

Mā tō tātou takiwā
For our District

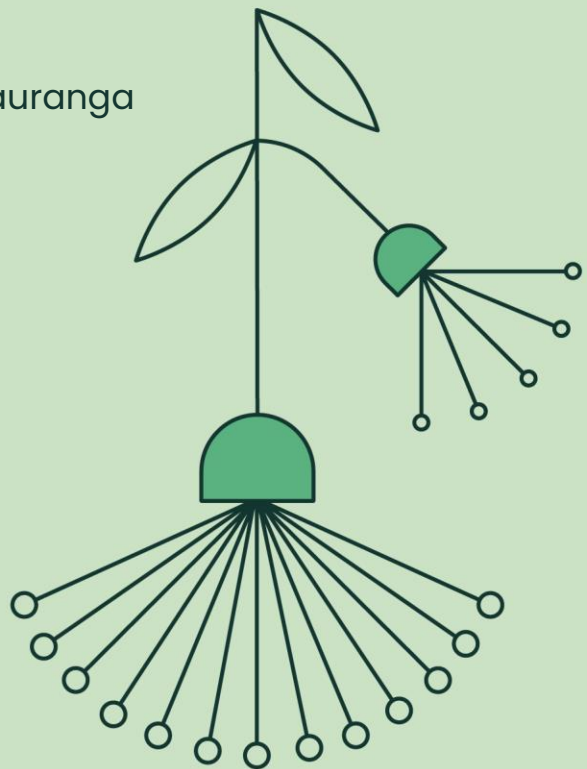
Audit, Risk and Finance Committee

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:

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, 7 November 2023 at 9.30am

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1 KARAKIA

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

Āe

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

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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.

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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.

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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.

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

Access to LGFA provides Western Bay and the other New Zealand local councils with additional sources of external liquidity, particularly during periods of stress in financial markets. In our view, LGFA benefits from an extremely high likelihood of central government support and has helped Western Bay lengthen its maturity profile and reduce interest costs.

Key Statistics

Table 1

Key Statistics

(mil. NZ\$)	Year ended June 30				
	2022	2023e	2024bc	2025bc	2026bc
Selected Indicators					
Operating revenues	120	110	120	127	130
Operating expenditures	87	92	99	101	104
Operating balance	33	18	21	26	26
Operating balance (% of operating revenues)	27.2	16.2	17.3	20.5	20.4
Capital revenues	20	18	28	18	16
Capital expenditures	42	54	62	65	64
Balance after capital accounts	10	(18)	(14)	(21)	(22)
Balance after capital accounts (% of total revenues)	7.1	(14.1)	(9.2)	(14.3)	(15.1)
Debt repaid	10	15	15	25	25
Gross borrowings	0	27	30	48	48
Balance after borrowings	(0)	(6)	1	3	0
Tax-supported debt (outstanding at year-end)	81	91	106	129	151
Tax-supported debt (% of consolidated operating revenues)	67.6	82.5	88.2	101.3	116.5
Interest (% of operating revenues)	3.5	3.6	4.7	5.4	6.2
National GDP per capita (single units)	71,005	75,854	76,952	79,841	83,112

The data and ratios above result in part from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information. The main sources are the financial statements and budgets, as provided by the issuer. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario. N/A--Not applicable. N.A.--Not available. N.M.--Not meaningful.

Ratings Score Snapshot

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

Table 2

Ratings Score Snapshot**Key rating factors**

Institutional framework	1
Economy	3
Financial management	2
Budgetary performance	3
Liquidity	1
Debt burden	4
Stand-alone credit profile	aa
Issuer credit rating	AA

S&P Global Ratings bases its ratings on non-U.S. local and regional governments (LRGs) on the six main rating factors in this table. In the "Methodology For Rating Local And Regional Governments Outside Of The U.S.," published on July 15, 2019, we explain the steps we follow to derive the global scale foreign currency rating on each LRG. The institutional framework is assessed on a six-point scale: 1 is the strongest and 6 the weakest score. Our assessments of economy, financial management, budgetary performance, liquidity, and debt burden are on a five-point scale, with 1 being the strongest score and 5 the weakest.

Key Sovereign Statistics

- Sovereign Risk Indicators, July 10, 2023. An interactive version is available at <http://www.spratings.com/sri>

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | International Public Finance: Methodology For Rating Local And Regional Governments Outside Of The U.S., July 15, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Comparative Statistics: Local And Regional Government Risk Indicators: Asia-Pacific LRGs' Persisting Appetite To Spend Weighs On Creditworthiness, Sept. 20, 2023
- Economic Outlook Asia-Pacific Q3 2023: Domestic Demand, Inflation Relief Support Asia's Outlook, June 26, 2023
- Default, Transition, and Recovery: 2022 Annual International Public Finance Default And Rating Transition Study, May 24, 2023
- Institutional Framework Assessment: New Zealand Local Governments, May 17, 2023
- New Zealand Local Government Funding Agency, March 1, 2023

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- Pipedream Or Panacea: New Zealand's "Three Waters" Reforms Pt.1, Feb. 27, 2023
- Pipedream Or Panacea: New Zealand's "Three Waters" Reforms Pt.2, Feb. 27, 2023
- Global Ratings List: International Public Finance Entities 2023, Jan. 9, 2023
- Local And Regional Governments Outlook 2023: Rougher Seas Ahead, Nov. 29, 2022
- Credit FAQ: Lifting The Lid On New Zealand's "Three Waters" Reforms, Oct. 12, 2022

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

Ratings List**Ratings Affirmed****Western Bay of Plenty District Council**

Issuer Credit Rating AA/Stable/A-1+

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10.2 PROCUREMENT PRINCIPLES

File Number: A5573423

Author: Azoora 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.

Interested/Affected Parties	Planned Engagement and Communication		
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.

Option A Adopt the new procurement principles	
Assessment of advantages and disadvantages including impact on each of the four well-beings <ul style="list-style-type: none"> • Economic • Social • Cultural • Environmental 	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.
Costs (including present and future costs, direct, indirect and contingent costs).	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"> • Early risk identification and applying mitigation • Less overheads using lower tier suppliers • Applying local knowledge to reduce risk pricing • Robust project scoping, designing to avoid waste/costs at end of life • Open and competitive tendering to ensure price tension. <p>e.g.</p> <ul style="list-style-type: none"> • Energy efficient plant/machinery – whole of life costs/disposal at end of life • Increased engagement (across stakeholders) – encourages collaboration and innovations, manages expectations, reduces rework • 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 & development of workforce – benefits back to locals/community
<p>Reasons why no options are available Section 79 (2) (c) and (3) Local Government Act 2002</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.

Budget Funding Information	Relevant Detail
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.

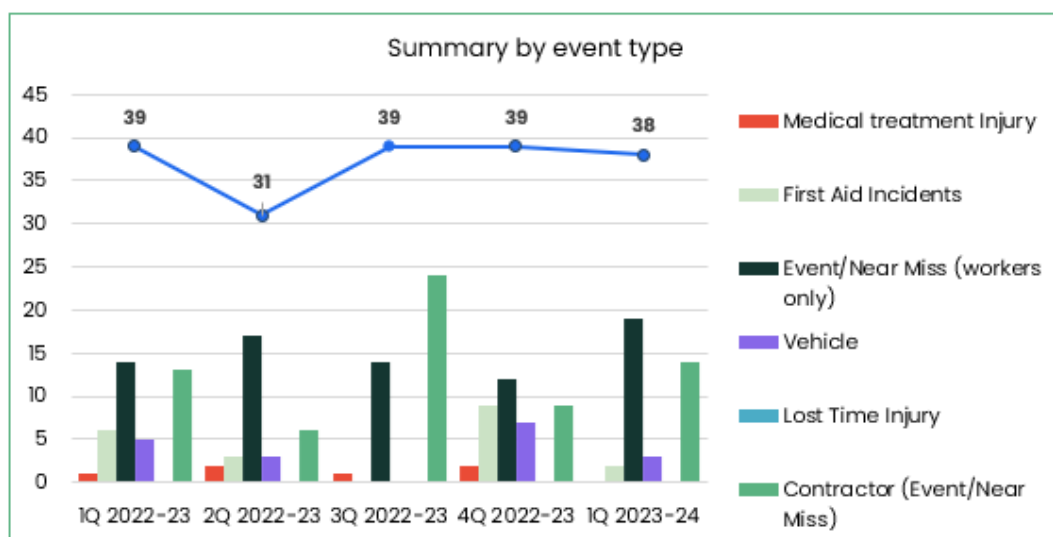
- Site renovations to improve the safety of our staff in public facing roles e.g., Te Puke Library, Omokoroa Library.
- Mental Health Awareness Week “Take a Moment” initiative completed. Encouraging our teams to take a moment to spend some time together to enhance team connection and wellbeing.

REVIEW OF PERFORMANCE

Summary – Event Type

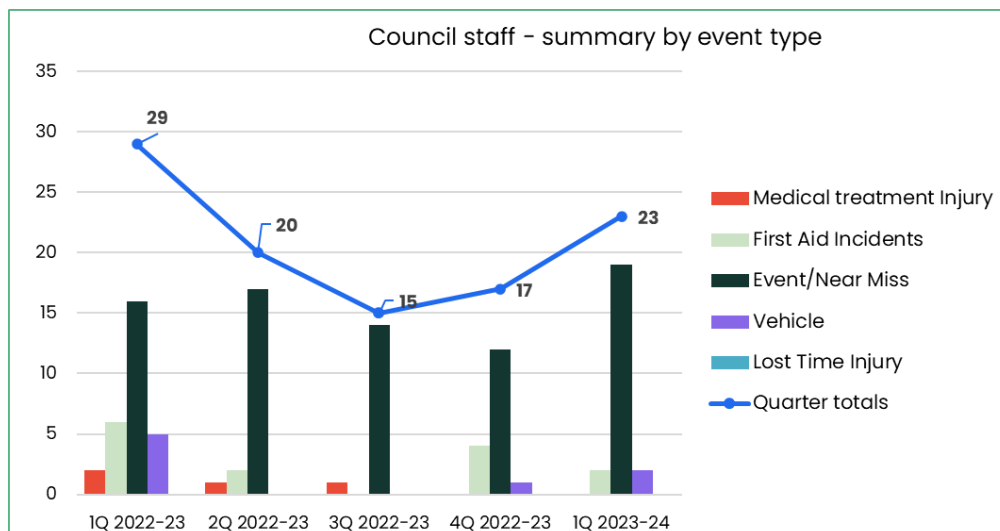
Total event numbers remained consistent with previous quarters, with 38 work related events reported (reduction of 1).

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



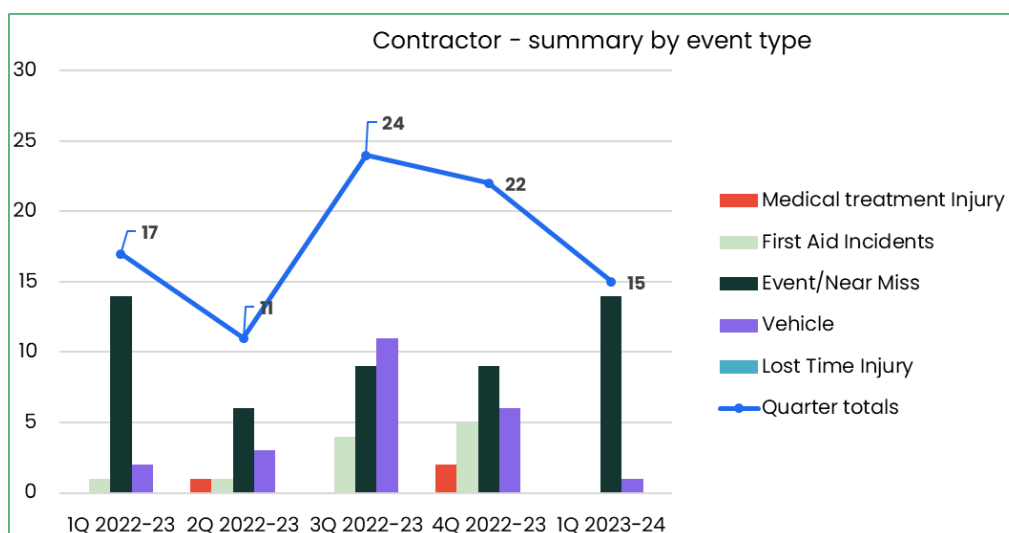
Council Staff Events

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.

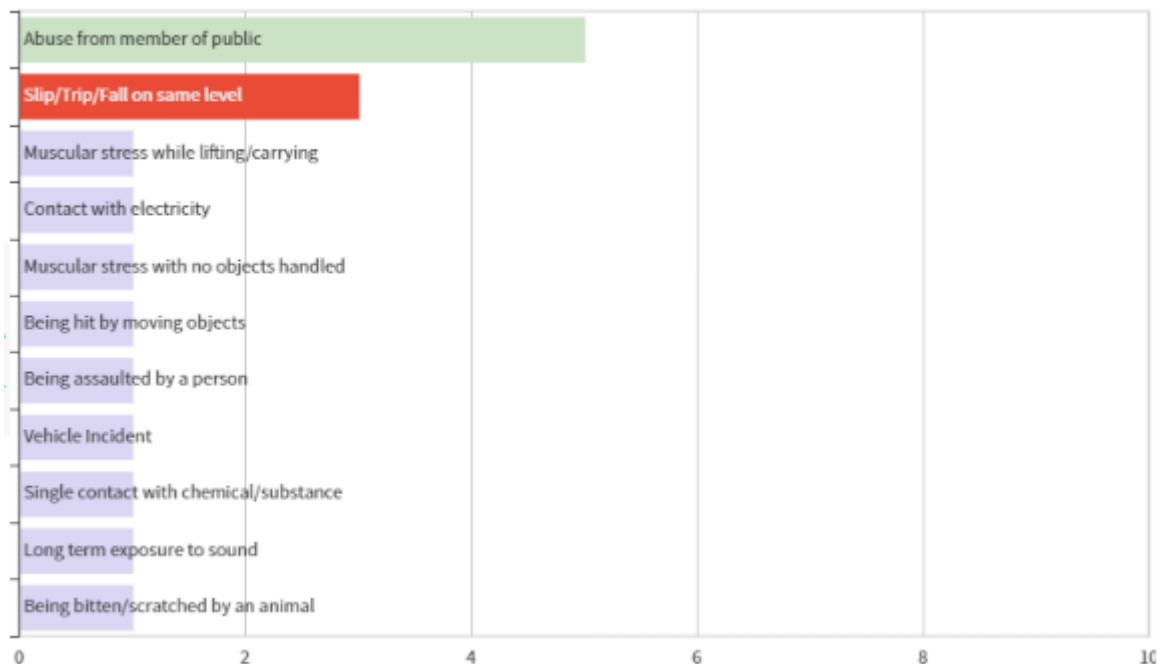


Mechanism of Incident 2022–2023

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.

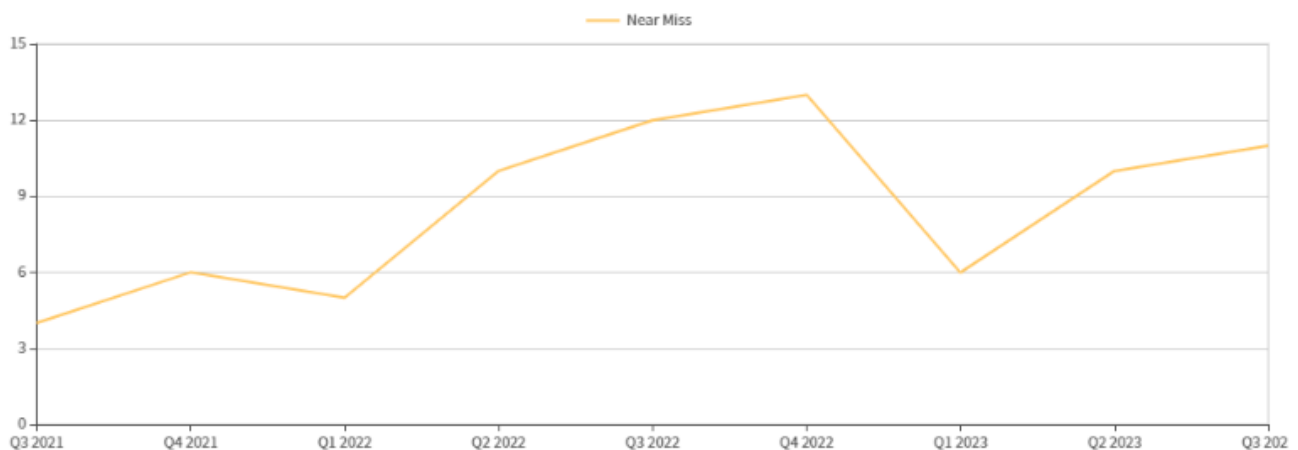
Vehicle Check A visual assessment of operational condition of the vehicles that our people drive to conduct day to day business.

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



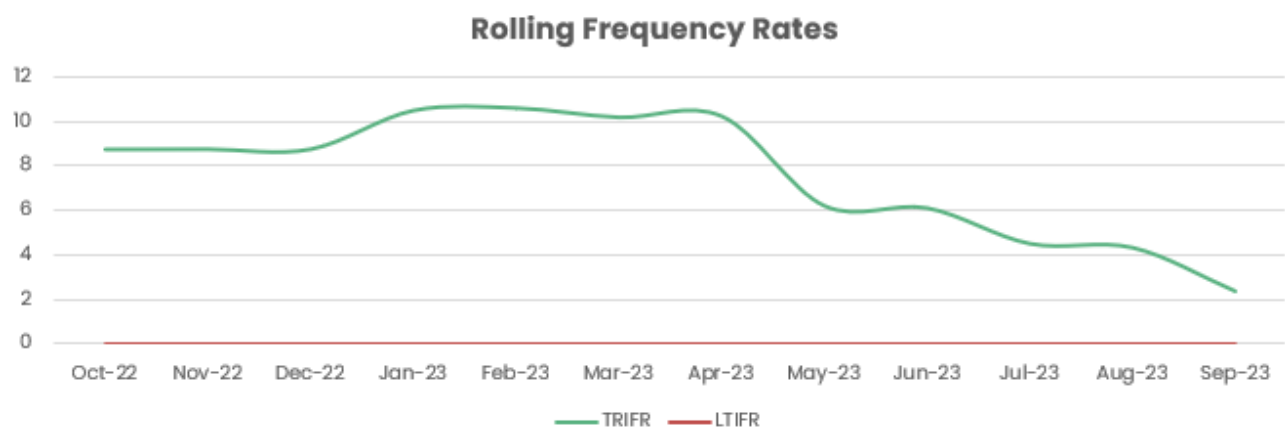
Near Miss Reporting



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.



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



Mā tō tātou takiwā
For our District

Mā tō tātou takiwā

Audit, Risk and Finance
Committee

Risk and Assurance Report
November 2023



**Western
Bay of Plenty**
District Council

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1. Risk Management

1.1 Purpose of Report

The key purpose of the risk management report is to provide an update on the risk management activities since the previous Committee meeting.

- A high-level overview on the current risk outlook and broader trends
- Commentary on critical risks and key actions being taken by Council to mitigate these risks
- WBOPDC's Strategic Risk Register and what we have planned for mitigations
- WBOPDC's Emerging Risks linking to each strategic risk

1.2 Background

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.

Across the risks there are a number of key themes:

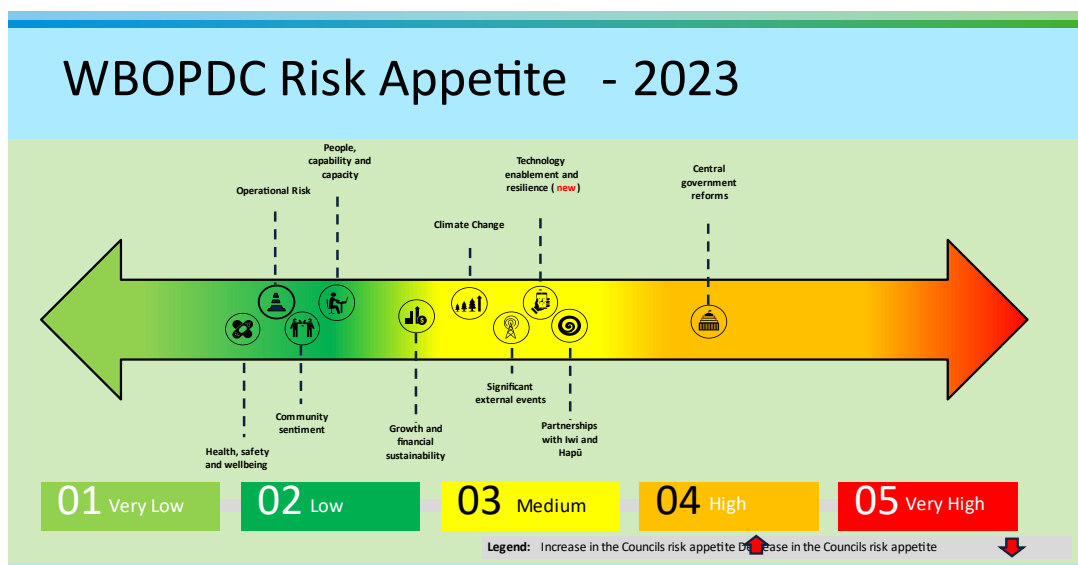
- Change in government and anticipated changes to government reforms (including resource management and three waters). These may have significant impacts on Council operations and decisions.
- Affordability concerns for our ratepayers due to rising inflation, increasing interest rates, and deterioration of the economy. These factors impact ratepayers directly and also our rates that need to be levied.
- 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.
- The need for digital connectivity between Council and Community that will require embracing of new technologies.

WBOPDC's SLT had a workshop on 27 October 2023. The workshop was carried out to consider the current risk environment given their relevancy and importance to our future direction. We have updated the following in our presentation of the strategic risks as a result of this workshop:

- Clearly articulated the risk change for each strategic risk since the last update
- Updated our list of emerging risks for each strategic risk
- Updated our mitigations to show "What we are doing about it" – current work underway
- Updated our mitigation to show "What else is planned" – future work program

1.3 WBOPDC Key Strategic Risks

The Council's Strategic Risk Register has been reviewed at the recent SLT risk workshop. Below are the updated strategic risks and risks appetite for each:



How to interpret risk appetite statements

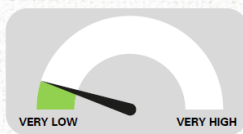
Risk Owner: Senior Leadership Team

OVERVIEW OF RISK AREA

The overview provides details of the risk area and where possible refers back to the risks within Western Bay of Plenty District Council (WBOPDC) Risk Management Framework (RMF)

RISK APPETITE STATEMENT

The risk appetite statement reflects the accumulated risk preference based on where risk will and will not be taken. The statement links risk taking activities to the strategic direction of WBOPDC and should be used to drive decision making, and backlog prioritisation.



WHERE WILL WE TAKE RISK?

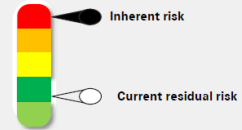
This is where the list of areas that we will take risk is detailed. Examples could be where we will be looking to face into risks that are necessary to achieve our strategy and purpose. It could also be an area where speed or pace is necessary to maintain our position against our competitors.

WHERE WILL WE NOT TAKE RISK?

This is where the list of areas that we will not take risk in will be detailed. Examples could be where we will need to ensure we have adequate controls and standards in place to minimise risk that could impact our ability to achieve our strategy and purpose.

The diagrams on the right show current risk levels against perceived risk appetite of Council. Also shown over the page are upstream and downstream connected risks. Often there will be areas of grey, tension and trade-offs with these connected risks.

Risk Ratings



RISK CHANGE

Indication of how the current risk landscape is influencing the management of this risk. Increasing or decreasing uncertainty caused by **emerging risks** will increase or decrease the residual risk of each strategic risk area.

Residual risk is a reflection of the overall risk that remains after controls or mitigation measures are in place. It is also a reflection of the level of uncontrollability, or how much resource is available to manage this risk down further. The lower the residual, the more controllable the risk is, given the associated complexity and investment required to manage this risk effectively.

How to interpret risk appetite – emerging risks

Risk Owners: Senior Leadership Team

EMERGING RISK

- Risks identified that are growing in importance to WBOPDC and should be considered to support the way forward of how each strategic risk area is being managed.

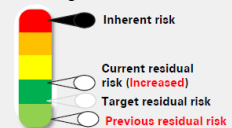
WHAT WE ARE DOING ABOUT IT

- What activities or mitigations council currently has in place that will support the management of this emerging risk moving forward.

WHAT ELSE IS PLANNED

- What activities or mitigations that are not currently in place but are being planned will support the management of this risk once these activities are implemented.

Risk Ratings



RISK CHANGE

Upstream/Emitters

Risks that when managed well or mismanaged will have flow-on impacts to how this risk is managed (emitter risks that create upstream impacts)

Risk

Downstream/Receivers

Risks that will be influenced by how this risk is managed and therefore receive downstream impacts

Risk 1: Operational risk

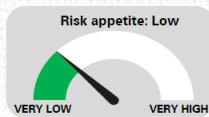
Risk Owners: Senior Leadership Team

OVERVIEW OF RISK AREA

Delay or inability to deliver and execute on projects or provide services or conduct regular Council operations because of the failure of internal processes or controls, systems, or inadequate staff members available. This may result in financial losses and loss of reputation from IT/cyber risk events, fraud events, and/or internal process/control failure.

RISK APPETITE STATEMENT

Delivery of key projects and the Long Term Plan (LTP) is critical to the achievement of planned community outcomes and is central to the key strategic vision of 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 expectation.



WHERE WILL WE TAKE RISK?

In responding to critical external events or natural disaster, the Council has a 'High' appetite to shelve or temporarily suspend its operations or services (excluding services relating to lifeline infrastructure) or delivery of projects.

The Council has a 'Medium - High' appetite to innovate. It will invest in uplifting its digital and technology capabilities. This will enable the Council to prevent or better manage risks associated with data breaches, system outages and cyber security events.

The Council has 'Medium - High' appetite to engage and procure services from small community organisations, for lower risk rated services to drive and foster social outcomes, while effectively managing risks.

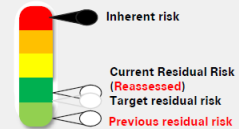
WHERE WILL WE NOT TAKE RISK?

Providing quality services and responding to the needs of the community is core to the Council's operations. It therefore has a 'Low' appetite to fail to deliver on these expectations.

The Council has a 'Low' appetite for fraudulent activities and will actively work towards maintaining clear segregation of duties, regular monitoring and review of the key financial processes and transactions and appropriate delegations.

The Council aims to provide, build and maintain a safe infrastructure and work environment and has a 'Very low' appetite for any health and safety events or activities that may potentially result in preventable incidents of harm or injury or illness in the community.

Risk Ratings



RISK CHANGE

The risk rating has been reassessed due to the influence of the emerging risks

EMERGING RISKS

- Deliverability of projects due to financial constraints – Inflation, cost of capital etc
- Government reform uncertainty
- Retention of institutional knowledge

Risk 1: Operational risk – emerging risks

Risk Owners: Senior Leadership Team

EMERGING RISK

- Deliverability of projects due to financial constraints – Inflation, cost of capital etc
- Retention of institutional knowledge
- Government reform uncertainty and evolving legislative landscape

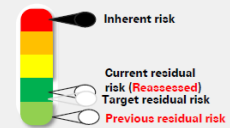
WHAT WE ARE DOING ABOUT IT

- Consideration of levels of service through the LTP and analysis of other practicable "levers" to manage impacts of affordability with project delivery
- Uplifted approach to retention of staff with increased staff benefits
- Implementation of new systems training modules for staff
- Introduction of psychosocial assessments to monitor overall well-being
- Considering deferral of adoption of the LTP until uncertainty surrounding reform is reduced.
- Increased involvement in working groups, local government collaboration opportunities to remain informed where possible with upcoming changes

WHAT ELSE IS PLANNED

- Leveraging employee value proposition to increase attraction to our organisation
- Increased effort to build relationships with local MP's and local councils across the region

Risk Ratings



RISK CHANGE

The risk rating has been reassessed due to the influence of the emerging risks

Upstream/Emitters

- Climate change
- Significant external events
- People, capability and capacity
- Health, safety and wellbeing
- Central government reforms

Operational risk

- Downstream/Receivers
- Health, safety and wellbeing
- Partnership with Iwi and Hapū
- Community sentiment

Risk 2: Health, safety and wellbeing

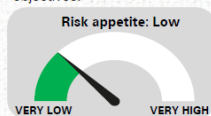
Risk Owners: Senior Leadership Team

OVERVIEW OF RISK AREA

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 staff/contractor mental health and well-being, financial losses, and (costs for) fines and reputational damage.

RISK APPETITE STATEMENT

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 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.



WHERE WILL WE TAKE RISK?

The Council aims to promote social procurement and has a 'Medium – High' appetite for engaging with newer local contractors and suppliers that have demonstrated implementation of strong health and safety processes and are continuously seeking to improve their health and safety practices. This will assist with building safer workplace practices in the wider community.

The Council will be innovative and seek to invest in adopting safer ways of working. It will only consider reducing its spend on activities if such spending does not uplift staff or contractor health, safety and well-being.

WHERE WILL WE NOT TAKE RISK?

The Council has 'Low' risk appetite for health and safety events that result in stakeholder or community issues. It aims to engage with the community and wider stakeholders to address and respond to their health and safety concerns and effectively communicate the mitigation measures completed or that it seeks to implement.

It has a 'Low' risk appetite for instances of non-compliance with the Council's health and safety policies, processes and practices.

Risk Ratings



RISK CHANGE

The risk rating has been reassessed due to the influence of the emerging risks

EMERGING RISKS

- Increasing need for vigilance over staff well-being (handling confronting situations with public)

Risk 2: Health, safety and wellbeing – emerging risks

Risk Owners: Senior Leadership Team

EMERGING RISK

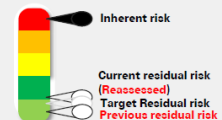
- Increasing need for vigilance over staff well-being (handling confronting situations with public)

WHAT WE ARE DOING ABOUT IT

- Introduced staff training to support staff in managing confronting situations
- Introduction of psychosocial assessments to monitor overall well-being

WHAT ELSE IS PLANNED

Risk Ratings



RISK CHANGE

The risk rating has been reassessed due to the influence of the emerging risks

Upstream Factors

- Operational risk
- Significant external events
- Climate change
- People, capability and capacity

Health, safety and wellbeing

Downstream Receivers

- People, capability and capacity
- Community sentiment
- Partnership with Iwi and Hapū

Risk 3: Community sentiment

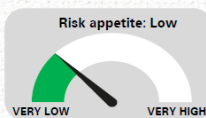
Risk Owners: Senior Leadership Team

OVERVIEW OF RISK AREA

WBOPDC's inability to maintain a strong 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 may not be supported by the community. This may adversely impact the Council's reputation and its ability to successfully deliver on key initiatives and plans.

RISK APPETITE STATEMENT

The Council aims to have increased engagement with the community to be able to understand, identify, manage and deliver on their expectations and develop strong relationships. This encompasses current market affordability conditions and the flow on to social inequality. This reflects in the Council's 'Low' risk appetite for failing to anticipate and support potential opportunities for development in the district.



WHERE WILL WE TAKE RISK?

The Council is committed to provide quality services and develop strong infrastructure in the district, to be able to build a resilient community.

The Council has a 'Medium' appetite to manage rates affordability, and will consult and engage with the community to ensure Council's decisions and plans reflect the needs and priorities of the community for resilient infrastructure balanced against affordability.

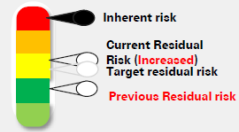
WHERE WILL WE NOT TAKE RISK?

The Council will prioritise keeping the community safe while managing the impacts of natural disasters.

With regards to managing impacts of climate change events on the community, the Council has a 'Low' risk appetite. It has a 'Low' appetite for not innovating and investing in managing climate change impacts that may adversely affect affordability of housing and land use.

The Council has a 'Low' risk appetite for non-delivery of core and critical services.

Risk Ratings



RISK CHANGE

The risk rating has increased due to the influence of the emerging risks

EMERGING RISKS

- Central government reform and the impact on community perception of local government
- Increasing expectations from community following increased frequency of extreme weather events

Risk 3: Community sentiment- emerging risks

Risk Owners: Senior Leadership Team

EMERGING RISK

- Central government reform and the impact on community perception of local government
- Increasing expectations from community following increased frequency of extreme weather events

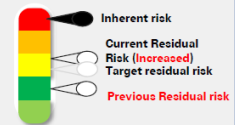
WHAT WE ARE DOING ABOUT IT

- Ongoing development and investment into community relationships through service delivery contracts
- Funding support engagement with key community networks
- Community matching funds for project delivery
- Reprioritising of priorities in Long term plan to manage impacts of affordability with project delivery

WHAT ELSE IS PLANNED

- More focus on sharing success stories with community which also emphasises building understanding associated with the scope of delivery and impact on affordability.

Risk Ratings



RISK CHANGE

The risk rating has increased due to the influence of the emerging risks

Upstream/Emitters

- Operational risk
- Significant external events
- Climate change
- Health, safety and wellbeing

Community sentiment

Downstream/Receivers

- Growth and financial sustainability
- Partnership with Iwi and Hapu

Risk 4: Partnerships with iwi and hapū

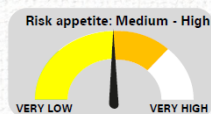
Risk Owners: Senior Leadership Team

OVERVIEW OF RISK AREA

There is a risk that Council fails to maintain a trustful relationship with iwi and hapū through a perceived lack of commitment or understanding of Council's statutory obligations and/or how the Treaty of Waitangi applies in a local government context.

RISK APPETITE STATEMENT

Council has committed to a strategic priority to grow authentic Treaty based relationships with iwi and hapū, while at the same time fulfilling wider community expectations. The Council has a 'Medium-High' risk appetite for managing this risk.



WHERE WILL WE TAKE RISK?

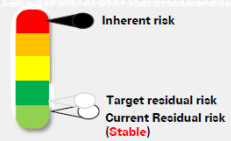
The Council will collaborate and, where appropriate, partner with iwi and hapū to deliver on expectations and define its Treaty relationship. The commitment to collaboration and partnership does not compromise Council's obligations to the wider community.

WHERE WILL WE NOT TAKE RISK?

The Council is committed to building strong and enduring relationship with the iwi and hapū through transparent and open communication, collaboration and partnership. It seeks to gain more clarity on its obligations and duties covered by the Te Tiriti o Waitangi and values the benefit from applying Mātauranga Māori lens to its initiatives and programme of work.

The Council has 'Low' appetite for not appropriately fostering iwi and hapū relationships and not identifying opportunities for partnering particularly to promote social procurement and economic development.

Risk Ratings



RISK CHANGE

The risk rating has remained stable

EMERGING RISKS

- The need to collaboratively define and agree what authentic Treaty based relationships mean in the context of local government.

Risk 4: Partnerships with iwi and hapū – emerging risks

Risk Owners: Senior Leadership Team

EMERGING RISK

- The need to collaboratively define and agree what authentic Treaty based relationships mean in the context of local government.

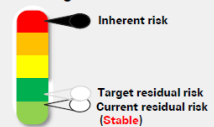
WHAT WE ARE DOING ABOUT IT

- Partnership engagement agreements
- Memoranda of understanding relationship documents
- Adopted strategic priority to grow authentic Te Tiriti based relationships
- Exploration of successful governance structures with iwi and Hapū

WHAT ELSE IS PLANNED

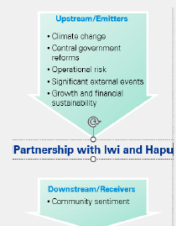
- Introduction of Māori ward(s)
- Define what authentic relationships with iwi and Hapu will envision and how this aligns with strategic priorities

Risk Ratings



RISK CHANGE

The risk rating has remained stable



Risk 5: Climate change

Risk Owners: Senior Leadership Team

OVERVIEW OF RISK AREA

The failure to adequately identify, understand, address and respond to statutory climate change obligations including reducing greenhouse gas emissions, and considering the wider impacts.

RISK APPETITE STATEMENT

Currently, there is still uncertainty about the government response and expectations relating to climate change to enable the Council to appropriately plan its 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.



WHERE WILL WE TAKE RISK?

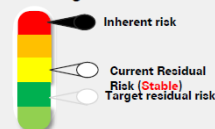
The Council has 'Medium' risk appetite for uplifting its climate change capabilities and planning for future impacts on its community. It is keen to understand and explore opportunities for partnering with iwi and hapū to pursue green growth opportunities in the district, such as development of renewable energy projects, that assist with reduction of GHG (Greenhouse gas) emissions.

WHERE WILL WE NOT TAKE RISK?

The Council understands the significance of its leadership role in building a resilient community and providing climate change guidance to the wider community. It will work closely with the Regional Council to avoid any duplication of effort. It will look to take proactive measures and to work with central government to advocate for climate change policies and initiatives. The Council has a 'Low' appetite for being non-responsive and/or delaying its response for acting on guidance obtained from Central government. The Council is looking to understand the climate change impacts that play a key role in land use and management practice. It has a 'Low' appetite for not considering climate change impacts while progressing place based spatial planning and zoning land for development. This will be balanced with infrastructure cost pressures.

The Council will invest to implement mitigation measures to be better prepared while responding to climate change events such as avoiding above floor level flooding. The Council has 'Low' appetite for delays in responding to climate change events.

Risk Ratings



RISK CHANGE

The risk rating has remained stable

EMERGING RISKS

- 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

Risk 5: Climate change- emerging risks

Risk Owners: Senior Leadership Team

EMERGING RISK

- Growing need to understand the impacts of climate on our lifeline assets

WHAT WE ARE DOING ABOUT IT

- Asset Management Planning including infrastructure risk assessments to identify assets most at risk in the AMP planning horizon(20 years)
- Ongoing Natural Hazards planning programme in partnerships with TCC / BOPRC
- Focus on councils own corporate emissions through Toitu
- Use evidence based natural hazards models to understand impact on land use of various climate change scenarios
- Key input into Te Puke Spatial Plan.

WHAT ELSE IS PLANNED

- Need for council to develop a plan or strategy for moving critical lifeline infrastructure
- Need for a plan or strategy to protect lifeline assets from climate related impacts (roading against flooding etc)
- More focus on sharing success stories with community which also emphasises building understanding associated with the scope of delivery and impact on affordability.
- Regional collaboration with other Councils

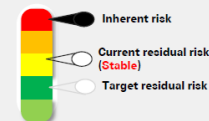
- Balancing cost implications of working through climate response and how to fund this approach

- Ability to meet climate related disclosures/reporting

- Reprioritising of priorities in Long term plan to manage impacts of affordability with project delivery

- Increasing staff knowledge through ongoing participation in climate change webinars and forums

Risk Ratings



RISK CHANGE

The risk rating has remained stable



Risk 6: Growth and financial sustainability

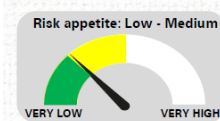
Risk Owners: Senior Leadership Team

OVERVIEW OF RISK AREA

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 its strategic priorities and regional growth prospects and achieve the desired community outcomes.

RISK APPETITE STATEMENT

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.



WHERE WILL WE TAKE RISK?

The Council recognises the critical role it plays in supporting growth and economic development in the district. It has a 'Medium' risk appetite for funding infrastructure projects that support the district while recognising and planning for increased risk from investment such as project overruns, changes in economic conditions, etc.

To maintain a strong and resilient financial position, the Council has implemented a self insurance model for the initial \$20mil to safeguard itself. The Council has a 'Medium' risk appetite for the self insurance model reflecting the potential risk from severe weather events which may significantly impact its financial strategy.

WHERE WILL WE NOT TAKE RISK?

The Council is committed to closely monitoring and managing its debt levels. It has a 'Low' appetite for not effectively maintaining sufficient "borrowing headroom" through conducting a comprehensive analysis and review of its financial position, to cater for future investment and/or responding to catastrophic weather events or natural disasters

Risk Ratings



RISK CHANGE

The risk rating has increased due to the influence of the emerging risks

EMERGING RISKS

- Balancing the impacts of affordability and costs to rate payers
- Uncertainty around waters reform

Risk 6: Growth and financial sustainability – emerging risks

Risk Owners: Senior Leadership Team

EMERGING RISK

- Balancing the impacts of affordability and costs to rate payers
- Uncertainty around water reform

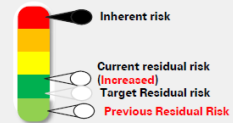
WHAT WE ARE DOING ABOUT IT

- Reprioritising of priorities in LTP to manage impacts of affordability with project delivery
- Exploring the advantages of shifting from financial contributions to development contributions
- Understanding of financial position to manage costs without increasing rates
- Continue to focus on keeping informed of current economic environment, so that once clarity is given, we can adapt quickly to new requirements.

WHAT ELSE IS PLANNED

- More focus on sharing success stories with community which also emphasises building understanding associated with the scope of delivery and impact on affordability.

Risk Ratings



RISK CHANGE

The risk rating has increased due to the influence of the emerging risks



Risk 7: Central government reforms

Risk Owners: Senior Leadership Team

OVERVIEW OF RISK AREA

There is a risk of inadequate and insufficient horizon scanning completed by the Council to identify, understand the impact, advocate and respond to the changing statutory reforms being considered by the Government. This could potentially impact the Council's operations and its ability to re-prioritise and allocate adequate resources to meet the changing expectations resulting in delay in projects, delivery of services, reputational loss, failure to meet the government expectations and non-compliance with statutory requirements.

RISK APPETITE STATEMENT

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.



WHERE WILL WE TAKE RISK?

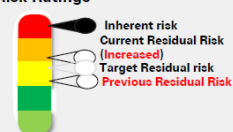
The Council has a 'Medium-High' appetite for connecting with other Councils in the region to advocate on sector specific topics. In doing so, the Council will take appropriate measures to consult with key stakeholders and the wider community on their needs and expectations, in its response to central government reforms.

WHERE WILL WE NOT TAKE RISK?

Changes introduced through central government reforms can significantly impact Council's operations and its ability to deliver services. The Council has a 'Low' appetite for not adequately assessing the changes in government policies and regulations and non-compliance with the requirements introduced.

It will invest in engaging with central government early on, in the process and working with the other Councils for sector specific topics. This will enable the Council to obtain a better understanding of change implications and developing appropriate response strategies that align with Council's key outcomes.

Risk Ratings



RISK CHANGE

The risk rating has increased due to the influence of the emerging risks

EMERGING RISKS

- General impacts from 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.

Risk 7: Central government reform- emerging risks

Risk Owners: Senior Leadership Team

EMERGING RISK

- General impacts from 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.

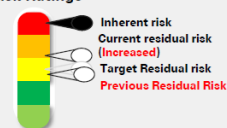
WHAT WE ARE DOING ABOUT IT

- Robust process surrounding financial analysis impacts from 3 waters (staff displacement, stranded overhead, asset movement)
- Investment of staff to advocate in regional working groups
- Involvement at national level with Taituarā
- Dedicated policy team that focuses on implementing legislative changes

WHAT ELSE IS PLANNED

- Continued exploration of external consultancy partnerships for advisory services
- Conversations with local council partners but with specific focus on what the upcoming reform model will look like and how can we adapt to it

Risk Ratings



RISK CHANGE

The risk rating has increased due to the influence of the emerging risks

Upstream/Emitters

- Climate change
- Health, safety and wellbeing

Central government reforms

Downstream/Receivers

- Operational risk
- Growth and financial sustainability
- Climate change
- Community sentiment
- Partnership with iwi and Hapu

Risk 8: Significant external events

Risk Owners: Senior Leadership Team

OVERVIEW OF RISK AREA

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 increases 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.

RISK APPETITE STATEMENT

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.



WHERE WILL WE TAKE RISK?

The Council acknowledges that the current external environment is very dynamic and continuously evolving (including economic and political uncertainty). The Council's 'High' risk appetite is reflective of its limited ability to control/manage this risk.

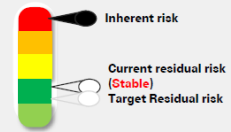
The Council is committed to prioritise its response to significant external events while having to temporarily suspend delivery of its non-critical services or operations in a manner that meets the expectations of the community.

WHERE WILL WE NOT TAKE RISK?

The Council will aim to ensure it has comprehensive and effective business continuity plans in place. It has a 'Low' appetite for not providing adequate support to the community in times of crisis, emergency response and extreme weather events.

The Council has a 'Low' appetite for not adequately managing effects of supply chain disruptions due to external events impacting Council's ability to deliver critical services and conducting essential activities to maintain lifeline infrastructure.

Risk Ratings



RISK CHANGE

The risk rating has remained stable

EMERGING RISKS

- Increasing frequency of severe weather events
- Increasing cost of insurance
- Increasing expectations from community following increased frequency of extreme weather events

Risk 8: Significant external events- emerging risks

Risk Owners: Senior Leadership Team

EMERGING RISK

- Increasing frequency of severe weather events and the associated financial cost to council
- Increased cost of insurance
- Increasing expectations from community following increased frequency of extreme weather events

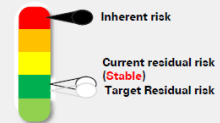
WHAT WE ARE DOING ABOUT IT

- Annual business continuity plan testing
- Ongoing commitment to natural hazard modelling
- Staff training for working in emergency environments
- Ongoing commitment to supporting community response plans
- Review of insurance policies

WHAT ELSE IS PLANNED

- Exploration of ways to communicate with community surrounding project delivery and the associated cost implications

Risk Ratings



RISK CHANGE

The risk rating has remained stable

Upstream/Emitters

- Climate change

Significant external events

- Downstream/Receivers
- Operational risk
- Community sentiment
- Growth and financial sustainability
- Health, safety and wellbeing
- People, capability and capacity
- Partnership with Iwi and Hapū

Risk 9: People, capability and capacity

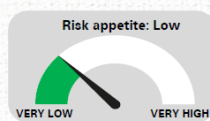
Risk Owners: Senior Leadership Team

OVERVIEW OF RISK AREA

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.

RISK APPETITE STATEMENT

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.



WHERE WILL WE TAKE RISK?

Council's ability to deliver services during periods of massive change (including those due to significant external events or internal initiatives such technology uplift) or economic or political uncertainty, is central to its operations. It recognises that this may at times exacerbate the risk relating to people retention and its ability to attract new employees.

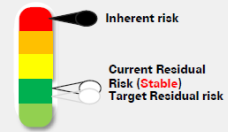
WHERE WILL WE NOT TAKE RISK?

The Council has 'Low' risk appetite for general staff turnover and losing its key staff members to the wider sector. It aims to invest in continuous development of its staff members through ongoing training sessions and supporting opportunities for staff career progression. It recognises the importance of having necessary technical expertise, experience and skill-set to deliver on its key outcomes. It will actively consider adjusting the current salary bands, and offering competitive salaries that align with the trends in talent market.

The Council has a 'Low' risk appetite for staff wellbeing and is keen to take active measures to build a flexible and supportive work environment.

The Council has a 'Low' appetite for not providing or promoting diverse and inclusive work culture that is welcoming, supports flexible working environment and building a strong and resilient workforce, to deliver on its strategic outcomes.

Risk Ratings



RISK CHANGE

The risk rating has remained stable

EMERGING RISKS

- Retention of staff in key strategic areas and specialised roles
- Loss of institutional knowledge

Risk 9: People, capability and culture- emerging risks

Risk Owners: Senior Leadership Team

EMERGING RISK

- Retention of staff in key strategic areas and specialised roles
- Loss of institutional knowledge

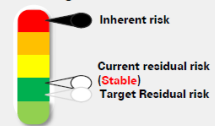
WHAT WE ARE DOING ABOUT IT

- Employee value proposition developed
- Introduction of training modules to uplift system capability
- Implementation of succession planning to retain and maintain key institutional knowledge
- Improved documentation of system processes to retain institutional knowledge

WHAT ELSE IS PLANNED

- Leveraging employee value proposition to increase attraction to our organisation

Risk Ratings



RISK CHANGE

The risk rating has remained stable

Upstream/Emitters

- Health, safety and wellbeing
- Growth and financial sustainability
- Operational risk

People, capability and capacity

- Operational risk
- Community sentiment
- Growth and financial sustainability
- Health, safety and wellbeing
- Partnership with iwi and Māori stakeholders

Risk 10: Technology enablement and resilience (NEW)

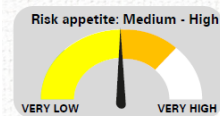
Risk Owners: Senior Leadership Team

OVERVIEW OF RISK AREA

The risk that WBOPDC does not effectively leverage technological innovations due to inadequate funding allocation, resulting in missed opportunities to improve operational efficiency and enhance community experiences in communicating with the Council. This also includes inadequate system/technical capability to manage digital risks effectively. This can potentially impact quality of service delivery and efficiency of business activities.

RISK APPETITE STATEMENT

WBOPDC recognises that in order to effectively deliver on its strategic priorities, and maintain pace with the current market environment, it must be willing to accept more risk where the benefits will enhance and therefore improve the organisations current business operations, service delivery, communication channels and overall capability of the business. Given our appetite for change, and drive to uplift institutional knowledge and system infrastructure. WBOPDC has a "Medium-High" appetite for Technology enablement and resilience.



WHERE WILL WE TAKE RISK?

Council understands that during times of people change, there will be increased risk until key personnel in critical roles can be replaced to then fill the institutional knowledge that has left with outgoing staff members. During this time, council accepts a "Medium" appetite to risk while attracting new personnel with the required capability.

Council has a "Medium" appetite to uplifting its current system capability. This acknowledges the need to replace systems that are nearing end of life but also representative of the inherent risks to data governance and cyber resilience that are associated with implementing new systems.

Council has a "High" appetite to exploring a lean approach to new system implementation. Looking to understand where current process can be improved while navigating increased risk while new processes are being designed and then understood.

WHERE WILL WE NOT TAKE RISK?

The Council has "Low" risk appetite to implementing new systems without leveraging knowledge from local council partners

The Council has a "Low" risk appetite to not having delivered appropriate training to support staff in upskilling in the use of new systems

Risk Ratings



RISK CHANGE

New Risk

EMERGING RISKS

- End of life ERP system
- Loss of institutional knowledge

Risk 10: Technology enablement and resilience – emerging risks

Risk Owners: Senior Leadership Team

EMERGING RISK

- End of life ERP system
- Loss of institutional knowledge

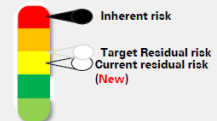
WHAT WE ARE DOING ABOUT IT

- Ongoing discussion with local council partners surrounding ERP solutions
- Introduction of training modules to uplift system capability
- Employee value proposition developed
- Implementation of succession planning to retain and maintain key institutional knowledge
- Improved documentation of system processes to retain institutional knowledge

WHAT ELSE IS PLANNED

- Leveraging employee value proposition to increase attraction to our organisation

Risk Ratings



RISK CHANGE

New risk

Upstream/Emitters

- People, Capacity & Culture
- Central government reform
- Community sentiment
- Significant external events

Technology Resilience

- People, Capability & Capacity
- Central government reform
- Community sentiment
- Significant external events

1.4 Progress Report on Risk Management Work Programme

The following work has progressed within the risk management programme since the last Audit, Risk and Finance Committee:

- Fraud Policy is currently being reviewed and updated – due to be presented at the next Strategy and Policy committee in November.
 - A Tier 3 workshop is currently being progressed to educate all officers on our updated Fraud Policy with examples and tools for improving our fraud culture.
- Sensitive Expenditure policy is currently being reviewed and updated – due to be presented at the next Strategy and Policy committee in November.
- Risk and Assurance have engaged KPMG and Nintex to provide Tier 3 Managers and SLT a workshop in November to: –
 - familiarise and make aware on how to apply the approved Risk Management Framework and;
 - provide training on the risk module that sits within Promapp.

2. Internal Audit (IA)

2.1 Internal Audit Plan 2022/23 to 2025/26

The Internal Audit Plan for year 23/24 currently has 10 audits that SLT approved that were indicated as areas that the business requires further assurance.

We have 7 internal audits/reviews to be completed. Due to the recent vacancy of the our Risk & Assurance Manager, we will be reassessing our work program and provide an update at the next ARFC on which audits we intend to either delay or reprioritize for completion within this financial year.

There have been some changes made to the plan and the following are the changes :-

1. We will be removing the Environmental, Social and Governance: –Sustainability Framework (highlighted in red) review as we have been advised that Toitu report replaces the above review.
2. We have also included the recently commissioned independent review of our privacy function, Privacy Health Check (highlighted in red). The objective of the review is to examine our current privacy programme against expected standards

of similar organisations and identify the organizational-level changes needed to move council to its desired privacy maturity state.

3. We have moved forward the Financial controls: reconciliations, reporting, ledger administration and overhead/internal allocations review. This is broadly being covered as part of the Long-Term Plan process and findings from the current Annual Report process.

Updated 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. <i>Update: moved forward to 23/24</i>	✓		
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.	✓		
12.	Site operational controls, cyclic visit: (Pools, community facilities, service desks, libraries, nurseries, park-sites).		✓	

#	Review	FY 23/24	FY 24/25	FY 25/26
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 replaced with	✓		
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.	Privacy Health Check	✓		
30.	Cyber Security / Public Records Act compliance		✓	

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.

Statement of comprehensive revenue and expense	Actual YTD \$000's	Budget YTD \$000's	Variance YTD \$000's
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%		
Statement of financial position	Actual YTD \$000's	Budget Full Year \$000's	
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**  



Pūrongo pūtea ia toru marama
Q1 Quarterly Financial Report

September 2023 – Period 3
For the three months ended 30 September 2023



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 Treasury – Investments & Bank Counterparty Limits..... 14

Q1 Quarterly Financial Report : September 2023 – Period 3

Financial Summary

Financial Snapshot



Q1 Quarterly Financial Report : September 2023 – Period 3

Financial Statements

Statement of Comprehensive Revenue and Expense Council Wide

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE PERIOD ENDED 30 SEPTEMBER 2023	2024	2024	2024	2023	2024	2024
	Actual	Budget	Variance	Actual	Actual YTD	Budget
	Year to date	Year to date	Year to date	Year to date	as % of Budget Full yr	Full year
\$000						
Revenue						
Rates	22,758	23,041	(283)	21,345	26%	92,163
Subsidies and grants	2,044	9,640	(7,596)	4,583	5%	38,561
Development and financial contributions	6,516	3,003	3,513	3,289	54%	12,011
Fees and charges	3,297	3,245	52	3,225	25%	12,979
Interest revenue	117	69	48	13	51%	278
Other revenue	995	679	316	705	91%	2,717
Total revenue	35,727	39,677	(3,950)	33,160	23%	158,709
Expenses						
Personnel costs	7,837	7,877	40	7,198	25%	31,508
Depreciation and amortisation expense	5,968	6,689	720	10,823	2504%	26,754
Finance costs	1,229	1,471	243	998	21%	5,886
Other expenses	16,104	15,633	(470)	13,864	26%	62,533
Total expenses	31,137	31,670	533	32,884	25%	126,680
Share of associate's surplus/(deficit)						
Income tax expense					0%	(2)
Surplus/(deficit) after tax	4,590	8,007	(3,417)	275	14%	32,026

Q1 Quarterly Financial Report : September 2023 – Period 3

Statement of Comprehensive Revenue and Expense by Activity

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE	2024	2024	2024	2023	2024	2024
FOR THE PERIOD ENDED 30 SEPTEMBER 2023	Actual	Budget	Variance	Actual	Actual YTD as	Budget
\$000's	Year to date	Year to date	Year to date	Year to date	% of Budget FY	Full year
Revenue						
Communities	3,465	4,237	(772)	4,237	82%	16,947
Reserves & Facilities	3,758	3,407	352	3,407	110%	13,627
Regulatory	3,454	3,778	(324)	3,778	91%	15,111
Water Supply	3,871	3,702	169	3,702	105%	14,809
Wastewater	4,144	3,709	435	3,709	112%	14,836
Stormwater	1,697	1,824	(127)	1,824	93%	7,296
Transport	9,951	13,632	(3,681)	13,632	73%	54,527
Solid Waste	1,366	1,359	7	1,359	101%	5,435
Natural Environment	339	260	78	260	130%	1,041
Representation	1,019	1,016	3	117	100%	4,063
Planning for the future	1,201	1,201	0	1,201	100%	4,803
Economic	247	247	1	247	100%	987
Corporate Services	1,216	1,306	(91)	1,306	93%	5,226
Total revenue	35,727	39,677	(3,950)	38,778	90%	158,709

Q1 Quarterly Financial Report : September 2023 – Period 3

	2024	2024	2024	2023	2024	2024
	Actual	Revised Budget	Variance	Actual	Actual YTD as	Budget
	Year to date	Year to date	Year to date	Year to date	% of Budget FY	Full year
Expenses						
Communities	3,218	3,067	150	3,067	105%	12,269
Reserves & Facilities	2,388	2,793	(405)	2,793	86%	11,172
Regulatory	3,896	3,780	116	3,780	103%	15,119
Water Supply	4,227	4,150	77	4,150	102%	16,601
Wastewater	4,060	3,702	358	3,702	110%	14,807
Stormwater	1,528	1,171	357	1,171	131%	4,682
Transport	7,512	7,316	197	7,316	103%	29,264
Solid Waste	878	1,334	(456)	1,334	66%	5,334
Natural Environment	164	384	(220)	384	43%	1,535
Representation	846	1,006	(160)	964	84%	4,026
Planning for the future	1,057	1,197	(141)	1,197	88%	4,790
Economic	224	226	(2)	226	99%	902
Corporate Services	1,141	1,545	(404)	1,545	74%	6,179
Total expenses	31,137	31,670	(533)	31,627	98%	126,680
Surplus/(deficit) after tax	4,590	8,007	(3,417)	7,151		32,029

Q1 Quarterly Financial Report : September 2023 – Period 3

Financial performance variances commentary

Revenue

- Rates Income of \$22.8M are \$0.3M below year-to-date budget.
- Subsidies and Grants of \$2.0M are \$7.6M below year-to-date budget. This is due to timing of the Waka Kotahi subsidy claims (\$6.1M) being delayed at the start of each financial year and the phasing of capital grants budgeted for Pensioner Housing (\$1.2M).
- Financial Contributions of \$6.5M are \$3.5M above year-to-date budget mainly driven by higher than planned contributions in Rooding of \$2.5M.
- Fees and Charges of \$3.3M are \$0.05M above year-to-date budget.
- Other Revenue of \$1.0M is above than year-to-date budget by \$0.3M and includes Dividends and Forestry Harvesting Proceeds.

Expenses

- Personnel Costs of \$7.8M are \$0.04M below year-to-date budget.
- Depreciation expense of \$6M is \$0.7M below year-to-date budget due to timing factors as depreciation is driven from existing asset budgets.
- Finance Costs of \$1.2M is \$0.2m below year-to-date budget due to lower than planned borrowings.
- Other Expenses of \$16.1M are higher than year-to-date budget by \$0.5M, with variances due to timing issues and phasing of budgets. The main variance areas being Maintenance Contractor Costs for Water, Stormwater & Wastewater.

Q1 Quarterly Financial Report : September 2023 – Period 3

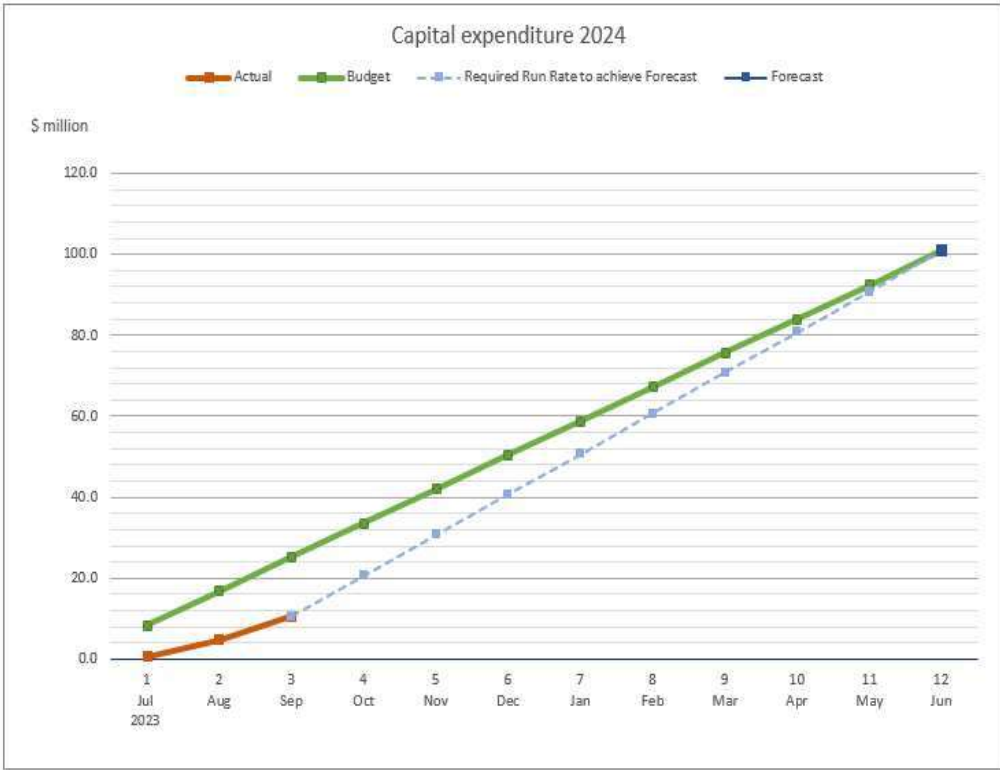
Capital Expenditure

Council Capital Expenditure

	2024 Actual Year to date	2024 Revised Budget Year to date	2024 Variance Year to date	2023 Actual Year to date	2024 Actual YTD as % of Revised Budget FY	2024 Revised Budget Full year
Total Capital Expenditure	12,065	25,216	(13,150)	108	12%	100,863

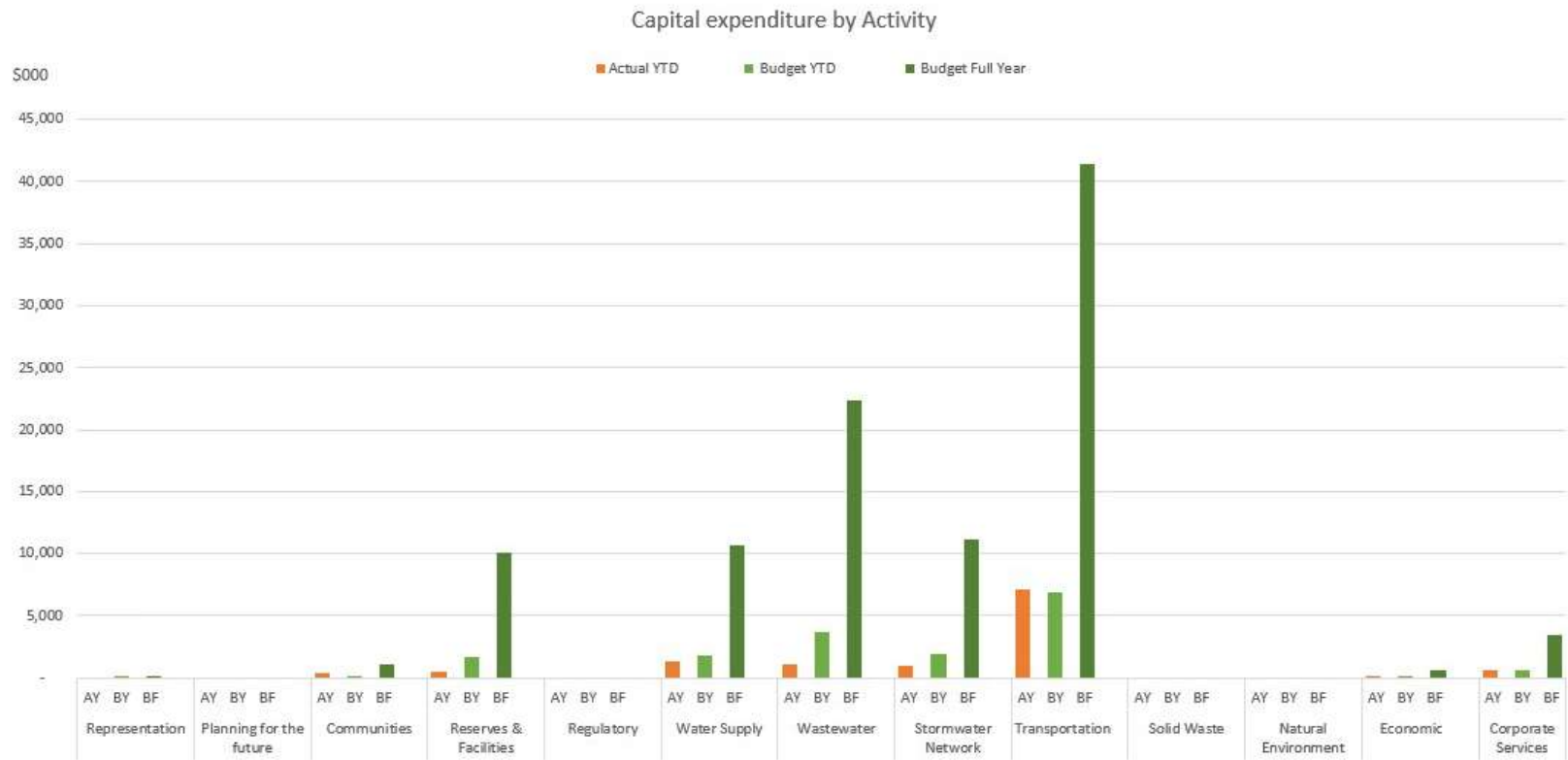
Q1 Quarterly Financial Report : September 2023 – Period 3

Overview



Council's capital programme spend is \$12.1M as September 2023 compared to full year budget \$100.9M. The spend year-to-date makes up 12% of Council's planned capital programme delivery for 2023. Noted that the Budgeted amount excludes carry forwards from 22/23 to 23/24.

Q1 Quarterly Financial Report : September 2023 – Period 3



Q1 Quarterly Financial Report : September 2023 – Period 3

Capital expenditure by Activity

	2024	2024	2024	2023	2024
\$000	Actual	Revised Budget	Variance	Actual	Actual YTD
	Year to date	Year to date	Year to date	Year to date	as % of Rev Budget FY
Representation	-	9	(9)	-	0%
Planning for the future	-	-	-	11	0%
Communities	331	279	51	702	0%
Reserves & Facilities	526	2,511	(1,985)	775	1%
Regulatory	-	-	-	-	0%
Water Supply	1,340	2,668	(1,329)	764	1%
Wastewater	1,122	5,589	(4,466)	39	1%
Stormwater Network	1,015	2,798	(1,783)	577	1%
Transportation	7,102	10,349	(3,247)	6,937	7%
Solid Waste	-	-	-	-	0%
Natural Environment	-	-	-	-	0%
Economic	15	142	(127)	13	0%
Corporate Services	615	871	(256)	778	1%
TOTAL	12,065	25,216	(13,150)	10,595	12%

Capital Expenditure Analysis

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

- Reserves & Facilities is \$1.9M below year-to-date budget with impacts of budget phasing and timing issues of coming into summer works programmes, with two main projects being delayed with Dave Hume Pool Covering and the Panepane Wharf Replacement.
- Water supply is \$1.3M below year-to-date budget with impacts of budget phasing and timing issues of coming into summer works programmes.
- Wastewater is \$4.4M below year-to-date budget with impacts of budget phasing and timing issues of coming into summer works programmes. With three main projects contributing to the reported variance being:
 - Waihi Beach WW SAS Lagoon project & Waihi Beach WWTP upgrade is under year-to-date budget of \$0.4M due to delays with rescoping the project.
 - Te Puke WWTP & Rangiuru Business Park contribution is \$3.7M under year-to-date budget due to consent delays and impacts on planning and design.
- Stormwater Network is \$1.7M below year-to-date budget with impacts of budget phasing and delays related to Ōmokoroa Structure Plan projects \$0.9M below year-to-date budget and includes delays related to design updates for works around Prole Rd however expected that project will be on track by the end of the year.
- Transportation is \$3.2M under year-to-date budget with impacts of budget phasing and timing issues of coming into summer works programmes however expected that projects will be on track by the end of the year. This is being driven by the following specific projects:
 - Katikati Structure Plans – spend is \$0.1M below year-to date budget.
 - Omokoroa Structure Plans – spend is \$1.2M below year-to-date budget.
 - Asset Management for Transportation – spend is \$1.8m below year-to-date budget.

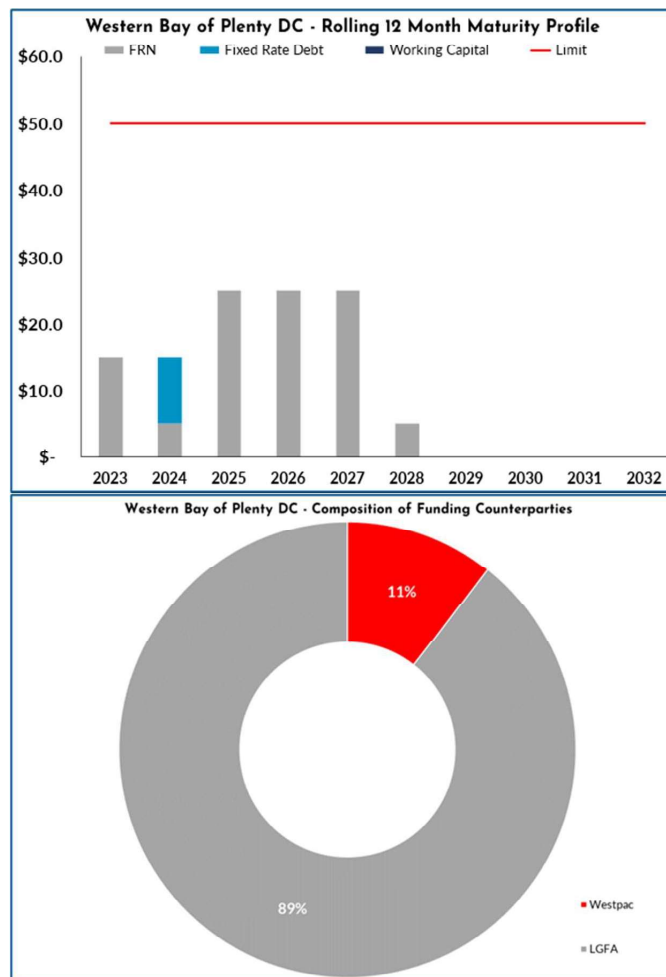
Q1 Quarterly Financial Report : September 2023 – Period 3

Statement of Financial Position

	2024	2024	2023
STATEMENT OF FINANCIAL POSITION	Actual	Budget	Actual
AS AT 30 SEPTEMBER 2023	Year to date	Full year	Year to date
\$'000			
Current assets			
Cash and cash equivalents	7,835	32,761	44,118
Receivables	41,756	10,155	8,049
Prepayments	467	496	264
Total current assets	50,058	43,411	52,431
Non-current assets			
Other financial assets	12,965	12,542	12,542
Investment in associates	3,766	4,666	3,316
Property, plant and equipment	1,851,171	1,762,661	1,661,712
Intangible assets	4,994	6,022	4,781
Forestry assets	8,266	8,938	8,938
Total non-current assets	1,881,162	1,794,830	1,691,289
Total assets	1,931,220	1,838,241	1,743,720
Current liabilities			
Payables and deferred revenue	37,632	22,529	37,939
Derivative financial instruments		795	(138)
Borrowings and other financial liabilities	15,000	15,000	
Employee entitlements	4,411	3,032	3,634
Provisions	313	313	313
Total current liabilities	57,356	41,669	41,748
Non-current liabilities			
Derivative financial instruments	(2,580)	6,478	(1,540)
Borrowings and other financial liabilities	79,775	119,000	80,000
Employee entitlements	19	19	19
Provisions	262	265	265
Total non-current liabilities	77,476	125,760	78,744
Total liabilities	134,832	167,429	120,492
Net assets	1,796,388	1,670,813	1,623,229
Equity			
Accumulated funds	996,635	1,012,389	965,141
Reserves	799,753	658,424	658,088
Total equity	1,796,388	1,670,813	1,623,229

Q1 Quarterly Financial Report : September 2023 – Period 3

Treasury – Funding



Debt
\$95.0m

Total Drawn Debt

Weighted Average Margin

0.71%

Margin on Facilities

Headroom

\$30.0m

Undrawn Bank Facilities

Liquidity

\$8.0m

Cash + Deposits

Key Metrics

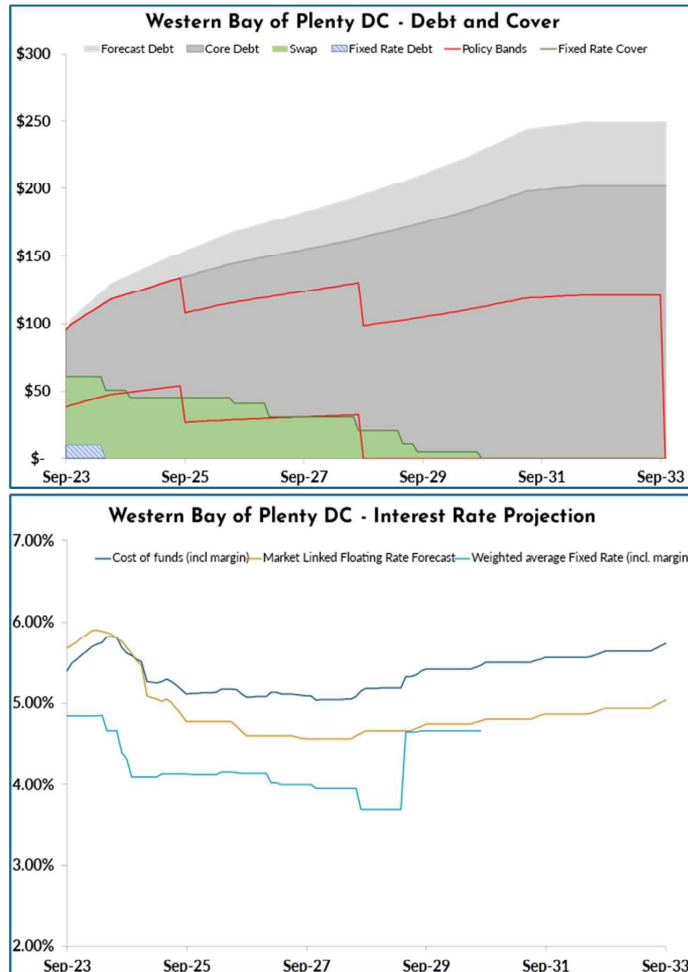
External % Debt Borrowed as Floating	89.5%
External % Debt Borrowed as Fixed	10.5%
Current % of Debt Fixed	63.7%
Current % of Debt Floating	36.3%
Value of Fixed Rate (m)	\$60.5
Weighted Average Cost of Fixed Rate Instruments	4.25%
Weighted Average Cost of Fixed Rate Instruments (incl margin)	4.84%
Value of Forward Starting Cover	\$21.0
Weighted Average Cost of Forward Starting Cover	3.87%
Value of Floating Rate (m)	\$34.5
Current Floating Rate	5.68%
Current Floating Rate (incl margin)	6.39%
All Up Weighted Average Cost of Funds Including Margin	5.40%
Total Facilities In Place	\$125.0

New Borrowing:

During the quarter, WBOPDC borrowed \$5m of new debt through the LGFA. The loan was issued on a floating rate made up of 3-month BKBM + 29 basis points and matures 15 April 2026.

Q1 Quarterly Financial Report : September 2023 – Period 3

Treasury – Hedging (before separation of affordable waters / current state)



Strategy

- Western Bay remains 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 new cover has been added as swap rates break to fresh highs for this cycle. As a result, there is still a requirement to add to fixed rate hedging to bring cover levels back above minimums, assuming current debt forecasts are accurate.
- Despite the election resulting in a resounding loss for Labour, uncertainty around waters reform remains high. New Zealand is unlikely to have a government until 3rd November when final election results are expected, however, it is clear we will have a National, ACT and, possibly, New Zealand First coalition. There is still significant uncertainty around the debt transfer mechanism and indeed if reforms will even go ahead. National has said it will replace legislation with a sustainable system that ensures drinking water, stormwater and wastewater remain in local control. As yet, we do not know if Entity C will be set up, therefore where the debt will ultimately sit.
- Should a water reform go ahead, Western Bay could find itself in an over-hedged position and therefore, we do not want to add to hedging at current levels. Regardless, we are monitoring the following swaps and will continue to do so with an eye on the election:
 - \$8m starting May 2024 and maturing May 2026 (indicative rate: 5.58%)
 - \$5m starting Feb 2027 and maturing Feb 2029 (indicative rate: 5.03%)

**Bancorp and the WBOPDC Treasury team have put together a discussion document (see Attachment 2) explaining in further detail the Hedging Policy Breaches.*

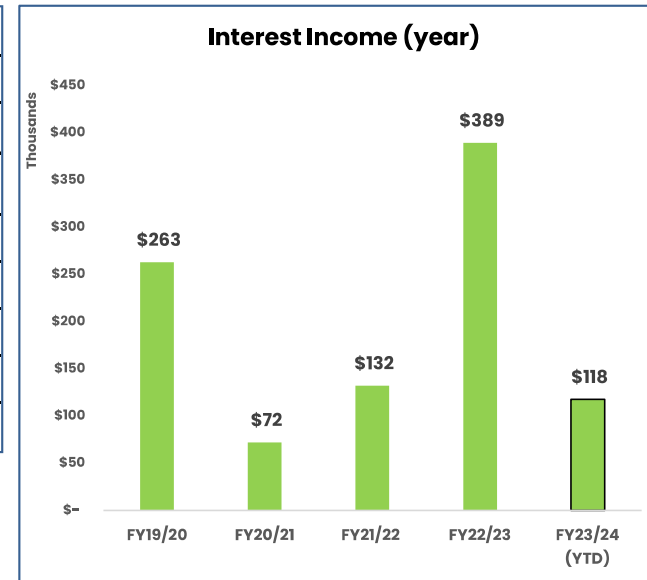
POLICY BANDS				
Period	Minimum Cover	Maximum Cover	Weighted Average Cover %	Within Policy?
0 - 2 years	40%	100%	63.7%	BREACH
2 - 5 years	20%	80%	33.4%	BREACH
5 - 10 years	0%	60%	12.8%	OK

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Q1 Quarterly Financial Report : September 2023 – Period 3

Treasury – Investments & Bank Counterparty Limits

WEIGHTED AVERAGE INTEREST RATE FOR CURRENTLY HELD INVESTMENTS		
	Amount	Average Rate
Call Deposits	\$5,000,000	4.80%
Term Deposits		
	\$5,000,000	
Weighted Average Interest Rate as at 30 Sep-23		4.80%
Benchmark Average Interest Rate as at 30 Sep-23		5.76%
(Benchmark = average 6-month BKBM mid-rate between Start and End of Month)		



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. Credit risk will be regularly reviewed by the Council. Treasury related transactions would only be entered into with organisations specifically approved by the Council.

Western Bay of Plenty District Council remains within its bank counterparty exposure policy limits.

BANK / INVESTMENT COUNTERPARTY EXPOSURE LIMITS as at 30 Sep-23							
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	2.1	8	10.1	34%	86%
ASB	AA-	30	0.0	0	0.0	0%	0%
BNZ	AA-	30	1.7	0	1.7	6%	14%
Westpac	AA-	30	0.0	0	0.0	0%	0%
(Source = S&P Global)		120	3.8	8	11.8	10%	100%

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** 



INVESTMENT AUDIT REPORT

Emergency Works Procedural Audit of Western Bay of Plenty District Council

Monitoring Investment Performance

Report of the investment audit carried out under Section 95(j)(ii)(iii) of the Land Transport Management Act 2003.

Caroline Reddie

4 October 2023

FINAL

Report Number:

RACRH-2394

Audit: Western Bay of Plenty District Council

Approved Organisation (AO):	Western Bay of Plenty District Council
Waka Kotahi NZ Transport Agency Investment (Emergency Works):	\$3,421,600
Special Financial Assistance Rate for Emergency Works	91%
Date of Investment Audit:	2 nd – 5 th October 2023
Auditor(s):	Caroline Reddie – Senior Investment Procedural Auditor
Report No:	RACRH-2394

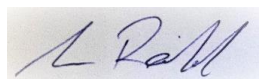
AUTHORITY SIGNATURES

Prepared by:



Caroline Reddie, Senior Investment Auditor

Approved by:

Sean Rainsford, Practice Manager Audit & Assurance
(Acting)

19/10/23

Date

DISCLAIMER

WHILE EVERY EFFORT HAS BEEN MADE TO ENSURE THE ACCURACY OF THIS REPORT, THE FINDINGS, OPINIONS, AND RECOMMENDATIONS ARE BASED ON AN EXAMINATION OF A SAMPLE ONLY AND MAY NOT ADDRESS ALL ISSUES EXISTING AT THE TIME OF THE AUDIT. THE REPORT IS MADE AVAILABLE STRICTLY ON THE BASIS THAT ANYONE RELYING ON IT DOES SO AT THEIR OWN RISK, THEREFORE READERS ARE ADVISED TO SEEK ADVICE ON SPECIFIC CONTENT.

Report Number:

RACRH-2394

Audit: Western Bay of Plenty District Council

BACKGROUND

Western Bay of Plenty District was impacted by a number of North Island Weather events in the 2023 year. Cyclone Hale struck on the 10th to 11th January 2023, the Auckland Anniversary event struck the weekend of 27th January 2023, and Cyclone Gabrielle struck from 12th to 14th February 2023.

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.

At that time, the bespoke FAR was only applicable to initial response activity and only for the period until 30th June 2023. This period was later extended to allow expenditure to be carried over into the 2023/24 financial year.

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.

SUMMARY

Council has experienced a number of significant weather events effecting its roading network in 2023. 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 Bay of Plenty for the emergency works response. 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. 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 we are satisfied that this has been demonstrated based on the review we sampled 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.

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AUDIT RATING ASSESSMENT

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

* Please see Introduction for Rating Assessment Classification Definitions

1. INTRODUCTION

1.1. Audit Objective

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. We also seek assurance that the Council is appropriately managing risk associated with Waka Kotahi investment. We recommend improvements where appropriate.

1.2. Assessment Ratings Definitions

	Effective	Some Improvement Needed	Significant Improvement Needed	Unsatisfactory
Investment management	Effective systems, processes and management of Emergency Works funding processes.	Effective systems and processes for the management of Emergency Works funding processes but requires some improvement.	Systems, processes, and management of Emergency Works funding processes require significant improvement.	Inadequate systems, processes, for Emergency Works funding processes.
Compliance	Waka Kotahi bespoke funding and legislative requirements met.	Some omissions with Waka Kotahi Emergency Works funding requirements. No known breaches of legislative requirements.	Significant breaches of Waka Kotahi Emergency Works funding and/or legislative requirements.	Multiple and/or serious breaches of Waka Kotahi Emergency Works funding or legislative requirements.
Findings/ deficiencies	Opportunities for improvement may be identified for consideration.	Error and omission issues identified which need to be addressed.	Issues and/or breaches must be addressed, or on-going Waka Kotahi Emergency Works funding may be at risk.	Systemic and/or serious issues must be urgently addressed, or on-going Waka Kotahi Emergency Works funding will be at risk.

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2. ASSESSMENT FINDINGS

1. Financial Processes	Effective
<p>Western Bay of Plenty District Council received initial response funding of \$3,421,600 at the maximum bespoke funding assistance rate (FAR) of 91%. At that time, the bespoke FAR was only applicable to initial response phase and only for the period until 30th June 2023. This period was later extended to allow expenditure to be carried over into the 2023/24 financial year.</p> <p>There are two systems used for financials. Westlink Bay of Plenty use their financial system to capture all work activities. They, then invoice Council each month for payment. Western Bay of Plenty District Council then submit the expenditure claims through TIO for progress payments of the approved funding.</p> <p>Overall, both Council and Westlink Bay of Plenty have good clear financial processes to separately identify emergency works activities. The transactions sampled from both Council and Westlink Bay of Plenty were eligible for funding. Supporting documents were provided that included photos and descriptions of work carried out. Westlink also had a separate Emergency Works General Ledger line to ensure emergency response activities were captured correctly before an invoice was generated for payment to Council.</p> <p>We requested the full transaction list of emergency works claimed, under the bespoke FAR, and we sampled a selection of transactions and supporting documentation to verify funding eligibility.</p>	
Western Bay of Plenty District Council's comment	<p>The initial response funding application was based on the estimated cost of the approved works including some reinstatement activities. We expect the total cost of this initial phase to be different. If costing more it will be added to the next reinstatement phase, if less it cannot be claimed and then released under a review. Currently costs for this phase will be greater than the approved amount.</p> <p>The Council appreciates the enhanced 91% FAR for the initial response phase for these storms but requests the ongoing consideration for next phase(s) application to be considered for enhanced FAR also.</p>

* * *

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2. Procurement and Asset Management Controls**Effective****Procurement**

Western Bay of Plenty District Council procured the majority of physical works for its emergency activities through its current agreement with Westlink Bay of Plenty for network maintenance and renewals. This relationship works well for both parties.

Asset Management Controls

During the weather events, photos were taken, and detailed descriptors of damages were recorded in an excel spreadsheet and transferred to RAMM.

Westlink Bay of Plenty utilised their existing sub-contractors and did not need to add additional sub-contractors for slip removal following the North Island Weather Event. Westlink Bay of Plenty completed all the work to a safe standard.

We traced all payment certificates to date from physical works contractors back to RAMM documentation and selected a sample of dispatch items for review to verify funding eligibility.

We also tested

- That RAMM dispatch ID matched job sheet submitted by contractor for payment.
- That photos (geotagged) of the various sites were recorded.
- That RAMM dates, descriptions and narrations were relevant to North Island Weather Event response.

Overall this area is well managed by Westlink Bay of Plenty.

Western Bay of
Plenty District
Council's comment

The Council has benefitted from having capable and experienced staff available from its long term Joint Waka Kotahi/Western Bay of Plenty District Councils One Network Maintenance Contract to effectively and efficiently manage the initial responses and some of the reinstatement activities. Their knowledge of the network and its topography allowed targeted inspections during the events and closed off a washed out bridge in the early pre-dawn hours to prevent accidental use due to poor approach sight lines.

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3. APPENDICES

APPENDIX A

Council Feedback

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APPENDIX B

Audit Programme

Themed Procedural Audit requirements checklist

1. Land Transport Disbursement Account.
A Copy of final claim for the year ending:
 - 30 June 2023.
 - A copy of all the transactions that make up the claims for NIWE and/or Cyclone Gabrielle.
 - Evidence of NIWE and/or Cyclone Gabrielle related activities completed by 30 June 2023.
 - A list of General Ledger codes that make up the claims for NIWE and/or Cyclone Gabrielle.
2. Procurement Emergency Works Documentation relating to NIWE and/or Cyclone Gabrielle.
3. Professional Services Emergency Works Documentation relating to NIWE and/or Cyclone Gabrielle.
4. Transport Investment On-line (TIO) Reporting.
5. Other issues that may be raised during the audit.

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:

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
12.1 – Audit New Zealand Update	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
12.2 – Outstanding Recommendations Register November 2023	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
12.3 – Litigation and Issues Watch Register Update November 2023	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
12.4 – 2022-23 DRAFT Annual Report	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
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