AGENDA

Audit and Risk Committee Meeting
Monday, 17 June 2024

Date	**Monday, 17 June 2024**
Time	**9am**
Location	**Council Chambers Timaru District Council King George Place Timaru**
File Reference	**1677870**

Timaru District Council

Notice is hereby given that a meeting of the Audit and Risk Committee will be held in the Council Chambers, Timaru District Council, King George Place, Timaru, on Monday 17 June 2024, at 9am.

Audit and Risk Committee Members

Bruce Robertson (Chairperson), Clr Scott Shannon (Deputy Chairperson), Janice Fredric, Clr Peter Burt, Clr Michelle Pye and Mayor Nigel Bowen

Quorum – no less than 3 members including at least one external member

Local Authorities (Members' Interests) Act 1968

Committee members are reminded that if you have a pecuniary interest in any item on the agenda, then you must declare this interest and refrain from discussing or voting on this item, and are advised to withdraw from the meeting table.

Nigel Trainor
Chief Executive

Order Of Business

1 Apologies

2 Identification of Items of Urgent Business

3 Identification of Matters of a Minor Nature

4 Declaration of Conflicts of Interest

5 Confirmation of Minutes

5.1 Minutes of the Audit and Risk Committee Meeting held on 4 March 2024

Author: **Jessica Kavanaugh, Team Leader Governance**

Recommendation

That the Minutes of the Audit and Risk Committee Meeting held on 4 March 2024 be confirmed as a true and correct record of that meeting and that the Chairperson's electronic signature be attached.

Attachments

1. Minutes of the Audit and Risk Committee Meeting held on 4 March 2024

MINUTES

Audit and Risk Committee Meeting

Monday, 4 March 2024

Ref: 1677870

Minutes of Timaru District Council
Audit and Risk Committee Meeting
Held in the Council Chambers, Timaru District Council, King George Place, Timaru
on Monday, 4 March 2024 at 10.12 am

Present: Bruce Robertson (Chairperson), Clr Scott Shannon (Deputy Chairperson), Mayor Nigel Bowen, Janice Fredric, Clr Peter Burt, Clr Michelle Pye

In Attendance: **Councillors:** Clr Stacey Scott

Officers: Nigel Trainor (Chief Executive), Paul Cooper (Group Manager Environmental Services), Andrew Dixon (Group Manager Infrastructure), Justin Bagust (Chief Information Officer), Hannah Goddard Coles (Group Manager Engagement and Culture), Beth Stewart (Group Manager Community Services), Andrea Rankin (Chief Financial Officer), Mark Abbot (Acting Strategy and Corporate Planning Manager), Ahmed Mohamed (Risk and Assurance Manager), Sam Esterhuyse (Continuous Improvement Business Partner), Vincie Billante (LTP Project Lead), Jessica Kavanaugh (Team Leader Governance), Rachel Scarlett (Governance Advisor)

Speakers: Sally Parker (AON Insurance) Item 6.3, John Mackey (Audit New Zealand), Jenna Hills (Audit New Zealand)

1 Apologies

No apologies were received.

2 Identification of Items of Urgent Business

No items of urgent business were received.

3 Identification of Matters of a Minor Nature

No matters of a minor nature were raised.

4 Declaration of Conflicts of Interest

- Clr Michelle Pye declared a conflict of interest in matters arising in the Public Excluded Agenda.

5 Confirmation of Minutes

5.1 Minutes of the Audit and Risk Committee Meeting held on 27 November 2023

Resolution 2024/227

Moved: Mr Bruce Robertson
Seconded: Ms Janice Fredric

That the Minutes of the Audit and Risk Committee Meeting held on 27 November 2023 be confirmed as a true and correct record of that meeting and that the Chairperson's electronic signature be attached.

Carried

6 Reports

6.1 Audit and Risk Committee Work Programme

The Acting Strategy and Corporate Planning Manager and Risk Assurance Manager spoke to the report to outline the programme of work for the Audit and Risk Committee (ARC).

It is requested that the key accounting policies that will be adopted by the Audit and Risk Committee and the accounting policies to be adopted as part of the Long Term Plan be consistent. The timing of the credit rating review in the future and feedback on the current state of the sector around water and waste debt.

Resolution 2024/228

Moved: Mayor Nigel Bowen
Seconded: Clr Peter Burt

That the Audit and Risk Committee

1. Receives and notes the Audit and Risk Committee Work Programme update; and
2. The Chair of the Audit and Risk Committee be delegated authority to recommend signing of the audit arrangements letter to the Mayor for the financial year 2024 audit.

Carried

6.2 Audit and Risk Committee Action Points Status Update

The Acting Strategy and Corporate Planning Manager and Risk Assurance Manager spoke to the report to provide the Committee with an update on the status of the action points that were raised in previous ARC meetings.

The committee agreed to close the following items:

- Action 1 Strategic Risk Management Update
- Action 3 Amendments to the Fraud, Bribery and Corruption Control Policy, Procedure and Plan

Resolution 2024/229

Moved: Clr Michelle Pye
Seconded: Clr Scott Shannon

That the Audit and Risk Committee receives and notes the Audit and Risk Committee Action Points Status Update.

Carried

6.3 Insurance Programme Update

The Risk and Assurance Manager spoke to the report to introduce AON representatives to address the meeting on the Council's insurance renewal programme.

An update was provided on the process that has been followed to date and the next steps for the insurance framework.

Sally Parker (AON) spoke to the presentation which included an insurance market overview, global natural disaster overview, current renewal programme and renewal strategy.

Clr Stacey Scott arrived 10.40am.

Discussion included contract works insurance and what is currently in place. The ability for Councils to insure together which can reduce the costs. The complexity of cyber insurance. Insurance risk for climate change and the future of insurance in these areas. The benefit of a presentation on collective insurance with other councils is highlighted.

Resolution 2024/230

Moved: Mayor Nigel Bowen
Seconded: Clr Peter Burt

That the Audit and Risk Committee receive and note the AON presentation.

Carried

6.4 External Auditors Open Recommendations

The Acting Strategy and Corporate Planning Manager and Risk Assurance Manager spoke to the report to provide the Audit and Risk Committee (ARC) with an update on outstanding recommendations made from external audits.

There is clarification on the challenges of internal recharges. It is highlighted the timeframe that some recommendations have been on the register and the process of monitoring and reviewing that is in place.

It was requested to include what high annual leave balances are and the risks within the Health and Safety report for the next meeting.

Discussion included depreciation rates and annual report preparation and the progress made in these areas. Further clarification was sought on the Development Contributions policy and the provision for closed landfills.

John Mackay introduced Jenna Hills as the new Audit Manager and spoke to the report to the Council on the audit of Timaru District Council for the year ended 30 June 2023.

Discussion arising from this report included the current financial system. Clarification was provided on the drinking water standard not being complied with. The capitalisation dates of asset additions, the limitations of the system and the development of systems of integrity and reporting.

Resolution 2024/231

Moved: Mr Bruce Robertson
Seconded: Clr Michelle Pye

That the Audit and Risk Committee

1. Receives and notes the Outstanding Recommendations Record update from External Auditors; and
2. Receives and notes the Audit NZ Report to the Council on the audit of Timaru District Council for the year ended 30 June 2023.

Carried

6.5 Internal Audit Plan Update

The Risk Assurance Manager spoke to the report to provide the Committee with an update on the Internal Audit (IA) activities since the last meeting on 27 November 2023.

Resolution 2024/232

Moved: Mayor Nigel Bowen
Seconded: Clr Peter Burt

That the Audit and Risk Committee receive the internal audit plan 2023/24 update

Carried

6.6 Risk Management Quarterly Report

The Acting Strategy and Corporate Planning Manager and Risk Assurance Manager spoke to the report to provide the Committee with an update on the Council's Strategic Risks, provide the Committee with the Risk Management Maturity Improvement Plan and the current status of the plan and provide the Committee with the Risk Management Policy and Risk Management Framework.

Strategic Risks

Discussion included the identification of climate change as the highest risk, the impacts across all of the Council and mitigations in progress. An update was provided on the personnel and community engagement risks and strategies progress to date.

Risk Management Policy

There was a discussion of minor rewording to the policy. It is requested to add that identified risks are to be owned. It is clarified the risk appetite statements have not been endorsed by the Council. The review timeline and ability to review by June 2025.

Risk Management Framework

Discussion included the monitoring of how risks are monitored.

Resolution 2024/233

Moved: Mayor Nigel Bowen
Seconded: Clr Peter Burt

That the Audit and Risk Committee:

1. Receives the Quarterly Strategic Risks update

2. Receives and notes the Risk Management Maturity Improvement Plan.
3. Endorses the Risk Management Policy and the Risk Management Framework

Carried

The Audit and Risk Committee adjourned at 12.01pm
Reconvened at 12.24pm

6.7 Legislative Compliance Quarterly Report

The Acting Strategy and Corporate Planning Manager and Risk Assurance Manager spoke to the report to provide the Committee with an update on legislative compliance.

The process the Senior Leadership Team undertake to assure legislations are being complied with. It is confirmed a reassessment tool will be in place by the end of the financial year and the approach that will be undertaken.

Resolution 2024/234

Moved: Ms Janice Fredric
Seconded: Mr Bruce Robertson

That the Audit and Risk Committee receives and notes the Legislative Compliance report.

Carried

6.8 Conflict of Interest Annual Report

The Acting Strategy and Corporate Planning Manager and Risk Assurance Manager spoke to the report to provide the Committee with the actions taken to manage identified Conflicts of Interest.

It is confirmed this report only relates to Employees conflict of interests and the Elected Member's conflict of interests register has been completed. Declaration of conflicts is based on a trust model but is able to be spot-checked. The benefit of a periodic workshop to explain conflicts of interest can be valuable.

Resolution 2024/235

Moved: Mr Bruce Robertson
Seconded: Deputy Chairperson Scott Shannon

That the Audit and Risk Committee receives and notes the Conflict of Interest report

Carried

6.9 Debenture Trust Audit Report

The Chief Financial Officer spoke to the report to inform the Audit and Risk Management Committee of the contents of the Audit Report prepared pursuant to the requirements of the Debenture Trust Deed.

Resolution 2024/236

Moved: Mr Bruce Robertson
Seconded: Mayor Nigel Bowen

That the Audit and Risk Management Committee:

1. Receive the content in the Audit New Zealand Report on the Debenture Trust; and
2. Note that Audit New Zealand have issued an unqualified opinion.

Carried

6.10 Sensitive Expenditure Quarterly Report

The Chief Financial Officer spoke to the report to update the Committee on sensitive expenditure for the period 1 October 2023 to 31 December 2023.

Discussion included purchasing leaving gifts for staff and long service gifts. The importance of this report is highlighted but the benefit of tightening up the nature of this report to include other possible sensitive expenditure.

Request to add an action point relating to a broader discussion on Sensitive Expenditure to be discussed with the Risk Assurance Manager.

Resolution 2024/237

Moved: Mayor Nigel Bowen
Seconded: Clr Scott Shannon

That the Audit and Risk Committee receives and notes the Sensitive Expenditure report.

Carried

6.11 Business Improvement Update

The Continuous Improvement Business Partner spoke to the report to provide the Committee with an update on the Business Improvement Work Programme and outline the next steps.

Discussion included Promapp and the training required. Clarification is sought on the delay to the MagiQ dashboard.

Resolution 2024/238

Moved: Mr Bruce Robertson
Seconded: Mayor Nigel Bowen

That the Audit and Risk Committee receives and notes the Business Improvement Update report.

Carried

6.12 Long Term Plan 2024-34 Update March 2023

The LTP Project Lead spoke to the report to inform and update the Committee on progress made since the last update at 27 November ARC meeting of the LTP project. The revised Letter of Engagement between Audit NZ and TDC will also be provided.

Discussion included the ability for the consultation document not to be audited due to the water reform. It is clarified the consultation document will be on the financial conditions of the Timaru District Council. The risk of budget modelling platform and building contingency around this.

At 1:02 pm, Clr Peter Burt left the meeting.

Further clarification is sought from the Auditor on the process of a substantial capital expenditure programme and the potential impacts for the Long Term Plan and delivery of levels of service.

Noted is the Letter of Engagement in the agenda has been superseded.

John Mackey (Audit NZ) spoke to the Audit and Risk Committee and provided minor changes to the Letter of Engagement. Key points highlighted Waka Kotahi funding and climate change.

Recommendation

That the Audit & Risk Committee:

1. Receives this report to update on progress for the Long-Term Plan 2024-34 (LTP) and:
   (a) Delegates to the Chair of the Audit and Risk Committee to recommend that the Mayor sign the updated Letter of Engagement with Audit NZ; and,
   (b) Notes the progress made since Nov 2023 for the draft LTP development.

7 Consideration of Urgent Business Items

No items of urgent business were received.

8 Consideration of Minor Nature Matters

No matters of a minor nature were raised.

9 Exclusion of the Public

Resolution 2024/239

Moved: Mr Bruce Robertson
Seconded: Mayor Nigel Bowen

That the public be excluded from the following parts of the proceedings of this meeting on the grounds under section 48 of the Local Government Official Information and Meetings Act 1987 as follows at 1.13pm:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Plain English Reason
10.1 - Public Excluded Minutes of the Audit and Risk Committee Meeting held on 27 November 2023	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons	To protect a person’s privacy, including the privacy of deceased persons To protect commercially sensitive information

	s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information s7(2)(c)(ii) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	To protect information that is subject to an obligation of confidence and/or that was required by law to be provided where the release of that information would not be in the public interest. To protect all communications between a legal adviser and clients from being disclosed without the permission of the client. To enable Council to carry out commercial activities
10.2 - Issues Watch Register	s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	To protect all communications between a legal adviser and clients from being disclosed without the permission of the client. To enable Council to carry out commercial activities
10.3 - Internal Audit quarterly report	s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the	To protect commercially sensitive information To protect the effective conduct of public affairs To enable Council to carry out commercial activities

	person who supplied or who is the subject of the information s7(2)(f)(ii) - The withholding of the information is necessary to maintain the effective conduct of public affairs through the protection of such members, officers, employees, and persons from improper pressure or harassment s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	
10.4 - Cyber Security Report	s7(2)(j) - The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage	To prevent use of the information for improper gain or advantage
10.5 - Health and Safety Performance Report	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information	To protect a person's privacy, including the privacy of deceased persons To protect commercially sensitive information
10.6 - Committee and Auditor only time (agenda placeholder)	s7(2)(c)(ii) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest s7(2)(h) - The withholding of the information is necessary to	To protect information that is subject to an obligation of confidence and/or that was required by law to be provided where the release of that information would not be in the public interest. To enable Council to carry out commercial activities

	enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	
10.7 - Committee and Chief Executive only time (agenda placeholder)	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	To protect a person's privacy, including the privacy of deceased persons To enable Council to carry out commercial activities

Carried

10 Public Excluded Reports

10.1 Public Excluded Minutes of the Audit and Risk Committee Meeting held on 27 November 2023

10.2 Issues Watch Register

10.3 Internal Audit Quarterly Report

10.4 Cyber Security Report

10.5 Health and Safety Performance Report

10.6 Committee and Auditor only time (agenda placeholder)

10.7 Committee and Chief Executive only time (agenda placeholder)

11 Readmittance of the Public

Resolution 2024/240

Moved: Mr Bruce Robertson
Seconded: Clr Michelle Pye

That the meeting moves out of Closed Meeting into Open Meeting.

Carried

The meeting closed at 2.35pm.

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Bruce Robertson

Chairperson

6 Reports

6.1 Audit and Risk Committee Work Programme

Author: **Narayan Swamy, Assurance Officer**

Authoriser: **Stephen Doran, Group Manager Corporate and Communications**

Recommendation

That the Audit and Risk Committee receives and notes the Audit and Risk Committee Work Programme update.

Purpose of Report

1 The purpose of this report is to outline the programme of work for the Audit and Risk Committee (ARC).

Assessment of Significance

2 This matter has been assessed as having low significance under the Council's Significance and Engagement Policy as there is no impact on levels of service, strategic assets or rates and no deviation from the Long Term Plan (LTP).

Discussion

3 Below is the proposed ARC Work Programme which shows the items scheduled for each quarter. This information aims to provide an indication to the Committee of upcoming items.

4 This report has been split into the following areas Standing Agenda Items, Other Agenda Items and Audit and Assurance Agenda Items.

1. Standing Agenda Items	Mar 24	Jun 24	Sep 24	Oct 24*	Dec 24
Minutes and actions from the prior meeting	✓	✓	✓		✓
Risk Management quarterly report	✓	✓	✓		✓
Health and Safety update	✓	✓	✓		✓
Internal audit quarterly report	✓	✓	✓		✓
External auditors open findings	✓	✓	✓		✓
Issues Watch Register	✓	✓	✓		✓
Cyber Security Report	✓	✓	✓		✓
Employee matters (as required)	✓	✓	✓		✓
Probity update (Report will be provided only if any probity matters arise)	✓	✓	✓		✓
Quarterly Sensitive Expenditure report	✓	✓	✓		✓
Auditor only time	✓	✓	✓		✓
CE only time	✓	✓	✓		✓

*October 2024 meeting is for the purposes of "Adoption of the Annual Report 2023/24".

2. Other Agenda Items	Mar 24	Jun 24	Sep 24	Oct 24	Dec 24
Operational Risk Register – all operational risks		✓			
Update Legislative Compliance report	✓				
Tax Risk Management Framework – 2 yearly (Due October 2024)			✓		
Insurance program update	✓ Renewal		✓ Endorse		
Annual Report to ARC on Conflicts of Interest	✓				
Credit rating review	✓				

3. Audit and Assurance Agenda Items	Mar 24	Jun 24	Sep 24	Oct 24	Dec 24
Audit plan and engagement letters	✓				
LTP update	✓	✓			
Key Accounting Judgement – Accounting Policies		✓ 2023/24			
Adoption annual report				✓ 2023/24	
Adoption audit representation letters				✓ 2023/24	
Audit NZ Interim management report			✓ 2023/24		
Audit NZ Final management report	✓ 2022/23				✓ 2023/24
Debenture Trust audit report	✓ 2022/23				✓ 2023/24
Workshop		✓ Risk review			

Attachments

Nil

6.2 External Auditors Open Recommendations

Author: **Narayan Swamy, Assurance Officer**

Authoriser: **Stephen Doran, Group Manager Corporate and Communications**

Recommendation

That the Audit and Risk Committee receives and notes the Outstanding Recommendations Record update from External Auditors.

Purpose of Report

1 The purpose of this report is to provide the Audit and Risk Committee (ARC) with an update on outstanding recommendations made from external audits.

Assessment of Significance

2 Reporting on the Risk and Assurance activities is considered of low significance in terms of the Council's Significance and Engagement Policy as this matter is operational in nature. There is no impact on service provision or impact on the district as a whole.

Discussion

3 The Risk and Assurance team maintains a record of the recommendations arising from external audits and undertakes regular follow-ups with all business units to ensure recommendations have been actioned.

4 There are 18 open recommendations from the external auditors. The full details are in the attached record (attachment 1), which includes management comments.

Attachments

1. External Auditors Open Recommendations ⇩

External Auditors recommendations record

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
	Audit NZ Report 2019/2020					
1	Independent three way matching of expenditure: Implement an independent three-way matching process for ordering, receipt, and approval of purchases of goods and services.	Community Services	Continuous Improvement Business Partner	~~31-Dec-22~~ ~~31-Mar-23~~ ~~31-Dec-23~~ 31-Mar-24	Necessary	- **May 24:** The Esker Procure to Pay project has gone live in March. User training is currently being provided to all users across the organisation. - **Jan 24:** The Esker Procure to Pay project is underway with the build work in progress. User Acceptance Testing will commence in February. - Stage 2 set to begin in December 2023 once budget approved and go-live in the first quarter of 2024. This has since been delayed and is reset to be live by July 2024. - **Sep 23/Nov 23:** Delayed go -live until the third quarter of the financial year as we have a key team member taking extended leave. - Stage 1 of the Procure to Pay project has been implemented with the roll out of the Esker System. This has implemented automation of approval workflows. - Stage 2 will introduce PO's and goods receipting from Esker. Esker has been approved as the preferred supplier to provide the Procure to Pay module. Project will commence in August 2023 and Go-Live will be December 2023. **AUDIT NZ updated comment** Some progress Council has rolled out the Esker system and plans to resolve the issue by next year. **Previous comments** Some progress Council plans to implement a procure-to-pay system which will address this issue. This project is currently in the implementation stage
2	Internal recharges: Review and reconcile internal recharges.	Finance	Senior Finance Business Partner	~~31-Dec-22~~ ~~31-Mar-23~~ 31-Dec-23	Necessary	- **May 24:** This project is commencing week beginning 20 May 24. - **Jan 24:** Management notes this as a continuous improvement opportunity and is being closely monitored. - **Sep 23/Nov 23:** This is a continuous improvement opportunity and is being closely monitored. - For the 2020-21 financial year, changes were made with specific resource codes set up to capture internal overhead debits and credits ensuring that especially all capital internal charges are recognised. In the past internal transactions were not always coded as internal (utilised a general charge code) so only one side was picked up when reconciling and recognising any internal transactions. - Internal recharges for 2022 were reviewed and reconciled to ensure coding has been transparent and amounts are appropriate by applying the same methodology as in the LTP. **AUDIT NZ updated comment** Some progress

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
						The internal charges and recovery GL codes still do not net to nil. There were small transactions coded to "internal charges" category where the contra side to the transaction was coded to a different expense code category. **Previous comments** No progress There are still GL codes that have yet to be corrected.
3	High annual leave balances: Strengthen processes to review and monitor staff annual leave balances and continue to work with and implement leave management plans for staff with excessively high annual leave balances.	Engagement & Culture	GM Engagement & Culture	~~31-Dec-22~~ ~~31-Mar-23~~ 31-Dec-23	Necessary	**- May 24:** Regular leave reporting is provided to people leaders who are actively working to reduce team members leave before 30 June 2024. **- Jan 24:** Undertaking regular reporting to managers to increase oversight and management of leave balances. The most recent leave report was sent January 2024. - Payroll is undertaking quarterly leave reporting which will be sent to GMs to discuss with affected parties. (Currently running this report). Due to the nature of the system, this is a manual checking process and takes some time. The report will include the employee leave balance, accrued leave, long service and special leave, Christmas leave, and the monetary value based on ordinary earnings. **- Sep 23/Nov 23:** Planed quarterly reporting to SLT on the annual leave balances. - We continue to monitor this area and work with employees to reduce balances. The impacts of Covid-19 have heightened the issue. Managers receive reporting on employees with high balances and work with individual employees to put plans in place. - Engagement & Culture continue to develop plans on how to address this issue. **AUDIT NZ updated comment** Some progress However, noted there are still few employees with high annual leave balances. **Previous comments** No progress No Change in Status from previous report.
4	Annual report preparation: • Ensure that the annual report is complete and ready for audit upon the date agreed in the Audit Proposal letter. • Establish a robust quality review process over the financial and non-financial information presented to audit.	Corporate Communications & Finance	GMCC & CFO	~~31-Dec-22~~ ~~31-Mar-23~~ 31-Dec-23	Necessary	**- May 24:** Interim and Annual Audit now underway, team is using dashboard to manage requests in a timely manner. **-Dec 23:** The Annual Report 2022/23 was approved by Council (Resolution 2023/76) November 2023. Regular communication between Audit NZ and TDC is in place to reduce the number of issues or any delays from either organisation. -**Nov 23**: The Annual report 2022/23 will be presented to the Council on 14 Nov 2023. - A detailed project plan has been developed to ensure the 2021/22 annual report is complete and ready for Audit. In addition, a Project Steering Group meets weekly and there are regular status updates to the Senior Leadership Team. Microsoft Teams is being used to manage internal information and Audit Dashboard for communication with Audit NZ. - Regular review of both financial and non-financial information is also being undertaken. Further Quality Assurances processes will be in place for the 2022 Annual Report.

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
						- The revised timing of the 2021/22 Audit led to pressures of multiple deliverables being required at the same time. A lesson learned session will be held with Audit NZ. **AUDIT NZ updated comments** Some progress The draft annual report provided to the audit team was not fully complete and due to time constraints, not subject to a full quality review process. The financial and non-financial information presented to audit, still contained misstatements. **Previous comments** Some progress: However, the draft annual report provided to the audit team was subject to a quality review process. However, financial and non-financial information presented to audit, still contained many misstatements.
5	Timely review of policies Review policies in a timely manner.	Corporate Communication	GMCC		Necessary	- **May 24:** There is a programme of policy reviews underway across the Council and a full list of policies has been prepared with proposed review date. May 24: Policy prioritisation schedule set by SLT to prorise high impact and/or high risk policies. **- Jan 24:** Plan and framework in place. - **Sep 23:** A reset of the TDC Policy Framework was approved by management in July 2022 – this involved a new strategic framework and approach to policy development. Each Group Manager has reviewed policies across the organisation to determine a three-year policy review programme based on prioritisation. **AUDIT NZ updated comments** In progress Some policies have been updated. However, the Corporate Management policy was last updated in 2017. There is some progress, although the issue is not fully resolved. **Previous comments** In Progress There is a programme of policy reviews underway across the Council and a full list of policies has been prepared with proposed review date.

	Audit NZ Report 2020/2021					
6	Independent Review of Journal Entries Implement an independent review of manual journal entries.	Finance	CFO	31- Dec-23	Necessary	- **May 24**: Review is in progress . Sample reviewed at month end as part of the reporting process. **AUDIT NZ updated comment** Some progress However, there is only a high-level month -end review and no formal approval for the manual journals posted .

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
7	Publication of council-controlled organisations (CCO) information: Ensure that the CCO information, required by the Local Government Act 2002 (LGA), is published on the Council's website within the stipulated timeframe.	Corporate Communication	GMCC	~~31-Dec-22~~ ~~31-Mar-23~~ 31-Dec-23	Necessary	- **May 24:** To be completed in next quarter. - **Dec 23:** The Annual Report was adopted 14 November 2023. The Report was loaded on the Council website on 14 December 2023. Following changes in staff, the process for this has been reviewed and compliance is anticipated from 2024. - **Sep 23/Nov 23**: Management note copies of all CCO information are held on the TDC website. The first three years have an individual page for Venture Timaru, then previous years are available by searching the reports and documents from the agendas when these were presented to Council, or the relevant Committee. For TDHL, information is available on the TDC website from back to 2015/16 financial year. All was added within statutory timeframes and are available to view by the public. - A review of this process has led to CCO information and documents now being published on the Council's website within stipulated timeframes. **AUDIT NZ updated comment** No progress No change in status from previous report. **Previous comments** During 2022/23 there were further organisational restructures and changing personnel, the previously centralised function to publish these to Council website within statutory timeframes has again been overlooked.
8	Provision for closed landfills: Complete an assessment to determine the extent of the aftercare provision required for the 40 closed landfills. This will enable the Council to obtain a clearer picture of the potential financial exposure to recognise in its financial statements, and to determine the funding arrangements that are likely to be needed for this expenditure.	Finance & Infrastructure	Senior Finance Business Partner, Waste Manager	Not yet able to be determined - refer to status update.	Necessary	- **May 24:** The inspections and risk assessments are progressing. Of the 36 closed landfills identified 26 are owned by Timaru District Council. The work is on track with the report expected to be received by end of June 2024. - **Jan 24:** The reports being prepared by PDP are expected to be completed this financial year. - This will be a multi-year project to review the closed sites and completion date to be confirmed. The initial analysis is being undertaken with reports, ideally completed by June 2024. **- Nov 23:** - Recent information has determined there are 36 closed landfills in the Timaru District. Where possible, an assessment will be performed to determine the environmental risk and extent of any aftercare provision required for closed landfills. Due to the number of closed landfills, not all closed landfills will be assessed prior to the completion of the 2022 Annual Report. - PDP (Environmental Science & Engineering Consultants) have been engaged to complete the assessments and so far have completed seven. They will be providing TDC with a list of all landfills for assessment (including contact details) in the next two months. - Council are responsible for getting in contact with closed landfills to obtain access to the site for PDP. Council will liaise with Arowhenua to get cultural assessments done for each landfill as

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
						some could be culturally sensitive. Once the report is back from Arowhenua, PDP will be able to complete these assessments. - PDP will conduct environmental data analysis which will be fed into their GIS. The data will then be shared with Council once all analysis is completed. - As Council do not currently know the condition of the closed landfills, a target date and risk rating has not yet been able to be determined. **AUDIT NZ updated comment** No progress No change in status from previous report. **Previous comments** Some progress
	Audit NZ Report 2021/2022					
9	Implement the revaluation improvements recommendations: Take steps to implement the revaluation improvement points raised in 2019/20.	Finance	CFO	31 Dec 25	Necessary	**- May 24**: Still work in progress. **- Sep 23/Nov 23:** As noted in the Outstanding Risk Register presented to the Audit and Risk Committee on 3 July 2023, this is part of a program of work to prepare for a full valuation. The action has a proposed due date of 31 December 2025. **AUDIT NZ updated comment** In progress
10	Development contributions policy: Implement a development contributions policy.	Finance	CFO	TBC	Necessary	**- May 24:** Still considering. **- Jan 24:** This was not progressed within the first three years of the 2021-2031 LTP and Council may consider as part of the 2024-2034 LTP. **- Sep 23/Nov 23:** The figures above are noted by Management as Financial Contributions. The District Plan has financial contributions provisions which are targeted to particular developments. In the 2024-34 LTP there is no plan to implement a development contributions policy. **AUDIT NZ updated comment** No progress No change in status from previous report.
	Waka Kotahi - Investment Audit Report (Aug 21)					
11	Develop a clear and consistent audit trail to support claims for funding assistance	Infrastructure	Land Transport Manager	30-Jun-24	Medium	- **May 24:** Work is ongoing in this area, there are a number of reports and spreadsheets coming from the finance team which are bridging this gap. The budget codes and headers submitted in the Long Term Plan are much more simple to follow which will provide for further transparency over the life of the coming LTP . Work is being undertaken in conjunction with the Finance team to improve the reporting out of the finance system. This will remove the need for a bespoke system/report.

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
12	**Audit NZ Report 2022/2023** Capitalisation dates of additions: Capitalise assets within a month of their completion rather than all on 30 June.	Finance	CFO	1st July 2024	Necessary	- **May 24**: This has made some progress this year with assets being capitalised earlier than year end. Will capitalise more regularly and will use the period close off date
13	Useful lives alignment with accounting policy: Ensure the useful lives are consistent with the accounting policy.	Finance	CFO	1st July 2024	Necessary	- **May 24**: Reviewed Yes, we will review for consistency
14	Depreciation rates to be added to CVR asset register: Ensure depreciation rates are entered in CVR asset register for all additions; and revised on revaluation of the assets.	Finance	CFO	1st July 2024	Necessary	- **May 24**: Reviewed Yes, we will review on a regular basis.
15	Coding errors in journals: Ensure journals are independently reviewed to help ensure they are correctly coded.	Finance	CFO	1st July 2024	Necessary	- **May 24:** Journals are being reviewed on a regular basis. Closer review of journals will be undertaken.
16	Fair Value Assessment of LGFA investments: Complete fair value assessments for the LGFA Investments annually.	Finance	CFO	1St July 2024	Necessary	- **May 24**: Noted Noted and will value at year end.
17	Leaver profiles active on Esker: Implement a user termination process for Esker; and - Conduct regular reviews of users' access to ensure they are still appropriate	Finance	CFO	31 Dec 2024	Necessary	- **May 24:** Still work in progress. In discussion with HR to be added to the termination notification process.
18	Completeness of Interest Register: - Include the details of close family members of KMP in the Interest Register. - Implement a check to confirm that the disclosed interests align with the information on the Companies Register, where relevant. - Periodically confirm that the information is up to date.	GMEC	GMEC & EOC	1st July 2024	Necessary	- **May 24:** For SLT members completed and in progress for other staffs. Noted and will ensure compliance in the future.

6.3 Internal Audit Plan Update

Author: **Narayan Swamy, Assurance Officer**

Authoriser: **Stephen Doran, Group Manager Corporate and Communications**

Recommendation

That the Audit and Risk Committee receive the internal audit plan 2023/24 update.

Purpose of Report

1 To provide the Committee with an update on the Internal Audit (IA) activities since the last meeting on 4th March 2024.

Assessment of Significance

2 Reporting on the Risk and Assurance activities is considered of low significance in terms of the Council's Significance and Engagement Policy as this matter is operational in nature. There is no impact on service provision or impact on the district as a whole.

Discussion

3 ARC endorsed the Internal Audit 3-year plan in their meeting 3 July 2023.

4 The planned audits for 2023/24 and their status are as follows:

Assignment	Status
Capital Expenditure / Project Management	Final reports included in the Internal Audit quarterly report in Public Excluded.
Sensitive Expenditure – follow up audit	Follow up completed and report submitted to CFO.
Asset Management	In progress 2024 by internal resources.

Attachments

Nil

6.4 Risk Management Quarterly Report

Author: **Narayan Swamy, Assurance Officer**

Authoriser: **Stephen Doran, Group Manager Corporate and Communications**

Recommendation

That the Audit and Risk Committee:

1. Receives the Quarterly Strategic Risks update
2. Receives and notes the Risk Management Maturity Improvement Plan.

Purpose of Report

1. The purpose of this report is to provide the Committee with update on the Council's Strategic Risks; and
2. Provide the Committee with the Risk Management Maturity Improvement Plan and the current status of the plan.

Assessment of Significance

3. Reporting on the Risk activities is considered of low significance in terms of the Council's Significance and Engagement Policy as this matter is operational in nature. There is no impact on levels of service, strategic assets or rates.

Discussion

The Strategic Risks

4. There are 12 Strategic Risks. The residual rating of these risks is
   - One - Very high
   - Seven - High
   - Three - Medium
   - One - Low residual risk rating
5. A risk heat map, risk ratings, and detailed table of all strategic risks including mitigations are shown in Attachment 1, including the table of rating definitions used to assess these risks.
6. No changes in the strategic risks are noted since the last report.

The Risk Management Maturity Improvement Plan

7. On 30 November 2023 the Senior Leadership Team (SLT) approved the Risk Management Maturity Improvement Plan (the Plan). As per attachment 2.
8. The benefit of the Plan is to enhance Council's risk management and includes:
   - An updated Risk Management Policy and Framework.
   - A structured, consistent and defined process for managing risk across all Council activities;

- Upload of existing risk registers to Promapp (risk module) to promote consistency and challenge content;
- Providing assurance to governance roles and committees over management's ability to identify and manage risks; and
- Providing a solid foundation to ensure Internal Audit activity is risk-based, well prioritised and scheduled in a well-thought-out manner to effectively and efficiently apply scarce Internal Audit resources.

9. The Plan consists of 3 stages:

- Stage 1: Risk Management Policy (December 2023 – March 2024),
- Stage 2: Embedding the Risk Management Policy (April - October 2024),
- Stage 3: Improve Risk Management practices (November 2024 – June 2025).

10. The first stage outcome is an updated RM Policy. Below is the status of this stage:

Action	Deliverable	Due date	Status
Update the Risk Management Policy	Draft policy excluding risk appetite and rating	Dec 23	Done
Risk management workshop: - Risk Appetite statements	Risk Appetite statements discussed	Jan / Feb 24	Workshop conducted on 9 February
Draft policy presented to ARC for endorsement	Endorse Risk Management Policy	Mar 24	Approved at 4 March meeting

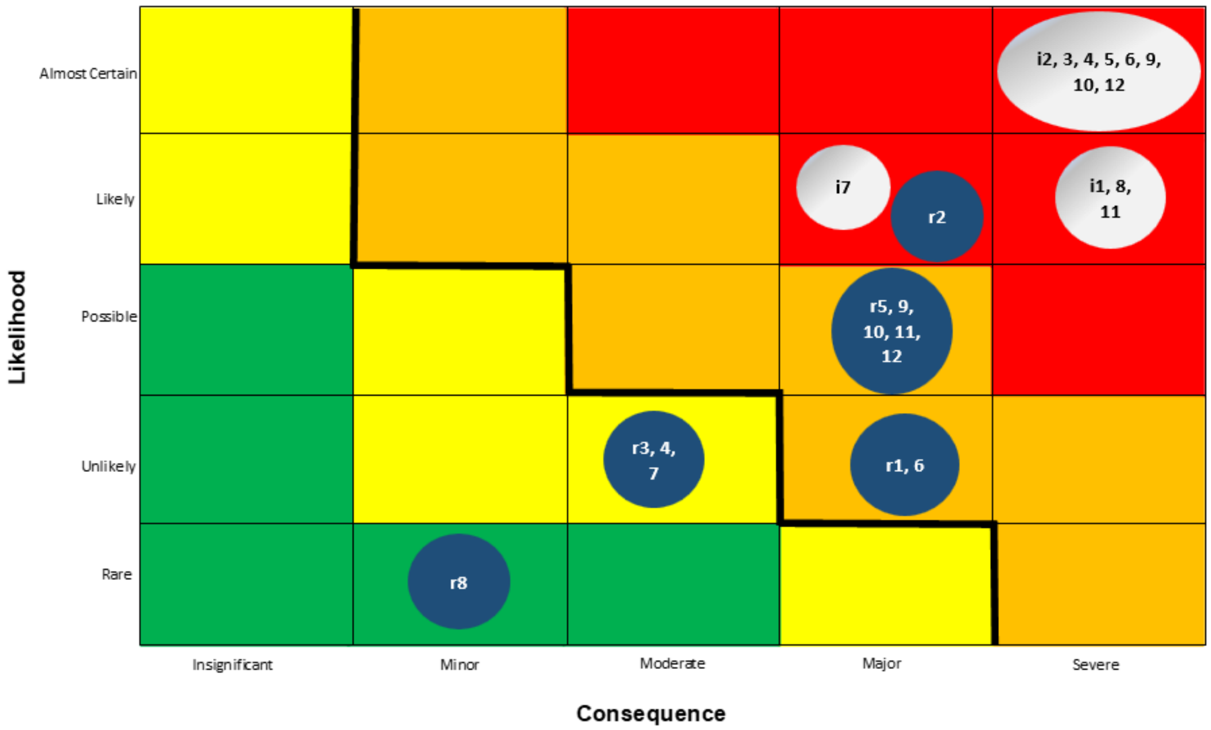
11. As part of the Risk Management Improvement Plan, a workshop with the Committee members was conducted on 9 February to get feedback on risk appetite statements.

12. Management will review the strategic risks as per the Plan in July 2024, with all feedback received from the workshop relating to risks to be included in this review.

Attachments

1. **Strategic Risks** ⇩
2. **Risk Management Maturity Improvement Plan** ⇩

Timaru District Council's Strategic Quarterly Risk Review



Risk #	Risk Title	i	r	Change
1	Significant Natural Hazard			↔
2	Climate Change			↔
3	Health, Safety and Wellbeing			↔
4	Legislative Reform			↔
5	Personnel			↔
6	Compliance and Liability			↔
7	Funding			↔
8	Governance roles and responsibilities			↔
9	Community Engagement			↔
10	Iwi Engagement			↔
11	Natural and Built Environment			↔
12	Sustainable Platform			↔

Risk Assessment

i5 i = inherent risk assessment

r5 r = residual risk assessment

Risk Severity Rating

Very High High

Medium Low

Change since the last review

↔ No change in residual risk assessment

↓ Improved change in residual risk assessment

↑ Impaired change in residual risk management

Strategic risk register details table

Risk Identification					Inherent risk assessment			Mitigations/Treatments			Residual risk assessment		
Risk ID	**Risk Title**	**Risk Description**	**Source/Cause**	**Impact**	**Consequence**	**Likelihood**	**Risk Rating**	**Description (key mitigations)**	**Overall effectiveness rating**		**Consequence**	**Likelihood**	**Risk Rating**
r2	Climate Change **Risk Owner:** GM Infrastructure GM Environmental Services	Adaptation and mitigation actions may not be adequate to respond, absorb and/or reduce impacts of climate change	● Lack of a climate change strategy ● No/inadequate climate change risk assessment ● Lack of funds to be able to respond and/or adapt to climate change effects ● Ineffective retreat management ● Climate change effects across the district occur differently and/or at a faster than expected e.g. increased temperatures, stronger winds, sea level rise, coastal inundation, longer dry periods, more intense rainfalls ● Change of direction by Government ● Lack of robust and adequate data and fit for purpose information systems ● Inadequate - quality advice to the community and decision makers to ensure effective management and governance oversight - design quality of coastal, flooding and other climate resilience projects - strategic approach to coastal erosion, sea level rise, flooding and inundation issues - resource consenting and Land Information Memorandum (LIM) processes	● Physical and built environment of Council impaired ● Councils activities and service delivery diminished ● Social, environmental and cultural well-being of the community affected ● Reputational damage ● Severe economic impact e.g. primary industry	Severe	Almost Certain	Very High	Climate Change strategy	Partially	70	Major	Likely	Very High
								Climate change implementation plan	Not Developed	0			
								TDC Coastal Inundation Assessment Report - NIWA July 2020	Effective	80			
								Water Supply Resilience Report Jacobs 2021	Effective	80			
								Network Resilience Maintenance, Monitoring and Prioritised Improvement Plan	Partially	70			
								Canterbury Regional Climate Change Working Group	Partially	50			
								Infrastructure Strategy	Partially	60			
								Key partner relationships e.g. Runanga, ECan, NZTA, Kiwi Rail, Transpower, Alpine Energy	Partially	50			
								Activity Management Plan	Partially	70			
								Coastal hazards/inundation working group	Partially	40			
								Lobbying on Govt Policy	Effective	90			
								Waste Minimisation Plan	Effective	90			
								Active Transport Strategy	Partially	70			
								Participation in Emissions Trading Scheme	Effective	80			
r1	Significant Natural Hazard **Risk Owner:** GM Infrastructure GM Environmental Services	Damage to public infrastructure and buildings	●Extreme weather events e.g. heavy rains, strong winds ●Black Swan events (unknown large scale, large impact events) ● Earthquake/Tsunami ● Absence of relationship with partner agencies to enable an effective response to a CDEM event ● Incomplete flood modelling and flood risk assessment ● Landslides ● Rising groundwater ● Wildfire ● Flooding	● Community unable to receive core services (e.g. roading, water, wastewater, access to council public buildings) ● Loss of human life ● Deterioration of health conditions e.g. waterborne diseases, community wellbeing ● Loss of land value ● Unbudgeted costs ● Community flight (internal and external to and from region)	Severe	Likely	Very High	Activity Management Plans	Partially	70	Major	Unlikely	High
								CDEM preparedness	Effective	80			
								Insurance cover	Effective	80			
								Business Continuity Management - Emergency Response Plans	Partially	60			
								Partner agency relationships	Effective	80			
								Flood Plain Management Plan	Ineffective	30			
								Infrastructure maintenance contracts	Effective	90			
								Flood risk certificate (Urban properties)	Effective	80			
								ECan flood hazard assessment for rural areas	Effective	80			
								Collaboration agreements	Effective	80			

Risk Identification					Inherent risk assessment			Mitigations/Treatments			Residual risk assessment		
Risk ID	**Risk Title**	**Risk Description**	**Source/Cause**	**Impact**	**Consequence**	**Likelihood**	**Risk Rating**	**Description (key mitigations)**	**Overall effectiveness rating**		**Consequence**	**Likelihood**	**Risk Rating**
								Asset Management System	Effective	90			
								TDC Disaster Relief Fund	Effective	80			
								Local Authority Protection Programme Disaster Fund Trust	Effective	90			
								Financial strategy	Effective	80			
								Natural Hazards Loss Modelling	Not Developed	0			
								Canterbury LifeLines Group	Effective	80			
								Recovery planning and resourcing	Partially	60			
								Canterbury Group CDEM/NEMA support	Effective	90			
r5	Personnel **Risk Owner:** GM Engagement and Culture	Inability to attract and retain a skilled and competent workforce	● Insufficient resource availability in market ● Timaru not seen as a place of interest to live with reference to where a person is at in their personal and/or professional life ● Salary/wages cannot compete with private sector ● Council not seen as an employer of choice	● Council unable to deliver key services to required levels ● Increased workload on council employees ● Work programme negatively impacted ● Ratepayer dissatisfaction ● Wellbeing of employees affected	Severe	Almost Certain	Very High	Alternative resourcing avenues	Effective	80	Major	Possible	High
								Engagement and culture strategy	Not Developed	0			
								Recruitment strategy	Not Developed	0			
								Pay scale review	Effective	80			
								Employee incentives	Effective	80			
								L&D strategy e.g. career pathways	Not Developed	0			
								eNPS survey	Effective	90			
								Employer branding	Not Developed	0			
r6	Compliance and Liability **Risk Owner:** GM Environmental Services GM Infrastructure GM Commercial and Strategy GM Community Services	Failure to perform a regulatory or compliance function	● Staff error ● Incorrect assessment of legislative requirements ● Lack of resources ● Insufficient training ● Unrealistic and/or competing work demands ● Lack of support from senior management to maintain high standards of service delivery ● Legacy decisions ● Lack of reliable and timely information on the performance and position of council to Councillors ● Equipment failure e.g. water quality monitoring ● Contamination e.g. manganese from silage ● Shock loading e.g. waste water ● Weather	● Not achieving Council strategic and community wellbeing outcomes ● Erosion of public trust and confidence in council ● Negative publicity ● Reputational damage ● Legal challenge and costs ● Non-compliance breach ● Regulatory fines or court ordered compensation ● Public health issues	Severe	Almost Certain	Very High	Legal advice and support	Effective	90	Major	Unlikely	High
								QA processes	Partially	70			
								Keeping abreast with legislative change	Effective	80			
								Identified training needs	Effective	80			
								Management oversight and support	Partially	70			
								Regular monitoring of network inputs	Effective	90			
								SoP and Emergency Response Plans	Effective	80			
								Regular reporting to Council by SLT on council performance and position	Effective	90			
r9	Community Engagement **Risk Owner:**	Failure to develop and maintain effective communications with the community	● Misalignment between council and community on objectives, priorities or projects ● Not identifying stakeholders and interested parties who need to be engaged with	● Negative relationship with community ● Unwanted media attention ● Civic protest ● Further disengagement ● Reputational damage	Severe	Almost Certain	Very High	Principles of consultation (LGA s82,82A,83)	Effective	90	Major	Possible	High
								Councillors available to community groups and the public	Effective	90			
								Significance and engagement policy (LGA s76AA)	Effective	80			

Risk Identification					Inherent risk assessment			Mitigations/Treatments			Residual risk assessment		
Risk ID	Risk Title	Risk Description	Source/Cause	Impact	Consequence	Likelihood	Risk Rating	Description (key mitigations)	Overall effectiveness rating		Consequence	Likelihood	Risk Rating
	GM Community Services GM Commercial and Strategy		● Communication with community not delivering appropriate level of engagement ● Community disenfranchised and not wanting to engage	● Loss of trust ● Damage to relationship with key stakeholders and partners				Community Engagement Framework	Not Developed	0			
								Engagement toolbox	Not Developed	0			
								International Association of Public Participation (IAP2) principles adopted	Partially	50			
								Training under the IAP2 framework to all T3's and employees who roles involve customer or community engagement	Effective	80			
								Communications and engagement staff who provide regular and frequent updates on a variety of channels	Effective	80			
								Forward planning of organisational work-streams	Ineffective	30			
								Use of social and print media and communication channels	Effective	80			
								Project specific communications and engagement plan	Partially	70			
r10	Iwi Engagement **Risk Owner:** GM Community Services GM Environmental Services	Breakdown in relationships between Iwi and Council	● Lack of understanding of Treaty of Waitangi obligations in relation to Council operations and activities ● Poor compliance with respective Acts e.g. RMA ● Inadequate funding to collaborate properly ● No processes in place for local iwi to consult and contribute ● Under resourcing to undertake appropriate engagement ● Discomfort and lack of knowledge in how and who to engage with	● Reputational damage ● No collaboration with iwi in all appropriate places and stages of developing and implementing strategy and actions ● Misalignment between council and local iwi ● Unable to deliver on or implement capital works	Severe	Almost Certain	Very High	Principles of consultation (LGA s82,82A,83)	Effective	80	Major	Possible	High
								Treaty of Waitangi principles (LGA s4 and RMA s8)	Effective	80			
								Principles relating to local authorities (LGA s14)	Effective	80			
								Requirements in relation to decisions (LGA s77)	Effective	80			
								Contributions to decision-making processes by Maori (LGA s81)	Partially	70			
								Key policy and decision-making processes discussed with Mana Whenua mandated representatives	Partially	60			
								Regular engagement with Council officers and Aoraki Environmental Consultancy Ltd and Service Level Agreement	Effective	80			
								Rūnanga representative on council committees	Effective	80			
								Significance and Engagement policy	Effective	80			
								Treaty of Waitangi training	Partially	50			
								Signed MoU with local iwi	Partially	70			
								Compliance with Mana Whakahono a Rohe: Iwi participation agreement (RMA Subpart 2)	Effective	90			
								Iwi engagement framework	Not Developed	0			
								Regular Governance representatives and SLT hui with Ngā Rūnanga representatives	Effective	80			
								Individual relationships with iwi representatives	Effective	80			
r11	Natural and Built Environment	Council does not enable and/or attract growth	● Legislative restrictions ● Competing priorities ● Reactive approach to growth ● Inadequate growth funding ● Lack of scale development ● Fragmented land ownership	● Timaru not seen as a place to live and/or work ● Lack of housing/industrial choice ● Slow population and economic growth	Severe	Likely	Very High	Infrastructure Strategy	Partially	70	Major	Possible	High
								Economic Development Strategy (Venture Timaru)	Effective	80			
								Growth Strategy	Effective	80			

Risk Identification					Inherent risk assessment			Mitigations/Treatments			Residual risk assessment		
Risk ID	Risk Title	Risk Description	Source/Cause	Impact	Consequence	Likelihood	Risk Rating	Description (key mitigations)	Overall effectiveness rating		Consequence	Likelihood	Risk Rating
	Risk Owner: GM Environmental Services GM Infrastructure		● Old housing stock ● Limiting topography ● National Policy Statement on highly productive soils ● Lack of industrial land and infrastructure	● Increasing costs on ratepayers ● Loss of key community structures e.g. hospital, primary, secondary and tertiary education, primary health services, sporting and service clubs				District Plan	Effective	80			
								Financial Contributions Policy	Effective	0			
								Vertical Infrastructure Strategy	Not Developed	80			
								Development Contributions Policy	Not Developed	0			
								Land use control (Highly Productive Land NPS)	Ineffective	30			
								Bid Policy (City Town Strategy)	Not Developed	0			
								TDHL	Effective	80			
r12	Sustainable platform **Risk Owner:** GM Infrastructure	Inadequate funding for horizontal and vertical infrastructure	● Inadequate sustainable programme ● Competing priorities ● Reduction in income from investments ● Interest rate increases ● Unsustainability EM expectations ● Debt funding and borrowing caps ● Poor asset management planning ● Asset valuation and depreciation increases	● Significant community rate increases ● Capital programme is not affordable ● Credit rating drops ● Limited borrowing capacity ● Negative effect on growth ● Negative impact on levels of service	Severe	Almost Certain	Very High	Financial strategy	Effective	80	Major	Possible	High
								Infrastructure strategy	Partially	60			
								Rating review (note waiting government direction on 3 waters due to significance on future rating)	Not Developed	0			
								Interest rate hedging	Effective	90			
								Asset Management Plans	Partially	60			
								Asset Valuation reviews	Partially	60			
								Level of Service reviews	Not Developed	0			
								Compliance with Delivery of services reviews (LGA s17A)	Partially	40			
								Rates smoothing	Effective	80			
r3	Health, Safety and Wellbeing **Risk Owner:** GM Engagement and Culture	Not ensuring the health, safety and wellbeing of workers and the community	● Lack of or inadequate H&S framework and management systems ● Lack of knowledge and inconsistent application of policies and procedures, and demonstrating expected behaviours. ● Inadequate assessment and management of H&S risks across all areas of Council delivery ● Poor safety culture and maturity ● Lack of support from CE and SLT ● Officers duties not understood ● Effects of mental wellbeing not recognised ● Ineffective Health and Safety training and awareness (competence) ● Inadequate sharing of lessons learned ● Insufficient resources and/or capability of staff ● Poor supportive work	● First aid case (FAC) through to fatality ● Breach of statutory obligations ● Lost productivity ● High staff turnover ● Low staff morale ● Regulatory intervention ● Financial penalty ● Imprisonment ● Reputational damage with loss of public trust and confidence in Council from multiple or severe health and safety failings	Severe	Almost Certain	Very High	Health and Safety Statement Policy	Effective	80	Moderate	Unlikely	Medium
								Health and Safety Management System Policy	Effective	80			
								H&S strategy	Partially	70			
								Monthly H&S Committee meetings	Effective	80			
								Weekly/monthly SLT H&S performance snapshot	Effective	90			
								Quarterly ARC H&S performance reports	Effective	80			
								Safety Maturity Assessment	Not Developed	0			
								Critical Safety Risk Group	Effective	80			
								Wellbeing Strategy	Not Developed	0			
								Internal Pulse survey	Effective	80			
								Health, Safety and Wellbeing induction	Effective	80			

Risk Identification					Inherent risk assessment			Mitigations/Treatments			Residual risk assessment		
Risk ID	Risk Title	Risk Description	Source/Cause	Impact	Consequence	Likelihood	Risk Rating	Description (key mitigations)	Overall effectiveness rating		Consequence	Likelihood	Risk Rating
			environment (workloads, bullying) ● Safety-in-design is not implemented consistently by third parties					H&S awareness training	Effective	80			
								H&S compliance training	Effective	80			
r4	Legislative Reform **Risk Owner:** GM Commercial and Strategy GM Environmental Services GM Infrastructure GM Engagement and Culture GM Community Services	Council does not adjust to legislative and regulatory reform and changes	● Poor implementation of legislative and regulatory changes ● Unidentified and/or unrealised impacts of legislation ● Insufficient planning internally within Council ● No centralised implementation function	● Public receive a lower standard of community services ● Negative/unintended consequences to the community ● Increasing legislative and regulatory compliance requirements ● Delivery on certain activities over the period of the LTP affected ● Increased costs to ratepayers ● Nature and scope of one or more Council activities altered ● Legal challenge due to incorrect application of legislative requirements Temporary suspension of services while legislative and/or regulatory compliance is required	Severe	Almost Certain	Very High	Monitoring legislative environment	Effective	80	Moderate	Unlikely	Medium
								Updates from Government departments and agencies	Effective	80			
								Legislative owner to understand and assess impacts to TDC	Partially	70			
								LGNZ membership, advice and guidance	Effective	80			
								Taituara advice and guidance	Effective	80			
								Action Plan implementation	Partially	40			
								Consultant advice on interpretation and impacts on new or additional legislative requirements	Effective	80			
								Legal advice on interpretation and impacts on new or additional legislative requirements	Effective	80			
								ComplyWith	Effective	80			
								Training and development of officers	Effective	80			
								Canterbury Mayoral forum	Effective	80			
r7	Funding **Risk Owner:** GM Commercial and Strategy	Levels and sources of funding differ from those forecasted	● Negative shock to finances e.g. economic downturn ● Inadequate planning to fund asset replacements ● Reduction in income from investments ● Interest rate increases ● Inadequate planning internally ● Not operating within budget ● Reduced funding from external funding sources e.g. Waka Kotahi	● Increased debt payments ● Reduced spend on planned capital projects ● Long term network deterioration ● Projects deferred, redesigned or not completed ● Inadequate delivery of community services	Major	Likely	Very High	Financial strategy	Effective	80	Moderate	Unlikely	Medium
								Revenue and Financing Policy	Effective	90			
								Liability Management Policy	Effective	80			
								Financial Contributions Policy	Effective	80			
								Treasury Management Policy	Effective	90			
								Infrastructure strategy	Partially	60			
								Long term plan	Effective	80			
								Annual Plan	Partially	70			
								Quarterly KPI and non-KPI reporting to Council	Effective	80			
								Funding Impact Statement	Effective	80			
								Annual report	Effective	80			
								Reduction in Levels of service	Not Developed	0			
								Revised capital works programme	Not Developed	0			
r8	Governance roles and responsibilities	Councillors not applying the principles of good governance	● Not fully appreciating the distinction between governance and operations ● Lack of awareness,	● Sub optimal decision making ● Performance of Council adversely affected	Severe	Likely	Very High	Governance Principles understood and followed (LGA s39)	Effective	80	Minor	Rare	Low
								Local Governance Statements signed (LGA s40)	Effective	80			

Risk Identification					Inherent risk assessment			Mitigations/Treatments			Residual risk assessment		
Risk ID	Risk Title	Risk Description	Source/Cause	Impact	Consequence	Likelihood	Risk Rating	Description (key mitigations)	Overall effectiveness rating		Consequence	Likelihood	Risk Rating
	Risk Owner: Chief Executive		knowledge and training in good governance practices ● Lack of understanding of the various Acts and statutes that drive council decision making e.g. Local Government Act 2002, Local Government Official Information and Meetings Act 1987 and Resource Management Act 1001 ● inadequate understanding in how to be an effective elected member ● Non-compliant application of legislation, regulations and policies ● Lack of reliable and timely information on the performance and position of council	● Loss of confidence in elected members and/or Council as a whole ● Breaches of confidentiality ● Non-functional Council (unable to make resolutions due to irreconcilable differences) ● Council replaced with Commissioners or Crown Manager appointed by Local Government Minister ● Council's decision judicially challenged ● Council's decisions being investigated and reviewed by the Ombudsman and/or the auditor General				Councillors understand the impact decisions made by them (LGAs76-82)	Effective	80			
								Councillors induction	Effective	90			
								Code of Conduct and Standing orders	Effective	90			
								Councillors professional development workshops and webinars e.g. EQUIP EHUB, Ākona (LGNZ's learning and development programme specifically for elected members)	Partially	70			
								In-house training workshops	Effective	80			
								Councillors Pecuniary Interest register	Effective	80			
								Conflict of Interest Register	Effective	80			
								Regular reporting to Council by SLT on council performance and position	Effective	90			
								External Governance Appointments Policy	Effective	90			

Consequence rating

Scale	**Severe**	**Major**	**Moderate**	**Minor**	**Insignificant**
Achievement of the Vision and Community Outcomes	Failure to achieve multiple community outcomes. Lost opportunity to significantly advance multiple community outcomes	Failure to achieve a specific community outcome. Lost opportunity to significantly advance a specific community outcome	Significant difficulty introduced to achievement of the Vision and community outcomes. Lost opportunity to contribute positively to one or more of the Vision and community outcomes	Inconvenience or delay in achieving the Vision and community outcomes.	No impact on the Vision and community outcomes. No impact on the Vision and community outcomes
Financial	Financial impact of more than $5m	Financial impact of over $1M to $5M	Financial impact of over $250k to $1M	Financial impact of over $100k to 250k	Financial impact up to $100k
Health and Safety (Employees, contractors, public)	Loss of life. Permanent disability. Permanent health effects e.g. asbestosis, cancer, loss of a limb, silicosis, corrosive burns	Lost Time Injury (LTI) or Notifiable event to WorkSafe. Long term health effects e.g. chronic back injury, repetitive strain injury	Medical treatment required (MTI). Reversible health effects e.g. skin irritation, food poisoning	First aid treatment (FAC)- injury of health effect. Not affecting work performance and not affecting daily life activities	No injury or health effect sustained
Organisational capability and capacity	Organisation unable to function for more than two days. Serious reduction in organisational capability greater than one month. Unable to recruit or retain staff causing staff numbers to drop below sustainable BAU level	Organisation unable to function between 10 hours and 2 days. Serious reduction in organisational capability between 2 weeks and one month. High staff turnover >30% pa. unable to recruit staff or retain skill set	Organisation unable to function for less than 10 hours. Serious reduction in organisational capability one week and 2 weeks. Staff turnover >20% but <30% p.a.	Loss of organisational capability in some areas resulting in sub optimal support to external delivery activities. Staff turnover <15% p.a.	Temporary problem with organisational capability resulting in no impact on external service delivery

Scale	Severe	Major	Moderate	Minor	Insignificant
Business Continuity	Business interruption >1 week. Total loss of IT services for an extended period. Need to replicate systems at alternative location	Business interruption >24hrs but <1 week. Major IT failure e.g. need to recreate important lost or corrupted data, major interruption to IT services	Business interruption >8hrs but <24hrs. Significant IT failure e.g. loss or corruption of data, interruption to local server	Business interruption >4hrs but <8hrs. Short term IT failure e.g. loss or localized corruption of data, interruption to local area services (email, intranet)	Business interruption <4hrs. Minor IT failure e.g. readily recoverable loss of data or communications links.
Reputation	Insurmountable loss of community confidence. National adverse political or media comment for more than one week. Requirement for (televised) public apology or defence. Adverse comments or questions in Parliament	Loss of community confidence requiring significant time to remedy. National adverse political or media comment for more than two days. Regional adverse political or media comment for more than one week. Requirement for (televised) public explanation	Short-term and manageable loss of community confidence. Regional adverse political or media comment for more than two days. Significant social media commentary or campaign from new sources	Short-term loss of confidence among small sections of the community. Regional adverse political or media comment for one or two days. Sustained 'letters to the editor' (or online equivalent) commentary in usual sources	Negative feedback from individuals. Short-term 'letters to the editor' (or online equivalent) commentary
Environment	Major spill / release, destruction, with widespread damage to environment / property. Likely prosecution in Environment court. Permanent impact threatens survival of significant flora or fauna. Destruction of items/area of significant cultural value	Off-site release with obvious detrimental effects on environment. RMA notice likely to be served by council. Damage to significant flora or fauna requires years to recover. Significant damage to items/area of significant cultural value	Off-site effects with no obvious detrimental effects to the environment. Recoverable impact on significant flora or fauna. Damage to items/area of cultural value	On-site effects immediately addressed, cleaned up, mitigated etc. Minor threat to significant flora or fauna	Negligible and sporadic environmental effects. No threat to significant flora or fauna

Scale	Severe	Major	Moderate	Minor	Insignificant
Service delivery to community	Key service not available to a large proportion of the community for greater than one week. Continued severe service degradation for greater than one month	Key service not available to a significant portion of the community between two days and one week. Continued severe service degradation between one week and one month	Key service not available to some of the community between ten hours and two days. Continued service degradation between two days and one week	Reduced service delivery that does not compromise the community's health and wellbeing	Short-term reduction in service delivery which is easily restored and does not compromise the community's health and wellbeing
Legislative / regulatory compliance	Court proceeding or criminal action for breach or non-compliance; potential for imprisonment of elected member or staff. Judicial review on a matter of rates or other funding, or on a matter with significant financial impact	Significant breach or non compliance, or multiple breaches or non compliances, resulting in regulatory action and/or restrictions on Council activities	Complaint to the Ombudsman, Auditor-General or other statutory office. Multiple related minor non compliances due to an underlying systemic issue. Significant breach or non compliance resulting in regulatory scrutiny	One-off minor regulatory or legislative non compliance with potential impact on the community's health or wellbeing	One-off minor regulatory or legislative non compliance with no direct impact on the community's health or wellbeing

Likelihood rating			
Descriptor	**Time based guide**	**Description**	**Annual probability**
Almost Certain	Certain to occur 1 or 2 times a year	It would be unusual if this didn't happen	90% or greater chance of occurring in next 12 months
Likely	Expected to occur at least once every 2- 5 years	Will occur more often than not	60%> 90% chance of occurring in next 12 months
Possible	Expected to occur at least once every 5-10 years	Occurrence is always possible	25%> 60% chance of occurring in next 12 months
Unlikely	Expected to occur at least once every 10 -20 years	May occur	2%> 25% chance of occurring in next 12 months
Rare	Expected to occur at least once every 20 years or more	Will only occur in exceptional circumstances	Up to 2% chance of occurring in next 12 months

Timaru District Council

Memo

To	Senior Leadership Team
From	Ahmed Mohamed, Risk and Assurance Manager
Date	November 2023
Subject	Risk Management Maturity Improvement Plan

Executive Summary

1. The Audit and Risk Committee (ARC) endorsed the Risk Management Policy and Risk Management Framework on 10 August 2021. These documents setup the process for managing risks at the Council.
2. An exercise to assess the risk management maturity by The Risk and Assurance Manager with the CE and GMs, the assessment shows that most of M1 and some of level M2 are met. The assesment was done using the All-of-Government Enterprise Risk Maturity Assessment Framework (AoG-ERMAF) as shown in Appendix 1.
3. The below Risk Management Maturity Improvement Plan is designed to enhance the Risk Management maturity level of the Council by updating current risk management documents and processes and embedding risk management into Council activities.

Recommendation

THAT the Senior Leadership Team approve the Risk Management Maturity Improvement Plan.

Introduction

4. Risk, by definition, is the effect of uncertainty on objectives. Importantly for risk management to work well it needs to prioritise and manage risks that matter (i.e. those uncertainties that will actually have higher effect on objectives). This needs to remain a focus for successful delivery of this plan.
5. The benefits to enhance the Council's risk management through this plan includes:
    - I. An updated policy and framework. This will ensure risk management in the Council is fit for purpose and operates effectively;
    - II. A structured, consistent and defined process for managing risk across all the Council activities;
    - III. Uploading existing risk registers to Promapp (risk module) to promote consistency and challenge content;
    - IV. Providing assurance to governance roles and committees over management's ability to identify and manage risks; and

V. Providing a solid foundation to ensure Internal Audit activity is risk-based, well prioritised and scheduled in a well-thought-out manner to effectively and efficiently apply scarce Internal Audit resources.

Issues

6. Governance and risk management are highly interdependent. Good governance requires effective risk management and effective risk management requires good governance.
7. Governance structures exist within Council, including an established Audit and Risk Committee with an Independent Chairperson. There are also Risk Management Framework and Risk Management Policy documents; endorsed by ARC on 10 August 2021. [https://wiki.timdc.govt.nz/display/TDC/Risk+Management]
8. Key weaknesses:
   I. The Council's current Risk Management Framework and Risk Management Policy documents have not been embedded across Council.
   II. In the absence of a proper framework or policy, roles and responsibilities have not been made clear and the risk appetite, tolerances and reporting/escalation has not been consistently embedded or established across Council.
9. The Council had appointed an Acting Risk and Assurance Manager until the appointment of a permanent person to the role. In his role as Acting Risk and Assurance Manager, he used an alternative risk assessment matrix and definitions to assist in the assessment of strategic and operational risks, since the current Risk Management Framework and Risk Management Policy were not fit for purpose. The Acting Risk and Assurance Manager moved to acting as Risk Lead till end of September.
10. Key weaknesses:
    I. While a risk rating matrix and definitions exist in the current framework and policy, it is brief, outdated and does not elaborate on rating tolerance. For example: The Framework refer to the Three Line of Defence issued by the IIA, which the IIA updated it in 2020 to the Three Line Module; In the Policy all impacts have only one scenario instead of multiple scenarios, like the H&S focus only on injury and ignore the illness and wellbeing (which became obviously an issue during COVID-19 in 2020).

Risk Maturity Plan

11. Government agencies can assess their current level of risk maturity and identify ways they can improve their maturity level by using the All-of-Government Enterprise Risk Maturity Assessment Framework (AoG-ERMAF) (Appendix 1).
12. The AoG-ERMAF measures 4 elements - leadership and direction, people and development, processes and tools, and business performance – with accompanying attributes and maturity levels (1-5) with challenge questions to help determine one's current maturity level (Appendix 2).
13. An assessment conducted by the Risk and Assurance Manager and the Risk Lead determined that the Council is at a maturity level between M1/M2 (Appendix 2). A similar exercise was conducted with the CE and each GM which gave similar results.

14. Organisations of the same size of the Council should aim for M3 as an achievable target over 12-24 months, taking into consideration other initiatives that are scheduled and resource/ time availability.

Stage 1: Risk Management Policy

15. Combine the current two documents (the Risk Management Framework and the Risk Management Policy) into one document, being a Risk Management Policy. This will describe and detail the Council's risk framework, appetite, principles, and roles and responsibilities.
16. This will provide clear and consistent definitions, tolerances, expectations and arrangements for the effective management of risks at all levels across all activities. The key components that make this a Council document, and needing Management input/focus, will be the risk rating definitions and tolerances.
17. Due dates shown in the below table are ambitious and reflect the importance of this delivery.

Action	Deliverable	Due date	Responsible
Update the Risk Management Policy	Draft policy excluding appetite and rating	Dec 23	Risk and Assurance Manager and SLT members
Risk management workshop: - Risk Appetite statements	- Risk Appetite statements	Jan/ Feb 24	Councillors, ARC members and SLT
Draft risk policy presented to ARC for endorsement	Endorsed Risk Management Policy	Mar 24	Risk and Assurance Manager

Stage 2: Embedding the Risk Management Framework

18. Embedding the Risk Management Policy will require ongoing and longer-term buy-in and commitment to improve ownership, reporting and management of risk.
    I. <u>Reviewing, challenging and aligning existing risks</u> with the framework. This will include capturing clear risk descriptions and applying a consistent rating and categorisation. Improved risk capture and analysis will facilitate better prioritisation of risk management, and more meaningful reporting and comparison. This will require reviewing and work-shopping the Business Unit risk registers with SLT members and their direct reports to better capture and challenge existing risks. With the primary result being consistent and clearly described risks, rated in accordance with framework.
    Discussion will also explore whether there are any uncaptured risks, and cover expectations for maintaining an adequate risk management process. Agreed framework tolerances will then dictate required escalation and drive management action.
    The top-down risks will face a similar review workshop with SLT where these risks will be challenged and better captured. Involvement with ARC members will also be arranged to ensure expectations and insights are utilised in refining these top risks.

Once these reviews are complete, the top-down risks can be aligned and mapped against the bottom-up risks to validate, support and identify any gaps.

II. Developing the reporting and escalation of risks in application of the framework. This will require collaboration with SLT and ARC to coordinate reporting expectations and delivery but will enhance visibility and facilitate clear accountability for the management of risks.
This component will establish clear reporting and escalation mechanisms that are appropriate and useful to SLT and ARC. This in turn will drive visibility and enable accountability, helping to provide confidence over management's capability and understanding of their risks, whilst enabling a clear source for query or explanation. Good practice and elements of material available will guide collaboration with SLT and ARC to define reporting expectations and requirements. This is likely to evolve over time and will have some dependency on the risk register reviews (to ensure information is consistent and meaningful).

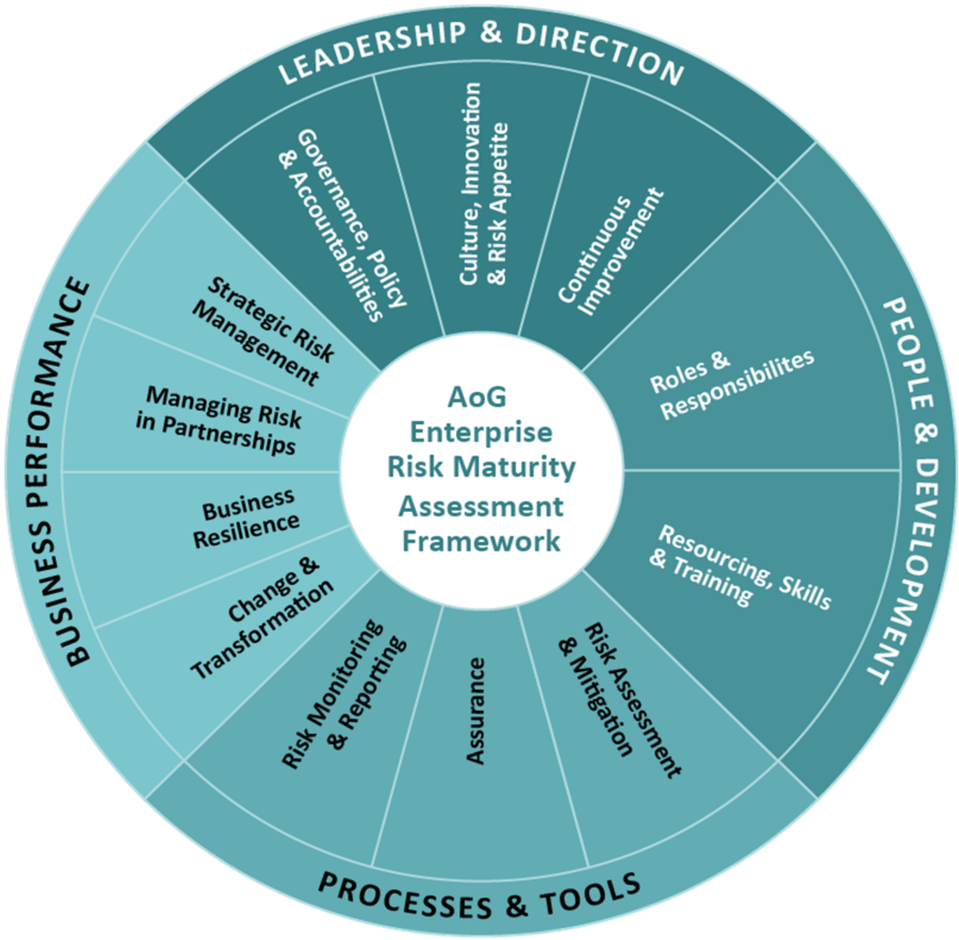
Action	Deliverable	Due date	Responsible
Simplify the risk management process into useful simplified guides to be used by Managers and employees	Risk management guides	Apr 24	Risk and Assurance Manager
Refresh risk register tool (Promapp) to more clearly present risks management requirements	Improved usability of risk register. Setup Promapp for clear accountability	Apr 24	Risk and Assurance Manager
Training on the risk management and Promapp.	Training workshops	May - June 24	Risk and Assurance Manager
Conduct risk review workshop with SLT to challenge and better capture top-down risks	Improved capture and understanding of risks	July 24	Risk and Assurance Manager and SLT members
Conduct risk review workshops with SLT members and their Direct Reports to challenge and improve capture of bottom-up risks	Improved capture and understanding of risks	Aug 24	Risk and Assurance Manager and SLT members
Complete Council Risk Map and Maturity to feed Internal Audit Plan	Risk Map and Maturity report	Sep 24	Risk and Assurance Manager
Align top-down and bottom-up risks to validate, support and identify gaps.	Integrated and aligned risk registers	Oct 24	Risk and Assurance Manager

Stage 3: Improve Risk Management practices

19. Through implementation of periodic and regular reporting and review mechanisms, coordinating activity and developing appropriate tools and guidance. Once the risk policy is properly embedded, risk management needs to continue being a part of regular business discussion and is given appropriate ongoing management focus.
20. The momentum of embedding the risk policy will need to be encouraged and maintained in the form of on-going risk management that becomes part of everyday business decision making and evaluation. Requiring appropriate Risk Management sign-off on higher risk areas such as project oversight will also help bring greater visibility of risk management activities into day-to-day processes.
21. The delivery requirements for this component will be shaped through the embedding of risk policy, where further tools and guidance material may be required, along with risk training workshops, involvement in regular risk assessments, and coordination of cross business knowledge sharing or assessment activities. Specific actions and delivery will be formalised as identified, through the management-led risk committee.

Appendix 1

All-of-Government Enterprise Risk Maturity Assessment Framework (AoG-ERMAF)



Benefits of Enterprise Risk Management

- ✓ Enterprise risk management is an integrated, top-down approach to risk management that helps senior business leaders to cut across functional boundaries resulting in better quality risk information for decision making.
- ✓ As a result of a top-down approach, senior business leaders will have a better view of their strategic risks and be in a stronger position to manage these. Strategic risks have been found to have the most impact on an organisation's performance.
- ✓ An integrated approach helps to drive improved value and cost savings from current risk management practices, including:
  - Improved allocation of resources to those areas of greatest risk to the agency
  - Reduced compliance costs as a result of an integrated approach to risk and assurance activities
  - Reduced insurance costs by more clearly identifying underlying risk exposures.

- ✓ Enterprise risk management provides an overarching governance framework to support the agency's efforts in implementing functional risk management approaches e.g., privacy, health and safety, etc.

Core Expectations			
Element	Attribute	Key Question	Core Expectations – What does good look like?
Leadership and Direction	Governance, Policy and Accountabilities	Is there clear accountability and authority for managing risk at the leadership level?	There is a comprehensive governance framework in place that explicitly assigns individual roles and responsibilities for managing risks, including risks with core partners.
	Culture, Innovation and Risk Appetite	Does leadership promote a culture of risk informed decision making based on a clear understanding of acceptable and unacceptable risk?	Organisational values and behaviours clearly support risk informed decision making and there is a comprehensive risk appetite statement in place that includes a common definition of innovation.
	Continuous Improvement	Does leadership drive improvements in risk management?	There is a regular formal review of risk management practices to identify improvements.
People and Development	Roles and Responsibilities	Do staff clearly understand their roles and responsibilities for managing risk?	Risk management roles and responsibilities are documented and communicated for all risk areas and are consistently reflected in position descriptions.
	Resources, Skills and Training	Is resourcing sufficient and are staff adequately trained and experienced in risk management?	Risk management activities are adequately resourced with assessment of skills and training undertaken on a regular basis.
Processes and Tools	Risk Assessment and Mitigation	Are there effective processes in place for the identification, assessment and mitigation of risks?	Risk assessment processes and templates are defined and applied consistently across the agency. Risk mitigation plans align to agreed tolerance levels.
	Assurance	Is there an effective assurance framework in place?	Risk-based assurance is consistently provided over agency changes, policy and operational areas including activities undertaken by core partners.
	Risk Monitoring and Reporting	Does risk monitoring and reporting support decision making and management action?	The senior management team regularly receives risk information aligned to business outcomes to support decision making and management action.
Business Performance	Strategic Risk Management	Is there effective anticipation and management of strategic risks?	Strategic risks and opportunities are explicitly identified and documented in the agency's strategic plan together with planned responses.

Core Expectations			
Element	Attribute	Key Question	Core Expectations – What does good look like?
	Managing Risk in Partnerships	Are there effective arrangements for managing risk with partners?	There is a comprehensive partnering policy that addresses how to identify, assess and manage risks, including arrangements for risk ownership and sharing of risk information.
	Business Resilience	Are there effective mechanisms in place to monitor, respond, anticipate and learn from disruptive and extreme events?	Disruptive and extreme events are comprehensively assessed on a regular basis and there are mechanisms in place to monitor, respond, anticipate and learn from these events.
	Change and Transformation	Is there a portfolio approach to managing risk for significant change initiatives?	There is a comprehensive risk assessment process for approving significant change initiatives based on a portfolio view of risk related to change and transformation.

For more details
https://www.digital.govt.nz/standards-and-guidance/governance/system-assurance/enterprise-risk-maturity/

Appendix 2 Detailed risk management maturity assessment of TDC

Element	Attribute	M1	M2	M3	M4	M5	Current Score
Leadership and Direction	Governance, Policy and Accountabilities	• The governance framework for overseeing risk management is not formally documented.	• A formal governance framework exists that sets out high level accountabilities for overseeing risk management.	• There is a comprehensive governance framework in place that explicitly assigns individual accountabilities for managing top risks, including risks with core delivery partners.	• There is a comprehensive governance framework in place with explicit accountabilities for managing top risks, including some system level risks in support of inter-agency, sector and AoG outcomes.	• The risk management policy is formally reviewed by the independent governance body every one to two years or when significant changes occur.	2
		• An independent governance body does not exist.	• An independent governance body (e.g. Audit and Risk Committee) exists but is largely passive e.g. reviews and approves risk management strategy / annual audit plan.	• An independent governance body exists that regularly reviews and monitors top risks and progress against the risk management strategy / annual audit plan.	• An independent governance body exists that challenges and directs the senior leadership team on managing top risks and the results of assurance activities.		2
		• There is no internal audit function and the provision of assurance is primarily focussed on meeting external audit requirements.	• An internal audit function has been set up with a focus on controls and compliance monitoring in specific areas.	• The internal audit function has a broad remit with a focus on risk assurance and process improvements.	• The internal audit function is well established and provides assurance across a range of risks, including system level risks.	• The effectiveness of the governance body and internal audit function are independently reviewed every three to five years and benchmarked against a recognised achievement standard as 'best in class'.	2
		• There is limited guidance on how risks should be managed and escalated.	• There is some guidance on how risks should be managed and escalated across the agency but this tends to have an operational focus e.g. health and safety.	• There is a formal risk management policy together with clear guidance for escalating risks (e.g. to whom) that has been approved by the senior leadership team and the governance body.	• Senior business leaders clearly understand the need to escalate risks and there is good evidence of this happening.	• Risks, including system level risks in support of inter-agency, sector and AoG outcomes, are escalated in near time.	2
		• There is limited evidence of risk focussed discussions taking place at senior leadership team meetings.	• Application of the risk management guidance is not consistent across all business units.	• Application of the risk management policy and guidance is consistent across all business units.	• There are mechanisms in place for sharing risk and assurance insights and lessons learned with senior business leaders.	• There are mechanisms in place for sharing risk and assurance insights and lessons learned with other agencies and partners	2

Element	Attribute	M1	M2	M3	M4	M5	Current Score
		• Limited action is taken based on the results of assurance activities.	• There is some evidence of risk focussed discussions taking place at senior leadership team meetings; however, there is limited evidence of challenge regarding risk and assurance information or proactive action being taken as a result, or action is taken in isolation to other business units.	• The senior leadership team provides specific direction around the management of top risks and there is some evidence of challenge regarding risk and assurance information; action taken considers the potential impact on other business units and core delivery partners.	• Risk is a standing agenda item at senior leadership team meetings and there is good evidence of risk focussed discussions and challenge regarding risk and assurance information e.g. deep dive into specific risks; action taken considers the potential impact on some inter-agency, sector and AoG outcomes.	• New and emerging risks are discussed at senior leadership team meetings with strong evidence of proactive action being taken in support of inter-agency, sector and AoG outcomes.	2
	Culture, Innovation and Risk Appetite	• There is no clear link between organisational values and behaviours and risk informed decision making.	• Risk informed decision making is implied in organisational values and behaviours.	• There is an explicit link between organisational values and behaviours and risk informed decision making.	• Risk informed decision making is encouraged and supported through internal communications with a clear link to organisational values and behaviours.	• Risk informed decision making is fully integrated into organisational values and behaviours and is visibly encouraged, supported and rewarded by senior business leaders.	1
		• There is limited understanding of the concept of risk appetite by senior business leaders.	• There is a basic understanding of the concept of risk appetite by senior business leaders, although tolerance levels for different types of risk have not been defined.	• There is a comprehensive risk appetite statement in place that has been approved by the senior leadership team.	• The risk appetite statement incorporates some system level risks in support of inter-agency, sector and AoG outcomes.	• Risk appetite discussions are supported by a range of qualitative and quantitative tolerances that include inter-agency, sector and AoG outcomes.	1
				• Risk tolerance levels for individual risks have been defined using basic risk rating criteria (e.g. High, Medium, Low).	• Risk information, beyond basic risk rating criteria, is used to challenge the senior leadership team on what tolerance levels should be, including the acceptable level of risk for different types of innovation.		NA
		• There is no formal definition of innovation and what it means for the agency's risk appetite.	• The agency has a common definition of innovation but this is not linked to risk appetite in any way.	• The agency has a common definition of innovation and there is some link to risk appetite e.g. tolerance levels for change and transformation risk have been agreed.		• Risk appetite and the desire for innovation form an integral part of strategic planning and decision making processes and are regularly reviewed.	1

Element	Attribute	M1	M2	M3	M4	M5	Current Score
			• Risk appetite, including the desire for innovation, is considered informally as part of strategic planning and decision making processes.	• Risk appetite and the desire for innovation are formally considered as part of strategic planning and decision making processes.	• Risk appetite and the desire for innovation are integrated into strategic planning and decision making processes through risk focussed discussions and analysis.	• There is strong evidence of risk appetite being applied to strategic options analysis and contingency planning.	NA
	Continuous Improvement	• There is no formal review of the effectiveness of risk management practices.	• The effectiveness of risk management practices is periodically reviewed on a formal basis e.g. internally by the risk management or internal audit function every two to three years.	• The effectiveness of risk management practices is regularly reviewed on a formal basis e.g. internally by the risk management or internal audit function every one to two years.	• The effectiveness of risk management practices is informed by regular feedback from business units and core partners.	• The effectiveness of risk management practices is independently reviewed every three to five years and benchmarked against a recognised achievement standard (such as this framework) as 'best in class'.	1
		• There is no formal risk management strategy or assessment of resources required to deliver improvements.	• Improvement opportunities are documented in a basic risk management strategy that has been approved by the independent governance body.	• There is a comprehensive risk management strategy that has been approved by the independent governance body.	• The risk management strategy includes some initiatives to improve the management of system level risks in support of inter-agency, sector and AoG outcomes.		1
			• There is no formal endorsement of the resources required to deliver improvements from the senior leadership team.	• There is formal endorsement of the resources required to deliver improvements from the senior leadership team and regular updates on progress against the risk management strategy.	• Risk management outcomes are partially integrated into business performance reporting to the senior leadership team.	• Inter-agency, sector and AoG risk management outcomes are fully integrated into business performance reporting to the senior leadership team.	1
People and Development	Roles and Responsibilities	• Risk management roles and responsibilities are not formally documented.	• Risk management roles and responsibilities are documented and communicated in traditional areas, such as corporate risk management and compliance functions.	• Risk management roles and responsibilities are documented and communicated for all risk areas and across all business units.	• Risk management roles and responsibilities are well understood and are generally incorporated into individual performance objectives.	• Risk management is regarded as a core competency and risk management roles and responsibilities are explicitly incorporated into individual performance objectives with a high degree of consistency across the agency.	2

Element	Attribute	M1	M2	M3	M4	M5	Current Score
		• Risk management is being carried out by individuals on a self-initiated 'best endeavours' basis.	• Corporate risk management roles and responsibilities are focused on risk reporting and compliance.	• Corporate risk management roles and responsibilities are focused on driving elements of good practice across the agency.	• Corporate risk management roles and responsibilities are focused on driving good practice across the agency and there is a senior risk management advisor to provide leadership and direction.	• Corporate risk management roles and responsibilities are focused on optimising good practice across the agency and there is a head of risk / chief risk officer who is seen in the agency as the senior risk management advisor.	2
			• There may be some link to position descriptions, terms of reference, contracts and goals but this is not consistent across the agency.	• Risk management roles and responsibilities are consistently reflected in position descriptions, terms of reference, contracts, goals and the agency's policy framework.			2
		• Senior business leaders do not expect or require assurance over their area of responsibility.	• Some senior business leaders may require assurance over their area of responsibility but this is ad hoc across the agency.	• Senior business leaders routinely expect and request assurance over their area of responsibility.	• Senior business leaders routinely expect and request assurance over their area of responsibility, and may ask for ad hoc reviews.	• Senior business leaders plan for assurance advice and reviews without being prompted.	1
				• There is limited evidence that good risk management behaviours are rewarded.	• There is some evidence that good risk management behaviours are rewarded.	• There is strong evidence that good risk management behaviours are rewarded.	NA
	Resourcing, Skills and Training	• Limited resourcing is allocated to risk management activities.	• There are some gaps in the effectiveness of risk management activities due to insufficient resourcing.	• Risk management activities are generally well resourced across the agency although some areas would benefit from additional resourcing.	• Resourcing is sufficient for the agency and supports some inter-agency, sector and AoG risk management outcomes.	• Resourcing fully supports inter-agency, sector and AoG risk management outcomes	2
		• The agency has limited access to the skills and experience required to provide effective risk management.	• Risk management skills and experience are assessed at a high level for some key roles.	• Risk management skills and experience are formally assessed for all key roles, including the senior leadership team.	• Risk management skills and experience for all key roles are regularly reviewed to ensure alignment with risk management outcomes and strategy.	• Risk management skills and experience are optimised and continually improved.	1
			• Some ad hoc risk management training exists for key roles.	• Structured risk management training is provided for all key roles.	• Risk management training needs are included in individual performance plans.	• There are opportunities for secondments between the business and risk and assurance functions.	NA

Element	Attribute	M1	M2	M3	M4	M5	Current Score
				• Risk management forms part of induction training for all management and staff.	• There are mechanisms in place for keeping staff up to date with developments in risk management e.g. newsletters and other regular internal communications.	• There are mechanisms in place to measure the effectiveness of risk management training.	NA
Processes and Tools	Risk Assessment and Mitigation	• There is no common definition of risk across the agency.	• There is a common definition of risk that is focused on the 'downside' of risk; some definitions exist for different types of risk but the boundaries are not always clear.	• There is a common definition of risk that recognises the 'upside' of risk and there is a formal risk categorisation model for the agency.	• There is a common definition of risk and a formal risk categorisation model that recognises the agency's role in supporting inter-agency, sector and AoG outcomes	• There is a fully integrated risk management solution supporting an optimal risk and control framework that includes inter-agency, sector and AoG outcomes.	2
		• Risk assessment processes are informal and ad hoc with no clear linkage to business objectives.	• Risk assessment processes and templates are defined and may be applied in some key business units, but there is a lack of management buy-in in other areas.	• Risk assessment processes and templates are defined and applied consistently across all key business units.	• Risk assessment processes and templates extend beyond the agency's boundaries to include some system level risks linked to inter-agency, sector and AoG outcomes.	• Risk and control assessments are performed near time.	1
			• Risk measurement is largely subjective based on high level qualitative likelihood and impact criteria.	• There is some evidence of a data driven approach to risk measurement (e.g. based on internal management information).	• There is some use of technology to improve the consistency and quality of risk assessment and mitigation processes.	• Cost-benefit analysis is performed to support prioritisation of risk mitigation plans.	NA
					• Quantitative approaches (where appropriate) are used for risk measurement.		NA
			• Inherent and residual risk evaluations are undertaken but the link to control effectiveness is not clearly understood.	• Inherent and residual risk evaluations taking into account the effectiveness of controls are sometimes undertaken.	• Inherent and residual risk evaluations taking into account the effectiveness of controls are consistently undertaken.	• Risk and control information is used to optimise insurance arrangements.	4
			• Risk mitigation plans are based on reactive responses.	• There is some evidence of alignment between risk mitigation plans and agreed tolerance levels for different types of risk.	• There is good evidence of alignment between risk mitigation plans and agreed tolerance levels for different types of risk.	• There is strong evidence of alignment between risk mitigation plans and agreed tolerance levels for different types of risk.	2

Element	Attribute	M1	M2	M3	M4	M5	Current Score
	Assurance	• Senior business leaders have limited understanding of the need for assurance over their areas of responsibility.	• Senior business leaders have some understanding of the need for assurance over their areas of responsibility.	• Senior business leaders are able to describe the areas across the agency that require assurance and how this is being obtained.	• Senior business leaders understand the quality and amount of assurance required across the agency and this extends to some system level risks in support of inter-agency, sector and AoG outcomes.	• Senior business leaders obtain the right quality and amount of assurance and promote a strong assurance culture including in support of inter-agency, sector and AoG outcomes.	2
		• The assurance framework (e.g. three lines of defence) is not formally documented.	• There is a formal assurance framework in place but limited evidence of coordination across the 'three lines of defence' internally to better integrate risk and assurance activities.	• There is a formal assurance framework in place and some evidence of coordination between the 'three lines of defence' both internally and with core delivery partners.	• There is an effective assurance framework with good coordination between the 'three lines of defence' both internally and externally in support of some inter-agency, sector and AoG outcomes.	• There is a fully integrated assurance framework in place with seamless coordination between the 'three lines of defence' internally and externally in support of inter-agency, sector and AoG outcomes.	1
		• Assurance activities cover only a few operational risk areas of the agency, or are reactive to specific events.	• Assurance activities are targeted at business unit operations on a cyclical basis and focus on historic transactional or systematic compliance.	• Assurance activities are targeted at critical enterprise-wide functions and focus on controls assurance and systemic improvements.	• Assurance activities are multi-layered and targeted at agency outcomes, including in support of some inter-agency, sector and AoG outcomes.	• Assurance activities fully support inter-agency, sector and AoG outcomes and focus on improving performance across the system.	2
		• Controls and assurance activities are not formally considered when designing new systems, process and policies.	• Compliance-focused control and assurance activities are considered when designing new systems, processes and policy.	• Risk assessments are undertaken when designing new systems, processes and policy, including for some core delivery partner activities.	• Risk assessments determine the assurance activities implemented when designing new systems, processes and policy, including some automated assurance activities.	• Automated assurance activities are embedded into new systems, processes and policy.	2
		• Assurance needs are not formally aligned to the agency's risk profile and there is limited evidence of assurance results being used to inform risk assessments.	• Assurance needs are somewhat aligned to the agency's risk profile and there is some evidence of assurance results being used to inform risk assessments.	• Assurance needs are generally responsive to changing agency risks and assurance results are consistently used to inform risk assessments, including across a range of core delivery partner activities.	• Assurance needs are regularly reviewed and reprioritised and assurance results are used to inform some system level risk assessments.	• Assurance is forward-looking and assurance providers anticipate risks and expect priorities to change.	1
	Risk Monitoring and Reporting	• There is limited coordinated collection of risk data from business units.	• Risk data collection is formalised and coordinated on an annual basis. This is largely viewed as a compliance requirement and the quality of risk data is variable.	• Risk data collection is formalised and coordinated on a regular basis e.g. every three to six months. There is some quality review of	• There is some use of technology to improve the quality and consistency of risk data collection and automate risk monitoring and reporting.	• Risk data collection, aggregation, monitoring and reporting is frequent, automated and fully integrated with the agency's risk appetite framework.	1

Element	Attribute	M1	M2	M3	M4	M5	Current Score
				risk data to address duplications, inconsistencies and gaps.			
			• Risk data is aggregated across the agency to create a bottom-up view of the top risks faced by the agency which is presented to the senior leadership team.	• Aggregated risk data is supplemented by a top down assessment of strategic risks to give an enterprise-wide view of the top risks faced by the agency.	• There is increasing use of semi-quantitative approaches to risk aggregation.	• Risk reporting is easily able to be tailored to meet the needs of inter-agency, sector and AoG stakeholders.	NA
					• There an enterprise-wide view of the top risks faced by the agency that includes strategic risks and some system level risks in support of inter-agency, sector and AoG outcomes.		NA
		• There is limited formalised monitoring or reporting of risk information to support decision making or management action.	• There is some review of risk information to assist with decision making and management action.	• Senior business leaders regularly review risk information to assist with decision making and management action.	• Risk monitoring and reporting is aligned to the agency's risk appetite framework to assist with decision making and management action.	• Risk reporting has a distinct forward looking view using leading risk indicators, to assist with proactive decision making and management action.	1
Business Performance	Strategic Risk Management	• There is limited integration of risk management into the strategic planning cycle.	• The strategic planning cycle includes a review of the agency's top risks.	• The strategic planning cycle includes a review of the agency's top risks as well as some external trends and indicators to inform the level of risk in the external environment.	• The strategic planning cycle includes forward-looking scenario analysis to identify new and emerging risks, including some system level risks in support of inter-agency, sector and AoG outcomes.	• Strategic risk management practices are independently reviewed every three to five years and benchmarked against a recognised achievement standard as 'best in class'.	1
			• There is some evidence of strategic risks and opportunities being documented in the agency's strategic plan but there is no refresh of the agency's top risks based on strategic planning outcomes.	• There is good evidence of strategic risks and opportunities being documented in the agency's strategic plan together with planned response.	• There is strong evidence of strategic risks and opportunities being documented in the agency's strategic and long term investment plans with a formal process for capturing new and emerging risks.		NA

Element	Attribute	M1	M2	M3	M4	M5	Current Score
				• A formal refresh of the agency's top risks is undertaken based on strategic planning outcomes.	• Some key external trends and indicators have been identified but are not actively monitored by the senior leadership team.	• Key external trends and indicators are actively monitored and their impact on the agency's business outcomes is regularly assessed by the senior leadership team.	NA
			• Strategic risk contingency planning to safeguard the strategic and hedge delivery of business outcomes is not undertaken.	• There are some risk contingency plans in place to safeguard the strategy and hedge delivery of business outcomes.	• Risk contingency plans are in place to safeguard the strategy and hedge delivery of business outcomes.	• Strategic risk contingency plans are continuously reviewed and updated.	NA
	Managing Risk in Partnerships	• There is no clear definition of what a 'partner' is or what 'partnering' involves.	• 'Partner' is defined at a high level and a group of core partners has been identified.	• The agency has a common definition of 'partner' that recognises the different types of partnership arrangements that exist.	• The agency has a formal partner scoring model in place that covers all key aspects of risk and performance.	• Partnering practices are independently reviewed every three to five years and benchmarked against a recognised achievement framework as 'best in class'.	1
		• There is no formal partnering policy providing guidance on how to manage partner related risks.	• There is a basic partnering policy in place that addresses how to identify, assess and manage risks.	• There is a comprehensive partnering policy that addresses how to identify, assess and manage risks, including arrangements for risk ownership and sharing of risk information.	• The partner scoring model is used to differentiate levels of monitoring and partner authority / delegation.		1
			• Risk and reward trade-offs may be applied informally in individual contracts.	• Risk and reward trade-offs are formally articulated and are generally applied in contracts.	• Risk and reward trade-offs are articulated across a range of partners and are routinely applied in contracts.	• Risk and reward trade-offs are clearly articulated across a wide range of partners and systematically applied.	NA
			• There is some evidence of risk and performance monitoring of partners.	• There is good evidence of risk and performance monitoring of partners, including testing of contingency arrangements.	• There is strong evidence of risk and performance monitoring of partners, including some integrated testing of contingency arrangements between different partners.	• Contingency arrangements with partners are continuously reviewed and updated.	NA

Element	Attribute	M1	M2	M3	M4	M5	Current Score
	Business Resilience	• There is no formal process for assessing the potential impacts of disruptive or extreme events (e.g. environmental, social, economic, technological changes).	• Disruptive and extreme events are assessed but not on any regular basis.	• Disruptive and extreme events are assessed on a regular basis using stress testing and scenario analysis.	• Disruptive and extreme events are assessed on a regular basis and cover a range of alternative, forward-looking scenarios.	• There is a fully integrated and ongoing programme of actions and interventions that support business resilience, including facilities and tools to support new knowledge and technologies, cross-agency and partner collaboration, and incentives for improving resilience.	2
			• Assessment of impacts is high level and predominantly routine in nature.	• Potential reputational, financial and business impacts are comprehensively assessed.	• Early warning indicators exist that allow management to anticipate disruptive and extreme events.		NA
			• There is limited alignment between disruptive and extreme event assessment and BCP / DRP planning as well as longer term investment planning.	• There is some alignment between disruptive and extreme event assessment and BCP / DRP planning as well as longer term investment planning.	• There is a clear link between disruptive and extreme event assessment and BCP / DRP planning that includes core partners as well as long term investment planning.		NA
			• There is no systematic 'feedback' loop to actively learn from disruptive or extreme events.	• There is some evidence of 'feedback' in the wake of extreme or disruptive events which is used to make improvements.	• There is a good evidence of post-event analysis and assessment and learning for the future.		NA
	Change and Transformation	• There is no clear definition of what constitutes a 'significant change' or formal process for assessing related risks.	• There is a basic process to assess the risks associated with significant change initiatives but this is applied informally and no independent assurance is sought.	• There is a formal definition of what constitutes a 'significant change', including new services, business models and other strategic investments.	• The agency has a formal approach in place that allows risk and reward trade-off decisions across the agency's entire portfolio of change initiatives to be made in line with the agency's risk appetite.	• P3M3 practices are independently reviewed every three to five years and benchmarked against a recognised achievement standard as 'best in class'.	1
				• There is a comprehensive risk assessment process for the approval of significant change initiatives that is consistently applied across the agency.			NA

Element	Attribute	M1	M2	M3	M4	M5	Current Score
				• There is a formal monitoring and assurance regime in place for significant change initiatives that includes independent assurance.	• The monitoring and assurance regime is regularly reviewed and updated to reflect changes to the risk profile of significant change initiatives.	• The monitoring and assurance regime is continuously reviewed and updated.	NA
			• There is limited evidence of a portfolio view of risk related to significant change initiatives.	• There is some evidence of a portfolio view of risk related to significant change initiatives.	• There is good evidence of a portfolio view of risk related to significant change initiatives that includes active monitoring against the agency's risk appetite.	• There is very strong evidence that risk and reward trade-offs across the agency's entire portfolio of change initiatives are clearly articulated and systematically applied.	NA
						Average score /informal assessment	**1.6**

6.5 Legislative Compliance Quarterly Report

Author: **Narayan Swamy, Assurance Officer**

Authoriser: **Stephen Doran, Group Manager Corporate and Communications**

Recommendation

That the Audit and Risk Committee receives and notes the Legislative Compliance report.

Purpose of Report

1 To provide the Committee with an update on legislative compliance.

Assessment of Significance

2 Reporting on the Risk and Assurance activities is considered of low significance in terms of the Council's Significance and Engagement Policy as this matter is operational in nature. There is no impact on service provision or impact on the district.

Discussion

3 The last legal compliance survey with the ComplyWith tool was undertaken in mid-July to early August 2023 for the period 1 July 2022 – 30 June 2023.

4 The table below depicts the distribution of results by Group/Unit from the last survey and number of resolved issues. The are 17 partially compliant items and 2 zero compliance items resolved till 31 January 2024.

Group	Last survey result		Resolved
	Partial	Zero	
Chief Executive	12	-	-
Infrastructure Group	15	-	6
Environment Services Group	7	-	2
Community Services Group	1	-	1
Engagement and Culture Group	28	2	7 / 2 (zero)
Information Technology Group	1	-	1
Finance Group	1	-	-
Total	65	2	17 / 2 (zero)

5 As part of an efficiency and effectiveness review, and as a consequence of developing our Risk maturity, Council has decided to no longer use the ComplyWith tool going ahead. The risk and assurance unit is working with the recently appointed Legal Services manager to work out an alternative and more fit-for-purpose method of legal compliance tracking to ensure the best outcome is achieved.

Attachments

Nil

6.6 Sensitive Expenditure Quarterly Report

Author: **Ashlea Whyte, Finance Manager**
Authoriser: **Andrea Rankin, Chief Financial Officer**

Recommendation

That the Audit and Risk Committee receives and notes the Sensitive Expenditure report.

Purpose of Report

1 To update the Committee on sensitive expenditure for the period 1 January 2024 to 31 March 2024.

Assessment of Significance

2 This matter is of low significance under the Council's Significance and Engagement Policy. It will be a regular report to the Committee to report on any expenditure of a sensitive nature as per the Sensitive Expenditure Policy.

Discussion

3 This report provides summarised details of expenditure of a potentially sensitive nature.

4 Information has been extracted from Councils financial system from relevant cost centres and expenditure codes where sensitive expenditure is highly likely to be coded to.

5 The list of the transactions for the three months from 1 January 2024 to 31 March 2024 is below. All transactions were approved within the appropriate delegations and budgets.

6 The senior leadership team have reviewed and are comfortable that there are no significant transactions.

Attachments

1. Sensitive expenditure Q3 2023-24 ⇩

Summary of Sensitive Expenditure 01 January 2024 to 31 March 2024

Position	Amount excl GST	Payee	Type of expenditure	Method	Business Purpose	Description
Business Support	$ 52	Couplands	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Catering supplies for dignitaries, invited guests & infrastructure administartors workshop
Business Support	$ 17	The Warehouse Timaru	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Frame for welcoming communities certificate to be displayed in Council Building
Business Support	$ 14	New World Timaru	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Chocolates as a gift to Thank Kapa Haka group for performing at Citizenship Ceremony - 5th March 2024
SLT	$ 175	Bunnings Timaru	Entertainment & hospitality	Credit Card	Wellbeing strategy and programme	Land Transport Unit - Xmas Tree dust covers
SLT	$ 271	Countdown Timaru	Staff Welfare	Credit Card	Recruiment and retention strategy	Long service presentation - Russell Grant 20 years & Gerard Cody 25 years
SLT	$ 9	Black & White Coffee Timaru	Entertainment & hospitality	Credit Card	Wellbeing strategy and programme	Meeting with existing staff member - Hamish Pettengell
SLT	$ 12	U-Bake	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Meeting with Iwi at Arowhenua Marae
SLT	$ 243	Look Sharp & The Warehouse Timaru	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Multicultural Aoraki Festival - Community Development
SLT	$ 136	The Warehouse Timaru	Staff Welfare	Credit Card	Wellbeing strategy and programme	Prezzy Card for Wally Guise - 20 years Long service
Business Support	$ 71	Hell Pizza Timaru	Staff Welfare	Credit Card	Wellbeing strategy and programme	Food for Museum team during afternoon - evening Retro Rock event
SLT	$ 49	Countdown Timaru	Staff Welfare	Credit Card	Wellbeing strategy and programme	Staff Long service - Nick Houston 10 years (Prezzy Card)
SLT	$ 73	Bunnings Timaru	Entertainment & hospitality	Credit Card	Wellbeing strategy and programme	Xmas tree - precut & fencing
SLT	$ 30	2talk Limited	Travel	Credit Card	Learning & devlopment strategy	Auckland airport parking - 3 days
SLT	$ 474	New Zealand Gardens Trust	Staff Welfare	Credit Card	Learning & devlopment strategy	Conference Registration - Wayne Loveday
SLT	$ 179	Park Night 'n' Day	Staff Welfare	Credit Card	Wellbeing strategy and programme	Prezzy card for Phillip Howe - 30 years long service acknowledgement
SLT	$ 198	Countdown Timaru	Staff Welfare	Credit Card	Wellbeing strategy and programme	Prezzy cards for - long service acknowledgement - Brad Reeve (15 years), Kate Brinsdan (10 years) & Lamorna Cooper (15 years)
SLT	$ 530	Immigration New Zealand	Staff Welfare	Credit Card	Wellbeing strategy and programme	Visa job check - employer accreditation
Business Support	$ 24	Countdown Timaru	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Supplies for Councillors Lounge for dignitaries and invited guests
Business Support	$ 222	New World Timaru	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Exhibition opening refreshments at Art Gallery
SLT	$ 408	Woolworths Timaru, Briscoes Timaru, Farmers Timaru, The Front Runner Timaru	Staff Welfare	Credit Card	Wellbeing strategy and programme	COSI All Star 5 Vouchers/ Prizes
SLT	$ 27	The Warehouse Timaru	Staff Welfare	Credit Card	Wellbeing strategy and programme	Lollies for Maddie Cup
SLT	$ 195	Business Fitness NZ	Staff Welfare	Credit Card	Learning & devlopment strategy	Hannah Goddard Coles - CPD
SLT	$ 427	Woolworths Timaru, Couplands & The Warehouse	Staff Welfare	Credit Card	Wellbeing strategy and programme	COSI Hot Cross Buns and Easter Baskets
SLT	$ 34	The Warehouse Timaru	Staff Welfare	Credit Card	Wellbeing strategy and programme	DPR road trip snacks for staff Lynda Berkahn
SLT	$ 27	The Warehouse Timaru	Staff Welfare	Credit Card	Wellbeing strategy and programme	Emergency kits - Darryn Grisgby
SLT	$ 19	Arthur Kitchen	Staff Welfare	Credit Card	Wellbeing strategy and programme	DPR Gluten Free lunches x 2 (Lynda Berkahn)
Business Support	$ 551	Barkers, Caltex, Geraldine Alpaca Centre, Just One Wish, Woolworths Timaru	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Welcome Lunch, fuel for rental van, gifts & refreshments for Eniwa, Japan Chaperone and 205 International students
Business Support	$ 28	Woolworths Timaru	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Gift for citizenship ceremony choir - volunteer group
Business Support	$ 36	The Warehouse Timaru	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Catering supplies for dignitaries & invited guests
Business Support	$ 223	The Warehouse Timaru	Staff Welfare	Credit Card	Wellbeing strategy and programme	Gift card for Sue Collier's 40 years service acknowledgment
Business Support	$ 87	Floral Harvest	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Gifts for sign language volunteers to attend and communicate at April Council meeting
Business Support	$ 119	La Porchetta Riccarton	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Farewell dinner for Eniwa, Japan students in Christchurch
SLT	$ 64	Pizza Hutt Timaru	Staff Welfare	Credit Card	Wellbeing strategy and programme	For staff - Ian McGlashan / Tony Heron - moving libraries Kotui connection. Required to be done after hours - worked till 10pm
Elected Members	$ 106	Monteiths Brewary Bar	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Dinner with Eniwa, Japan Chaperon. Scott Shannon, Carol Shannon & Masa Teramiah
Business Support	$ 14	New World Timaru	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Refreshments for iwi reference group meeting
Business Support	$ 126	Exercise / Yoganz	Staff Welfare	Credit Card	Learning & devlopment strategy	Aqua Course Passes Janie Hart & Andrea Athinson
	$ 5,268					

6.7 Business Improvement Update

Author: Sam Esterhuyse, Continuous Improvement Business Partner
Authoriser: Beth Stewart, Group Manager Community Services

Recommendation

That the Audit and Risk Committee receives and notes the Business Improvement Update report.

Purpose of Report

1 The purpose of this report is to provide the Committee with an update on the Business Improvement Work Programme and outline the next steps.

Assessment of Significance

2 Reporting on Business Improvement activities is considered of low significance in terms of the Council's Significance and Engagement Policy as this matter is operational in nature. Whilst in some instances there may be an incidental impact on service provision it is to improve the processes and systems Council uses and so is considered of low significance. The matters raised in this report do not affect strategic assets or rates.

Discussion

Attekus Bookable – Stage 1

3 Attekus Bookable has now transitioned to business as usual. Ongoing review, support and maintenance activities are in place to assist our community with using Bookable should they require it. Banners and Flags have been completed and has been opened to the community to make bookings from the 02 April. The Aorangi Stadium is currently in progress of being built with a planned go-live date of June 2024.

Attekus Events Management system – Stage 2

4 The online bookings system (Stage 1) is a fully automated bookings system, and the Events Management system allows for events registration and managing those registrations. After the integration of all additional requirements has been completed for Bookable (Stage 1), the Events Managements system (Stage 2) will commence.

Procure-To-Pay Module – Stage 2

5 'Esker Procure to Pay' is an automated solution designed to enhance the efficiency of indirect spend requests and the procurement of goods or services. It ensures that each spending required undergoes authorisation, and every invoice is systematically matched with the applicable purchase order.

Financial Planning, Reporting and Budgeting

6 'MagiQ Performance' project is in progress. This software proposes to standardise the finance operating model utilising a continuous improvement approach, while delivering valuable insights to better enable Council Officers to make informed key business decisions.

7 Users have been incorporating their forecasting figures into the system. The monthly financial reports have been successfully completed. There are still some adjustments to be made and this will be implemented in the 2024/2025 financial year.

8 Templates for monthly management financial reports and Capex schedule reports have been developed and are currently in the process of undergoing user acceptance testing.

Assura Upgrade

9 'Assura Health, Safety & Wellbeing 2.0' is a comprehensive platform for reporting incidents, injuries, safety observations, permit to work and events within our organisation. This project has transitioned to business as usual.

10 There are ongoing improvements being made to enhance the user experience. This is done by analysing user feedback and reviewing best practices.

Community Funding Project

11 The existing process for funding applications is very manual. This presents several challenges and risks compared to an automated modernised system. Manual processing involves a significant amount of paperwork, data entry and co-ordination. This can result in lengthy and time-consuming application processing which can cause some delays. Manually entering data increases the risk of errors or miscalculations. Manual processes also lack transparency, making it challenging for applicants to track the status of their application and it can also be challenging to gather and analyse data for reporting purposes.

12 A business case has been submitted and approved to proceed with the implementation of Smartygrants. This web-based platform enables online application to all TDC community funding grants and will save substantial costs in terms of administration time. The platform is user friendly, intuitive, and allows users to have visibility of all past, current, and draft applications. The system supports better transparency, accounting, and audit trails for officers. The build of this platform will commence in June 2024 and a period of transition will follow with support and communication provided to all past and potential applicants.

CBay Software Upgrade

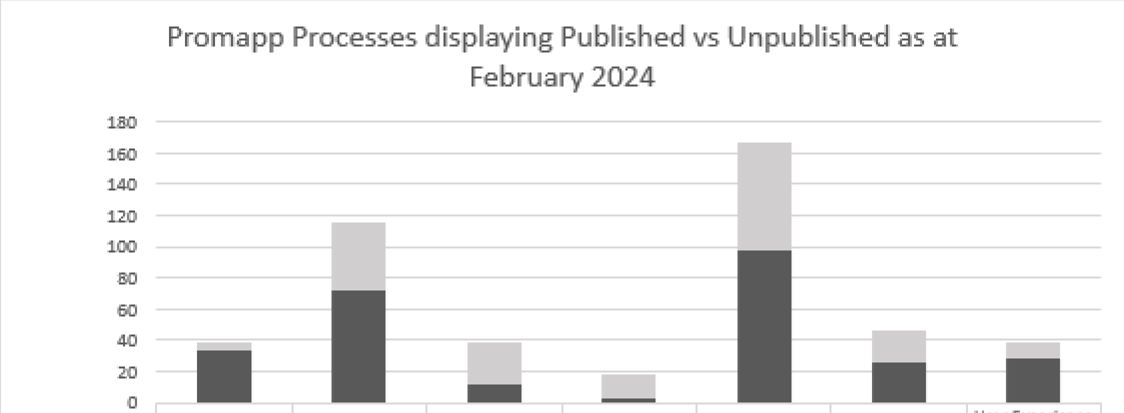
13 The CBay team use 'Links' software for their bookings and Point of Sale (POS). The team has undergone additional training and reviewed their processes to maximise the utilisation of the current system. Included in this programme is the Learn to Swim, Gym, (POS) for retail and lane bookings. Instead of proceeding with a new system, the Cbay team are enhancing their current system by incorporating 'Active Carrot' as an extended feature of Links Software.

14 The implementation of 'Active Carrot' will facilitate online bookings and enrolments, significantly reducing administrative workload for the Learn to swim team.

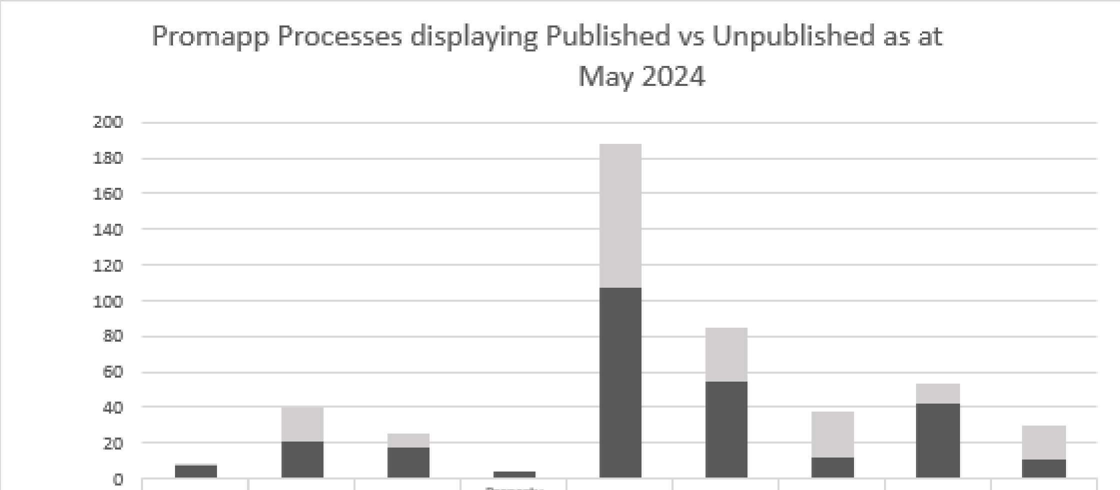
15 A business case has been developed and approved and this project will commence in May 2024.

Timaru District Council Processes (Promapp)

16 Council has documented 478 processes. Training and refresher sessions are being held with different units to assist employees with their Promapp entries.



	Chief of Executive	Commercial & Strategy	Environmental Services	Engagement and Culture	Infrastructure	Recreation and Cultural Services	User Experience and Community Engagement
Unpublished	4	44	26	15	69	20	11
Published	34	72	12	3	98	26	28



	Chief of Executive	Finance Group	Information Technology Group	Property Servicices & Client Representative Group	Infrastructure Group	Community Services Group	Environmental Group	Corporate & Communicatio ns Group	Engagement & Culture
Unpublished	1	19	8	0	81	31	26	11	19
Published	7	21	17	4	107	54	12	42	11

Attachments

1. Continuous Improvement - Project Summary - May 2024 ⇩

Project Status Summary Report

Reporting Period: May 2024

Project	Schedule	Financials	Scope	Resources	Stakeholders	Overall	Overall Commentary
Attekus - Bookable							This project has transitioned into business as usual, with other requirements being added.
Attekus - Events							The Events Managements system will commence once Bookable (Stage 1) has been completed.
Esker Stage 2 - Procure to Pay							This project has gone live.
MagiQ							There were some delays with the schedule of the delivery of this project due to extensive user testing being done. Corrections and modifications are being done to the reporting before the software can go live.
Assura upgrade							This project has gone live, there are ongoing improvements being made to enhance the user experience.
Smartygrants							This project will commence in June 2024.
Active Carrot - Cbay							This project will commence in May 2024.
Promapp							This project is ongoing, and more training is being provided to users.

Progress this Period	
Attekus - Bookable	Improvements such as Busking, Banners and Flags bookings have been built and booking for these requests can now be made in 'Bookable'.
Attekus - Events	None
Esker Stage 2 - Procure to Pay	This project has gone live and transitioned to Business as usual.
MagiQ	Templates for monthly management financial reports and Capex schedule reports have been developed and are currently in the process of undergoing user acceptance testing.
Assura upgrade	There are ongoing improvements being made to the system.
Smartygrants	Business case has been approved.

Active Carrot – Cbay	Business case has been approved.
Promapp	Ongoing training is being provided to new employees and refresher training sessions are being held.

Risks Watch List				
Project	Risk	Status	Description	Action/Mitigation

6.8 Accounting Policies 2024 Annual Report

Author: **John Liddiard, Senior Accountant**

Authoriser: **Andrea Rankin, Chief Financial Officer**

Recommendation

1. That the Audit and Risk Committee receive and agree to the accounting policies for the 2024 annual report and the 2025 financial year.
2. That the Audit and Risk Committee agree that the accounting policies apply to Timaru District Council and the Council Controlled Organisations and the Council Controlled Trading Organisations that comprise the Timaru District Council Group.

Purpose of Report

1 The purpose of this report is to present the draft accounting policies for inclusion in the 2023/24 annual report.

Assessment of Significance

2 This matter has been assessed as having a low significance under the Council's Significance and Engagement Policy as there is no impact on levels of service, strategic assets or rates.

Discussion

3 The accounting policies are reviewed on an annual basis as part of the preparation of the annual report. They are subject to review by Audit New Zealand and may change as a consequence of the audit. Issues may arise during the preparation of the annual report which results in the accounting policy relating to that issue being changed in the policy statement.

4 The policies are intended to be Group policies which apply to Timaru District Council (TDC); Timaru District Holdings Limited (TDHL); Venture Timaru (VT); and Aorangi Stadium Trust (AST). There is currently no process or practice for application of the agreed Group policies across the Group except by the specific agreement of each Group entity. Where a Group entity applies materially different policies adjustments are made at the Group level to comply with agreed Group policies.

5 The policies are based on Public Benefit Entity (PBE) accounting standards, guided by the Audit NZ model accounts with modifications based on the specific situation of Timaru District Council and its Group.

6 The policies applied in the 2024 annual report will be applied to all Council financial reporting in future, including annual plans, except where changed as part of this annual review.

7 The agreed accounting policies for 2023 were utilised for the Long-Term Plan (LTP) however they were reviewed against these proposed policies to determine if any material discrepancies might occur. Some minor modifications were made to the LTP as a result of that review in anticipation of the adoption of the 2024 policies.

8 There have been no significantly material changes between 2023 and 2024 however there have been changes as a result of consultation with audit, consideration of detailed policies

operationally and clarifications of policies and practices and noteworthy issues are detailed below.

9 The annual review of the need to revalue infrastructure assets (Water and Roading) is currently being undertaken and the decision regarding whether these are required may alter the detail outlined in the policies however the process for this is now well established. Following the initial high level review a decision will be made to not revalue, revalue based on the relevant inflation indices or a full revaluation. Audit NZ do their own assessment based on the likely difference between the current value and the likely value following a revaluation. In 2023 Water assets were revalued on an index basis and Roading was not revalued. Both are currently scheduled for a full revaluation in 2025.

10 The policies for 2024 contain a clarification that where a member of the Group does not comply with the agreed accounting policies adjustments are made for the consolidation.

11 Previously vested and donated assets were specifically covered and this has now been expanded to specify that found or abandoned assets are also covered by the same accounting policy. The application of the abandoned assets policy will include the valuation of the Aorangi Stadium which moved into Council ownership this year.

12 It was anticipated last year that the Artworks revaluation would be included in the financial statements, however following discussions with Audit NZ regarding the difficulty in effectively auditing such a revaluation this has now been altered. The Artworks value will now be noted as a disclosure in the Notes to the Accounts rather than included in the Statement of Financial Position. Audit NZ have agreed to work with us to ensure that the necessary processes are in place for them to expedite the eventual audit of Artworks and other similar asset.

13 It has also been stated in the policies that the Library permanent retentions collection and the Museum collection are not currently valued.

14 Statues and Monuments are unique works, essentially of the same nature as Artworks. Artworks are not depreciated and it is proposed that statues and monuments also not be depreciated. They are still subject to an impairment review as are Artworks.

15 A review is being undertaken regarding potentially valuing these assets however that will eventuate for 2025.

16 Following a review of the annual revaluation of Library books (excluding the permanent retentions) it was identified that eBooks do not provide indefinite rights of access, as a physical book purchase does. Given that the rights of access that eBooks generally provide is less than 12 months, based on their usage, that these will now be expensed immediately. This will increase the operating expenses of the library, however the Library books value should also increase under the new calculation methodology, partially offsetting that impact.

17 A substantive review of assets has been undertaken this year including changes to the structure of the Authority CVR asset register to assist with analysis and capitalisation of assets. In concert with this, assets were disposed of which should have been disposed of previously, most at nil value; useful lives were reviewed, which has been an audit point for some time; and where necessary the classification and business allocation of assets was corrected.

18 The depreciation policies have been adjusted to include new asset types and remove gratuitous asset types and the move towards greater consistency of depreciation rates being applied has been continued, however full congruity is a longer-term process.

19 As part of the wider policy review, Work In Progress has been addressed in detail to ensure that it fairly represents outstanding projects and asset developments carried forward. As part of this process however it was identified that the previously agreed asset capitalisation threshold of $3,000, which had been changed from the previous $1,000 in 2022 was widely viewed as being too high, potentially causing assets which were considered to legitimately be non-current assets to be treated as operating expenditure, such as most laptops. Consequently, this has been adjusted back to $1,500 for 2023.

Relevant Legislation, Council Policy and Plans

20 The accounting policies are based on Generally Accepted Accounting Principles (GAAP) as promulgated by the External Reporting Board (XRB) as Accounting Standards, primarily under the authority of the Financial Reporting Act 2013 and the Financial Reporting (Amendments to Other Enactments) Act 2013.

Attachments

1. Accounting Policies 2024 ⇩

1. Statement of Accounting Policies

REPORTING ENTITY

Timaru District Council (the Council) is a territorial local authority governed by the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

The financial statements of Timaru District Council include the Council's 82% share of Downlands Water Supply, which has been assessed as a joint arrangement.

The Timaru District Council Group consists of the ultimate parent, Timaru District Council (including Downlands Water Supply), and its subsidiaries: Timaru District Holdings Limited (100% owned) and Venture Timaru Limited (100% owned) and 100% of the council controlled organisation, the charitable trust, Aorangi Stadium Trust.

Timaru District Holdings Limited's share of its associate companies PrimePort Timaru Limited (50% owned) and Alpine Energy Limited (47.5% owned) are equity accounted into the Group financial statements.

All of these entities are domiciled and operate in New Zealand.

The Council and Group provide infrastructure, local public services and regulatory functions to the community. The Council does not operate to make a financial return.

The reporting date of the Council, controlled entities and the joint arrangement is 30 June as is that of PrimePort Timaru Limited, however the reporting date for Alpine Energy Limited is 31 March.

The Council has designated itself and the Group as public benefit entities (PBEs) for the purpose of complying with generally accepted accounting practice (GAAP).

The financial statements of the Council and Group are for the year ended 30 June 2024.

The financial statements were authorised for issue by the Council on XXXX 2024.

BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the year.

Statement of compliance

The financial statements of the Council and Group have been prepared in accordance with the requirements of the LGA and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R), which include the requirement to comply with New Zealand Generally Accepted Accounting Principles (NZ GAAP), which are primarily based on reporting standards as promulgated by the External Reporting Board (XRB) and the NZ Accounting Standards Board (NZASB).

The financial statements have been prepared in accordance with and comply with PBE Accounting Standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000), other than the remuneration and severance details in Note 4, contingencies in Note 26, related party transactions in Note 28, which are rounded to the nearest dollar. Contingencies in Note 26 are as stated in the Note.

Changes in accounting policies and disclosures

Changes in accounting policies

There have been no changes in accounting policy.

Changes in disclosures

There are no significant changes in disclosure for the year.

Standards issued and not yet effective and not adopted early

There are no standards and amendments issued but not yet effective.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies which do not relate to a specific note are outlined below.

Basis of consolidation

The consolidated financial statements are prepared by adding together like items of assets, liabilities, equity, revenue, expenses and cash flows of entities in the Group on a line-by-line basis. Intra-Group balances, transactions, revenues and expenses are eliminated on consolidation.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. The consolidation of an entity begins from the date when the Council obtains control of the entity and ceases when the Council loses control of the entity.

Control over an entity is determined when the Council or Group has exposure, or rights, to variable benefits from its involvement with the entity and has the ability to affect the nature or amount of those benefits through its power over the other entity. The Council considers all relevant facts and circumstances in assessing whether it has power over another entity, for example, the ability to appoint or remove a majority of the entity's governance and management, binding arrangements the Council enters into, Group voting rights, and pre-determination mechanisms. The Council reassesses whether or not it controls another entity if facts and circumstances change.

The Council and Group will recognise goodwill where there is an excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If the consideration transferred is lower than the net fair value of the Council or Group's interest in the identifiable assets acquired and liabilities assumed, the difference will be recognized immediately in the surplus or deficit.

Where a member of the Group does not comply with Group accounting policies appropriate adjustments are made on consolidation.

Foreign currency transactions

Foreign currency transactions (including those subject to forward foreign exchange contracts) are translated into New Zealand Dollars (the functional currency) using the spot exchange rate at the dates of the transactions. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation at year-end exchange rates or monetary assets and liabilities denominated in foreign currencies are recognised in surplus or deficit.

Goods and Services Tax

Items in the financial statements are stated exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from or payable to, the IRD is included as part of receivables or payables in the statement of Financial Position.

The net GST paid to or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Budget figures

The Budget figures presented in this report are those approved by the Council in its 2023/24 annual plan unless stated otherwise. The budget figures have been prepared in accordance with GAAP, using accounting policies that are consistent with those adopted by the Council in preparing these financial statements.

Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Assumptions regarding investments in other financial assets, including subsidiaries and other entities (see Notes 14 and 15).

- Estimating the fair value of property, plant and equipment (see Note 17).
- Estimating the landfill aftercare provision (see Note 25).
- Estimating the fair values of debt (see Note 23).
- Estimating the fair values of financial instruments (see Notes 13 and 14).
- Estimating the fair value of forestry assets (see Note 20)
- Estimating the retirement and long service leave obligations (see Note 24)

Critical judgments in applying accounting policies

Management has exercised the following critical judgments in applying accounting policies:

- Classification of property (see Note 17)
- Valuation methodology for property, plant and equipment and intangible assets (see Notes 17 and 18)
- Donated or vested land and buildings with use or return conditions (see Notes 3 and 17)

Service performance reporting (PBE FRS 48)

The statement of service performance is formally classified from pages x to y.

The relevant legislation governing the requirement of reporting of the Council's service performance is Part 3 of Schedule 10 of the Local Government Act 2002.

The statement of service performance of the Council has been prepared in accordance with PBE standards and is for the year ended 30 June 2024. The statement was authorised for issue by the Council on XXXX 2024.

In preparing the statement of service performance, the Council has made judgements on the application of reporting standards and has made estimates and assumptions concerning the measurement of certain service performance targets. The main judgements are discussed below.

The service performance measures in this annual report are intended to compare the actual results of activities delivered by Timaru District Council against the forecast levels of service. The service performance measures were originally adopted in the 2021-2031 Long-Term Plan and continued in the 2023/2024 Annual Plan.

The service performance measures are reported on to Council each quarter during the relevant annual period. The annual results are then reported in the relevant Annual Report for the year to 30 June.

The performance measures were selected to cover quantitative measurement of progress towards the Council's Long-Term Plan and Annual Plan. The final measures included in this

Annual Report are broken down into the 9 groups of activities, providing a holistic set that give a rounded picture of the non-financial performance of the Council. Each group has a set of metrics that were identified through the 2021-2031 Long-Term Plan involving Council and management. This process ensured the selected measures best reflect the Council's performance and are available in a timely and accurate manner.

There are a number of performance measures identified in the Service Performance tables that are mandatory performance measures set under section 261 B of the Local Government Act 2002. The Secretary for Local Government promulgated the Non-Financial Performance Measures Rules 2013 to enable a reasonable comparison across all councils.

Council is legally required to meet specific timeframes under certain legislation. These timeframes are reported on to provide transparency to the public. For activities where there are legislative requirements through various Acts or through the mandatory performance measures, there are few significant judgements to make. Council is required to report on these measures and to meet specific standards. The measures are integral to the function of the activity.

Council has chosen to report on user and resident satisfaction in 21 performance measures (noting that for this year 13 of these measures were not reported as these are surveyed every two years). While these activities are important, the user/resident satisfaction measures themselves are not critical to the functioning of the activity. Results of the surveys do not require interpretation by the reader. This judgement is not considered to be significant.

Where actions within an activity do not fall within the three areas previously described, but can be qualitatively measured, Council has chosen to include these within the performance measures. These measures directly relate to the levels of service for the activity, such as measurements relating to the diversion of waste from landfill in the Waste Minimisation activity. These measures describe the fundamentals required to undertake these activities. The measure is reported as achieved or not achieved, with little judgement to be made.

Note 2: Summary revenue and expenditure for groups of activities

The cost of service for each significant activity of the Council has been derived using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers, and floor area.

There have been no changes to the cost allocation methodology during the year.

Note 3: Revenue

Revenue is measured at fair value.

The specific accounting policies for significant revenue items are explained below:

Rates revenue

The following policies for rates have been applied:

• General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivable and subsequent recognition of interest revenue.

• Rates arising from late payment penalties are recognised as revenue when rates become overdue.

• Rates remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its Rates Remission Policy.

• Rates collected on behalf of Environment Canterbury (Ecan) are not recognised in the financial statements, as the Council is acting as an agent for Ecan.

Development and financial contributions

Development and financial contributions are recognised as revenue when the Council provides, or can provide, the service for which the contribution was charged. Otherwise, development and financial contributions are recognised as liabilities until such time as the Council provides, or can provide, the service.

Waka Kotahi (NZ Transport Agency) roading grants

The Council receives funding assistance from Waka Kotahi, which subsidises part of the costs of maintenance and capital expenditure on the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

Other government grants

The Council receives funding assistance from government agencies subsidising costs, including expense and capital costs, for various projects. Such grants or subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

Other grants received

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

Building and resource consent revenue

Fees and charges for building and resource consent services are recognised on the issuance of the consent at the rate applicable at the time of application.

Entrance fees

Entrance fees are fees charged to users of the Council's local facilities and is recognised upon entry to such facilities.

Landfill fees

Fees for disposing of waste at the Council's landfill sites are recognised upon waste being disposed by users.

Provision of commercially based services

Revenue derived through the provision of services to third parties in a commercial manner is recognised in proportion to the stage of completion at balance date. Generally, this is determined by the proportion of costs incurred to date bearing to the estimated total costs of providing the service.

Sales of goods

Revenue from the sale of goods is recognised when a product is sold to the customer.

Infringement fees and fines

Infringement fees and fines mostly relate to traffic and parking infringements and are recognised when the infringement notice is issued. The revenue recognised is determined based on the probability of collecting fines, which is estimated by considering the collection history of fines over the preceding 2-year period.

Vested, found, abandoned or donated physical assets

For assets received for no or nominal consideration, the asset is recognised at its fair value when the Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset. A determination is made at recognition as to whether the revenue will be included in the calculation of the surplus or treated as comprehensive revenue.

The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer.

Following the assessment of initial fair value an additional consideration is made for potential impairment of the asset.

For long-lived assets that must be used for a specific use (for example, land that must be used as a recreation reserve), the Council immediately recognises the fair value of the asset as revenue. A liability is recognised only if the Council expects that it will need to return or pass the asset to another party.

Donated and bequeathed financial assets

Donated and bequeathed financial assets are recognised as revenue unless there are substantive use or return conditions. A liability is recorded if there are substantive use or return conditions and the liability is released to revenue as the conditions are met, usually as the funds are spent for the nominated purpose.

Crown suspensory loans

The Council considers that suspensory loans from the Crown are, in substance, a grant with conditions, and so recognises funds received as a liability and releases the liability to revenue on a straight-line basis over the 20-year term of the agreement.

Interest and dividends

Interest revenue is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established. Dividends are recognised in surplus or deficit unless the dividend clearly represents a recovery of part of the cost of the investment.

Agency revenue

Where revenue is derived by acting as an agent for another party, the revenue that is recognised is the commission or fee on the transaction.

Note 4: Personnel costs

Salaries and wages

Salaries and wages are recognised as an expense as employees provide services.

Defined contribution superannuation schemes

Employer contributions to defined contribution superannuation schemes, including KiwiSaver and the Government Superannuation Fund, are expensed in the surplus or deficit as incurred.

Note 5: Finance costs

Borrowing costs are recognised as an expense in the financial year in which they are incurred.

Note 6: Other expenses

Grant expenses

The Council's grants awarded have no substantive conditions attached.

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as an expense when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as an expense when approved by the Council and the approval has been communicated to the applicant.

Operating leases

An operating lease is a lease that does not substantially transfer all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

Note 7: Tax

Income tax expense includes components relating to current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit not taxable profit.

Current tax and deferred tax are measured using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to items recognised in other comprehensive revenue and expense or directly in equity.

Note 8: Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

Note 9: Reconciliation of net surplus/(deficit) after tax to net cashflow from operating activities

Cashflow statement

Operating activities include cash received from all revenue sources of the Council and Group, and expenditure payments made for the supply of goods and services. Agency transactions such as collection of regional council rates are not recognised as receipts and payments in the Statement of Cash Flows.

Investing activities are those activities relating to the acquisition and disposal of current and non-current securities and any non-current assets.

Financing activities are those activities relating to the changes in equity and debt structure of the Council.

Note 10: Receivables

Short-term receivables are recorded at the amount due, less an allowance for expected credit losses (ECL).

The Council and Group apply the simplified model of recognising lifetime ECL for short-term receivables.

In measuring ECLs, receivables have been grouped into rates receivable and other receivables and assessed on a collective basis as they possess shared credit risk characteristics. They have then been grouped based on the days past due. A provision matrix is then established based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Rates receivable

The Council does not provide for ECLs on rates receivable. Council has various powers under the Local Government (Rating) Act 2002 (LG(R)A 2002) to recover any outstanding debts. These powers allow the Council to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the Court's judgment, then the Council can apply to the Registrar of the High Court to have the judgment enforced by sale or lease of the rating unit. Ratepayers can apply for payment plan options in special circumstances.

Rates are "written-off":

- when remitted in accordance with the Council's rates remission policy; and

- in accordance with the write-off criteria of sections 90A (where rates cannot be reasonably recovered) and 90B (in relation to Māori freehold land) of the Local Government (Rating) Act 2002.

Other receivables

Other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation or the receivable being more than one year overdue.

Note 11: Inventories

Inventories are held for distribution or for use in the provision of goods and services. The measurement of inventories depends on whether the inventories are held for commercial or non-commercial (distribution at no charge or for a nominal charge) distribution or use. Inventories are measured as follows:

• Non-commercial: measured at cost, adjusted for any loss of service potential.

• Commercial: measured at the lower of cost and net realisable value.

Cost is allocated using the first-in-first-out (FIFO) method, which assumes the inventories that were purchased first are distributed or used first.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

Any write-down from cost to net realisable value or for the loss of service potential is recognised in surplus or deficit in the year of the write-down.

When land held for development and future resale is transferred from investment property or property, plant, and equipment, to inventory, the fair value of the land at the date of the transfer is its deemed cost.

Costs directly attributable to the developed land are capitalised to inventory, with the exception of infrastructural asset costs, which are capitalised to property, plant, and equipment.

Note 12: Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs are recognised in surplus or deficit.

Any increases in fair value, less costs to sell, are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale, including those that are part of a disposal group.

Note 13: Derivative financial instruments

Derivative financial instruments are used to manage exposure to foreign exchange risks arising from the Council and Group’s operational activities and interest rate risks arising from the Council and Group’s financing activities. The Council and Group do not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged.

The associated gains or losses on derivatives that are not hedge accounted are recognised in surplus or deficit.

The full fair value of a non-hedge accounted foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date, otherwise foreign exchange derivatives are classified as non-current. The portion of the fair value of a non-hedge accounted interest rate derivative that is expected to be realised within 12 months of balance date is classified as current, with the remaining portion of the derivative classified as non-current.

Hedge accounting

The Council and Group designates certain derivatives as either:

• hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or

• hedges of highly probable forecast transactions (cash flow hedge).

The Council and Group have elected to not adopt the hedge accounting requirements of PBE IPSAS 41 as permitted under the transitional provisions of PBE IPSAS 41, which was substantively adopted for the year ended 30 June 2022. This means the Council and Group continues to apply the hedge accounting requirements of PBE IPSAS 29 Financial Instruments: Recognition and Measurement.

The Council and Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Council and Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedge

The gain or loss from remeasuring the hedging instrument at fair value, along with the changes in the fair value on the hedged item attributable to the hedged risk, is recognised in surplus or deficit. Fair value hedge accounting is applied only for hedging fixed interest risk on borrowings.

If the hedge relationship no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to surplus or deficit over the period to maturity.

Cash flow hedge

The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised in other comprehensive revenue and expense, and the ineffective portion of the gain or loss on the hedging instrument is recognised in surplus or deficit as part of “finance costs”.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive revenue and expense are reclassified into surplus or deficit in the same period or periods during which the asset acquired or liability assumed affects the surplus or deficit. If it is expected that all or a portion of a loss recognised in other comprehensive revenue and expense will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified to surplus or deficit.

When a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated gains and losses that were recognised in other comprehensive revenue and expense will be included in the initial cost or carrying amount of the asset or liability.

If a hedging instrument expires or is sold, terminated, exercised, or revoked, or it no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense from the period when the hedge was effective will remain separately recognised in equity until the forecast transaction occurs.

When a forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense from the period when the hedge was effective is reclassified from equity to surplus or deficit.

Hedge ineffectiveness

Hedge ineffectiveness in a hedge relationship can arise from:

• differences in the timing of cash flows of the hedged items and hedging instruments.

• changes to the forecasted amount of cash flows of hedged items and hedging instruments.

• the counterparties' credit risk effecting fair value movements of hedging instruments and hedged items.

Note 14: Other financial assets

Other financial assets (other than shares in subsidiaries) are initially recognised at fair value. They are then classified as, and subsequently measured under, the following categories:

• amortised cost;

• fair value through other comprehensive revenue and expense (FVTOCRE); and

• fair value through surplus and deficit (FVTSD).

Transaction costs are included in the value of the financial asset at initial recognition unless they have been designated at FVTSD, in which case they are recognised in surplus or deficit.

The classification of a financial asset depends on its cash flow characteristics and the Council and Group's management model for managing them.

A financial asset is classified and subsequently measured at amortised cost if it gives rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal outstanding and is held within a management model whose objective is to collect the contractual cash flows of the asset.

A financial asset is classified and subsequently measured at FVTOCRE if it gives rise to cash flows that are SPPI and held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets that do not meet the criteria to be measured at amortised cost or FVTOCRE are subsequently measured at FVTSD. The Council and Group may elect at initial recognition to designate an equity investment not held for trading as subsequently measured at FVTOCRE.

Subsequent measurement of financial assets at amortised cost

Financial assets classified at amortised cost are subsequently measured at amortised cost using the effective interest method, less any expected credit losses (ECL). Where applicable, interest accrued is added to the investment balance. Instruments in this category include term deposits, community loans, and loans to subsidiaries and associates.

Subsequent measurement of financial assets at FVTOCRE

Financial assets in this category that are debt instruments are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense, except ECL and foreign exchange gains and losses are recognised in surplus or deficit. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified to surplus and deficit.

Financial assets in this category that are equity instruments designated as FVTOCRE are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense. There is no assessment for impairment when fair value falls below the cost of the investment. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to accumulated funds within equity. The Council and Group designate into this category all equity investments that are not held for trading as they are strategic investments that are intended to be held for the medium to long-term.

Subsequent measurement of financial assets at FVTSD.

Financial assets in this category are subsequently measured at fair value with fair value gains and losses recognised in surplus or deficit.

Interest revenue and dividends recognised from these financial assets are separately presented within revenue.

Expected credit loss allowance (ECL)

The Council and Group recognise an allowance for ECLs for all debt instruments not classified as FVTSD. ECLs are the probability-weighted estimate of credit losses, measured at the present value of cash shortfalls, which is the difference between the cash flows due to the Council and Group in accordance with the contract and the cash flows it expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

ECLs are recognised in two stages: ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL), however, if there has been a significant increase in credit risk since initial recognition, the loss allowance is based on losses possible for the remaining life of the financial asset (a Lifetime ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Council and Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Council and Group's historical experience and informed credit assessment and including forward-looking information.

The Council and Group consider a financial asset to be in default when the financial asset is more than 90 days past due. The Council and Group may determine a default occurs prior to this if internal or external information indicates the entity is unlikely to pay its credit obligations in full.

Council measure ECLs on loan commitments at the date the commitment becomes irrevocable. If the ECL measured exceeds the gross carrying amount of the financial asset, the ECL is recognised as a provision.

Term deposits

Term Deposits are classified as Loans and Receivables and measured at amortised cost.

Investments in debt and quoted equity securities

Investments in debt and quoted equity securities are financial instruments classified as held for trading and are measured at fair value at balance sheet date. Any resultant gains or losses are recognised in the surplus or deficit for the period.

Investments in subsidiaries

Investments in subsidiaries are included in the parent entity at cost.

Other financial assets, including unquoted equity investments

Other financial assets held by Council and Group are stated at the lower of cost or net realisable value, with any resultant gain or loss being recognised directly in other comprehensive revenue or expense, except for impairment losses. When these assets are derecognised, the cumulative gain or loss is recognised through the surplus or deficit.

Impairment

Financial assets are potentially impaired if the obligation is unlikely to be fully met. An assessment is made regarding each asset based on the assessed credit risk of the investment and when there was objective evidence of impairment. For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment; and for debt investments, significant financial difficulties of the debtor, probability the debtor would enter into bankruptcy, receivership or liquidation, and default in payments were indicators the asset is impaired.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Council and Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Council and Group's historical experience and informed credit assessment and including forward-looking information.

The Council and Group consider a financial asset to be in default when the financial asset is more than 90 days past due. The Council and Group may determine a default occurs prior to this if internal or external information indicates the entity is unlikely to pay its credit obligations in full.

The main differences for the prior year policies was that impairment was recorded only when there was objective evidence of impairment, including, for debt investments, significant financial difficulties of the debtor, probability that the debtor would enter into bankruptcy, receivership or liquidation, and default in payments were indicators that the asset is impaired.

Note 15: Investments in Associates

An associate is an entity over which the Council or a member of the Group has significant influence and that is neither a subsidiary nor an interest in a joint arrangement. The Council or Group's associate investment is accounted for in the Group financial statements using the equity method. The investment in an associate is initially recognised at cost and the carrying amount in the Group financial statements is increased or decreased to recognise the Group's share of the surplus or deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment in the Group financial statements.

If the share of deficits of an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further deficits. After the Group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the Group will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Where the Group transacts with an associate, surpluses or deficits are eliminated to the extent of the Group's interest in the associate.

The investment in the associate is carried at cost in the Council's parent entity financial statements.

Note 16: Investment in joint operations

A joint arrangement is a binding arrangement that confers enforceable rights and obligations on the parties to the arrangement that is subject to joint control. Joint control is the agreed sharing of control where decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as a joint operation or a joint venture. The classification depends on the rights and obligations of each party under the joint arrangement. The legal form, terms of the binding agreement, and other facts and circumstances relevant to determining the classification of the joint arrangement are reviewed to determine the classification.

For joint operations, the Council and Group recognises a direct right to the assets, liabilities, revenues and expense of joint operations and the share of any jointly held or incurred assets, liabilities, revenue, and expenses. Assets, liabilities, revenues, and expenses relating to Council and Group's interest in a joint operation are accounted for in line with the Council and Group accounting policies and included in the relevant line items of the Council and Group financial statements.

The Council has a joint arrangement with the Waimate District Council and Mackenzie District Council for the Downlands Rural Water Scheme. The Downlands Rural Water Scheme is a joint operation rather than a joint venture because the three Councils jointly own their specified share of the whole scheme and have rights to the assets and obligations for the liabilities relating to the arrangement, due to the structure of the arrangement not being through a separate vehicle. The Council's share in the joint arrangement equates to 82%, with Waimate District Council's share being 14% and Mackenzie District Council's 4%.

Note 17: Property, plant and equipment

Property, plant, and equipment consist of:

Operational assets, including land, buildings, landfill post-closure, library books, plant and equipment, playground equipment, motor vehicles, airport improvements, furniture and office equipment, art works and heritage assets.

Operational assets include all assets not specifically included elsewhere utilised by the Council and Group to deliver services both directly and indirectly. Assets held for sale are not included with operational assets even if there is a continued use until sale.

Infrastructure assets: Infrastructure assets are the fixed utility systems owned by the Council and Group and each asset class encompasses all items that are required for the network to function including: sewer, stormwater and water systems; roads, bridges, lighting, and land under roads; footpaths; and unoccupied land held specifically for infrastructure purposes.

Restricted assets: Restricted assets are mainly parks and reserves owned by the Council and Group that provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions. Restricted assets may be operational or relating to infrastructure.

Unless specifically stated, acquisitions are initially valued at cost. Prior to 1 July 2005 a number of valuations were undertaken for several asset classes, separately outlined which have become the opening cost value for that class, some of which have subsequently been revalued at fair value.

Revaluations

For asset classes where revaluations are performed regularly, assets are revalued with sufficient regularity to ensure that their carrying value does not differ materially from fair value which is defined as no greater than 10% cumulatively based on an annual assessment of fair value, however it may be determined that a revaluation is required despite not exceeding 10%; and at least every three years with revaluation movements accounted for on a class by class basis. Revaluations are conducted by an independent valuer at least triennially, by valuations derived directly from external markets or independently derived costs (including actual costs). Internal valuations are prepared utilising the best available cost or market information.

The net revaluation results, for infrastructure assets and for operational assets which are not valued annually, are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in surplus or deficit will be recognised first in surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

The net revaluation results for assets that are valued annually are included in the calculation of the surplus or deficit for the year.

Land

Land, other than airport land, has been stated at deemed cost, which is the fair value as assessed by I Fairbrother ANZIV of QV Valuations at 1 July 2005.

Airport land has been stated at deemed cost, which is the fair value as assessed by B Dench ANZIV of QV Valuations at 1 July 2005.

Buildings and Building Improvements

Buildings and Building Improvements have been stated at deemed cost less depreciation and impairment losses, which is fair value as valued by I Fairbrother ANZIV of QV Valuations as at 1 July 2005.

Buildings and Building Improvements following that date are included at cost except where they are acquired for no or nominal consideration when they are valued at fair value less assessed impairment.

Airport Improvements

Airport improvements, including runway, have been stated at deemed cost less depreciation and impairment losses, which is optimised depreciated replacement cost as valued by B Dench ANZIV of QV Valuations as at 1 July 2005.

Plant and Equipment

Plant and equipment for parks and pools is stated at deemed cost less depreciation and impairment losses, which is the optimised depreciated replacement cost as assessed by Maunsell Limited, Valuers, at 1 July 2005.

Other plant and equipment (including motor vehicles) are at cost less depreciation and impairment losses.

Furniture and Office Equipment

Furniture and office equipment have been stated at cost less depreciation and impairment losses.

Library Books

Library collections, excluding permanent retentions, are valued annually at depreciated replacement cost calculated in accordance with guidelines outlined in “Valuation Guide for Cultural and Heritage Assets”, published by the Treasury Accounting Policy Team, November 2002 and the Library Collection Valuation Guidelines prepared by the New Zealand Library Association, May 1992.

Elements of the library collection which are retained as heritage assets for permanent retention are not included in the valuation as they are not readily measurable on a replacement cost basis and are not depreciated. Additions to the collection for permanent retention are valued at cost, or fair value if donated.

The costs relating to the use of electronic books (eBooks) are immediately expensed.

Artworks

Art works are stated at deemed cost being the assessed fair value at 1 July 2005 based on the 1 April 1992 insurance value by the Art Gallery Director, with acquisitions from 1 April 1992 at cost.

The art collection is valued annually at fair value based on the estimated current market value, by the Council's Art Gallery Director, in accordance with guidelines outlined in "Valuation Guide for Cultural and Heritage Assets", published by the Treasury Accounting Policy Team, November 2002. Every three years the collection is valued externally. The next external valuation is anticipated in 2025. The assessed value is stated is included as a note but not used as a basis for the valuation of Artworks in the Statement of Financial Position.

Sewer, Stormwater, Water

Sewer, Stormwater and Water assets are stated at their fair value using standard unit rates as per the depreciated replacement cost methodology, however acquisitions subsequent to 30 June 2022 are valued at cost, until future revaluations are performed.

The assets were revalued on 30 June 2022 by Timaru District Council officers and peer reviewed by B. Smith, CA, of Brian Smith Advisory Services Limited. Due to recent cost increases a revaluation based in price index movements has been completed in 2023 by Jennifer Fox from Waugh Infrastructure Management Limited.

Sewerage, Stormwater and Water infrastructural assets are valued using the depreciated replacement cost method. There are a number of estimates and assumptions exercised when valuing infrastructural assets using this method, including:

• The replacement costs where appropriate reflect optimisation due to over-design or surplus capacity. No opportunities for optimisation were identified within the 2022 revaluation.

• Estimating the replacement cost of the asset: the replacement cost of an asset is based on recent construction contracts in the region for modern equivalent assets, from which unit rates are determined. Unit rates have been applied to components of the network based on size, material, depth, and location.

If recent contract cost information is considered out of date, it is indexed using Statistics New Zealand's Capital Goods Price Index for civil constructions to convert them to current dollar value at the valuation date.

• Estimates of the remaining useful life over which the asset will be depreciated: these estimates can be affected by the local condition, for example, pipe material or wall thickness.

If useful lives do not reflect the actual consumption of the benefits of the asset, then the Council and Group could be over- or under-estimating the annual depreciation charge recognised as an expense in the statement of comprehensive revenue and expense. To minimise this risk, infrastructural asset useful lives have been determined with reference to the New Zealand Infrastructure Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group and have been adjusted for local conditions based on past experience.

Acquisitions are measured at their fair value using standard unit rates.

Roads, Bridges, Footpaths, Street Furniture and Lighting

Roads, bridges, footpaths, street furniture and lighting assets are stated at their fair value using standard unit rates as per the depreciated replacement cost methodology, however acquisitions subsequent to 30 June 2022 are valued at cost, until future revaluations are performed.

Roading assets were revalued as at 30 June 2022 by Mark Gordon MBA, BE (Hons), CPEng, CMEngNZ of IAM Consulting (M Gordon) Limited. The next valuation is anticipated for 2025.

Road pavements, structures, footpaths, drainage, street lighting and a range of other assets used for delivering roading services are valued using the depreciated replacement cost method. There are a number of estimates and assumptions made when valuing infrastructural assets using this method, including:

- The unit rates used in estimating the replacement cost value of the asset: these reflect commercial costs for provision of modern equivalent assets by contract and assume realistic quantities of assets within contracts to ensure cost effective allowances and rates. Where appropriate, replacement value also reflects optimisation due to over-design or surplus capacity. No opportunities for optimisation were however identified in the 2022 revaluation.

- Unit rates have been applied to components of the road network based on the type of asset, its size, and material type. Rates are derived from TDC unit rate information for recent contract-based construction and maintenance work and recent valuation information from similar local authority infrastructure, indexed to the valuation date using Statistics New Zealand's Capital Goods Price Indices for Transport Ways. Where detailed asset component information is not available, estimations are made on an aggregate basis.

- Estimates of the remaining useful life over which the asset will be depreciated: these estimates can be affected by local conditions, for example, traffic use or climatic conditions. If useful lives do not reflect the actual consumption of the benefits of the asset, then the Council could be over- or under-estimating the annual depreciation charge recognised as an expense in the statement of comprehensive revenue and expense. To minimise this risk, infrastructural asset useful lives have been determined with reference to the New Zealand Infrastructure Valuation and Depreciation Guidelines, issued by the National Asset Management Steering Group (NAMS) of IPWEA NZ, and have been adjusted for local conditions based on past experience.

Land Under Roads

Land under roads has been stated at cost less impairment losses at an average of adjacent "undeveloped land value" valued at 1 July 2005 by Maunsell Limited, Valuers. Subsequent acquisitions are stated at cost, less depreciation and impairment losses.

Heritage Assets

Heritage buildings are included in the buildings asset class.

Individually recognised statues and monuments are stated at deemed cost or acquisition cost less impairment losses. Valued at optimised depreciated replacement cost as at 1 July 2005 by Maunsell Limited (Valuers), subsequent acquisitions were previously stated at cost, less depreciation and impairment losses however it has been determined that statues and monuments included as heritage assets will not be subject to depreciation as they are individually unique pieces of art and architecture Previously applied depreciation has been reversed, except for the assumed depreciation included in the 2005 valuations, and the assets are stated at either their valuation as determined at 1 July 2005 or at cost subsequent to that date, subject to assessment for impairment.

Museum collections, primarily held by the South Canterbury Museum, have not been valued.

Artworks, primarily held by the AIgantighe Art Gallery, are separately valued (see "*Art Works*").

The Timaru District Library heritage collection is valued at cost less impairment (see "*Library Books*").

Additions

The cost of an item of property, plant, and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and Group and the cost of the item can be measured reliably and is greater than $1,500, subject to individual asset assessment and with specified exceptions. Unless each individual asset exceeds the cost threshold, bulk purchases which exceed the specified cost threshold do not constitute an asset purchase and are either expensed immediately or treated as inventory, as appropriate.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and Group and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised in surplus or deficit as they are incurred.

Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Leased assets

Leases in which substantially all of the risks and rewards of ownership are transferred are classified as finance leases. At inception, finance leases are recognised as assets and liabilities on the statement of financial position at the lower of the fair value of the leased property and the present value of the minimum lease payments. Any additional direct costs of the lessee are added to the amount recognised as an asset. Subsequently, assets leased under a finance lease are depreciated as if these assets are owned.

Where the value of an individual leased asset is assessed as being outside of the asset capitalisation paramerters the lease is treated as an operating lease (see Note 6: Other Expenses) in accordance with the asset capitalisation materiality specifications.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant, and equipment other than specified asset classes or types, including land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. Where the value and utilisation of an asset is contingent on another asset, its useful life will normally be set to not exceed the useful life of the asset upon which it is contingent. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Land	Indefinite (No depreciation)
Buildings and building improvements	1% - 30% (3 to 100 years)
Airport	1% - 50% (2 to 100 years)
Plant and equipment	2% - 50% (2 to 100 years)
Furniture and office equipment	4% - 50% (2 to 25 years)
Library collection: permanent retention	Indefinite (No depreciation)
Library collection: current	12.5% (8 years)
Art works	Indefinite (No depreciation)
Water: plant and facilities	1% - 50% (2 to 100 years)
Sewerage: plant and facilities	1% - 50% (2 to 100 years)
Stormwater: plant and facilities	1% - 50% (2 to 100 years)
Roading	1% - 50% (2 to 100 years)

Bridges	1% - 3% (33 to 100 years)
Lighting	6% - 8% (12.5 to 17 years)
Land under roads	Indefinite (No depreciation)
Heritage assets (excluding those specifically not depreciated)	1% - 10% (10 to 100 years)
Uncapped landfill cells	10% (10 years)
Capped landfill cells	1% (100 years)
Statues and monuments	Indefinite (No depreciation)
Museum collection	Indefinite (No depreciation)

Landfill assets

Physical landfill assets include earthworks, buildings and plant and machinery which are stated at cost less any accumulated depreciation or impairment. Unless specifically included under another asset class, landfill assets are depreciated based on the utilised capacity of the landfill. The physical landfill assets have been reviewed for fair value on the same basis as equivalent asset types.

A provision is made over the life of the landfill for post-closure costs and consequently an asset is generated representing the future economic benefits of this provision. This asset is amortised based on the utilised capacity of the landfill following its reassessment annually, contingent on the revised estimation of the concomitant provision (see Note 25 Provisions).

Impairment of property, plant, and equipment

Property, plant, and equipment that have a finite useful life are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use.

If an asset’s carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in surplus or deficit, a reversal of the impairment loss is also recognised in surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in surplus or deficit.

Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

Note 18 Intangible assets

Software acquisition and development

Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software, except that annual licenses are recognised as an expense when they are incurred, as are Software as a Service (SaaS) costs.

Costs that are directly attributable to the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs relating to the introduction and utilisation of software are recognised in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with development and maintenance of the Council's website are recognised as an expense when incurred.

Other intangible assets

Other intangible assets are amortised based on the particular characteristics of the asset.

Carbon credits

Carbon credits are not acquired or held for trading purposes and are expected to be utilised as part of the annual operational requirements of the Council, except that carbon credits which were received from the Crown were recognised as non-current intangible assets valued at fair value at acquisition. Carbon credits are treated as a current intangible asset and written off through surplus/deficit at cost or fair value. They are initially valued at cost and subsequently valued at fair value as at balance date based on the market value at balance date. Carbon credits have an indefinite life and therefore are not amortised.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its estimated useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software	20% to 33.3% (3 to 5 years)
Carbon credits	Indefinite (not amortised)
Other intangible assets	2% to 33.3% (3 to 50 years)

Impairment of intangible assets

Intangible assets, including those which have an indefinite useful life, or are not yet available for use which are not subject to amortisation, are tested annually for impairment.

For further details, refer to the policy for impairment of property, plant, and equipment in Note 17 as the same approach applies to the impairment of intangible assets.

Note 20: Forestry assets

Standing forestry assets are independently revalued annually at fair value less estimated costs to sell for one growth cycle. Potential future carbon credit liabilities which may occur in the event of permanent deforestation are not included in the valuation.

Gains or losses arising on initial recognition of forestry assets at fair value less costs to sell and from a change in fair value less costs to sell are recognised in surplus or deficit.

Forestry maintenance costs are recognised in surplus or deficit when incurred.

The generation of carbon credits from the forestry holdings are separately identified and valued as current intangible assets as required however currently no carbon credits are being generated as the forests are all pre-1990.

Note 21: Investment property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, all investment property is measured at fair value at each reporting date.

Gains or losses arising from a change in the fair value of investment property are recognised in surplus or deficit.

Note 22: Payables and deferred revenue

Short-term creditors and other payables are measured at the amount payable.

Payables are generally non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of payables approximates their fair value.

Deferred revenue represents receipts the conditions of which have not yet been fulfilled but which are expected to be recognised as revenue within 12 months.

Note 23: Borrowings and other financial liabilities

Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs. Interest due on the borrowings is subsequently accrued and added to the borrowings balance.

Borrowings are classified as current liabilities unless the Council or Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Finance leases

A finance lease transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the start of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item and the present value of the minimum lease payments.

The finance charge is charged to surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty as to whether the Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Note 24: Employee entitlements

Short-term employee entitlements

Employee benefits that are expected to be settled wholly within twelve months after the end of the year in which the employee provides the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date and annual leave earned to, but not yet taken at balance date.

A liability and an expense are recognised for bonuses where the Council or Group has a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Long-term employee entitlements

Employee benefits that are not expected to be settled wholly before twelve months after the end of the reporting period in which the employee provides the related service, such as retirement and long service leave, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to employees, based on years of service, years to entitlement, the likelihood that employees will reach the point of entitlement, and contractual entitlement information; and

- the present value of the estimated future cash flows.

Unrecognised employee entitlements

Outstanding sick leave entitlements are not recognised as a liability as there is no settlement obligation related to the entitlement. The value of sick leave obligations are identified based on either the maximum or actual available entitlements based on the lower of those.

Presentation of employee entitlements

Annual leave and vested long service leave are classified as a current liability. Non-vested retirement and long service leave expected to be settled within 12 months of balance date are also classified as a current liability. All other recognised employee entitlements are classified as a non-current liability.

Note 25: Provisions

A provision is recognised for future expenditure of uncertain amount or timing when:

• there is a present obligation (either legal or constructive) as a result of a past event;

• it is probable that an outflow of future economic benefits will be required to settle the obligation; and

• a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation and discounted using market yields on government bonds at balance date with terms to maturity that match, as closely as possible, the estimated future cash flows. The increase in the provision due to the passage of time is recognised as an interest expense and is included in “finance costs” (see Note 5).

Provision for landfill post-closure costs

A provision for post-closure costs is recognised, at the inception of the landfill, for post-closure remediation and monitoring costs.

The provision is measured based on the present value of the future cashflows expected to be incurred, considering future events including new legal requirements and known improvements in technology and including all costs associated with landfill post-closure.

The value provided for landfill post-closure is capitalised as an asset as it relates to future economic benefits. This asset is amortised based on the utilised capacity of the landfill and is adjusted annually based on that capacity usage and relevant movements in any revision of the post-closure costs.

The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the Council.

Provisions for climate change related obligations and remediation

No provisions are currently made for potential events, obligations, compensation or remediation related to climate change or climate change induced or related events. While the effects of climate change are directly related to past events and there will be financial consequences and implications relating to future events, no reliable estimate can currently be made for the amount of the potential or likely obligations.

Note 27: Equity

Equity is the community’s interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

• retained earnings;

• restricted reserves;

• designated reserves;

• asset revaluation reserves.

Restricted reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned.

Restricted reserves are those subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or a third party, however these do not represent cash funds maintained for such purposes. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

They also include reserves maintained for targeted rates charged for a specific purpose.

Designated reserves

Designated reserves are maintained for self-funded activities which Council determines require particular focus. A separate account is maintained for each reserve to ensure that the funds are held and used for the specific purpose intended, however these do not represent cash funds maintained for such purposes. Transfers from these reserves may be made only for specified purposes or when specified conditions are met however Council may change designated reserves without reference to the Courts or a third party.

Asset revaluation reserves

These reserves relate to the revaluation of particular property, plant, and equipment classes to fair value.

Note 28: Related party transactions

Intra-Group and internal transactions

All transactions occurring within the Group are eliminated on consolidation however within each Group entity they will be reflected within the appropriate categorisation. Intra-entity transactions are not generally eliminated within that entity as the transactions allocate costs and revenue within the entity to reflect an accurate economic picture however they will eliminate against each other within the net surplus or deficit.

Note 30: Financial instruments

The Council and Group elected to early adopt PBE IPSAS 41 in the 2021/22 financial year.

In accordance with the transitional provisions in PBE IPSAS 41, the Council and Group elected not to restate the comparative information. The comparative information prior to 2021/22 continues to be reported under PBE IPSAS 29. Adjustments arising from the adoption of PBE IPSAS 41 were recognised in opening equity at 1 July 2021 (the date of initial application).

Note 32: Events after balance date

Events which are deemed to actually or potentially have a material impact on the Council or Group but which occur after balance date are disclosed including why they have been assessed as being of significant materiality.

6.9 Long Term Plan 2024-34 Update

Author: **Stephen Doran, Group Manager Corporate and Communications**

Authoriser: **Nigel Trainor, Chief Executive**

Recommendation

That the Audit and Risk Committee receives and notes this update on the 2024-34 Long Term Plan

Purpose of Report

1 This report is to provide a brief update on the Timaru District Council Long Term Plan 2024-34 process.

Assessment of Significance

2 The Long Term Plan is of high significance for the community, as it is one of the main opportunities for the community to review and comment on Council spending priorities and shape decisions made for the next 10 years.

Discussion

3 The Timaru District Long Term Plan is currently undergoing final audit, with the plan to present it to council for adoption on 1 July 2024, subject to receiving the audit opinion prior.

4 Over the period 12 April to 12 May 2024 Council undertook extensive engagement with the community on plans and proposals for the Long Term Plan 2024-34.

5 A Consultation Document was made available online at timaru.govt.nz/ltp , and a paper copy circulated to every household in the district, as well as being available at key community facilities. The opportunity to provide feedback to Council was widely promoted in both print and social media.

6 Councillors attended 31 meetings with community groups, drop-in sessions at farmers markets and public spaces across the district during the engagement period, as well as Facebook Live broadcasts. These meetings and drop-in sessions provided Councillors with an opportunity to discuss the proposals in the Long Term Plan, particularly the key issues, with a wide range of people across the community, and discuss other issues of concern and importance to these groups and individuals.

7 The feedback from these events and meetings was considered along with the 503 formal submissions.

8 The four key issues that were discussed in the document, and the options both preferred by the public and selected by council were:

8.1 Balancing our approach to debt - The council approved Option 2, raising the council debt cap to 2.5 times income, with council debt forecast to peak at $428 million in year 7 (2030/31).

8.2 Balancing income and costs - The council approved Option 2, with the plan to eliminate the deficit in year 4 of the plan.

8.3 Balancing the things you use with the things you enjoy - The council approved Option 2, with the council agreeing to keep the proportion of spending between core infrastructure and community facilities in line with current split at 80/20.

8.4 Balancing user pays with common good - The council approved Option 2, which will see users of services, including visitors and all residents, covering more of the cost of the services and less rates going to subsidise facilities.

9 In addition to feedback on the four key issues, feedback was received on 43 other topics. The topics that generated the most feedback from submitters were Aorangi Stadium Gym, Climate Change and biodiversity, the Theatre Royal and Heritage Centre development and city centre development.

10 Hearings and deliberations were heard between Monday 27 May until Wednesday 29 May, and streamed publicly on YouTube and Facebook. Approximately 70 submitters and groups spoke to councillors.

11 Updated documents reflecting decisions made through the hearings process were provided to audit the following Tuesday.

Attachments

Nil

7 Consideration of Urgent Business Items

8 Consideration of Minor Nature Matters

9 Exclusion of the Public

Recommendation

That the public be excluded from the following parts of the proceedings of this meeting on the grounds under section 48 of the Local Government Official Information and Meetings Act 1987 as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Plain English Reason
10.1 - Public Excluded Minutes of the Audit and Risk Committee Meeting held on 4 March 2024	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information s7(2)(c)(ii) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities s7(2)(j) - The withholding of the information is necessary to	To protect a person’s privacy, including the privacy of deceased persons To protect commercially sensitive information To protect information that is subject to an obligation of confidence and/or that was required by law to be provided where the release of that information would not be in the public interest. To protect all communications between a legal adviser and clients from being disclosed without the permission of the client. To enable Council to carry out commercial activities To prevent use of the information for improper gain or advantage

	prevent the disclosure or use of official information for improper gain or improper advantage	
10.2 - Issues Watch Register	s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	To protect all communications between a legal adviser and clients from being disclosed without the permission of the client. To enable Council to carry out commercial activities
10.3 - Internal Audit Quarterly Report	s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information s7(2)(f)(ii) - The withholding of the information is necessary to maintain the effective conduct of public affairs through the protection of such members, officers, employees, and persons from improper pressure or harassment s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	To protect commercially sensitive information To protect the effective conduct of public affairs To enable Council to carry out commercial activities
10.4 - Cyber Security Report	s7(2)(j) - The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage	To prevent use of the information for improper gain or advantage
10.5 - Health and Safety Performance Report	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons	To protect a person's privacy, including the privacy of deceased persons To protect commercially sensitive information

	s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information	
10.6 - Committee and Auditor only time (agenda placeholder)	s7(2)(c)(ii) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	To protect information that is subject to an obligation of confidence and/or that was required by law to be provided where the release of that information would not be in the public interest. To enable Council to carry out commercial activities
10.7 - Committee and Chief Executive only time (agenda placeholder)	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	To protect a person's privacy, including the privacy of deceased persons To enable Council to carry out commercial activities

10 Public Excluded Reports

10.1 Public Excluded Minutes of the Audit and Risk Committee Meeting held on 4 March 2024

10.2 Issues Watch Register

10.3 Internal Audit Quarterly Report

10.4 Cyber Security Report

10.5 Health and Safety Performance Report

10.6 Committee and Auditor only time (agenda placeholder)

10.7 Committee and Chief Executive only time (agenda placeholder)

11 Readmittance of the Public