

Mā tō tātou takiwā  
**For our District**

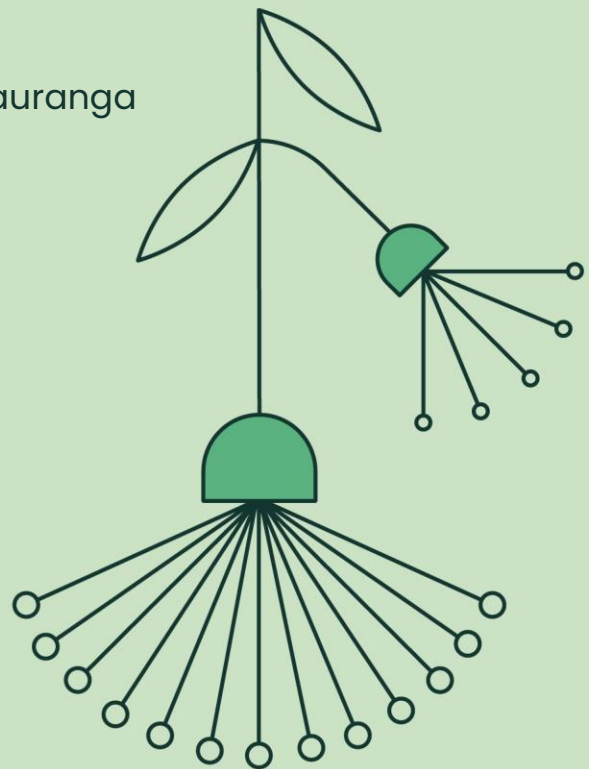
## **Audit, Risk and Finance Committee**

Kōmiti Arotake Tūraru me Ahumoni

ARF23-4

Tuesday, 7 November 2023, 9.30am

Council Chambers, 1484 Cameron Road, Tauranga



# Audit, Risk and Finance Committee

## Membership:

<b>Chairperson</b>	Cr Murray Grainger
<b>Deputy Chairperson</b>	Cr Tracey Coxhead
<b>Members</b>	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
<b>Quorum</b>	Seven (7)
<b>Frequency</b>	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 Councils 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, 7 November 2023 at 9.30am

## Order Of Business

<b>1</b>	<b>Karakia</b> .....	<b>6</b>
<b>2</b>	<b>Present</b> .....	<b>6</b>
<b>3</b>	<b>In Attendance</b> .....	<b>6</b>
<b>4</b>	<b>Apologies</b> .....	<b>6</b>
<b>5</b>	<b>Consideration of Late Items</b> .....	<b>6</b>
<b>6</b>	<b>Declarations of Interest</b> .....	<b>6</b>
<b>7</b>	<b>Public Excluded Items</b> .....	<b>6</b>
<b>8</b>	<b>Public Forum</b> .....	<b>6</b>
<b>9</b>	<b>Presentations</b> .....	<b>7</b>
9.1	Bancorp Treasury Update and Presentation.....	7
9.2	AON Insurance Renewal Update .....	8
<b>10</b>	<b>Reports</b> .....	<b>9</b>
10.1	Western Bay of Plenty District Council's Rating from Standard and Poor's - September 2023.....	9
10.2	Procurement Principles .....	18
10.3	Health and Safety Report - September 2023.....	24
10.4	Risk and Assurance Report November 2023 .....	31
10.5	Financial Performance Update Quarterly Report 30 September 2023 .....	52
10.6	Emergency Works Procedural Audit of Western Bay of Plenty District Council.....	71
<b>11</b>	<b>Information for Receipt</b> .....	<b>81</b>
11.1	Audit, Risk and Finance Committee Work Programme .....	81
<b>12</b>	<b>Resolution to Exclude the Public</b> .....	<b>84</b>
12.1	Audit New Zealand Update .....	84
12.2	Outstanding Recommendations Register November 2023 .....	84
12.3	Litigation and Issues Watch Register Update November 2023.....	84
12.4	2022-23 DRAFT Annual Report.....	84

**1 KARAKIA**

Whakatau mai te wairua  
Whakawātea mai te hinengaro  
Whakarite mai te tinana  
Kia ea ai ngā mahi

Settle the spirit  
Clear the mind  
Prepare the body  
To achieve what needs to be  
achieved.

Āe

Yes

**2 PRESENT**

**3 IN ATTENDANCE**

**4 APOLOGIES**

**5 CONSIDERATION OF LATE ITEMS**

**6 DECLARATIONS OF INTEREST**

**7 PUBLIC EXCLUDED ITEMS**

**8 PUBLIC FORUM**

## 9 PRESENTATIONS

### 9.1 BANCORP TREASURY UPDATE AND PRESENTATION

**File Number:** A5757895

**Author:** Jackson Jury, Financial Analyst

**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

That the presentation provided by Bancorp Treasury on 7 November 2023, be received.

## 9.2 AON INSURANCE RENEWAL UPDATE

**File Number:** A5730444

**Author:** Azoor Ali, Chief Financial Officer

**Authoriser:** Adele Henderson, General Manager Corporate Services

### EXECUTIVE SUMMARY

AON Insurance will be in attendance to give a presentation on:

- Aftermath and Market Expectations;
- The types of insurance cover Western Bay of Plenty District Council (“WBOPDC or the Council”) has purchased via our insurance brokers AON. AON will cover each of insurance policy types and what the policy covers;
- WBOPDC cover and opportunities identified for improvement to have adequate cover; and
- Renewal Premium Summary.

### RECOMMENDATION

That the presentation provided by AON Insurance on 7 November 2023, be received.

### BACKGROUND

1. The insurance programme is regarded as a risk management tool to mitigate financial losses for WBOPDC with associated unforeseen and significant adverse events occurring.
2. The insurance world’s view of New Zealand’s risk profile has changed. One effect on Council is that its insurance costs overall have increased.
3. Obvious questions arise about the financial sustainability of these premium prices and the alternatives such as not fully insuring or self-insuring need to be considered. Any change in approach to partial or full self-insurance is a significant one.



## 10 REPORTS

### 10.1 WESTERN BAY OF PLENTY DISTRICT COUNCIL'S RATING FROM STANDARD AND POOR'S – SEPTEMBER 2023

**File Number:** A5772419

**Author:** Jackson Jury, Financial Analyst

**Authoriser:** Adele Henderson, General Manager Corporate Services

#### EXECUTIVE SUMMARY

1. The purpose of this report is to update the Elected Members on Standard and Poor's (S&P) rating of Western Bay of Plenty District Council as of 27 September 2023.

#### RECOMMENDATION

That the Financial Analyst's report dated 7 November 2023, titled 'Western Bay of Plenty District Council's Rating from Standard and Poor's for 2023', be received.

#### BACKGROUND

On 27 September 2023, S&P Global Ratings affirmed its 'AA' long-term and 'A-1+' short-term issuer credit ratings on Council and the outlook on the long-term rating is stable.

The positive outlook reflects S&P's expectation that Council will continue to prudently manage its budgetary performance and debt levels over the next two years amid higher capital expenditure (capex).

For more detail on the analysis of Council's rating, the S&P report is included as **Attachment 1**. Of note, some key points are:

- Western Bay has credible and well-established fiscal processes. To offset some inflationary pressures, the council increased general property rates by more than 7% for 2024. This was more than its self-imposed limit of 4% outlined in its financial strategy.
- Western Bay maintains a strong liquidity position, with a debt-service coverage ratio of 172% for the next 12 months.
- We expect Western Bay's after-capital account deficit to widen to 12.9% from 2024 to 2026, averaging 9% from 2022 to 2026. The wider deficit reflects the council's push to increase investments in water and transport infrastructure to support the district's fast-growing population. While currently manageable within the current

rating level, it marks a shift from the council's previous after-capital account surpluses of about 9% of total revenue on average from 2013 to 2021.

## ATTACHMENTS

1. **Western Bay of Plenty District Council S&P Rating 27 September 2023**  



Research Update:

## Western Bay Of Plenty District Council 'AA/A-1+' Ratings Affirmed; Outlook Stable

September 27, 2023

### Overview

- Western Bay of Plenty District Council will incur large after-capital account deficits as it increases infrastructure spending. As a result, the council's debt and interest costs could rise modestly, reversing from recent downward trends.
- The credit profile of the New Zealand-based council remains strong, underpinned by its financial management, exceptional liquidity coverage, and institutional settings.
- We affirmed our 'AA' long-term and 'A-1+' short-term issuer credit ratings on Western Bay.
- The outlook on the long-term rating is stable.

### Rating Action

On Sept. 28, 2023, S&P Global Ratings affirmed its 'AA' long-term and 'A-1+' short-term ratings on Western Bay. The outlook on the long-term rating is stable.

### Outlook

The stable outlook reflects our expectation that Western Bay will continue to prudently manage its budgetary performance and debt over the next two years amid higher capital expenditure (capex).

### Downside scenario

Downward pressure on the ratings could emerge if Western Bay's liquidity coverage deteriorates structurally to less than 120% of upcoming debt service. Alternatively, we could lower the ratings if the council's fiscal metrics weaken because the council displays less ability to raise revenue or reduce expenditure than we believe it can.

#### PRIMARY CREDIT ANALYST

**Anthony Walker**  
Melbourne  
+ 61 3 9631 2019  
anthony.walker  
@spglobal.com

#### SECONDARY CONTACT

**Deriek Pijls**  
Melbourne  
+61 396312066  
deriek.pijls  
@spglobal.com

**Research Update: Western Bay Of Plenty District Council 'AA/A-1+' Ratings Affirmed; Outlook Stable**

### Upside scenario

We could raise our ratings on Western Bay if the council's budgetary performance is significantly better than our forecasts, reducing debt and interest relative to operating revenue. This could cause us to reassess our view of its financial management. The "Affordable Waters" Reforms is an instance that could cause Western Bay's budgetary performance and debt to improve.

### Rationale

Western Bay, like many domestic peers, is facing inflationary pressure on its budget. The council increased its capex in 2023 and is still increasing it. As a result, its after-capital account deficits could widen to an average of 12.9% of total revenue between 2024 and 2026. Furthermore, higher debt and interest rates could push Western Bay's average interest expenses to more than 5% of operating revenue by 2025.

The weakening of Western Bay's financial position follows a decade of exceptionally strong fiscal outcomes. The council's after-capital account averaged surpluses of more than 9% of total revenue between 2013 and 2022. During this period, the council reduced its debt by more than 200% of operating revenue. Debt dropped to 68% of operating revenue in 2022.

Our base case excludes the potential effect of the Crown government's (New Zealand sovereign) proposed Affordable Waters reforms. The reform program, as currently envisaged, could see responsibility for drinking water, wastewater, and stormwater assets taken away from Western Bay from October 2025. The reforms are still under development and are subject to Crown elections in October 2023.

### **New Zealand's institutional settings and Western Bay's management support the council's creditworthiness.**

The institutional framework within which New Zealand local governments operate is a key factor supporting Western Bay's credit profile. We believe this framework is one of the strongest and most predictable globally. It promotes a robust management culture, and high levels of financial disclosure. The framework allows New Zealand councils to support higher debt levels than some international peers can tolerate at similar ratings.

Western Bay has credible and well-established fiscal processes. To offset some inflationary pressures, the council increased general property rates by more than 7% for 2024. This was more than its self-imposed limit of 4% outlined in its financial strategy.

Western Bay prepares long-term plans every three years, annual plans in the intervening years, and audited annual reports, in line with New Zealand's requirements. The council's treasury policy sets internal limits on borrowing, liquidity, and interest-rate risk. The council recently breached its hedging policies in the lead up to the potential Affordable Waters reforms which could shift debt to third-party entities. This strategy could increase interest-rate risks for Western Bay, particularly if rates rise or remain elevated for a long period, and the reforms do not proceed as envisaged.

The performance of Western Bay's agricultural sector bolsters its economy, which has lower exposure to the tourism and education sectors than domestic peers. Tourism and education sectors have been struggling since the onset of the COVID-19 pandemic. Agriculture, forestry, and fishing dominate the region's economy. They make up about 20% of the district's economic output. The region grows about 80% of New Zealand's kiwifruit.

[www.spglobal.com/ratingsdirect](http://www.spglobal.com/ratingsdirect)

September 27, 2023 2

**Research Update: Western Bay Of Plenty District Council 'AA/A-1+' Ratings Affirmed; Outlook Stable**

Western Bay has a population of about 59,700. We expect this to grow steadily, given the district's proximity to the land-constrained Tauranga city. Tauranga is one of the fastest-growing metropolitan areas in New Zealand.

According to data from New Zealand's Ministry for Business, Innovation, and Employment (MBIE), Western Bay's population has been increasing by 3.3% a year since 2013. The district had GDP per capita of NZ\$44,000 for the year to March 2020, according to MBIE. This figure is the latest available and was lower than New Zealand's national average of NZ\$63,556 during the period. Some 22.4% of Western Bay's residents were aged 65 and above as of June 2021, compared with the national average of 16%.

**Higher infrastructure spending will result in after-capital account deficits and higher debt; liquidity is exceptional despite this.**

We expect Western Bay's after-capital account deficit to widen to 12.9% from 2024 to 2026, averaging 9% from 2022 to 2026. The wider deficit reflects the council's push to increase investments in water and transport infrastructure to support the district's fast-growing population. While currently manageable within the current rating level, it marks a shift from the council's previous after-capital account surpluses of about 9% of total revenue on average from 2013 to 2021.

We expect Western Bay to spend NZ\$64 million on capex a year between 2024 and 2026. The council could materially underdeliver its capital budget for 2024, which is roughly twice the amount spent in 2023. It spent NZ\$54 million on infrastructure in 2023, 27% higher than the previous year. Like many domestic peers, planning and approval delays, and capacity constraints (including labor shortages) could hamper the infrastructure rollout.

Western Bay has a strong operating balance, although the balance narrowed to 16% of operating margins in 2023. We forecast margins will improve to about 20% from 2025 following a pickup in property rates and grants, and lower inflation. The council's operating margins averaged 27% of operating revenue over 2015-2022. This helped to drive exceptional strong fiscal outcomes during the period.

Western Bay has been demonstrating stronger budgetary flexibility than its domestic and global peers, in our view. The council raised property rates for 2024 by more than 7% over its 4% self-imposed limit. It derives about 85% of its revenues from rates, fees, and user charges and can delay some capex to aid financial outcomes.

Western Bay maintains lower debt than domestic peers, although the debt is moderate in a global context. Because of softer operating margins and higher infrastructure spending, we expect the total tax-supported debt of the council to increase to about 116% of operating revenue in 2026, from 68% in 2022.

Rising interest expenses have increased the debt burden of Western Bay. In our estimation, interest expense could exceed 5% of operating revenue in 2025. This reflects rising debt and the council's hedging policy. Still, the council has very low contingent liabilities, with little exposure to council-controlled organizations and adequate insurance coverage.

Western Bay maintains a strong liquidity position, with a debt-service coverage ratio of 172% for the next 12 months. The council also maintains access to the New Zealand Local Government Funding Agency (LGFA). It had about NZ\$15 million in cash at end-2023 to cover NZ\$15 million of term debt maturities and about NZ\$5.6 million of interest. Western Bay currently has no commercial paper outstanding and has unutilized bank facilities of NZ\$30.6 million.











## 10.2 PROCUREMENT PRINCIPLES

**File Number:** A5573423

**Author:** Azoorah Ali, Chief Financial Officer

**Authoriser:** Adele Henderson, General Manager Corporate Services

### EXECUTIVE SUMMARY

The purpose of this report is to provide approve the updated Procurement Principles that provide for broader outcomes to be achieved.

### RECOMMENDATION

1. That the Chief Financial Officer's report dated 7 November 2023 titled 'Procurement Principles' be received.
2. That the report relates to an issue that is considered to be of low significance in terms of Council's Significance and Engagement Policy.
3. That the Audit, Risk and Finance Committee approve the updated Procurement Principles contained in this report.

### BACKGROUND

1. Western Bay of Plenty District Council procures goods, services, and works. This provides an opportunity to influence and impact supplier markets, and the people working and living in those markets.
2. Adopting Procurement Principles across Council is an enabler to drive positive change to achieve our community outcomes and focus on our Strategic Priorities, to provide better outcomes for all.
3. We are committed to procurement that has positive social, cultural, economic, and environmental impacts.
4. When we procure in this way, we are also building trust and a license to operate with our communities.

### PROCUREMENT PRINCIPLES

5. The following Procurement Principles will form the basis of our procurement process:
  1. Plan and manage for great results;
  2. Fair to all suppliers;
  3. Get the right supplier;
  4. Get the best deal for everyone; and

## 5. Play by the rules.

These are further explained below.

### 1. Plan and manage for great results

- Identify what is needed, including appropriate broader outcomes and then plan how to get it.
- Team set up with right skills and experience (include partners and tangata whenua).
- Involve suppliers early – let them know what is wanted and keep talking.
- Take time to understand the market and our effect on it. Open to new ideas and solutions.
- Choose the right process – proportional to the size, complexity and risks.
- Encourage e-business (e.g. online communication, tenders).
- Actively target local businesses, including Maori and social enterprises.

### 2. Fair to all suppliers

- Create competition and encourage capable suppliers to respond.
- Treat all suppliers equally – do not discriminate.
- Make it easy for all suppliers to (small and large) to do business with Council.
- Be open to subcontracting opportunities in big projects.
- Clearly explain how proposals will be assessed – so suppliers know what to focus on.
- Talk to unsuccessful suppliers – develop learning and know how to improve next time.

### 3. Get the right supplier

- Be clear about what is needed, and fairly assess suppliers – do not string suppliers along.
- Choose the right supplier who can deliver what is needed, at a fair price and on time.
- Choose suppliers that align with the Council's values.
- Build demanding, but fair and productive, relationships with suppliers.
- Make it worthwhile for suppliers – encourage and reward them to deliver great results.
- Identify relevant risks and get the right person to manage them.

#### 4. Get the best deal for everyone

- Get best public value – account for all costs and benefits over the lifetime of the outcomes.
- Make balanced decisions – consider the possible social, environmental, economic effects and cultural outcomes that should be achieved.
- Encourage and be receptive to new ideas and ways of doing things – do not be too prescriptive.
- Take calculated risks and reward new ideas.
- Have clear performance measures – monitor and manage to make sure there are great results.
- Work with suppliers to make ongoing savings and improvements.
- It is more than just agreeing the deal – be accountable for the results.

#### 5. Play by the rules

- Be accountable, transparent and reasonable.
- Make sure everyone involved in the process acts responsibly, lawfully and with integrity.
- Stay impartial – identify and manage conflicts of interest.
- Protect suppliers' commercially sensitive information and intellectual property.

### **SIGNIFICANCE AND ENGAGEMENT**

6. The Local Government Act 2002 requires a formal assessment of the significance of matters and decision in this report against Council's Significance and Engagement Policy. In making this formal assessment there is no intention to assess the importance of this item to individuals, groups, or agencies within the community and it is acknowledged that all reports have a high degree of importance to those affected by Council decisions.
7. The Policy requires Council and its communities to identify the degree of significance attached to particular issues, proposals, assets, decisions, and activities.
8. In terms of the Significance and Engagement Policy this decision is considered to be of low significance.

### **ENGAGEMENT, CONSULTATION AND COMMUNICATION**

9. Following the approval of the new Procurement Principles, staff will revise the procurement policy, procedures and templates to align with these principles. These together will be the Procurement Framework. Staff will develop an Engagement Plan to roll out the new Procurement Framework and update interested parties for their input and ensure the new framework is successful.

10. The Engagement Plan will include the development of a Procurement Supplier Guide to be shared with council suppliers.

<b>Interested/Affected Parties</b>	<b>Planned Engagement and Communication</b>		
Name of interested parties/groups	Suppliers Social enterprises	Planned	Completed
Tangata Whenua	Local iwi Amotai Toi Kai Rawa		
General Public	Community Groups Local residents		

**ISSUES AND OPTIONS ASSESSMENT**

11. Western Bay of Plenty District Council procures goods, services, and works. This provides an opportunity to influence and impact supplier markets, and the people working and living in those markets. Adopting revised Procurement Principles across Council is an enabler to drive positive change to achieve our community outcomes and focus on our Strategic Priorities, to provide better outcomes for all.
12. The extent to which the following comparisons of options are completed depends on the significance and complexity of the decision as assessed above.

<b>Option A</b> Adopt the new procurement principles	
<b>Assessment of advantages and disadvantages including impact on each of the four well-beings</b>	Adopting the new procurement principles will be a committed to procurement that has positive social, cultural, economic, and environmental impacts.  When we procure in this way, we are also building trust and a license to operate with our communities.
<b>Costs (including present and future costs, direct, indirect and contingent costs).</b>	To achieve our Strategic Priorities, it may cost more initially but will provide greater value (other benefits) over the life of the contract to achieve Strategic Priorities for our district.

	<p>We will manage cost by:</p> <ul style="list-style-type: none"> <li>• Early risk identification and applying mitigation</li> <li>• Less overheads using lower tier suppliers</li> <li>• Applying local knowledge to reduce risk pricing</li> <li>• Robust project scoping, designing to avoid waste/costs at end of life</li> <li>• Open and competitive tendering to ensure price tension.</li> </ul> <p>e.g.</p> <ul style="list-style-type: none"> <li>• Energy efficient plant/machinery – whole of life costs/disposal at end of life</li> <li>• Increased engagement (across stakeholders) – encourages collaboration and innovations, manages expectations, reduces rework</li> <li>• We want local suppliers to do the best job at best value price i.e. local suppliers paying at least living cost wages, investing in conditions &amp; development of workforce – benefits back to locals/community</li> </ul>
<p><b>Reasons why no options are available Section 79 (2) (c) and (3) Local Government Act 2002</b></p>	<p>If the procurement principles are not adopted, Council may not be showing a commitment to procurement that has positive social, cultural, economic, and environmental impacts.</p> <p>When we do not procure in this way, we are potentially limiting our ability to building trust and a license to operate with our communities supporting local business.</p>

**STATUTORY COMPLIANCE**

13. The recommendations in this report align with Council’s strategic direction.

**FUNDING/BUDGET IMPLICATIONS**

14. The budget and funding are accommodated within the adopted Annual Plan for 2023/24 and future budgets will be planned for within the Long-Term Plan currently in preparation for 2024-2034.

<b>Budget Funding Information</b>	<b>Relevant Detail</b>
Within adopted Annual Plan budgets.	All expenditure will be managed within existing Annual Plan and future Long-Term Plan for 2024-2034.

### 10.3 HEALTH AND SAFETY REPORT – SEPTEMBER 2023

**File Number:** A5642778

**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 for the previous quarter;
- An overview of our proposed strategic direction; and
- The progress against the health, safety and wellbeing strategy and work programme.

#### RECOMMENDATION

That the Health, Safety and Wellbeing Lead's report dated 7 November 2023 titled 'Health and Safety Report – September 2023' be received.

#### SUMMARY OF PERFORMANCE

The focus for the Jul-Sep 2023 quarter was data collection for the psychosocial hazard and risk management project, which included;

- an all of staff survey (*55% completion – 177 individual responses*)
- focus groups with randomly selected staff (*74 individual staff*)
- interviews (*13 staff including senior leaders*)
- a range of existing data and information relevant to the topic

Our project partner performed data analysis throughout September, and will present findings and recommendations in October.

In addition, a range of initiatives were launched throughout the quarter to support the health, safety and wellbeing of our people.

- Continued development of an app to assist our people to identify and manage potentially aggressive customers and/or animals on a property.
- Commenced a review and refresh of our Critical Risks (more information below).
- Continued development of a suite of proactive behaviours and inspections (lead indicators). These have been agreed by Senior Leadership Team (SLT), and our



systems are being readied for implementation to our teams. Proactive *Contractor Works Review Inspections* have already been implemented by some teams.

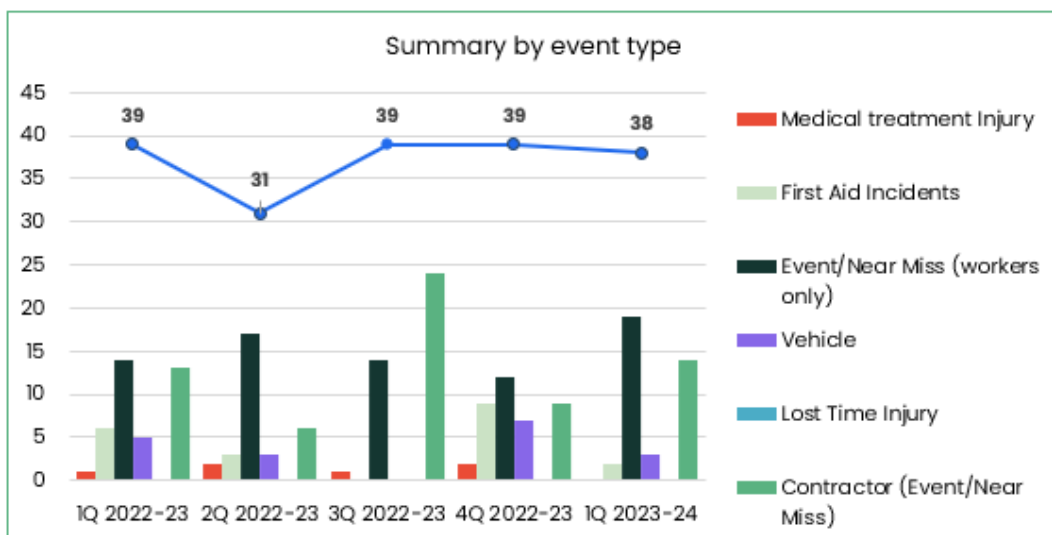
- Site renovations to improve the safety of our staff in public facing roles e.g., Te Puke Library, Omokoroa Library.
- Mental Health Awareness Week “Take a Moment” initiative completed. Encouraging our teams to take a moment to spend some time together to enhance team connection and wellbeing.

**REVIEW OF PERFORMANCE**

**Summary – Event Type**

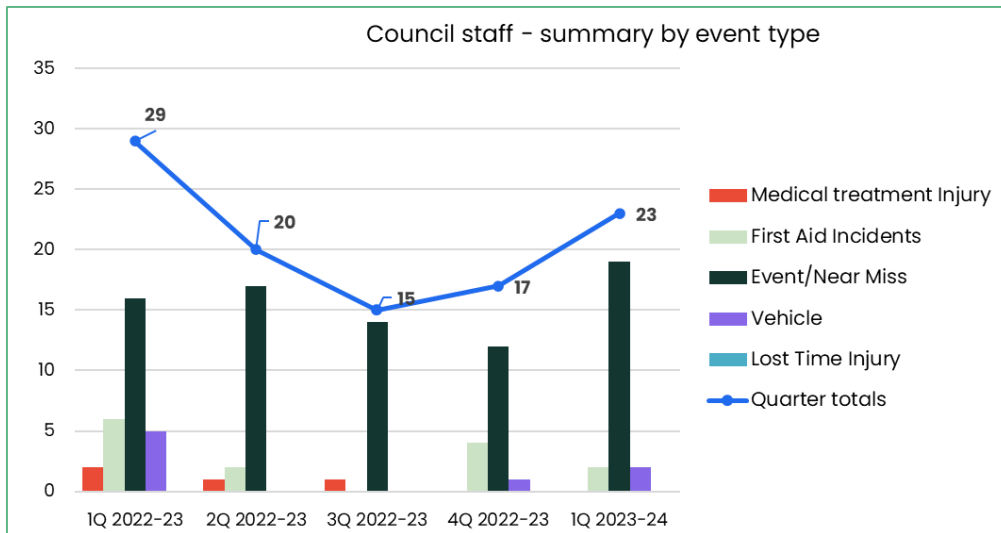
Total event numbers remained consistent with previous quarters, with 38 work related events reported (reduction of 1).

There were no recordable injuries sustained (LTI, MTI, RWI), however there was a slight increase in No Treatment / Near Miss events reported.



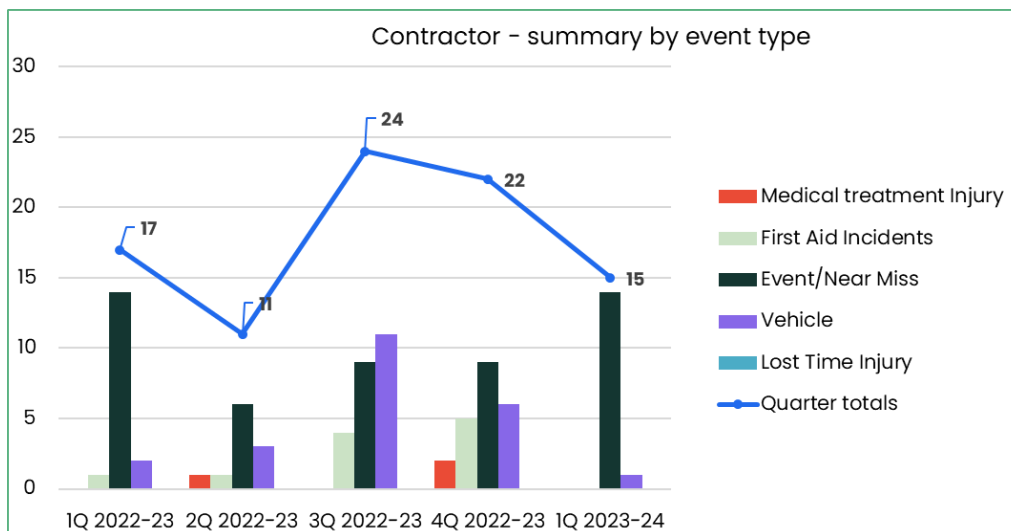
**Council Staff Events**

Events reported that directly affected our staff or our physical office locations increased, however 25% of these events were events relating to members of public that occurred at our offices/libraries, but did not involve staff directly.



**Contractor Events**

Contractor events continue to trend down, and again there were no significant events. Council staff are increasing visibility with inspecting the works of our contractors, contributing to safer works occurring in our communities.

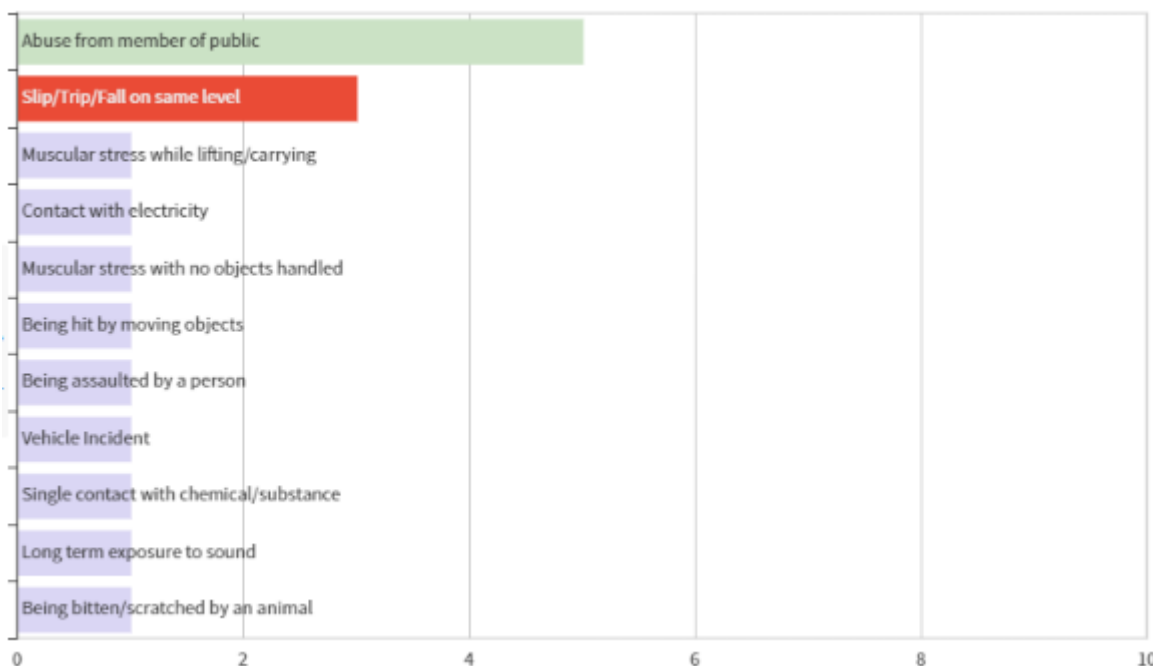


### Mechanism of Incident 2022–2023

*The main cause of an incident*

Continuing from previous quarters, *Abuse from member of public* and *Slip trip fall* were the main causes of events, with 50% of the quarter’s events falling in these two categories. This aligns with the continued key hazard focus areas for our people.

*Note: The graphs below represent mechanisms of events experienced by Council people and does not include contractors.*



### Lead Indicators

The graph below highlights proactive behaviours that are being conducted through the business.

These lead behaviours will develop over time, however it is positive to see proactive activity starting to be recorded by our teams. Note: This does not infer that these actions were not occurring previously, but more that we now have a focus and system to record and measure them.

**Contractor Works Inspection and Review** *Reviewing the works conducted by our contractors within our communities from a safety perspective.*

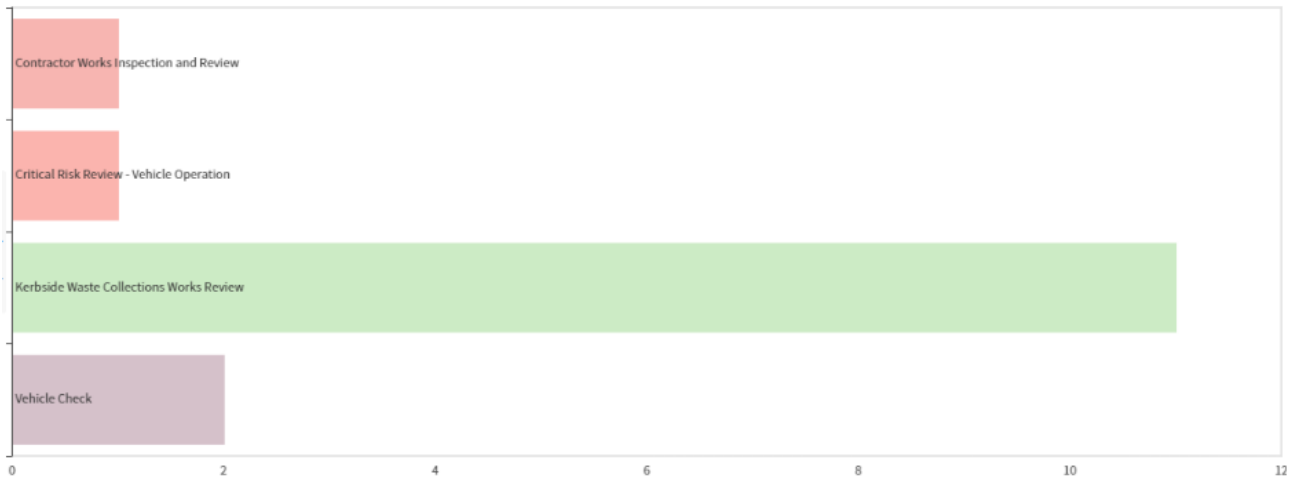
**Critical Risk Review – Vehicle Operation** *An extension to the Critical Risk review outlined in this report, this check seeks to evaluate the controls expected to be in place and adhered to to reduce the likelihood of an event due to vehicle operation.*

**Kerbside Waste Collection Works Review** *A quick visual assessment of the conduct and behaviour of our kerbside contractor undertaking works on our behalf.*

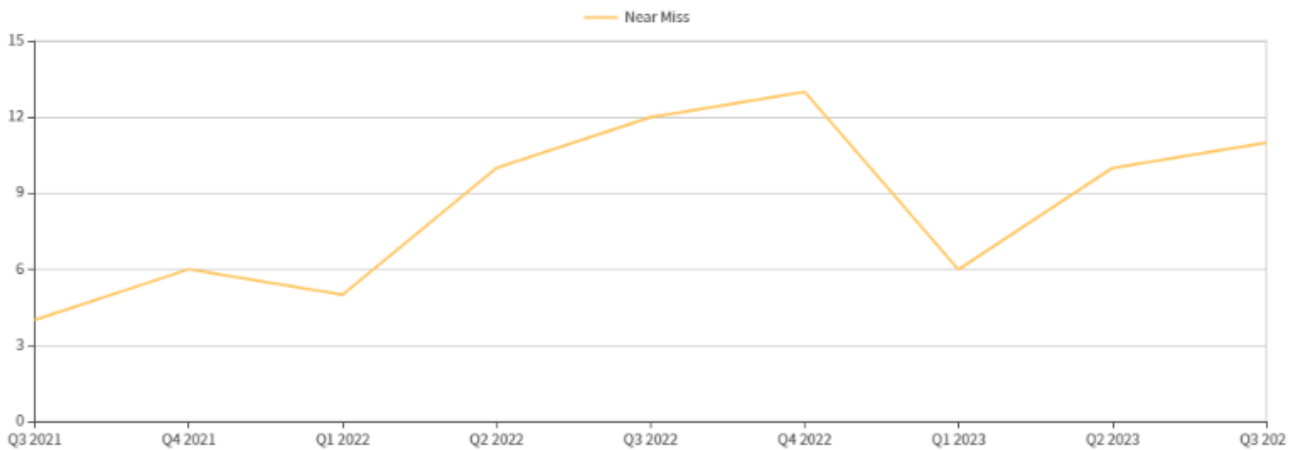
**Vehicle Check** *A visual assessment of operational condition of the vehicles that our people drive to conduct day to day business.*

**Near Miss Reporting** *Events that did not result in an injury or property damage, but could have done so with a slight change in conditions.*

### Inspections



### Near Miss Reporting

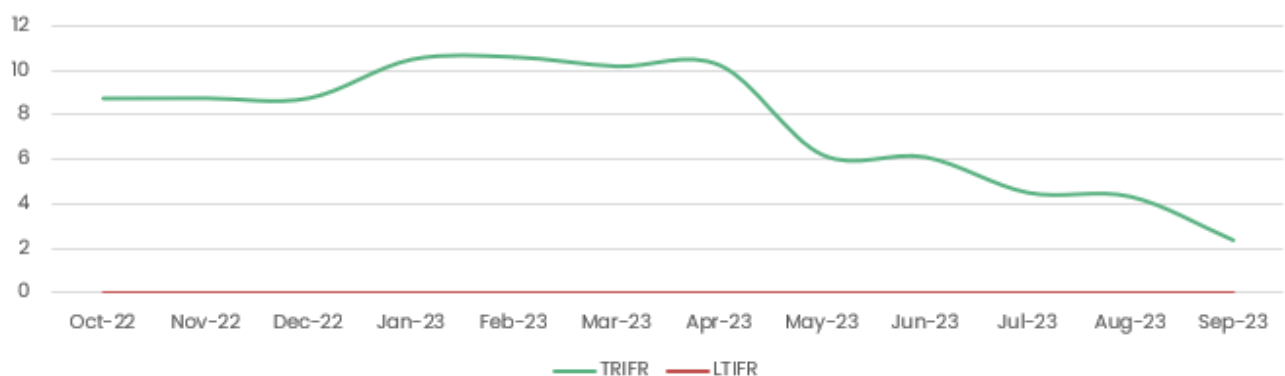


### Lag Indicators (Accident/Incident Frequency Rates)

TRIFR continues to trend downwards (2.34), indicating that the severity of injuries sustained continues to be low.

LTIFR remains at 0.00.

### Rolling Frequency Rates



## HAZARD AND RISK MANAGEMENT

To enable increased proactive management of the key hazards faced by our people, the **identified Critical Risks are under review** to ensure relevance to today's business operations. This will ensure that the efforts and focus from our people is applied to where the risk to our people is higher. Critical Risk Management will ensure that robust controls continue to be in place to protect our people.

### Aggressive/Abusive Customer Hazard Management

Below is an overview of the actions taken to mitigate the risk posed to our people by aggressive customers.

- Five Collective Insights sessions were conducted with the relevant teams. The preferred solutions from these sessions are now with operational management to prioritise.
- Site layouts at our customer service centres have been reviewed, with some amendments completed.
- Establishment of closer working relationships with local police representatives.
- Remote lockable doors installed at all libraries and service centres.
- Security guards deployed at Katikati and Te Puke libraries.
- Increased collaboration between teams to provide better planning and preparation.
- Development of web-based app to alert our people to potential hazards prior to arrival to site.

## STRATEGIC FOCUS

Our focus will remain on improving the knowledge, understanding and behaviours of our people in managing health, safety, and wellbeing at work via implementation of our Health, Safety and Wellbeing Strategy.

Our focus areas remain unchanged:

- Continuing to regularly provide information, guidance, and support on relevant matters to our people.
- Developing robust and efficient systems and processes to ensure our contractors are representing Council well in our communities and delivering safe outcomes. Consideration will be given during this process to the social procurement model, and the implications presented by that model.
- Establishing and instilling a series of proactive safety behaviours within our teams to continue to drive a positive safety culture.

- Acting on the report on the mental health and wellbeing risks that our work presents for our people. Developing a wellbeing strategy to reduce the impact of psychosocial hazards for our people.
- Continuing to develop positive working partnerships with our key contractors.
- Developing user friendly and informative reporting and management tools for our leaders to manage health and safety within and for their teams.
- Further improvements to our health, safety and wellbeing systems and processes.

We will continue to focus on and fine tune our roadmap to improve our health, safety and wellbeing maturity.

## 10.4 RISK AND ASSURANCE REPORT NOVEMBER 2023

**File Number:** A5642815

**Author:** Azoora Ali, Chief Financial Officer

**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 meeting held on 15 August 2023. Council needs to consider the emerging risks and potential impacts for both the current financial year and the Long Term Plan 2024-34 during its development.

### RECOMMENDATION

That the Chief Financial Officer's report dated 7 November 2023 titled 'Risk and Assurance Report November 2023' be received.

### BACKGROUND

1. The Risk and Assurance Report November 2023 provides and update on:
  - Western Bay of Plenty District Council Strategic Risk Register;
  - Emerging Risks and it's linkage to Council Strategic Risks; and
  - Internal Audit Plan 2022/23 to 2025/26.
2. There have been some changes to WBOPDC 's strategic risks since it was last reported at the last Committee meeting. To ensure that our strategic risks are managed proactively, Risk and Assurance have carried out quarterly risk workshops with SLT prior to the Committee meeting.
3. Components such as ongoing uncertainty around reforms (RMA, Three Waters) and macroeconomic factors played a crucial role in shaping the risk landscape. Rising inflation rates and interest rates put pressure on Councils' financial sustainability and capacity to deliver essential services. The increased costs associated with borrowing, insurance, infrastructure maintenance, and operational expenses strained Council budgets and required careful financial planning and resource allocation.
4. Across the risks there are a number of key themes:

- (a) Change in government and anticipated changes to government reforms (including resource management and three waters). These may have significant impacts on Council operations and decisions.
  - (b) Affordability concerns for our ratepayers due to rising inflation, increasing interest rates, and deterioration of the economy. These factors impact ratepayers directly and also our rates that need to be levied.
  - (c) The deliverability of programmes, which are being impacted by a wide range of factors including increasing costs, staff capacity and capability, availability of skilled contractors and the distraction from potential reforms.
  - (d) The need for digital connectivity between Council and Community that will require embracing of new technologies.
5. Previously we reported on nine (9) strategic risks. This has now increased to ten (10) strategic risks as a result of our recent Senior Leadership workshop in assessing our current risks relevancy and importance to our future direction.
  - (a) The new strategic risk that has been added is “Technology Enablement & Resilience”.
6. Of the ten strategic risks, the following have had an increase in risk appetite due to the influence of emerging risks:
  - (a) Operational Risk
  - (b) Health, safety and wellbeing
  - (c) Community sentiment
  - (d) Growth and financial sustainability
  - (e) Central government reforms
7. There has been an update in the emerging risks section of the report. These are now captured following each strategic risk. The following new emerging risks have been identified since the last committee update including mitigations underway for each emerging risk:
  - (a) Operational Risks
    - Government reform uncertainty and evolving legislative landscape
    - Retention of institutional knowledge
  - (b) Health, safety and wellbeing
    - Increasing need for vigilance over staff well-being (handling confronting situations with public)
  - (c) Community Sentiment:
    - Central government reform and the impact on community perception of local government



- Increasing expectations from community following increased frequency of extreme weather events
  - (d) Partnerships with Iwi and Hapū
    - The need to collaboratively define and agree what authentic Treaty based relationships mean in the context of local government
  - (e) Climate Change:
    - Growing need to understand the impacts of climate on our lifeline assets
    - Balancing cost implications of working through climate response and how to fund this approach
    - Ability to meet climate related disclosures/reporting
  - (f) Growth and Financial sustainability
    - Uncertainty around waters reform
  - (g) Central government reforms
    - General impacts from local government reform. This includes understanding the uncertainty of the future of water management models, grants and funding availability, and how this will look for local government.
  - (h) Significant external events
    - Increasing frequency of severe weather events
    - Increasing cost of insurance
    - Increasing expectations from community following increased frequency of extreme weather events
  - (i) People, capability and culture
    - Retention of staff in key strategic areas and specialised roles
    - Loss of institutional knowledge
  - (j) Technology enablement and resilience
    - End of life ERP system
    - Loss of institutional knowledge
8. The internal audit plan has highlighted two audits and assurances that have been completed for GST and FBT tax compliance evaluation. These reports will be presented at the next ARFC meeting.

## ATTACHMENTS

### 1. Risk and Assurance Report November 2023









































**10.5 FINANCIAL PERFORMANCE UPDATE QUARTERLY REPORT 30 SEPTEMBER 2023****File Number: A5791250****Author: Sarah Bedford, Finance Manager****Authoriser: Adele Henderson, General Manager Corporate Services****EXECUTIVE SUMMARY**

The purpose of this report is to provide an update on the financial results and Treasury dashboard to Elected Members for quarter one ended 30 September 2023.

This report provides the Audit, Risk and Finance Committee with the current Treasury Policy breaches in relation to interest rate hedging, which had been identified in previous financial reports.

**RECOMMENDATION**

That the Finance Manager's report dated 7 November 2023 titled 'Financial Performance Update Quarterly Report 30 September 2023' be received.

**SUMMARY - FINANCIALS**

1. The following is a summary of the financial performance for the period ended 30 September 2023 along with associated financial statements. (Refer to **Attachment 1**).
2. The current capital budgets areas per the adopted annual plan. These will be reforecast in the next quarter to reflect the expected phasing by budget managers.
3. The below table is a summary of financial performance for the 3 months ended 30 September 2023.

<b>Statement of comprehensive revenue and expense</b>	<b>Actual YTD</b> <b>\$000's</b>	<b>Budget YTD</b> <b>\$000's</b>	<b>Variance YTD</b> <b>\$000's</b>
Revenue	35,727	39,677	(3,950)
Expense	31,137	31,670	533
Surplus/(deficit)	4,590	8,007	(3,417)
Total Revenue - Actual vs Budget	90%		
Total Expenses - Actual YTD vs Budget YTD	98%		
<b>Statement of financial position</b>			
	<b>Actual YTD</b> <b>\$000's</b>	<b>Budget Full Year</b> <b>\$000's</b>	
Assets	1,931,220	1,838,241	
Liabilities	134,832	167,429	
Equity	1,796,388	1,670,813	

4. Financial Performance - The overall financial results show a favourable surplus to date of \$4.6M. This is \$3.4M behind year-to-date budget.
5. Balance Sheet - As at September council's assets are 105% compared to budget year to date mostly due to higher PP&E and Liabilities are 81% of the target full year budget, this is due to lower borrowings. Receivables are higher due to timing of the rates billing in September.
6. Treasury - Council drew down \$5m new borrowings in August 2023.
7. Council remains within its debt, interest, and liquidity ratio policy limits.
8. Capital Expenditure - Total capital expenditure of \$12.1M has been reported for Q1 against a full year budget of \$100.9M. This represents capital expenditure of 12% of the full year budget.

9. The current budget does not include any phasing or carry forwards which will be reflected in reporting for Q2.

### BACKGROUND OF TREASURY POLICY BREACH

Council has breached two timeline policies in relation to fixing of the future interest rates on our debt. It is proposed it will continue to do so based on advice from Bancorp and best outcomes for Council. A policy change may be required in light of the volatile market. These breaches, as noted in the treasury dashboard, are for the 0-2 year period of cover and 2-5 year period of cover. This is a result of our forecasted debt increasing in conjunction with our current fixed interest rate swaps maturing.

Council has not entered into any additional interest rate fixes due to the volatility of interest rate trends, which predicts we are nearing the height of the current interest rate cycle.

An interest cost analysis was undertaken by Council's treasury advisors, Bancorp, to model the impact of fixing interest rates to be compliant versus not fixing and being non-compliant. The interest cost to be compliant is an additional \$250,000.

### ATTACHMENTS

1. **Financial Performance September 2023** 





































## **10.6 EMERGENCY WORKS PROCEDURAL AUDIT OF WESTERN BAY OF PLENTY DISTRICT COUNCIL**

**File Number:** A5808721

**Author:** Adele Henderson, General Manager Corporate Services

**Authoriser:** John Holyoake, Chief Executive Officer

### **EXECUTIVE SUMMARY**

1. The objective of this audit is to provide assurance that the Waka Kotahi NZ Transport Agency's (hereafter Waka Kotahi) investment in Council's land transport programme and specifically Emergency Works for North Island Weather events is being well managed and delivering value for money. They sought assurance that the Council is appropriately managing risk associated with Waka Kotahi investment.

### **BACKGROUND**

2. Western Bay of Plenty District was impacted by a number of North Island Weather events in the 2023 year. Cyclone Hale struck on the 10–11 January 2023, the Auckland Anniversary event struck the weekend of 27 January 2023, and Cyclone Gabrielle struck from 12–14 February 2023.
3. These North Island weather events impacted the Western Bay of Plenty District transport network triggering immediate Emergency Works initial response. To assist with the initial response, Waka Kotahi approved a time limited bespoke Funding Assistance Rate (FAR) of normal FAR plus 40%, to a maximum of 91% for Western Bay of Plenty District Council (Council). Council was allocated \$3,421,600 in the 2022/23 programme and utilised WestLink Bay of Plenty to carry out local roading response activities.
4. At that time, the bespoke FAR was only applicable to initial response activity and only for the period until 30 June 2023. This period was later extended to allow expenditure to be carried over into the 2023/24 financial year.
5. This review focused on the eligibility of claims made for funding assistance under the North Island Weather events activity for the 2022/23 year. Further audits will be carried out as part of the cyclic audit programme to verify any North Island Weather Events (NIWE) claims carried over by Western Bay of Plenty District Council to the 2023/24 financial year. Subsequent technical audits may also be undertaken later as required.
6. Council has experienced a number of significant weather events effecting its roading network in 2023.
7. There were over 100 emergency work activities recorded as affected by the North Island Weather events including but not limited to:

- Tree removal;
  - Road clearance;
  - Culvert inspection;
  - Culvert repair;
  - Under and over slips;
  - Bridge wash out;
  - Isolated communities and Te Puke industrial area access Council used WestLink; and
  - Bay of Plenty for the emergency works response.
8. Council currently uses WestLink Bay of Plenty for other network maintenance and renewals. WestLink Bay of Plenty was utilised throughout the North Island Weather events under their current agreement terms with Council and the Waka Kotahi NOC (Network outcomes contract). There are two systems used for financials. Council claim funding using Transport Investment On-line (TIO), and WestLink Bay of Plenty use their financial system to capture the Emergency Work activities then invoice Council.
9. Overall, both Council and WestLink Bay of Plenty have good clear financial processes to separately identify emergency works activities, and all expenditure items sampled were eligible for funding assistance. The funding arrangement relies on a high level of trust and integrity, and the audit was satisfied that this has been demonstrated based on the review and samples from both Council and WestLink Bay of Plenty. Council ensured value for money was a priority during the emergency with checking mechanisms in place to capture any excessive invoice amounts.
10. The audit assessed Western Bay of Plenty as being “Effective” in its financial processes, procurement, and asset management controls, being the highest rating available.

### AUDIT RATING ASSESSMENT

Subject Areas		Rating Assessment*
1	Financial Processes	Effective
2	Procurement and Asset Management Controls	Effective
Overall Rating		Effective

### ATTACHMENTS

1. **FINAL Emergency Works Investment Audit Report 2023** 





















## 11 INFORMATION FOR RECEIPT

### 11.1 AUDIT, RISK AND FINANCE COMMITTEE WORK PROGRAMME

**File Number:** A5642635

**Author:** Azoora Ali, Chief Financial Officer

**Authoriser:** Adele Henderson, General Manager Corporate Services

#### EXECUTIVE SUMMARY

The Audit, Risk and Finance Committee (ARFC) work programme for 2023/24 is to assist the Committee with items that are set out in their Terms of Reference. The purpose of the work programme is to provide Elected Members with oversight of the planned and upcoming activities/schedule of work for 2023/24 for Council and all its committees.

ARFC can add into the work programme any matters or areas that the Committee wish to review.

#### RECOMMENDATION

That the Chief Financial Officer's report dated 7 November 2023 titled 'Audit, Risk and Finance Committee Work Programme' be received.

#### BACKGROUND

The Audit, Risk and Finance Committee (ARFC) work programme for 2023/24 has had a few changes to it since the last meeting on 15 August 2023. The changes made have been listed below.

1. Review audit representation letters (annually): This will be circulated via email due to changes in the Annual Report Audit program and adoption dates.
2. New Zealand Local Government Funding Agency Limited Annual Report 2021/22: This has now been removed from the ARFC work program and moved to the Council work program, which was presented to Council on 26 October 2023.
3. Bay Of Plenty Local Authority Shared Services Limited (BOPLASS) Annual Report: This has now been removed from the ARFC work program and moved to the Council work program and was presented to Council on 26 October 2023.

Work Programme 2023/24				
	February	May	August	November
<i>Public items</i>				
Risk and Assurance Report (quarterly)	✓	✓	✓	✓
Health and safety update (quarterly)	✓	✓	✓	✓
Probity update (Report will be provided only if probity matters arise)	✓	✓	✓	✓
Financial Performance Update (quarterly)	✓	✓	✓	✓
Review of Accounting Policies & Key Accounting Judgements (annually)			✓	
Audit NZ Audit plan and engagement letters (annually)			✓	
Annual Report - Management Report from Audit NZ	✓			
Debenture Trust Deed Audit Report	✓			
Tax Risk Management Framework		✓ 2 yearly Framework		
Insurance renewal (annually)		✓ (strategy)		✓ (endorse)
Insurance – Broker Presentation	✓			
Credit rating review				✓
<i>Public excluded items</i>				
Health and safety update (quarterly) – if there are any public excluded items to be provided to the Committee	✓	✓	✓	✓
Litigation Update and Issues Watch Register (quarterly)	✓	✓	✓	✓
<i>Public excluded items (continued)</i>				

Work Programme 2023/24				
	February	May	August	November
Probity update (Report will be provided only if probity matters arise)	✓	✓	✓	✓
Confidential Risk and Assurance Report		✓	✓	✓
Outstanding items raised by audits	✓	✓	✓	✓
2023 Statute Barred Rates Report (Annually)	✓			
Draft annual report review (annually)				✓
Review audit representation letters (annually)		✓ (depending on timing)		
Audit NZ interim audit report		✓		
Employee matters (as required)	✓	✓	✓	✓
Auditor NZ Update	✓	✓	✓	✓

## 12 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:

<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under section 48 for the passing of this resolution</b>
<b>12.1 – Audit New Zealand Update</b>	s48(1)(b)(i) – the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information the public disclosure of which would be contrary to the provisions of a specified enactment	s48(1)(b)(i) – the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information the public disclosure of which would be contrary to the provisions of a specified enactment
<b>12.2 – Outstanding Recommendations Register November 2023</b>	s7(2)(f)(ii) – the withholding of the information is necessary to maintain the effective conduct of public affairs through the protection of Council members, officers, employees, and persons from improper pressure or harassment	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
<b>12.3 – Litigation and Issues Watch Register Update November 2023</b>	s7(2)(g) – the withholding of the information is necessary to maintain legal professional privilege	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
<b>12.4 – 2022-23 DRAFT Annual Report</b>	s48(1)(b)(i) – the public conduct of the relevant part of the proceedings of the	s48(1)(b)(i) – the public conduct of the relevant part of the proceedings of the

	meeting would be likely to result in the disclosure of information the public disclosure of which would be contrary to the provisions of a specified enactment	meeting would be likely to result in the disclosure of information the public disclosure of which would be contrary to the provisions of a specified enactment
--	--	--