next scheduled work shift due to the injury sustained. Some medium risk actual incidents may also reach a Major classification when considering the Risk Matrix, and as such may also be classified as High Potential.

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Severe	Incidents resulting in significant injury or death, multiple injury, or significant damage to property/plant. Incidents that could have resulted in significant injury, death or damage can also be classified to this level.
--------	---

6 Monitor and Review

Monitoring and review are a continual phase of the risk management process. Risks keep evolving over time and it is necessary to ensure that sources of information which feed into risk is current and accurate. Council risks and the control effectiveness rating for risks must be reviewed at least quarterly completely independent of its residual risk rating.

The results from the monitoring and review phase must be incorporated into the Council's performance and reporting activities. Some of the questions to consider for monitor and review of risk are:

Review and Monitoring Questions

- Have any new risks been identified based on new line of business in Council/different activity undertaken?
- Has anything changed in the previously identified risks? Do we need to reassess the likelihood/impact of risk?
- Have the Risk Owners been assigned? If the duties are not being performed, by Risk owner do they need to be motivated or should the risk be reassigned?
- Is the Council within budget and schedule for the Treatment plan or do we need to make changes?
- Are the treatment plans effective? If yes, can it be assessed as current controls?

7 Communicate and Consult

The main purpose of communication and consultation is to help both internal and external stakeholders to understand risk, on what basis decisions are made and the reasons why actions are required or taken to mitigate risk. Communication and Consultation is a continual, iterative process where information is discussed and shared to manage risk in the Council.

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Audit, Risk and Finance Committee (ARFC)

The ARFC may require the Audit, Risk and Finance (ARF) Management Committee to:

- highlight material changes to the Council's risk profile, its impact on Council's strategy, key drivers and actions planned to be put in place
- escalate material break-down or gaps in the control environment, and design and embed additional mitigation measures
- provide an update on new and emerging risks identified and planned mitigations

ARF Management Committee

ARF Management Committee may consider implementing additional controls or mitigation measures where:

- there is a considerable gap between the residual risk level and the Councillors' risk appetite for that risk,
- significant changes to Council's risk profile have been observed, and
- new and emerging risks have been identified.

Clear Communication and Consultation aims to:

- Support good risk discussions at any level throughout the Council
- Bring different areas of expertise to each step in the Risk management process.
- Ensures that different views are taken into consideration when evaluating a risk
- Sufficient information is to be provided to facilitate decision-making or oversight of risk management.
- Build a sense of inclusiveness and Risk ownership (Ownership is important as it is very possible that risks not owned, often may not be managed well).
- Assists in defining clear roles and responsibilities of stakeholders and induces timely action.

Tips for Effective Communication

- Ensure all stakeholders understand the risks and what is expected of them
- Provide meaningful, accurate and relevant information to the stakeholders involved prior to risk discussions
- Ensure participation of the right people in risk discussions
- Risk discussions/updates should be regular and part of management meetings

Council's key risks will be reviewed by the ARF Management Committee on a quarterly basis and a summarised report provided to the ARFC/Councillor each quarter. Each year, based on the enterprise risk profiles, ARF Management Committee may consider selecting a number of top risks to perform a risk analysis/deep dive with

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outputs provided to the ARFC.

Senior Leadership Team (SLT)

The relevant SLT team member assigned as the 'Risk Owner' may opt to perform and report on the deep dive analysis and development of risk specific risk management framework/policy. The Risk Owners may select delegates / associates from appropriate cross-functional departments to assist in the detailed assessment of the risk.

Training and Professional Development

All relevant Council staff members are required to complete the mandatory risk management induction training. The training aims to increase risk awareness for each specific role. The training will educate the relevant employees to align their roles with the Council's strategic objectives. Training sessions will be developed as deemed appropriate by the respective SLT members(s).

8 Record and Report

Risk and Assurance uses an excel⁴ risk register to record and maintain its risks, controls and treatments under the Risk Management Framework ISO 31000:2018 RM – Guidelines. Each business unit is required to contribute and record its strategic, operational and project risks on the risk register. Risk & Assurance should sync regular risk discussions into quarterly reporting on risks, controls and treatments to Senior Leadership Team and Audit and Risk Committee.

The various reports submitted every quarter are:

Risk & Assurance Update – The key purpose of this report is to provide an update on risk and assurance activities in the Council.

Quarterly Review of Risk Profile – A quarterly review of all Council's major risks and the activities being undertaken to mitigate those risks.

Update on Outstanding Audit Items (Internal/External Audit) – The purpose of this report is to provide status updates on management's response to recommendations raised in internal/external audit reports.

Financial Performance Update – This report provides an overview of the risks associated with Council's treasury function and the procedures in place to mitigate

⁴ Plan to migrate to Risk database in Ozone web

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those risks.

Health & Safety Report – This report provides a summary of the health and safety performance across the Council and significant health and safety risks and safety events for the reporting period.

Litigation Update – The purpose of this report is to update Elected Members on confidential litigation matters concerning Council.

In addition to the regular risk updates from the SLT, the Audit and Risk Committee may also require the risk owners to conduct deep dives and provide insights on specific risk areas.

9 Risk culture

Risk culture reflects the tone at the top that plays a key role in influencing staff member perception and ultimately their behaviour. Equally important is having appropriate processes for creating awareness and improving staff members' understanding of risk management requirements. This may include elements such as:

- socializing Council's risk appetite statements and risk profile with staff immediately after the Councillors' annual strategy setting and risk refresh session
- ensuring any changes to the RMF and practices are communicated to the staff members
- incorporating risk management questions within the annual people engagement surveys
- ensuring there are appropriate provisions of information and training in place to promote individual risk competencies.

10 Use of Data and Technology

Defining the approach, tools and practices to gain confidence around data integrity and accuracy for the purposes of risk management activities. This includes tools and measures used for identifying risk insights, trends and patterns. This also includes any software, tools or systems used for identifying, assessing, managing, monitoring or reporting on risks.

Council will monitor use of data and technology in relation to risk management and may consider further use of tools and systems as deemed appropriate.

11 Review of the framework

To ensure that the Risk Management Framework remains relevant and continues to support the overall risk management practices at the Council, the framework will be formally reviewed by the ARF Management Committee periodically or immediately if there has been a change in the structure and presented to the Audit and Risk

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Committee for approval.

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Appendix A – Risk Rating Matrix

Likelihood	Impact					
		Minor	Moderate	Serious	Major	Severe
	Almost certain	High	High	Very High	Extreme	Extreme
	Likely	Medium	High	Very High	Very High	Extreme
	Possible	Low	Medium	High	Very High	Very High
	Unlikely	Low	Medium	Medium	High	Very High
	Rare	Low	Low	Low	Medium	High

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Appendix B – Likelihood Risk Rating criteria

LIKELIHOOD		
Rating	Probability	Description
Almost certain	>90%	Virtually certain to occur, probability of occurrence at least once in the next year
Likely	> 70% upto 90%	Will probably occur in most circumstances, probability of occurrence within the next year
Possible	> 40% upto 70%	Could occur at some stage within the next 2 years
Unlikely	> 20% upto 40%	Could occur, probability of occurrence in the next three years.
Rare	20% or lesser	May occur only in exceptional circumstances. No history, but probability of occurrence in the next 5 years.

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Appendix C – Impact Category Risk Rating criteria

IMPACT CATEGORIES								
Rating	Health & Safety	Environmental Contamination	Statutory Obligations	Negative Council Image	Loss of Service	Project Delays	Lost Opportunity	Financial Loss WBoPDC; Wider Community
Minor	No injury or potential injury	No contamination	Internal query	Customer complaints	Unable to operate for less than 1 day	Project delay – Less than 6 months	<\$5,000 (one-off or ongoing)	<5,000 WBoPDC; <50,000 Community
Moderate	Major Injury	On-site release immediately contained	Special Audit by outside agency or enquiry by Ombudsman	Negative community coverage	Unable to operate for 1 day– 3 days	Project delay – Between 6 month and a year	<\$10,000 (one-off or ongoing)	<\$10,000 WBoPDC <\$100,000 Community
Serious	Some severe injuries or potential injuries (near miss)	On-site release contained with outside assistance	Litigation	Negative community and some regional coverage	Unable to operate up to a fortnight	Project delay – Between 1 – 3 years	<\$100,000 (one off or ongoing)	<\$100,000 WBoPDC; <\$500,000 Community
Major	Significant illness or some deaths (up to 3)	Off-site release with significant detrimental effects	District or Environmental Court	Negative regional and some national media coverage	Unable to operate for up to 1 month	Project delay – Between 3 – 5 years	<\$500,000 (one off or ongoing)	<\$500,000 WBoPDC; <\$100,000 Community
Severe	Wide-spread illness or several deaths (>3)	Toxic release off-site with major detrimental effect	High Court or Criminal Action	Sustained negative national media coverage	Unable to operate for > 1 month	Project delay – More than 5 years	>\$1,000,000 (one off or ongoing)	>\$1,000,000 WBoPDC >\$5,000,000 Community

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Appendix D – Project Risks

Project Risks

Projects risks have an impact criteria that is unique to them and should be managed accordingly. All the Council's projects should be managed in alignment with appropriate and adequate project risk management process. Project risks will be captured in separate risk registers. Project risks in relation to successful implementation and that have a strategic impact on the Council's objectives will be considered and included in the top risks to the Council. Project risk impact definitions are provided below:

Risk Rating – Project Management

Overall Risk	Consequence /Impact(C)
Extreme	<ul style="list-style-type: none"> Capital cost impact – 30% above budget with a minimum of \$30k. Significant project delay resulting in a legislative deadline not met and / or 40% or more of the project isn't completed within the financial year of planned completion Consenting unobtainable Catastrophic impact on project objectives, identified benefits, deliverables Irreversible injury/illness, permanent disability or fatality Level of Service not met Dispute resulting in mediation and lawsuit (often as a result from omission of key matters in the contractual agreement)
Very High	<ul style="list-style-type: none"> Capital cost impact – 25% above budget with a minimum of \$25k. 50% or more of the project isn't completed within the financial year of planned completion Significant impact on project objectives, identified benefits, deliverables Level of Service not met Serious injury/illness – lost time of more than 7 days Dispute resulting from omission of key matters in the contractual agreement resulting in mediation and law suit (often as a result from omission of key matters in the contractual agreement)
High	<ul style="list-style-type: none"> Capital cost impact – 20% above budget with a minimum of \$20k. 25% or more of the project isn't completed within the financial year of planned completion Consenting obtainable but late and /or with onerous conditions Significant impact on project objectives, identified benefits, deliverables Level of Service not met Serious injury/illness – lost time of more than 4 days

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Overall Risk	Consequence /Impact(C)
	<ul style="list-style-type: none">Dispute resulting from omission of key matters in the contractual agreement resulting in mediation and law suit (often as a result from omission of key matters in the contractual agreement)

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Appendix E – Glossary of Terms

Term	Definition ⁵
Cause	A cause is a person, thing, event, or action that triggers a resulting event.
Consequence/Impact	The effect or outcome of risk should it occur.
Control	Controls include any process, policy, device, practice, or other actions that modify risk.
Control Effectiveness Rating	Evaluation of the effectiveness of existing controls to mitigate risk
Event	A thing that happens or takes place, especially one of importance
Inherent Risk	The level of risk in the absence of controls
Likelihood	Probability of an event happening
Mitigation	The action of reducing the severity or seriousness of risk
Residual Risk	The level of risk that exists after considering existing controls
Risk	The effect of uncertainty in achieving our objectives
Risk Appetite	Ability to take on a certain amount of risk to achieve objectives
Risk Management Framework	The essential organizational arrangement to support Risk Management through a structured approach in the Council
Risk Register	Identified risks are recorded and how they are being managed
Stakeholder	A stakeholder is any party that has an interest in the Council and can either affect or be affected by the business. It can be internal/external or both.
Target Risk	Level of risk which the Council has an appetite to accept
Treatment plan	Mitigations are future focused to reduce residual risk and bring to an acceptable level of risk.

⁵ Internet Dictionary

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Appendix F – Version Control

Version History			
Version	Date	Reason	Issued By:
1.0	23 rd May 2023	First Draft	Ernest Bernard

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Policy Author: Risk and Assurance Manager

9.5 BAY OF PLENTY LOCAL AUTHORITY SHARED SERVICES LIMITED (BOPLASS) HALF YEARLY REPORT

File Number: A5237844

Author: Ezelle Thiart, Finance Business Partner

Authoriser: Azoor Ali, Chief Financial Officer

EXECUTIVE SUMMARY

The purpose of this report is to provide Elected Members with Bay of Plenty Local Authority Shared Services Limited's (BOPLASS) Annual Report for the period ended 31 December 2022.

The BOPLASS Annual Report was approved by their Board of Directors and received by Council on 27 February 2023.

RECOMMENDATION

That the Financial Business Advisor's report dated 23 May 2023 titled 'Bay of Plenty Local Authority Shared Services Limited (BOPLASS) Half Yearly Report' be received.

BACKGROUND

1. BOPLASS is a designated Council Controlled Organisation (CCO) under the Local Government Act 2002 (LGA). The company was formally established in January 2008 by the nine local authorities in the Bay of Plenty and Gisborne regions to foster collaboration between councils in the delivery of services, particularly back office or support services.
2. As a CCO, BOPLASS is a separate legal entity from Council and is responsible for delivery of services in accordance with an agreed Statement of Intent.
3. Under Section 67 of the LGA, within three months after the end of each financial year, the board of a CCO must deliver to the shareholders, and make available to the public, a report on the organisation's operations during that year, including financial statements and auditor's report.
4. The BOPLASS Annual report is included as **Attachment 1** to this report.

SUMMARY OF ACHIEVEMENTS

1. For the six month period to 31 December 2022, BOPLASS recorded revenue of \$1.2 million and returned a net deficit of \$6,000. This is backed by Net Assets of \$45,460.

ATTACHMENTS

1. **BOPLASS Half Yearly Report 2022-2023** 



HALF YEARLY REPORT TO SHAREHOLDERS



Period ended 31 December 2022

“COUNCILS PARTNERING FOR VALUE AND SERVICE”



BOPLASS Chair's Report

It is with pleasure the Directors present their 2022/2023 Half Yearly Report to Shareholders demonstrating the considerable contribution the company makes to collaboration between councils.

In mid-2022 we were pleased to welcome Miles McConway, Ōpōtiki District Council acting CEO to the board in an interim role. Miles joined the board with prior experience with BOPLASS, and as one of the company initiators we valued his experience and his continued drive to deliver value for our councils through collaboration. As we welcomed Miles, we farewelled Aileen Lawrie. As one of the original BOPLASS directors Aileen has left a legacy of leading change across the region and proactively supporting inter-council collaboration. The Board thank Aileen for her significant contribution and wish her well for her future endeavours. With Stace Lewer's appointment as Ōpōtiki District Council CEO he joins the BOPLASS board, and we welcome his contribution.

The international insurance market remained under pressure in 2022, despite predictions that the peak may have been reached. The main drivers being inflation and the scale of ongoing losses from natural disaster events. During the renewal process BOPLASS leveraged new and existing relationships within international and local insurance markets to educate underwriters on BOPLASS councils' proactive management of risk and resiliency. Data from the BOPLASS LiDAR programme was utilised to demonstrate our councils understanding and management of natural catastrophe exposures. This three-dimensional presentation of the data was unique and was successful in capturing the attention of every syndicate, resulting in particularly good renewal outcomes. Full cover was maintained for all councils and secured with competitive terms and rates.

The MahiTahi LG Collaboration Portal has proven to be an essential tool in the identification and development of shared services opportunities and the sharing of information. In addition to new councils signing up to the portal, it is now being used by the Department of Internal Affairs for coordination and collaboration between local government staff in the Water-Reform Management Groups. Additionally, BOPLASS has supported the migration of the RSHL Te Uru Kahika Hub (regional and unitary councils) being hosted within the same environment. These are both very good examples of a BOPLASS initiative having wide-reaching benefits.

With effective management and renewal of established procurement contracts, BOPLASS has continued to ensure best value is delivered for our shareholding councils during the first six months of the year. In addition, BOPLASS is currently leading shared service and procurement projects that will deliver further value to our councils. Several of these new initiatives are being undertaken in conjunction with MW LASS and Waikato councils. It's pleasing to be developing inter-regional opportunities that provide value to each group while leveraging savings, benefits, and improved level of service across multiple councils.

Additional information about current projects is available in the attached report.

We thank staff from the participating councils and acknowledge the support we have received from them.

Yours faithfully

Craig O'Connell
Chair

**BOPLASS Ltd***"COUNCILS PARTNERING FOR VALUE AND SERVICE"*

HALF YEARLY REPORT TO SHAREHOLDERS

20 FEBRUARY 2023

1 INTRODUCTION

The Local Government Act 2002 requires that the Directors deliver to the Shareholders a report within two months of the end of the first six months of the financial year. The report is required to provide information against the objectives set out in the Statement of Intent. The following report records the objectives of the company and reports on performance against a table of specific performance requirements set out in the Statement of Intent.

2 OBJECTIVES OF BOPLASS LTD

The company exists to provide councils in the Bay of Plenty and Gisborne regions with an umbrella vehicle to investigate, procure, develop and deliver shared services.

Working together with the full support and involvement of staff, we will provide benefit to councils and their stakeholders through improved levels of service, reduced costs, improved efficiency and/or increased value through innovation.

These will be achieved primarily through:

JOINT PROCUREMENT

Being the procurement of services or products by two or more councils from an external provider regardless of whether the service is paid for through BOPLASS or individually by participating councils.

SHARED SERVICES

Being the participation of two or more councils in the provision of a common service which may be jointly or severally hosted.

3 GOVERNANCE

In the year to date the governance structure has remained stable with the only change being the appointment of Acting Ōpōtiki Chief Executive, Miles McConway, to the Board as Director and Shareholder Representative from June 2022 to December 2022, and subsequently, Stace Lewer, to the Board as Director and Shareholder Representative from December 2022.

4 NATURE AND SCOPE OF ACTIVITIES

The principle nature and scope of the activities of BOPLASS Ltd is to:

- *Use joint procurement to add value to goods and services sourced for its constituent councils.*
- *Facilitate shared services that benefit councils and their stakeholders through improved levels of service, reduced costs, improved efficiency, innovation and/or increased value.*
- *Pursue best practice in the management of all activities to obtain best value and minimise risk.*
- *Demonstrate fiduciary responsibility by ensuring that its activities are adequately funded from savings achieved, levies, council contributions, or Government funding where available.*
- *Allow other councils or organisations to participate in its activities where this will benefit its constituent councils directly or indirectly.*
- *Represent the collective views of its shareholders in matters with which it is associated.*

5 FUTURE DEVELOPMENTS

BOPLASS Ltd will continue to work on business cases for joint procurement and shared services that may be provided in the region or cross-regionally.

The Board has adjusted its strategy to ensure that BOPLASS is focused on continuing to deliver savings and value to councils through new and existing joint procurement initiatives while also identifying new shared services opportunities.

Current reviews for joint procurement and shared services cover but are not limited to:

- | | |
|---|---|
| • <i>Asset management</i> | • <i>HR Information Systems</i> |
| • <i>Building consents</i> | • <i>Information services</i> |
| • <i>Business continuity planning</i> | • <i>Infrastructure development codes</i> |
| • <i>Capital Expenditure projects</i> | • <i>Joint software support</i> |
| • <i>CCTV monitoring</i> | • <i>Payroll</i> |
| • <i>Centralised insurance resource</i> | • <i>Project management office</i> |
| • <i>Consents processing</i> | • <i>Rates collection</i> |
| • <i>Contractor online inductions</i> | • <i>Regional Civil Defence</i> |
| • <i>Document digitisation</i> | • <i>Solid waste regional facilities strategy</i> |
| • <i>Driver training</i> | • <i>Staff engagement survey systems</i> |
| • <i>Geospatial services</i> | • <i>Web services</i> |
| • <i>High volume print</i> | |

Other collaborative opportunities may be progressed after the Board has considered individual business cases and formally agreed to take on and deliver (or host/procure etc.) the project.

Joint procurement opportunities will continue to be identified and developed with individual councils engaging under the opt-in principle established by the Board. Joint procurement initiatives will be considered by the Board and/or its advisory groups where there is demonstrated support from two or more member councils.

The Board supports BOPLASS continuing to develop collaboration opportunities outside of the regional boundaries. BOPLASS will continue to proactively explore opportunities to partner with other Local Authorities and shared services organisations within New Zealand where they are developing, or considering developing, cost effective shared services and products that are of value to the Bay of Plenty and Gisborne councils.

BOPLASS development of the Collaboration Portal for the sharing of information on joint procurement or shared services opportunities within the constituent councils has identified a number of duplicate projects across councils that present an opportunity for further collaboration. The BOPLASS Collaboration Portal is becoming widely used by other LASS, councils, and local government organisations and provides an opportunity to assist with the identification and management of inter-regional collaboration opportunities. BOPLASS will continue to develop the Collaboration Portal and make it available to the wider local government community.

6 PERFORMANCE TARGETS

To ensure the company continues to operate effectively in both governance and management terms over the next three years the current SOI targets are to:

- Ensure supplier agreements are proactively managed to maximise benefits for BOPLASS councils.
- Investigate new joint procurement initiatives for goods and services for BOPLASS councils.
- Identify opportunities to collaborate with other LASS in Procurement or Shared Service projects where alliance provides benefits to all parties.
- Further develop and extend the Collaboration Portal for access to, and sharing of, project information and opportunities from other councils and the greater Local Government community to increase breadth of BOPLASS collaboration.
- Communicate with each shareholding council at appropriate levels.
- Ensure current funding model is appropriate.

The Board believes that all targets are being achieved or are on-track to be achieved, as is demonstrated by the following list of current initiatives.

7 CURRENT INITIATIVES

The following initiatives have been under consideration or operating during the first part of the year:

HIGHLIGHTS

- Insurance forum – BOPLASS is hosting a Local Government Risk Forum for councils across the central and upper North Island, with key speakers covering risk and insurance topics specific to local government.
- Insurance renewals - Renewals have been completed for all councils under the BOPLASS collective programme with strong underwriter interest in the programme demonstrated from new and existing syndicates – resulting in improved pricing. With underwriters now very focussed on increasing climate change risks and the impact on councils' risk profiles, it is anticipated that the recent significant NZ weather events will create challenges for the 2023 renewal.
- Geotechnical Engineering Panel – BOPLASS is investigating opportunities for establishing a preapproved panel for accredited geotechnical engineering consultants.
- Waste Operator and Licensing Data System (WOLDS) – BOPLASS is leading this project in conjunction with Waikato councils. A shared service is to be established providing a common waste operator licensing and management system across multiple councils.
- Aerial Imagery – A tender was awarded for aerial imagery and LiDAR services covering the Eastern Bay region including urban and Maketu/Putuaki areas with LiDAR captured with 8-Pulse specifications.
- Contractor and Employee H&S Inductions – A project continues to be investigated to develop a common platform and standard for the development and management of H&S inductions – for both staff and contractor purposes.
- GIS Software and Services – A number of key contracts for councils' geospatial software have been reviewed and renewed through collective BOPLASS agreements.
- Driver Training – BOPLASS continues to investigate options for appointing a preferred provider for driver training services.
- MahiTahi Collaboration Portal – Further growth has been achieved with the MahiTahi Collaboration Portal with additional councils joining and using it as a collaboration tool for sharing information across councils.
- E-Plan Development – BOPLASS councils are required to move current operative plans to an online environment. BOPLASS is working with current providers to explore collaborative options and opportunities to leverage a collective group rate.
- Health insurance – A project is underway to explore benefits of establishing a group scheme across the BOPLASS group.
- Health & Safety training – BOPLASS has renewed a collective agreement for councils' H&S training services with a wider range of services now included.
- Cyber Insurance – Due to the increasing levels of claims in this category, the global cyber market has become extremely challenging with most insurers now very cautious about providing cyber cover – particularly in local government accounts. Working closely with councils' cyber staff, BOPLASS has been able to renew the collective agreement with a further increase in cover limits.
- Agenda management software – A project is underway to investigate standardisation of software across the BOPLASS councils and the sharing of information and templates.

- Print Media Copyright Agency (PMCA) – A collective contract providing savings for all BOPLASS councils has been renewed with PMCA for councils' print and media copyright services.
- Media Monitoring Service – BOPLASS has renewed the collective agreement for media monitoring service across the councils. The single BOPLASS portal provides substantial savings to councils while also providing a significant reduction in internal resource requirements.
- Institute of Public Works Engineering Australasia (IPWEA) – BOPLASS has renewed the single BOPLASS membership covering all councils and providing substantial savings.
- High volume print – Councils currently use a variety of solutions for their high-volume print runs including utilising large print equipment, outsourcing to external suppliers, or a mixture of both. BOPLASS is continuing to investigate alternative solutions with a focus on minimisation of resource and cost reduction.
- Lone worker field solutions – BOPLASS is investigating technologies and solutions to support council staff in lone worker situations.
- Multi-function Devices (Photocopiers and Printers) – A tender is underway for print and copy equipment across the BOPLASS councils. Significant financial and technology benefits have previously been achieved in this category through establishing a collective agreement. Given declining print volumes across councils, retaining flexibility with print fleet requirements will be imperative.
- Video Conference Services – BOPLASS has continued to develop Zoom and meeting room video conference services across the councils. Further work is being undertaken to ensure participating councils continue to have a reliable and secure service.
- Health and Safety Advisory Group – The BOPLASS and Waikato Health and Safety groups continue to collectively develop policies and protocols, significantly reducing the resources required by individual councils and helping ensure common standards and best practice are established across the greater region.
- Procurement Strategy Group – BOPLASS have established a strategy group consisting of the Procurement Leads within each council. The key purpose of the group is to collaborate and develop strategic objectives within councils' procurement processes. The sharing of knowledge has already proven to be invaluable in councils' development of broader outcomes within their procurement strategies, to encompass social, cultural, environmental and economic considerations.
- Inter-LASS collaboration – A number of procurement projects are underway covering multiple LASS and benefitting from the increased volumes. Collaboration across the regions is driving greater efficiencies within projects under consideration by more than one LASS and allows the projects to be better resourced.
- Communication – BOPLASS continues to regularly engage with our constituent councils, senior management and shareholders to ensure opportunities continue to be developed to the benefit of all stakeholders.
- Viability of Current Funding Model – The sources of BOPLASS funding and the viability of the funding model are regularly reviewed with financial reporting provided to the BOPLASS Board.

8 FINANCIAL REPORTS

8.1 Financial Support and Accounting Services

Accountancy services and support continue to be provided by Tauranga City Council.

8.2 Accounting Policies

The company is compliant with the accounting policies stated in the Statement of Intent.

8.3 Tier 2 PBE Accounting Standards Applied

The financial accounts are prepared with application of Tier 2 accounting standards.

8.4 Financial Reports

Financial Reports for the period to 31 December 2022 are attached.

8.5 Variations

Aerial photography revenue and expenditure is slightly higher than budgeted due to delays in the initial flying of LiDAR capture in the previous year resulting in the work being moved into the current year. This has resulted in a small portion of older contracted work being completed in 2023, which has resulted in the increased figures we see for these activities.

The salaries account is displaying a variance due to the December end payroll accrual not being included in the budgeted figures, this accrual consists of \$10,042.99 for December end wages/PAYE with an additional \$10,533 being for employee leave entitlement which supports most of the difference identified when compared to budget.

Trade debtor's total \$484,227 of our current assets, this balance is made up of \$390,000 worth of invoices that were issued in December indicating no concern around the idea of bad debts or the need for write offs. Additionally, this large completion of invoices makes up most of the GST portion totalling \$50,738 of current liabilities.

Given the nature of BOPLASS, the entity is in a healthy position heading into the second half of the year knowing that several of the core one-off expenditures are behind us while still having council contributions to supplement operational needs.

9 STAFFING, ACCOMMODATION AND SUPPORT

Staff

Staffing levels are unchanged with a part-time administrator continuing to provide additional project support and management of existing activities.

Accommodation and Support

We continue to appreciate the office space provided to us by BOP Regional Council and the support that is offered for IT and Accounting services by Tauranga City Council.

BOP LASS LTD STATEMENT OF COMPREHENSIVE INCOME FOR THE MONTH ENDED 31 DECEMBER 2022				
	Actual YTD	Budget YTD	Total Budget	YTD Variance
REVENUE				
Revenue - Core	166,676	156,996	313,992	9,680
Bank Interest Received	2,423	100	200	2,323
Council Contribution	164,254	156,896	313,792	7,358
Revenue - Projects	1,072,711	975,800	1,301,600	101,911
Bank Interest Received	2,109	2,050	4,100	59
Aerial Photography Revenue	383,434	300,000	400,000	83,434
Collaboration Portal Revenue	31,200	30,000	50,000	1,200
Lease Revenue - ICN	55,995	65,000	130,000	(9,005)
Lease Revenue - Video Conference	22,472	7,500	15,000	14,972
Projects - Recoveries Revenue	576,880	570,000	700,000	6,880
Rebates	622	1,250	2,500	(628)
TOTAL OPERATING REVENUE	1,239,388	1,132,796	1,615,592	106,592
EXPENSES				
Expenditure - Core	210,050	194,935	384,570	15,115
ACC	0	425	850	(425)
Accommodation & Travel	2,437	1,050	2,100	1,387
Accounting & Audit	0	10,650	21,300	(10,650)
Administration	10,769	8,750	17,500	2,019
Amortisation	1,142	3,850	7,700	(2,708)
Bank Fees	66	100	200	(34)
Conferences	0	1,050	2,100	(1,050)
Depreciation	2,953	325	650	2,628
Directors Costs	9,657	10,500	21,000	(843)
Fringe Benefit Tax	1,756	1,750	3,500	6
General & Catering	376	1,100	2,200	(724)
Health & Safety	0	500	1,000	(500)
Insurance	10,950	5,250	10,500	5,700
Interest Paid - TCC Loan	0	250	500	(250)
Legal	0	1,000	2,000	(1,000)
Salaries	165,423	141,085	282,170	24,338
Salaries - Projects OpEx	(9,535)	(8,250)	(16,500)	(1,285)
Staff Support Costs	8,873	8,750	17,500	123
Staff Training Costs	483	1,000	2,000	(517)
Subscriptions	0	500	1,000	(500)
Tax Advice	4,700	5,300	5,300	(600)
Tax Expense - Prior Years	0	0	0	0
Expenditure - Projects	1,035,374	940,061	1,231,022	102,363
Aerial Photography Expense	383,434	300,000	400,000	83,434
Collaboration Portal OpEx	18,053	13,561	27,122	4,492
Lease Expense - ICN	55,430	62,400	124,800	(6,970)
Lease Expense - Video Conference	23,738	14,100	14,100	9,638
Projects - Recoveries Expenditure	554,719	550,000	665,000	4,719
TOTAL OPERATING EXPENDITURE	1,245,424	1,134,996	1,615,592	117,478
OPERATIONAL SURPLUS / (DEFICIT) BEFORE TAX	(6,036)	(2,200)	0	(3,836)

BOP LASS LTD STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2022	
	Actual YTD
Bank	
Cheque Account	309,751
Trust A/c Aerial Photography	196,450
Term Deposit 182 days @ 1.20%. Maturing 11 April 2022	250,000
Total Bank	756,201
Current Assets	
Trade Debtors	484,227
Accrued Revenue	41,320
Tax Payable (Tax Receivable)	9,198
Prepayments	9,221
Total Current Assets	543,966
Non-current assets	
Intangible - Computer Software	79,175
Intangible - Amortisation	(70,977)
Computer Equipment at cost	4,516
Less Accumulated Depreciation on Computer Equipment	(3,922)
Inter Council Network	25,097
Accumulated Depreciation Inter Council Network	(5,882)
Total Non-current assets	28,006
TOTAL ASSETS	1,328,173
Current Liabilities	
Business Credit Card	732
Trade Creditors	101,958
Accrued Expenses	5,653
Accrued Salaries and Wages	7,560
Accrued Leave Entitlements	10,533
GST Collected, Paid, Payments (Refunds)	50,738
Retentions	22,023
Income in Advance	1,074,579
PAYE Accruals Payable	8,934
TCC Loan	0
Total Liabilities	1,282,710
NET ASSETS	45,463
Equity	
Current Year Earnings	(6,036)
Retained Earnings	(47,503)
Share capital	99,002
TOTAL EQUITY	45,463

9.6 COLAB HALF YEARLY REPORT 1 JULY 2022 TO 31 DECEMBER 2022**File Number:** A5142612**Author:** Sarah Bedford, Finance Manager**Authoriser:** Azoorah Ali, Chief Financial Officer**EXECUTIVE SUMMARY**

The purpose of this report is to provide Elected Members with CoLAB's Half Yearly Report to Shareholders for the period 1 July 2022 to 31 December 2022.

RECOMMENDATION

That the Finance Manager's report dated 23 May 2023 titled 'CoLAB Half Yearly Report 1 July 2022 to 31 December 2022' be received.

BACKGROUND

1. CoLAB is designated a council-controlled organisation under the Local Government Act 2002. The company is owned by twelve local authorities across the Waikato and Bay of Plenty Regions to promote shared services between local authorities.
2. Under Section 66 of the Local Government Act 2002, within two months after the end of the first half of each financial year, the Board of a council-controlled organisation must deliver to the shareholders a report on the organisation's operations during that half year. Please refer **Attachment 1**.

ATTACHMENTS

1. **CoLAB Half Yearly Report 1 July 2022 to 31 December 2022** 



Half-yearly report (un-audited)

1 July 2022 to 31 December 2022

**Supporting councils to maximise the value
they provide to their communities by
helping them identify and realise shared
opportunities**

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Statement of service performance

Co-Lab¹ works with its partner councils to:

- Make the councils more effective and efficient; and
- Improve the experience communities have when engaging with councils.

It achieves these outcomes by:

- 1) Acting as An ideas laboratory for developing opportunities that create value to councils;
- 2) Providing shared services to councils; and
- 3) Entering joint procurement arrangements for the benefit of councils.

Six-month highlights

During the first half of the 2022/23 financial year, the management team focused on increasing engagement with council executive leadership teams and other key council staff to prioritise opportunities for development. Feedback was obtained through a survey, and the priorities subsequently canvassed in meetings with council executive leadership teams. Following discussion at the Board's strategy day, this work culminated in the company's Letter of Intent sent to councils in November.

With the start of a new triennium, in December Co-Lab supported councils by hosting a shared induction for elected members across the region. Work also commenced on a new triennium agreement that will guide regional priority workstreams, following "Shifting Landscapes" workshops with council chief executives and other senior staff in September and October.

The period also saw Co-Lab progress the implementation of Co-Lab Learning, our latest service offering, with the key appointment of the Regional Manager for the shared service.

The team progressed several projects, with Board approval to review of the Waikato Regional Transport Model's governance & management structure, and to investigate the Asset Management Centre of Expertise. Further, the Customer Digital Enablement project received an incredible 18 responses to the request for registrations of interest.

The period closed out with the Co-Lab awards, celebrating Co-Lab people that have gone above and beyond to exemplify the company's values of integrity, innovation, and collaboration and partnership.

Finally, we also welcomed our newest shareholder, Western Bay of Plenty District Council. It is great to have them on board.



¹ Co-Lab is the trading name of Waikato Local Authority Shared Services Ltd

Opportunity development projects

Shifting Landscapes



Waikato councils are faced with significant central government reform: 3-waters, resource management and the Future for Local Government review (FfLG). Councils continue to grapple with what these changes will mean for their organisation, and what the organisation will look like when the changes are complete. “Shifting Landscapes” began with a Community Needs Analysis report (March 2022), providing evidence-based qualitative data to inform councils’ early submissions on the FfLG review.

Workshops took place in September and October with council chief executives and other senior staff, and a presentation at the

Mayoral Forum in early December. The next few months will focus on facilitating a new triennial agreement that guides regional collaboration, with supporting programmes of work, and supporting councils’ response to the interim report from the FfLG panel.

Discussions have also identified that 3-waters reform presents an opportunity to capture efficiencies and ensure skilled workers are maintained in local government. This will be explored in our new project People Post 3-Waters (PP3W) which will be outlined in our 2023 Statement of Intent.

Customer Digital Enablement (CDE)

The CDE programme underpins a progressive digital transformation of council services. CDE is a collective vision of how councils can meet the expectations of their customers and communities. It isn’t about *replacing* existing channels to the community. Rather, it is about adding a digital means of engagement for those in the community who want to do so.

The primary objective of the first stage of CDE is to establish a digital platform and collaborative model for councils to progressively build up digital services. This first stage is called “SR4” and will, beyond being a foundational platform, deliver a customer-centric solution focused on rubbish, recycling and sustainability. SR4 was one of four digital minimal viable product ideas developed during a series of council workshops. SR4 was chosen, in part, because councils field a lot of enquiries from their communities on these topics. The other three options, as well as many other ideas that didn’t make the immediate short-list, remain possible development opportunities.

During the period, Co-Lab led a Registration of Interest (ROI) process seeking feedback from the market. 18 entities responded to the ROI which was a great result and testament to the significance of the opportunity. The procurement team selected the top four respondents and have delivered a proposal to councils seeking their support to continue to the Request for Proposal stage.

Asset Management Centre of Expertise (AMCE)

Councils have told us that they are facing significant asset management challenges. Water reform is expected to lead to changes in many councils' organisational structures and have an impact on the services that councils provide. The Co-Lab RATA team is already a proven centre of expertise in asset management and is well positioned to assist councils through its shared service model. AMCE is a project to investigate how else RATA can support councils in strong asset management.

During the period Co-Lab worked with councils to complete the Discovery Phase of the AMCE investigation and the Board agreed the initiative warranted further investigation. Subsequently, six councils (to date) have indicated a desire to be involved and now jointly fund the project. These councils are assisting Co-Lab directly in investigating how RATA can best assist in the following areas of asset management:

- Community Asset Management (parks, reserves, building and 'other' facilities).
- Management and advisory services (assisting with analysis, valuations, renewal programmes, reporting and recommendations for improved practice).
- Joint procurement (to reduce duplication in contract administration and take advantage of regional buying power).

Co-Lab Learning (CLL)

CLL is Co-Lab's latest shared service offering. CLL will create efficiencies in delivering council staff with improved opportunities for personal growth. The councils will agree on common learning outcomes in a particular area, and then Co-Lab will develop learning material that delivers on those outcomes, and increase regional learning opportunities.

Ten councils have chosen to participate in CLL. They will benefit from:

- a) A mechanism to collaborate with other councils on learning & development;
- b) Learning event opportunities (physical and virtual) for their staff;
- c) e-Learning modules informed by council requirements;
- d) Access to content other councils have already developed; and
- e) Dedicated staff supporting them.



During the period, our focus in preparing for the launch of this new service has included partnering with Hamilton City Council, who will support Co-Lab to deliver the service, recruiting and on-boarding new staff, and preparing the first learning opportunities for delivery in early 2023. The Implementation Phase of the project is nearing a successful completion.

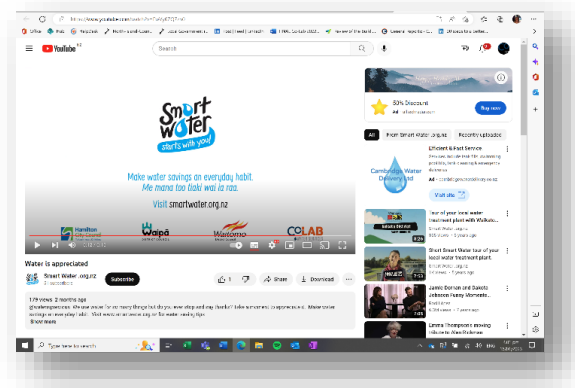
Building Consent Cadetship

Building on work from the Building Consent Shared Service investigation, this project aims to establish a regional approach to recruiting and developing new cadets that are employed as a Building Control Officer to grow the skilled workforce available to Building Control Authorities. The project has delivered the initial investigation into the problem and is now looking to establish options for solutions to be shared in early February.

Service Delivery

Co-Lab Water Services

In addition to continuing a high level of service over the period, highlights for the team included raising the region's profile and sharing knowledge at industry events – the Trade and Industrial Waters Forum conference and Water NZ conference. At the former event, the team gave an informative presentation about how Co-Lab Water Services operates across the Waikato. Ross Wightman, Senior Trade Waste Officer, won an Environment Champion award for some of his work with Rotorua Lakes Council. Ross also contributed to the Rats in your Sewer paper, which won Paper of the Water NZ Conference in October 2022.



Michelle Templeton, Smart Water Coordinator, presented at the Water NZ conference speaking about the Smart Water campaign. An article was published in the Water NZ magazine on “The value of water”, generating a national narrative about how we can build water literacy and a water conservation ethic amongst Kiwis.

In August, Geraldine McHaffie, Sampling & Analysis Team Leader went to Watercare acting as a Technical Assessor for IANZ to help them audit Watercare's accredited sampling processes.

The team also created a new [“Water is appreciated” video](#) which asks people to stop and take a moment to appreciate water and make water savings an everyday habit.

Smart Water attended the Your Neighbourhood event in Civic Square, Hamilton in October. This was a busy event where the team interacted with approximately 180 people and over 50 people took our public pledge to do one thing to save water over the summer.

New Drinking Water Rules came into effect in November 2022 and the Sampling & Analysis team have reviewed all intended schedules as a result of the changes.

Waikato Building Consent Group

Co-Lab has worked with the eight councils of the Waikato Building Consent Group (WBCG) to initiate and progress two significant projects over the period. Firstly, the redesign of the group's Quality System Manual and auditing regime focuses on simplifying the quality manual, making it more fit for purpose for use across the group and easier to adopt, implement and maintain for BCAs. The manual is currently in draft form waiting for the approval of the WBCG Technical Committee before implementation. The adoption of the new quality manual and auditing regime has been supported by establishing a Quality Hub with participating councils. The group of BCA Quality representatives has continued to meet monthly to discuss consistencies and process with a view to using the outcomes from internal audits to direct future continuous improvement opportunities.

Secondly, the WBCG has been central to the Building Consent Cadetship investigation noted earlier.

RATA

RATA has continued work with the ten Waikato councils in the roading partnership and nine in the water collaboration partnership.

For the roading councils, highlights included the appointment of a professional service provider for the long-term modelling of road pavements which will inform maintenance and rehabilitation strategies for the next Long Term Plan and beyond. An emerging initiative is the use of JunoViewer as a shorter-term pavement management tool, and to-date Waipa, Otorohanga, Hauraki and Waitomo have joined the RATA initiative where discounted licencing fees have been negotiated for RATA councils.

RATA has two contracts for inspections of bridges and other structures. The contracts support councils to manage their structural assets and provide the required level of service. The contracts help councils plan for the maintenance and replacement of those structures. These contracts have been retendered and for more information see the procurement section below.

The team continues to support council roading teams as the temporary traffic management guidelines across the country transition to a new regime.

The current professional service contracts for data collection (traffic counting, visual pavement inspections, etc) are due to expire at the end of this financial year. Procurement activities are underway with partner councils confirming the scope of the replacement contracts, and there has been good engagement with councils through multiple workshops.

Water Collaboration has been difficult in the first half of the year. This has been triggered by the Department of Internal Affairs (DIA) becoming more prescriptive around work programmes and intended outcomes. The greatest impact has been on the innovative water data quality dashboard, as the DIA will be replacing this with their preferred alternative. Funds set aside for this initiative have been redirected to more pressing and immediate priorities including the upskilling of water compliance officers and development of reporting systems and templates because of new Taumata Arowai requirements around water quality.

RATA's knowledge sharing initiatives continue to be well received, especially the forum events for roading and water asset managers.

Improving how we report RATA activities to partner councils, and the use of interactive quarterly reports has been positively received.



Waikato Regional Transport Model (WRTM)

The WRTM programme has concentrated on ongoing updates to the WRTM strategic model and planning for the procurement of the new Hamilton Transport Model (HTM).

The success of the base models (based on 2018 census) last financial year led to the development of future scenario models for 2025, 2035, 2045, 2055, 2065. However, the WRTM strategic model updates are progressing very slowly due to the lack of information from partner organisations regarding their future network plans - a critical input into the future scenario models. Another setback has been the availability of public transport data to enable this component of the strategic model.

Other strategic model improvements include the development of a visualisation tool to assist partner organisations with easy access to model inputs and outputs, and testing of the ability to model transport emissions successfully.

The HTM preparations are ongoing including engagement with subject matter experts and potential service suppliers to confirm the scope of the HTM. Critical to this has been the support of the WRTM professional service suppliers to project manage, peer review, and provide specialist technical advice. Our procurement approach has been staged. This year to-date has included a request for information (RFI) to establish the level of interest and capability in the industry, followed by an advertised registration of interest (ROI), from which we received submissions from four service providers. The ROI was evaluated resulting in a short list of two preferred suppliers. A request for proposals (RFP) will be tendered early in 2023.

Throughout the period, the team also focused on addressing the out-of-date partner funding agreement. We have received limited feedback on the draft agreement from partner organisations which poses a risk. Further work on this and an interim agreement covering HTM will be prioritised, as it is critical for the establishment of the HTM.

In parallel, an investigation into the WRTM governance and management structures required to realise the programme's full potential is underway.

Co-Lab Geospatial Services

In July 2022, Co-Lab Geospatial Services (CoGS) was established as an umbrella for the Waikato Data Portal and Waikato OneView. Launched in 2019, the Waikato Data Portal is endorsed by all twelve Waikato councils and provides a mechanism through which council data is made available to the community. In 2021 seven councils in the region collaborated to launch a single web map viewer, Waikato OneView, which presents merged spatial data. Datasets currently available display three waters services, property related data and community and recreation information.

During the period, the team focused on preparation and approval of a workstream budget, appointment of required resourcing and the establishment of an Advisory Group. There was also a strategic planning session with council stakeholders. The vision and strategic objectives of the service will be confirmed by the Advisory Group in early 2023, along with an operational plan to implement the strategy. It has already been recognised that there are opportunities to maximise the value of these tools by increasing their data sets and growing the public's awareness of their benefits.

Procurement

There have been two key outcomes for Co-Lab Procurement during the period: SAMS and CPS.

Structure Asset Management Services (SAMS) is the new name for the retender of two RATA bridge inspection contracts. The contracts were renamed to reflect that they cover more than bridges and inspections. The service aims to provide participating councils with technical information and advice to ensure:

- Structures are maintained in a safe and serviceable condition
- Risks are fully understood, documented, and managed
- Capital works and major maintenance items are identified and programmed so that funding can be made available at the right time.

The number of participating councils has increased from six to nine. The procurement strategy of allocating councils to contract packages as part of the evaluation process was successful in that it was more flexible and maintained competitive tension compared to creating contract packages in advance of

the procurement. This strategy also achieved its objective of introducing a third supplier into this market and the result was of significant value to the participating councils.

Council Procurement Support (CPS) is a new service offered by Co-Lab. Some councils are not large enough to warrant a dedicated procurement resource so Co-Lab has recruited a procurement advisor who, amongst other things, spends one day a week working for Ōtorohanga, Thames-Coromandel, and Waitomo councils. The procurement advisor helps by providing procurement and tendering advice, coaching and mentoring council staff, checking compliance, undertaking reviews, and otherwise monitoring procurement performance.

During the period, Co-Lab conducted a health check of the current state of procurement in the three councils, identified various recommendations, and agreed a prioritised list of actions for the coming year.

Performance framework



Assessment of performance against targets

An update on performance against the targets set in our Statement of Intent, as at 31 December 2022, is shown in the table below.

Priority	Performance measure	Target	Outcome (progress toward target)
Prioritise and develop business cases for opportunities that, if implemented, add value to councils by achieving one or more of our objectives	➤ Business cases will include measurable benefits linked to one or more of the outcomes sought	Projected savings/increased revenue to councils of at least \$300k	Various opportunities advanced during the first six months of the financial year. Those opportunities included: <ul style="list-style-type: none"> ➤ The first initiative under the Customer Digital Enablement programme ➤ The Asset Management Centre of Expertise ➤ Learning & Development Shared Services (LDSS) implementation ➤ Shifting Landscapes ➤ WBCG Regional Building Consent Cadets By their nature, some of these opportunities do not lend to readily quantifiable benefits – for example, Shifting Landscapes. The other projects are under development and yet to reach a point of determining quantifiable benefits (LDSS benefits were reported in the 2021 Annual Report)
	➤ Businesses cases are supported by councils (evidenced by take up of the opportunity)	75% of councils	Unable to measure: No final proposals have been put to councils during the period. One project did reach a key council decision point. The Asset Management Centre of Expertise 'signature' investigation project successfully attracted financial commitment from six councils.
Develop opportunities and deliver projects within agreed budgets and timelines	➤ Opportunities / projects are developed / delivered within agreed timelines	80%	0% Two projects had timelines predicting completion in the 6 months to 31/12/22. The LiDAR project was scheduled to finish in 2022. Although this was not achieved, the data quality is now close to meeting LINZ specifications. The project is now expected to finish by Q2 2023. The Registrations of Interest (ROI) phase of the Customer Digital Enablement (CDE) project was scheduled to finish in 2022. The ROI has been completed, however the key milestone for the phase will not be complete until councils

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Priority	Performance measure	Target	Outcome (progress toward target)
			have decided to progress. This did not happen in 2022 as hoped.
	➤ Opportunities / projects are developed / delivered, within approved budget	90%	No projects were concluded during the six-month period.
	➤ Overall, Company Management / Support functions will be undertaken within budget, unless additional expenditure has board pre-approval		Actual expenditure for Company Management and Support functions is slightly unfavourable to that budgeted for the period but is forecast to be within budget across the entire year.
Ensure projects realise their expected benefits	➤ Measurable benefits are actively monitored and reported against	Six-monthly	Management presented one "Project Benefit Assessment" to the Audit & Risk Committee (ARC) during the period. The assessment covered the SAMS contracts. The ARC also agreed the next three assessments to be undertaken.
	➤ Audit & Risk Committee undertake an assessment of projects following implementation (which will include an assessment of whether projected benefits have been realised)	For \$200k+ Projects (based on cost of opportunity development and ongoing investment) Assessment within 15 months 90% of projected quantifiable benefits are realised	The SAMS Benefit Assessment estimates quantifiable benefits of ~\$500k will accrue to councils from the new contracts. Anticipated quantifiable benefits were not quantified ahead of the procurement. In addition, several other non-quantifiable benefits are expected to flow from the arrangements in place.

Priority	Performance measure	Target	Outcome (progress toward target)
Ensure existing services are meeting the needs of councils	<p>➤ The services we provide (below) are considered by councils who use that service to meet or exceed their expectations (evidenced by an annual survey):</p> <ul style="list-style-type: none"> ○ RATA – roading & waters ○ Waikato Building Cluster ○ Regional Infrastructure Technical Specifications ○ Energy & Carbon Management ○ Professional Services Panel ○ Health & Safety pre-qualification 	80% of councils	Not currently measurable: As in the prior year we will be undertaking a survey of council staff in the first half of 2023 to ensure each service offering is continuing to meet the needs of councils.
Foster and promote cross-council collaboration and networking to share ideas on improving efficiencies and best practice	<p>➤ Across these groups, ideas for future consideration and/or initiatives are identified each year</p>	Four per annum	<p>Health & Safety Managers had a planning day from which four new collaborative initiatives were identified and are being progressed.</p> <p>Procurement Managers continue to be involved in several joint procurements (DX Mail, RATs kits, SAMs).</p> <p>Three councils expressed interest in access to a central procurement resource. This initiative has been implemented and the Co-Lab Procurement Advisor has developed health checks for each of the councils involved to direct focus in 2023.</p> <p>Co-Lab has facilitated the establishment of a new Communications & Engagement working party.</p>

Co-Lab's financial position

Summary

The financial results for the six months to 31 December 2022 are favourable to budget. This has occurred because some projects have progressed more slowly than planned meaning less expenditure arose during the period, and because of the sequencing of invoicing. For the full year we are currently forecast to be slightly ahead of budget.

The cash position is:

	Cash balance @ 1/07/2022	Cash surplus / (deficit)	Cash balance @ 31/12/2022
Company Management & Support	(250,852)	44,056	(206,795)
RITS	69,189	12,800	81,989
Working Parties Projects	248,895	211,999	460,895
Information Technology	20,052	6,560	26,612
Energy Management	86,325	14,530	100,855
Shared Valuation Data Service (SVDS)	439,129	28,928	468,057
Road Asset Technical Accord (RATA) & Waters Collaboration	324,538	(228,429)	96,109
Waikato Regional Transport Model (WRTM)	276,362	449,875	726,236
Waikato Building Consent Group (WBCG)	266,242	172,650	438,892
Mayoral Forum	(16,124)	3,934	(12,190)
Co-Lab Water Services	437,476	430,305	867,781
Co-Lab Learning	(4,637)	(66,580)	(71,217)
Procurement	0	(65,406)	(65,406)
Geospatial Services	0	101,353	101,353
Accounts Receivables	(1,119,406)	(1,494,540)	(2,613,946)
Accounts Payables	1,794,807	(255,886)	1,538,922
Total	2,571,996	(633,851)	1,938,145

Note: Cash balances for each workstream vary from the actual cash position as a result of accounts receivable / payable which are not tracked on an activity by activity basis.

We will be reforecasting in March and will reassess the likely year-end cash position for each workstream at that time and take this into account in the company's finalised Statement of Intent issued in June 2023.

Statement of financial performance

Co-Lab Statement of Financial Performance For the six months ending 31 December 2022			
	Financial year 2023 YTD Actuals	Financial year 2023 YTD Budget	Financial year 2022 YTD Actuals
Revenue			
SVDS Data & Software Sales	166,810	204,338	179,809
Interest	121	1,000	7
Other Revenue			
User Charges	4,757,252	5,602,322	5,228,851
Total Other Revenue	4,757,252	5,602,322	5,228,851
Total Revenue	4,924,183	5,807,660	5,408,667
Expenditure			
Depreciation and amortisation expense	21,183	23,069	13,761
Personnel costs	717,025	890,225	404,373
Other expenses	3,054,470	4,981,197	2,611,574
Total Expenditure	3,792,678	5,894,491	3,029,708
Net Profit	1,131,505	(86,830)	2,378,959

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Statement of financial position

Co-Lab Statement of Financial Position As at 31 December 2022		
	Financial year 2023 Actual at 31/12/2022	Financial year 2022 Actual at 31/12/2021
Assets		
Current Assets		
Bank		
Call Account	29,123	28,989
Transaction Account	1,909,021	2,101,214
Total Bank	1,938,145	2,130,203
Accounts Receivable		
Accounts Receivable	659,483	765,740
Accounts Receivable Accruals	1,952,105	2,208,020
Total Accounts Receivable	2,611,588	2,973,760
Prepayments	0	0
Deferred Tax Asset	2,358	3,091
Total Current Assets	4,552,091	5,107,054
Non-current Assets		
SVDS - Original Cost	0	0
WRTM - Original Cost	2,296,855	2,296,855
MoneyWorks Software	1,195	1,195
IT equipment	79,240	40,455
Accumulated Depreciation	(2,333,889)	(2,294,613)
Office Furniture	66,169	11,821
Total Non-current Assets	109,570	55,713
Total Assets	4,661,661	5,162,768
Liabilities		
Current Liabilities		
Accounts Payable		
Accounts Payable	451,819	561,345
Accounts Payable Accrual	25,409	709
Total Accounts Payable	477,228	562,054
RWT on Payments	11,413	1,513
Credit Card Balance	3,633	2,962
Revenue in Advance	880,462	722,563
Employee Entitlements	75,298	21,967
GST	90,887	33,184
Total Current Liabilities	1,538,922	1,344,242
Total Liabilities	1,538,922	1,344,242
Net Assets	3,122,739	3,818,526
Equity		
Contributed Capital	2,957,001	2,957,001
Retained Earnings	165,738	861,525
Total Equity	3,122,739	3,818,526

Statement of cashflows

Co-Lab

As at 31 December 2022

For the six months ending 31 December 2022

	Financial year 2023 YTD Actuals	Financial year 2022 YTD Actuals
Cashflows from Operating Activities		
Interest Received	121	(16)
Receipts from Other Revenue	3,482,790	4,199,560
Payments to Suppliers and Employees	(4,184,530)	(3,786,763)
Taxes Paid	9,900	0
Goods & Services tax (net)	96,339	(69,783)
Net cash from operating activities	(595,380)	342,999
Cashflows from Investing Activities		
Capital enhancements	0	0
Purchase of PPE	(36,112)	(15,060)
Purchase of investments	0	0
Net cash from investing activities	(36,112)	(15,060)
Net increase in cash, cash equivalents and bank accounts	(631,493)	327,939
Opening cash and cash equivalents and bank overdrafts	2,569,637	1,802,263
Closing cash, cash equivalents and bank accounts	1,938,145	2,130,202
Summary of Bank Accounts		
BNZ - Call a/c	29,123	28,989
BNZ - Transaction Account	1,909,021	2,101,214
Closing Balance of Bank	1,938,145	2,130,203

Policies

The accounting policies on which the preceding financial statements have been prepared are consistent with those used in preparing the Financial Statements for the year ended 30 June 2022, included in the company's Annual Report.

Financial forecasts

Latest financial forecasts are contained in the company's 2023 Statement of Intent issued for shareholder comment in February 2023.

Governance

Co-Lab is owned in equal portion by 12 Local Authorities:

- Hamilton City
- Hauraki District
- Matamata-Piako District
- Ōtorohanga District
- Rotorua Lakes
- South Waikato District
- Thames-Coromandel District
- Waikato District
- Waikato Regional
- Waipā District
- Waitomo District
- Western Bay of Plenty District

During the period, the Directors of Co-Lab were:

Director	Representing
Peter Stubbs	Independent Chair
Chris McLay	Waikato Regional Council
Lance Vervoort	Hamilton City Council
Ben Smit	Ōtorohanga, Rotorua, South Waikato and Waitomo District Councils
Gavin Ion	Waikato and Waipa District Councils
Don McLeod	Hauraki, Matamata-Piako, Thames-Coromandel District and Western Bay of Plenty District Council

Peter Stubbs' appointment as Independent Chair was renewed for a further three years from 1 July 2022.

The independent Chair of Co-Lab receives director fees and reimbursed expenses. Directors representing the councils will not receive any fees or reimbursed expenses for work undertaken on behalf of the company.

Nature & scope of activities

The principal initiatives operating under the Co-Lab umbrella are:

- Co-Lab Water Services (CWS)
- Co-Lab RATA
- Co-Lab Learning
- Energy & Carbon management
- Health & safety pre-qualification
- Council Procurement Support and joint procurement initiatives
- LiDAR (Light Detection and Ranging) technology
- Regional Infrastructure Technical Specifications (RITS)
- Shared Valuation Data Services (SVDS)
- Waikato Building Consent Group (WBCG)
- Co-Lab Geospatial Services: Waikato Data Portal and Waikato One View
- Waikato Regional Aerial Photography Service (WRAPS)
- Waikato Regional Infrastructure Procurement (WRIP)
- Waikato Regional Transportation Model (WRTM)

Information on these activities is included in the company's Statement of Intent.

10 INFORMATION FOR RECEIPT**11 RESOLUTION TO EXCLUDE THE PUBLIC****RESOLUTION TO EXCLUDE THE PUBLIC****RECOMMENDATION**

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter 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 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
11.1 - Confidential Risk and Assurance Report May 2023	s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
11.2 - Outstanding Recommendations Register May 2023	s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
11.3 - Litigation Update and Issues Watch Register May 2023	s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

	disadvantage, commercial activities	
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