

# Komiti o te Mōrearea me te Tūmaru | Risk & Assurance Committee



## Kaupapataka Wātea | Open Agenda



Notice is hereby given that an ordinary meeting of Komiti o te Mōrearea me te Tūmaru | Risk & Assurance Committee will be held on:

**Ko te rā | Date:** Tuesday 13 June 2023  
**Wā | Time:** 9.00am  
**Wāhi | Venue:** Council Chambers  
35 Kenrick Street  
TE AROHA

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### Ngā Mema | Membership

#### Tiamana | Chairperson

Jaydene Kana

#### Independent Member

Joanne Aoake

#### Koromatua | Mayor

Adrienne Wilcock, JP

#### Koromatua Tautoko | Deputy Mayor

James Thomas

#### Kaunihera ā-Rohe | District Councillors

Bruce Dewhurst

Kevin Tappin

Gary Thompson

**Waea | Phone:** 07-884-0060  
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**Īmēra | Email:** [governance@mpdc.govt.nz](mailto:governance@mpdc.govt.nz)  
**Kāinga Ipuranga | Website:** [www.mpdc.govt.nz](http://www.mpdc.govt.nz)

## Ā-TIKANGA | PROCEDURAL

|   |   |   |
|---|---|---|
| 1 | Whakatūwheratanga o te hui   Meeting Opening                            | 3 |
| 2 | Karakia   | 3 |
| 3 | Ngā whakapāha/Tono whakawātea   Apologies/Leave of Absence              | 3 |
| 4 | Panui i Ngā Take Ohore Anō   Notification of Urgent/Additional Business | 2 |
| 5 | Whākī pānga   Declaration of Interest                                   | 2 |
| 6 | Whakaaentanga mēneti   Confirmation of Minutes                          | 2 |

## NGĀ PŪRONGO A NGĀ ĀPIHA | OFFICER REPORTS

|      |  |     |
|------|--|-----|
| 7    | Pūrongo me whakatau   Decision Reports                               |     |
| 7.1  | Chair's Update   | 4   |
| 7.2  | Annual Plan 2023/24 update   | 6   |
| 7.3  | Forecasting Assumptions - Long-Term Plan 2024-34                     | 21  |
| 8    | Ngā Pūrongo Whakamārama   Information Reports                        |     |
| 8.1  | Adoption of Annual Report 2021/22                                    | 29  |
| 8.2  | Draft report to Council on the Audit for the year ended 30 June 2022 | 52  |
| 8.3  | Food Act 2014 Quality Management System Recognition Approval         | 53  |
| 8.4  | Building Control Authority - IANZ Assessment 2023                    | 58  |
| 8.5  | Update on Organisational Culture                                     | 61  |
| 8.6  | Transformation Team Update   | 66  |
| 8.7  | Review of Council Insurance  | 70  |
| 8.8  | Committee review of accounting policies                              | 78  |
| 8.9  | Draft report of KMPG's internal audit on cash-handling               | 90  |
| 8.10 | Risk Management Update   | 106 |
| 8.11 | Safety and Wellness Quarterly Report January-March 2023              | 113 |
| 8.12 | Risk and Assurance Work Programme 2023 - Update June 2023            | 125 |

## TAKE MATATAPU | PUBLIC EXCLUDED

|    |  |     |
|----|--|-----|
| 9  | Mōtini he aukati i te whānui   Procedural motion to exclude the public | 130 |
| C1 | Information Technology - Security Update                               |     |

**1 Whakatūwheratanga o te hui | Meeting Opening**

Chairperson to welcome members and open the meeting.

**2 Karakia**

The opening karakia is to be performed.

**3 Ngā whakapāha/Tono whakawātea | Apologies/Leave of Absence**

At the close of the agenda no apologies had been received.

**4 Pānui i Ngā Take Ohore Anō | Notification of Urgent/Additional Business**

Section 46A(7) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

“An item that is not on the agenda for a meeting may be dealt with at that meeting if-

- (a) The local authority by resolution so decides; and
- (b) The presiding member explains at the meeting, at a time when it is open to the public,-
  - (i) The reason why the item is not on the agenda; and
  - (ii) The reason why the discussion of the item cannot be delayed until a subsequent meeting.”

Section 46A(7A) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

“Where an item is not on the agenda for a meeting,-

- (a) That item may be discussed at that meeting if-
  - (i) That item is a minor matter relating to the general business of the local authority; and
  - (ii) the presiding member explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at the meeting; but
- (b) no resolution, decision or recommendation may be made in respect of that item except to refer that item to a subsequent meeting of the local authority for further discussion.”

**5 Whākī pānga | Declaration of Interest**

Members are reminded of their obligation to declare any conflicts of interest they might have in respect of the items on this Agenda.

**6 Whakaaetanga mēneti | Confirmation of Minutes**

Minutes, as circulated, of the Ordinary meeting of Komiti o te Mōrearea me te Tūmaru | Risk & Assurance Committee, held on 7 March 2023

7 Pūrongo me whakatau | Decision Reports

## 7.1 Chair's Update

CM No.: 2726316

### Rāpopotonga Matua | Executive Summary

Risk and Assurance Committee Chairperson, Jaydene Kana, in attendance to present the Chair's Update report (attached).

### Tūtohunga | Recommendation

That:

1. The information be received.

### Ngā Tāpiritanga | Attachments

[A↓](#). MPDC - RAC - Chairperson Report - June 2023



### Ngā waitohu | Signatories

|           |   |  |
|-----------|---|--|
| Author(s) | Stephanie Hutchins<br><b>Governance Support Officer</b> |  |
|-----------|---|--|

|             |  |  |
|-------------|--|--|
| Approved by | Sandra Harris<br><b>Placemaking and Governance Team Leader</b> |  |
|-------------|--|--|



## Chair Report

01 June 2023

On the 31<sup>st</sup> of March I had the opportunity to represent MPDC at the “Audit and Risk Committee Chairs Forum”. This Forum was facilitated by the Office of the Auditor-General and joined by Karen Chang, Director and Chief Executive, and Tim Townsend, Manager – Counter Fraud and Strategy at the Serious Fraud Office. They provided insights about strengthening the sector’s resilience to fraud and corruption, and how audit and risk committees can help achieve this. The takeaway points included the value of ethical leadership, trust is not a control and a big risk is **complacency**. “Fraud is one of the most common offences committed in New Zealand. We must not be complacent when it comes to protecting public funds<sup>1</sup>”.

As part of this Forum, the Office of the Auditor-General also shared their recently released [Integrity and how to support it](#) resources, including an integrity framework made up of three components:

1. The 6 ways of working e.g. Make it easy
2. The 9 building blocks e.g. Measuring and reporting progress
3. Continuous improvement e.g. Continually looks for ways to do better

Below is the detail on the continuous improvement component of the integrity framework for consideration, aligning to the role of MPDC’s Risk and Assurance Committee:

### Continuous improvement



Integrity is not a destination; it is a process whereby an organisation continually looks for ways to do better.

The culture of an organisation will change and evolve in response to changing circumstances or work pressures. Policies and practices need to be regularly reviewed, lessons need to be learned and fed back into systems improvements, and changes need to be communicated to ensure transparency and accountability.

On the 9<sup>th</sup> of June I will have the opportunity to represent MPDC again at the “Audit and Risk Committee Chairs Forum”, facilitated by the Office of the Auditor-General with, Naomi Ferguson, interim Chair for Te Whatu Ora and former Commissioner of Inland Revenue providing insights about governance of major transformational change and guidance about how audit and risk committees can help achieve successful transformation. I look forward to sharing these insights in the near future.

Finally, to keep risk front of mind, I reiterate the risks from the previous Chair report:

| Local Government                               | World Economic Forum                                 |
|--|--|
| Capital works delivery                         | Cost of living crisis                                |
| Climate change                                 | Natural disasters and extreme weather events         |
| Community sentiment                            | Geo-economic confrontation                           |
| Cyber security and the protection of data      | Failure to mitigate climate change                   |
| Failure to give effect to Te Tiriti o Waitangi | Erosion of social cohesion and societal polarisation |
| Financial sustainability                       | Large-scale environment damage incidents             |
| Government reforms                             | Failure of climate change adaptation                 |
| Health, safety and wellbeing                   | Widespread cyber crime and cyber insecurity          |
| Staff (capability, capacity and culture)       | Natural resource crises                              |
| Stakeholder relationships                      | Large-scale involuntary migration                    |

### Recommendation

That the Risk and Assurance Committee receives the report.

Jaydene Kana  
Chair, Risk and Assurance Committee

<sup>1</sup> Counter Fraud Centre – Reducing the impact of fraud and error in the public sector

## 7 Pūrongo me whakatau | Decision Reports

### 7.2 Annual Plan 2023/24 update

CM No.: 2724632

#### Rāpopotonga Matua | Executive Summary

The purpose of this report is to provide information to the Risk and Assurance Committee on the draft Annual Plan 2023/24. The Annual Plan is Council's budget for the financial year 1 July to 30 June.

Consultation was open from 8 May to 26 May 2023.

A hearing and deliberations will be held on 7 June 2023. The final Annual Plan will be formally adopted by Council on 28 June and will apply from 1 July 2023.

#### Tūtohunga | Recommendation

That:

1. The report on the Annual Plan hearings and deliberations be received.

#### Horopaki | Background

Council produce an Annual Plan in the years where a Long Term Plan is not required. The Annual Plan highlights any changes or variances from the Long Term Plan for the coming year. If the proposed Annual Plan does not include significant differences from the content of the Long Term Plan for that year then Council are not required to consult the community on it.

Council previously discussed the draft Annual Plan budgets in December 2022. Since then there have been changes to government policy timeframes and updated financial information (including inflationary pressures) which Council has given consideration to.

At its meeting on 3 May 2023, Council resolved to consult on the draft Annual Plan, approving a Consultation Document for this purpose.

The significant changes and drivers for these are set out in the Annual Plan Consultation Document 2023/24 (attached).

#### Ngā Take/Kōrerorero | Issues/Discussion

Consultation for the draft Annual Plan was open from 8 May 2023 until 26 May 2023.

At the time of writing this report, a number of individuals/organisations had requested to present their submissions to Elected Members at the hearing to take place on 7 June 2023.

#### Mōrearea | Risk

The budget is prepared using the best available information. There are many macro-economic factors that can impact on operating costs.

#### Ngā Whiringa | Options

The draft Annual Plan Consultation Document presented the following options:



### What we're proposing

We're proposing to proceed with the 16.9% rates increase for all the reasons outlined in this document. You can also view the draft Annual Plan in full and use our online interactive tool to explore the budget in more detail at [mpdc.nz/annualplan](https://mpdc.nz/annualplan).

We believe this draft budget strikes a balance - it includes a number of cut backs, as well as some risks in how we manage our finances to keep rates down, but it also means we can continue to deliver all our existing services and make progress on projects that are already under way.

We know that 16.9% is a massive increase - but we're also wary of deferring any more costs, as prices only go up.



### What are the alternatives?

There are a few areas that we could partially fund or take greater risks (we've provided examples of this throughout this document), however, we don't believe these options would be financially responsible. They would only make overall rates increase slightly smaller (lowering it to around 14.6%), and are likely to cause problems or even bigger increases in years to come.

If you think that those risks are worth taking and that we should kick these costs to the future for the sake of saving 2.3% this year, then we want to know about it.

If you can think of anything else we haven't considered to make significant savings that can be implemented as soon as 1 July (noting that we legally can't make drastic service cuts without a lengthy Long Term Plan review) then we'd also love to hear your ideas.

## Ngā take ā-ture, ā-Kaupapahere hoki | Legal and policy considerations

Section 95 of the Local Government Act 2002 states that if the proposed Annual Plan does not include significant or material differences from the content of the Long Term Plan for the financial year it relates to then Council does not need to consult.

If Council determines there are significant or material differences then Consultation Document must be prepared and adopted. The Consultation Document must explain identified differences. This includes:

- an explanation of any significant or material variations from the financial statements or the funding impact statement
- a description of significant new spending proposals, the costs associated with those proposals, and how these costs will be met
- an explanation of any proposal to substantially delay, or not proceed with, a significant project, and the financial and service delivery implications of the proposal.

Consultation must be conducted in a manner that gives effect to the requirements of section 82 which are the principles of consultation. This includes

- providing access to information to those that may be affected
- providing an opportunity to present views in an appropriate manner and format
- providing information on the purpose and the scope of decisions
- having an open mind and giving due consideration
- providing relevant decisions to those affected.

## Ngā Pāpāhonga me ngā Wātaka | Communications and timeframes

The timeline is set out below:

- Consultation Document and underlying information adopted for consultation - 3 May
- Consultation open 6 - 26 May
- Council Meeting – Hearing 7 June
- Council Meeting – Adoption 28 June

Consultation has include newspaper advertising, information on Councils website and facebook page, e-newsletters, attendance at various community events and meetings etc.

### **Te Tākoha ki ngā Hua mō te Hapori me te here ki te whakakitenga o te Kaunihera | Contribution to Community Outcomes and consistency with Council Vision**

**Theme:** Healthy Communities

**Community Outcome:** We encourage community engagement and provide sound and visionary decision making

### **Pānga ki te pūtea, me te puna pūtea | Financial Cost and Funding Source**

Council has a budget of \$10,000 for production of the Annual Plan.

### **Ngā Tāpiritanga | Attachments**

[A↓](#). Annual Plan 2023-24 Consultation Document



### **Ngā waitohu | Signatories**

|             |  |  |
|-------------|--|--|
| Author(s)   | Niall Baker<br><b>Policy Team Leader</b>                           |  |
| Approved by | Erin Bates<br><b>Strategic Partnerships and Governance Manager</b> |  |
|             | Don McLeod<br><b>Chief Executive Officer</b>                       |  |





Item 7.2

Attachment A







# NAU MAI - WELCOME

## MAI TŌ KOUTOU KOROMATUA RĀUA MESSAGE FROM YOUR MAYOR

This new Council has hit the ground running since being elected in October 2022. One of the first things we started working on was the Annual Plan. This is the plan that checks our progress against what Council set out to do in the Long Term Plan, and makes any changes or additions for the year ahead.

Council consulted widely on the Long Term Plan in 2021, including a spike in rates this year of 11.8% - largely due to shifting the cost of rubbish collection to rates, instead of rubbish bag sales. What we didn't predict at the time was the rapid rise in interest rates, high levels of inflation, staff shortages, and supply issues that everyone is facing right now. We're also facing a number of costs from central government - like tougher water regulations, and increasing costs to dispose of water. All these issues mean we are now facing a **draft total rates increase of 16.9%**.

Like the rest of the country, Council is feeling the effects of the current economic climate. These pressures mean there is little room to manoeuvre in setting this year's budget. This is a period of challenge and change, and the central government reforms on the horizon are likely to bring extra costs.

We know that 16.9% is a huge increase that will be a challenge. We have done what we can to offset that increase - going through the budget with a fine tooth comb, reducing operating budgets, delaying projects, and taking some risks in our budgeting processes.

It is a constant challenge to strike a balance between short term benefits (like lower rates increases) and making good decisions for the future. We are conscious that kicking the can down the road is likely to make things worse for our ratepayers in the years to come.

We have weighed these decisions up carefully, and believe that reducing rates any further than the proposed 16.9% would not be prudent and would compromise our ability to continue to deliver our services and make vital investments and improvements for the future.

Please take the time to read through this Consultation Document and understand the challenges we are facing. We want to hear from you - our community - on whether you think we have this right, or if there is anything else you think we should be considering as we set the budget for the year ahead.



Adrienne Wilcock  
Mayor

# KA TĀTAURAKA THE NUMBERS YOU NEED TO KNOW

*“We had predicted a spike in rates this year of 11.8% - mostly due to the change in kerbside collection contracts. What we hadn’t predicted were the rising interest rates, high levels of inflation, staff shortages, and supply issues that everyone is facing right now.”*

**11.8%**

WHAT WE PROJECTED THIS YEAR’S RATES  
INCREASE TO BE (BACK IN 2021)

**16.9%**

PROPOSED TOTAL RATES INCREASE  
FOR 2023/24

16.9% is how much more we need to collect in rates overall - the increase for each property will vary depending on the property value and the services they receive. Go to [mpdc.nz/rid](https://mpdc.nz/rid) and search for your property to see exactly how the proposed increase would effect your rates.





# HE AHA TE TAKE MŌ TE PIKINGA UTU? WHAT'S DRIVING THE INCREASE?

## Kerbside collections + 3.3%

A significant portion of the projected rate increase for 2023/24 is due to changes in the kerbside collection service. Our existing 10 year contract comes to an end in September this year, and a new contractor has been awarded the tender to take over the service. To meet up-coming central government requirements, our new service will include food scrap collections and a standardised recycling collection. There will be no more rubbish bags, instead moving to an additional wheelie bin for your general waste.

The new contract costs, one-off implementation costs and increased central government costs (the Emissions Trading Scheme and Waste levies) will add an additional \$1 million in costs this year.

For those who receive kerbside collection services, targeted rate will increase from \$123.91 per property, to \$289.28 per property. This is because we are changing how we charge for this service to be fully funded through targeted rates, instead of a mix of rates and rubbish bag sales (i.e. you won't need to buy rubbish bags any more). The total cost per year is only slightly higher for a household that currently buys one rubbish bag per week:

### Current system:

\$123.91 (rates) + \$156 (52 bags) = \$279.91 per year

### New system:

\$289.28 per year (\$9.37 more)

## Transfer Station Operations + 2%

As a result of our 10 year contract ending in September we are facing increased costs to continue to operate our transfer stations. Just like all other areas, the operating costs for diesel, staff etc have increased. We are also planning to increase staff numbers (from two to three) at these sites for Health and Safety reasons. The extension to the contract is a short term solution as we plan to bring the management of these sites in-house in the future. However, we need time to roll out the new kerbside collection service first, so we need to cover these additional operating costs for the year ahead. In addition to these costs there are increased levies from central Government for sending waste to landfill of \$48k, and additional costs to meet our responsibility to monitor and maintain the district's closed landfill sites to required environmental standards \$91k.

*There is scope to keep costs slightly lower by not providing additional staff at the transfer stations. But because this is about health and safety, we think it is more responsible to fund these extra costs.*

## Interest rate increases +1.7%

Everybody will know that interest rates have increased over the last 12 months. This also affects Council as we borrow money to pay for capital projects (i.e. buildings or infrastructure).

### Electricity costs + 1.6%

When you run water treatment and wastewater treatment plants 24/7, streetlights across the district, heat swimming pools, provide 24 hour wifi at libraries (and more) you use a LOT of electricity.

Council brokers a three year energy contract to try lock in the best deal for our community. This has shielded us somewhat from increases that households have seen over the last few years, but since that contract was renewed in July 2022, we have seen a huge 69% jump (or \$661k increase) in our power costs and we need to budget to cover this cost for the year ahead. Looking ahead, we are also expecting our electricity use to continue to increase as we are making improvements at our water treatment plant in Matamata, and building an additional water treatment plant in Morrinsville.

### The impact of inflation on replacing our assets + 4.4%

#### Inflation

When we forecast a rates increase in 2021 of 11.8% for this year, it included 2.9% inflation, but what we have actually seen has been MUCH higher.

Household inflation (known as CPI) has gone up by 7.2%. Every household will know about these increases, as you will have seen groceries and other household bills (your basket of goods) increasing.

The “basket of goods” that Council purchases is different to a household – our basket includes replacing pipes, maintaining roads, purchasing chemicals for water treatment etc. Local government inflation (based on the Capital Goods Price Index) has been hit even harder with increases of between 12.9% and 19%. A number of items in this basket rely on products that are in short supply worldwide, or have had significant price spikes such as oil, transportation and labour costs.

### 3 waters assets

We have over \$220 million worth of water, wastewater and stormwater assets. As part of managing those assets well, we are required to collect money to gradually replace those assets over time. In the current year, we collected \$5.8m from ratepayers for this. Also over the current year, the costs of replacing these assets (their valuation) has skyrocketed. In a normal year, we would increase the amount we collect from ratepayers each year to fund the replacement of assets, so that we are keeping up with inflation. But because of the exceptionally high inflation this year, that would mean collecting \$7.5m (an additional \$1.7m).

To try and keep the rates increase as low as possible, we’re proposing to not collect the full \$1.7m, but collect \$1.2m (70% of that) instead. This is because we don’t believe this is a ‘normal year’, and think it is possible that the factors driving the skyrocketing costs may settle over the coming years, and the costs could reduce.

This is taking a risk – if costs do not settle over time or continue to increase, we’d be left short and we’d either need to borrow more or adjust the rates to make up the shortfall.

We’d monitor this closely over the next couple of years and adjust the rates or look at other options if required.

*There is scope that we could collect even less of the increase (e.g. 50%) to get the rates increase lower, but we think this would be risky, and is likely to leave us short in future.*

#### Roading assets

We have roading assets currently worth over \$524 million in our district (not including the State Highways that are managed by Waka Kotahi/New Zealand Transport Agency). New roads, footpaths, streetlights etc are added each year as subdivisions are completed by developers and connected to our network.

In the current year we collected \$3.4 million from ratepayers towards the gradual replacement of these assets. Waka Kotahi also contributed a further \$3.2 million towards this.

Just like with our 3 waters assets, the costs of replacing these assets has skyrocketed over the last year. In normal circumstances, we would increase the amount we collect from ratepayers to fund the increasing cost of replacing our assets. We'd also usually seek a similar increase in funding from Waka Kotahi, so that we are keeping up with inflation. Based on our most recent valuations, that would mean collecting \$10.7m for 2023/24 (an additional \$2 million from ratepayers).

However, this is not a normal year. Affordability is a huge concern, and there is a possibility that the factors driving the skyrocketing costs could settle over the coming years, meaning the costs could reduce. We also think it is unlikely, given other significant demands that Waka Kotahi will increase their funding to this level.

Based on this, we are proposing to change how we fund our roading asset replacements. Instead of collecting a percentage of the value of the assets to put towards replacement, we are looking at the replacements specifically needed for the year ahead and what we will practically be able to deliver, and collecting this amount instead.

This change in approach means we're proposing to collect an additional \$665,000 from ratepayers, rather than \$2 million.

This strategy does come with longer-term risks – the level of funding from Waka Kotahi could be altered through future changes in central government policy, and if costs do not settle over time or continue to increase, we'd be left short and we'd either need to adjust our level of renewals work (do less road maintenance), or borrow more or adjust the rates to make up the shortfall. We'd monitor this closely over the next couple of years and adjust the rates or look at other options if required.

#### Water supply operating costs + 2.7%

On top of the asset replacement costs and the increasing power, the cost to deliver clean, safe drinking water to our homes and businesses continues to increase.

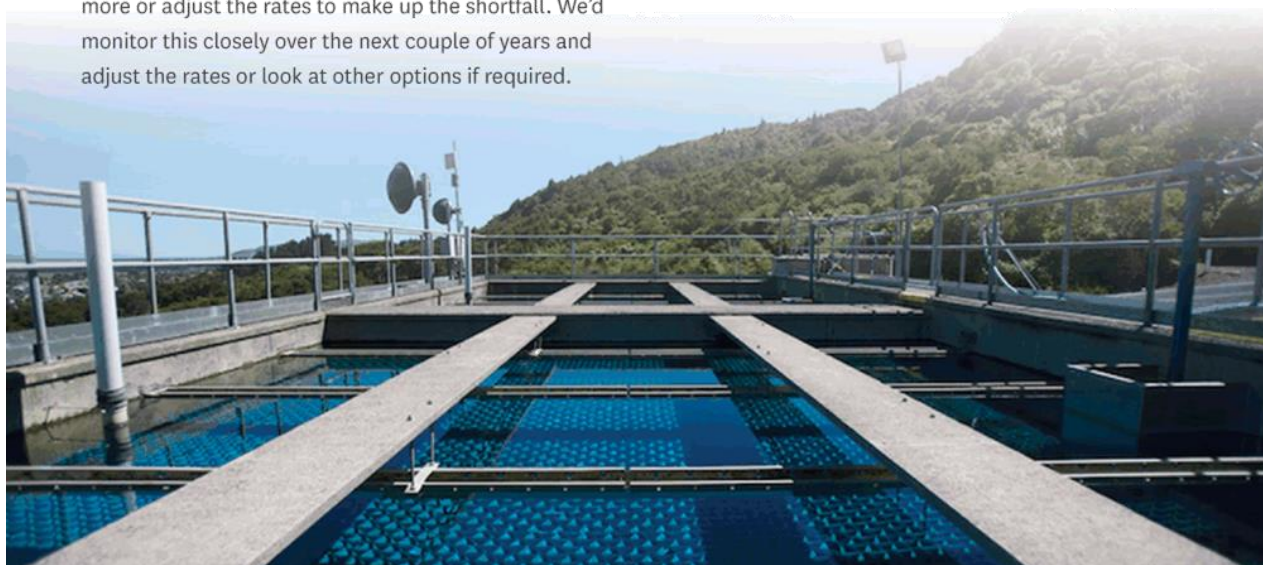
A new water regulator (Taumata Arowai) is in place for New Zealand. Their role is overseeing the environmental performance of drinking water, wastewater and stormwater networks. Part of their mandate is improving the standards around water quality in New Zealand and more rigorous monitoring. At the same time, we are required to comply with conditions set by the Regional Council (e.g. for water take consents), which continue to get tougher. The requirements from both authorities are positive, as they mean improvements for all New Zealanders, but they come at a cost. We need to do more planning, investigations and detailed reporting to comply – and this requires additional resources.

On top of this, we have seen significant price increases in the chemicals that are used to treat water to make it safe to drink – for example, chlorine costs have increased by approximately 40%.

#### The balance + 1.2%

The remaining 17% of the increase is made up of small increases across a number of budgets. Things like increasing traffic management costs, other compliance costs, interest rate increases, training, insurance increases etc.

The full draft Annual Plan is available at [mpdc.nz/annualplan](https://mpdc.nz/annualplan)





# HE NUI TONU TE UTU - WHAKAHEKE ANŌ THAT'S STILL TOO MUCH - CUT MORE

We know that 16.9% is a big increase - and it isn't a proposal we make lightly. If you've read this far you'll know that most of these cost increases are not options we can choose - we have to cover the increasing costs, and the majority of our funding comes from rates.

## Then make cuts elsewhere...

The proposed 16.9% increase already includes significant changes and cuts to our budgets. These include:

- Cuts to operating budgets across the organisation - including changing the way we do things, looking to complete more work in-house where we have the capability, not doing some things, or taking a risk that some costs may not arise.
- Deferring or reprioritising projects. The Long Term Plan included \$41m worth of capital projects this year. We have revised those projects and made changes to keep costs low, and based on our capacity to deliver the projects over the next 12 months. The revised budget included in the draft Annual Plan is \$28m. Projects we're proposing to defer include:
  - Starting construction of the Te Aroha Spa - \$8.4m
  - Matamata Transfer station upgrade - \$4m
  - Matamata Indoor sports facility - \$2m
  - Te Aroha Domain development - \$500k
  - Te Aroha pool improvements - \$500k
  - Pool amenities (splash pads) - \$210k
  - Lower Tui Park development (mountain bike skills park) - \$200k
  - Matamata Civic Centre stage - \$200k

- Reducing our total salary budget on the assumption that we will have some vacancies throughout the year (i.e. when an employee leaves, there is usually several weeks before someone else steps into that position). A number of our roles are also specialist positions that are increasingly difficult to fill, so can be vacant for months.
- Increasing a number of our fees and charges to reflect the increasing costs of providing our services.
- Allowing for more income from our facilities based on the new spas (two additional pools have been added at the existing Te Aroha Mineral Spas in the rooms that were previously used for massage and beauty treatments).
- Reducing the amount of funding we're collecting to replace our assets in future (read the previous section for an explanation of why we're proposing this, and why we believe it is still prudent/responsible).

## That's not enough, cut more...

Given the nature of our cost increases, we'd have to make really drastic cuts to our services to see any real reduction in this rate increase. We legally can't make these decisions without having a really robust discussion with the community about what services they would be happy to reduce or drop altogether, and we don't want to do this as a knee-jerk reaction.

We plan to have this robust discussion with the community over the next 12 months as part of our next Long Term Plan.

# HE NUI TONU TE UTU - WHAKAHEKE ANŌ HOW IT WILL AFFECT YOU

*How much each property pays will vary depending on the property value and the services you receive*



Go to [mpdc.nz/rid](http://mpdc.nz/rid) and search for your property to see exactly how the proposed increase would effect your rates



The following example properties show how the proposed changes would affect different property types (based on their values and the services they receive).



## An urban property worth \$800,000



This example property is in an urban area with all services - e.g. water, wastewater, kerbside collection.

|   | 2022/23<br>Rates<br>Invoice | Proposed<br>2023/24<br>Rates<br>Invoice | How much is the<br>proposed increase for<br>this property? |              | What's driving the increase?   |
|---|-----------------------------|---|--|--------------|--|
| General rates                                 | \$962.72                    | \$1035.81                               | \$73.09  | 7.59%        | <ul style="list-style-type: none"> <li>Cost to replace and maintain roads</li> <li>Cost to operate transfer stations</li> <li>Government waste levies</li> <li>Costs for monitoring closed landfills</li> <li>Interest</li> <li>Power</li> <li>Staff costs</li> <li>Chemicals and fuel</li> <li>Insurance</li> </ul> |
| Uniform<br>Annual<br>General<br>Charge (UAGC) | \$689.17                    | \$798.13                                | \$108.96   | 15.81%       |  |
| Kerbside<br>collection                        | \$123.91                    | \$289.38                                | \$165.47   | 133.54%      | <ul style="list-style-type: none"> <li>New kerbside collection contract - additional services, and residents will no longer need to buy rubbish bags</li> </ul>  |
| Water   | \$459.16                    | \$650.26                                | \$191.10   | 41.62%       | <ul style="list-style-type: none"> <li>Cost of complying with new government regulations and consents</li> <li>Asset replacement costs</li> <li>Power</li> <li>Chemical supplies</li> </ul>  |
| Wastewater                                    | \$612.76                    | \$626.26                                | \$13.50  | 2.2%         | <ul style="list-style-type: none"> <li>Power</li> <li>Asset replacement costs</li> </ul>   |
| Stormwater                                    | \$123.75                    | \$133.25                                | \$9.50   | 7.68%        | <ul style="list-style-type: none"> <li>Asset replacement costs</li> </ul>  |
| <b>Total</b>                                  | <b>\$2,971.47</b>           | <b>\$3,533.10</b>                       | <b>\$561.63</b>  | <b>18.9%</b> |  |



### A rural lifestyle property worth \$1.5 million



This example property is a lifestyle block with no services (e.g. water, wastewater)

|   | 2022/23<br>Rates<br>Invoice | Proposed<br>2023/24<br>Rates<br>Invoice | How much is the<br>proposed increase for<br>this property? |             | What's driving the increase?   |
|---|-----------------------------|---|--|-------------|--|
|  General rates                                 | \$1,805.10                  | \$1,942.15                              | \$137.05   | 7.59%       | <ul style="list-style-type: none"> <li>Transfer station costs</li> <li>Government waste levies</li> <li>Costs for monitoring closed landfills</li> <li>Power</li> <li>Chemicals</li> <li>Insurance</li> <li>Interest</li> <li>Staff costs</li> <li>Inflation in roading costs</li> </ul> |
|  Uniform<br>Annual<br>General<br>Charge (UAGC) | \$689.17                    | \$798.13                                | \$108.96   | 15.81%      |  |
| <b>Total</b>  | <b>\$2,494.27</b>           | <b>\$2,740.28</b>                       | <b>\$246.01</b>  | <b>9.9%</b> |  |



### A rural property worth \$5 million







This example property is a farm with no services (e.g. water, wastewater)

|   | 2022/23<br>Rates<br>Invoice | Proposed<br>2023/24<br>Rates<br>Invoice | How much is the<br>proposed increase for<br>this property? |             | What's driving the increase?   |
|---|-----------------------------|---|--|-------------|--|
|  General rates                                 | \$6,017                     | \$6,471.83                              | \$456.83   | 7.59%       | <ul style="list-style-type: none"> <li>Transfer station costs</li> <li>Government waste levies</li> <li>Costs for monitoring closed landfills</li> <li>Power</li> <li>Chemicals</li> <li>Insurance</li> <li>Interest</li> <li>Staff costs</li> <li>Inflation in roading costs</li> </ul> |
|  Uniform<br>Annual<br>General<br>Charge (UAGC) | \$689.17                    | \$798.13                                | \$108.96   | 15.81%      |  |
| <b>Total</b>  | <b>\$6,706.17</b>           | <b>\$7,271.97</b>                       | <b>\$565.80</b>  | <b>8.4%</b> |  |



### A commercial property worth \$1 million

This example is based on a commercial property with services (e.g. water) with two additional toilets ("pans") for wastewater. The property will only be rated for kerbside collection for July and August 2023 as properties in commercial areas will no longer be eligible for kerbside collection when the new service begins in September. For more information on this visit [mpdc.nz/commercial](https://mpdc.nz/commercial)

|   | 2022/23<br>Rates<br>Invoice | Proposed<br>2023/24<br>Rates<br>Invoice | How much is the<br>proposed increase for<br>this property? |             | What's driving the increase?   |
|---|-----------------------------|---|--|-------------|--|
|  General rates                                 | \$1,203.40                  | \$1,294.77                              | \$91.37  | 7.59%       | <ul style="list-style-type: none"> <li>Transfer station costs</li> <li>Government waste levies</li> <li>Costs for monitoring closed landfills</li> <li>Power</li> <li>Chemicals</li> <li>Insurance</li> <li>Interest</li> <li>Staff costs</li> <li>Inflation in roading costs</li> </ul> |
|  Uniform<br>Annual<br>General<br>Charge (UAGC) | \$689.17                    | \$798.13                                | \$108.96   | 15.81%      |  |
|  Kerbside<br>collection                      | \$123.91                    | \$48.23                                 | -\$75.68   | -61.08%     | <ul style="list-style-type: none"> <li>Commercial, CBD and Industrial properties will only pay for this service while it is available to them in <b>July and August 2023</b>.</li> </ul>   |
|  Water                                       | \$459.16                    | \$650.26                                | \$191.10   | 41.62%      | <ul style="list-style-type: none"> <li>Complying with new regulations</li> <li>Power costs</li> <li>inflation</li> </ul>   |
|  Wastewater                                  | \$1,838.28                  | \$1,878.79                              | \$40.51  | 2.2%        | <ul style="list-style-type: none"> <li>Power</li> <li>Inflation</li> </ul>   |
|  Stormwater                                  | \$123.75                    | \$133.25                                | \$9.50   | 7.68%       | <ul style="list-style-type: none"> <li>Inflation</li> </ul>  |
| <b>Total</b>  | <b>\$4,437.67</b>           | <b>\$4,803.43</b>                       | <b>\$365.76</b>  | <b>8.2%</b> |  |



# WHAKAPĀ MAI WE WANT TO HEAR FROM YOU

If you've read this far, you'll understand the budget challenges we're facing. There are always options for managing a challenge - but our options this year are limited.



## What we're proposing

We're proposing to proceed with the 16.9% rates increase for all the reasons outlined in this document. You can also view the draft Annual Plan in full and use our online interactive tool to explore the budget in more detail at [mpdc.nz/annualplan](https://mpdc.nz/annualplan).

We believe this draft budget strikes a balance - it includes a number of cut backs, as well as some risks in how we manage our finances to keep rates down, but it also means we can continue to deliver all our existing services and make progress on projects that are already under way.

We know that 16.9% is a massive increase - but we're also wary of deferring any more costs, as prices only go up.



## What are the alternatives?

There are a few areas that we could partially fund or take greater risks (we've provided examples of this throughout this document), however, we don't believe these options would be financially responsible. They would only make overall rates increase slightly smaller (lowering it to around 14.6%), and are likely to cause problems or even bigger increases in years to come.

If you think that those risks are worth taking and that we should kick these costs to the future for the sake of saving 2.3% this year, then we want to know about it.

If you can think of anything else we haven't considered to make significant savings that can be implemented as soon as 1 July (noting that we legally can't make drastic service cuts without a lengthy Long Term Plan review) then we'd also love to hear your ideas.

## Tell us what you think by 4pm on 26 May



The easiest way to share your thoughts is online at [mpdc.nz/haveyoursay](https://mpdc.nz/haveyoursay)



You can also email your submission to [info@mpdc.govt.nz](mailto:info@mpdc.govt.nz)



Or collect a hard copy submission form from any Council office or library

## Got questions?

For more information on what we're proposing check out [mpdc.nz/haveyoursay](https://mpdc.nz/haveyoursay) where you can view all the underlying documents and more. Or **join your local councillors for a coffee and kōrero** about the proposed rates increase and the plans for the year ahead:

### ONLINE

- 22 May, 7pm to 8pm
- Zoom - register at [mpdc.nz/annualplanchat](https://mpdc.nz/annualplanchat)

### MORRINSVILLE

- 18 May, 10am to 12pm
- Senior Citizen's Hall, 45 Canada St

### MATAMATA

- 19 May, 10am to 12pm
- Momento Espresso, 67 Arawa St

### TE AROHA

- 19 May, 12pm to 2pm
- Domain Cottage Café, Te Aroha Domain



## 7 Pūrongo me whakatau | Decision Reports

# 7.3 Forecasting Assumptions - Long-Term Plan 2024-34

CM No.: 2724836

## Rāpopotonga Matua | Executive Summary

The purpose of this report is to seek Council review of the draft Forecasting Assumptions for the Long Term Plan (LTP) 2024-34.

Council is required to prepare and adopt an LTP under the Local Government Act 2002 (LGA) every three years.

The draft forecasting assumptions are attached along with a paper from the Office of the Auditor General. This highlights key considerations for elected members, who need to ensure the best judgement and available data is applied to the assumptions used to prepare the LTP.

## Tūtohunga | Recommendation

That:

1. The information be received.
2. The Committee review the Significant Forecasting Assumptions for the Long-Term Plan 2024-34 and provide feedback.

## Horopaki | Background

### Introduction

The significant forecasting assumptions are a key building block to the LTP. A forecasting assumption is a fact or circumstance that Council accepts as true as it develops the LTP.

The LTP assumptions actively demonstrate a long-term focus, but as the past and present constrains the future this piece also demonstrates that the LTP is grounded in the present. An LTP will be driven off a wide range of assumptions. Two groups of **assumptions that are critical include assumptions about growth, and assumptions about climate change.**

Growth has three components, population growth, growth in the rating base (numbers of rating units and the size of the rating base) and growth in economic activity. These are quite different and can have different impacts. For example, some Councils have experienced depopulation but have also experienced growth in the forestry industry and accelerated demand for bridge and pavement replacement to cope with increased volumes of high axle weight traffic etc. Growth or decline in population or economic activity does not always have a linear relationship to changes in the level of demand for a service. The two should not be conflated.

As part of the LTP process, we need to weave future scenarios and assumptions regarding climate change and its impacts on the community into our plans. This includes weaving together assumptions about matters such as the frequency and severity of adverse weather events – with effects on the council (e.g. impacts on the network infrastructure) and the community (e.g. impacts in the local economy).

### Why are forecasting assumptions and risk analysis so important?

Forecasting assumptions are one of the building blocks of the LTP. This is an area 'armchair expert' readers will pay attention to, and their views on the quality of the assumptions will shape their views on the LTP.

Council's LTP forecasting assumptions must be:

- realistic
- evidence-based - especially where assumptions are outside industry norms • internally consistent with other assumptions
- applied consistently across the LTP and supporting documents (unless there is good reason not to and the difference in treatment and reason are both explained).

The LTP must identify all significant forecasting assumptions and risks underlying the financial estimates and, where there is a high level of uncertainty associated with particular assumptions, Council is required to set out the level of uncertainty and quantify the potential effect of the uncertainty on the financial estimates.

The appointed auditor is required to express a view on the quality of the forecasting assumptions in their Audit report on both the consultation document and the LTP proper.

### **Ngā Take/Kōrerorero | Issues/Discussion**

The draft assumptions are attached to this report.

It will be necessary to periodically review the assumptions to ensure that they still represent the best available information. This will be particularly important in the fluid policy and legislative environment and economic situation that form the backdrop to the 2024 LTP

There are a number of reviews and reforms progressing throughout the 2024 LTP process that could radically alter the direction of the LTP. Planning for contingencies will be critical in this LTP. Any reasonable assumption of future price change is better than no assumption (which effectively is assuming zero price change).

### Where do the forecasting assumptions get presented in the LTP?

Disclosures about assumptions are listed as required contents in several places in the LTP for example in the infrastructure strategy.

This does not necessarily mean multiple disclosures are required throughout the LTP. It is possible that some assumptions, such as the growth, demand, reform and climate change assumptions (or to be more accurate the council's response to these) could be significant enough to be key issues for inclusion at the front of the LTP.

### **Growth projections**

Up-to-date growth projections are required to assist Council in planning for its services and facilities (e.g. through updating activity plans and capital works programmes) and the funding of those services and facilities. Council typically reviews its growth projections every three years as part of the Long Term Plan process to ensure use of the most up-to date and accurate data available.

Council reviews the District's population projections every three years in line with the Long Term Plan (LTP). This ensures that our long term planning is based on the best available information at the time of developing our capital works program and financial forecasts.

Waikato Regional Council coordinates the regional projections via Te Ngira: Institute for Population Research.

These are used by all Future Proof councils (Waikato RC, Waikato DC, Hamilton City, Waipa DC and MPDC). Regional projections are based on the latest available Census data (reviewed every five years) and informed by the latest land use projections.

The Te Ngira projections represent a robust, consistent, accessible, and shared evidence-base to support planning and decision-making in the Waikato region. The projections use 2018 as the base year (the 2023 census information is not yet available) and have a 50-year horizon to 2068.

The demographic, economic, and land use projections include labour force, households, employment, value-added, and land use at regional, city/district, and Statistical Area 2 (SA2, about 3,000 – 6,000 people) level at annual intervals.

#### Growth Projections - need for growth projections

The Census is an important information source as it is literally the only source that presents information with any degree of accuracy for geographic areas smaller than a territorial authority. Council uses the projections data:

- to develop its forecasts of growth and demand for our services – these assumptions underpin our financial strategy, all of our asset and activity planning, and through those plans, our Long Term Plan,
- to inform the infrastructure strategy which requires consideration of population levels, land-uses, and rating unit growth for 30 years.
- as an information source in its monitoring of the achievement of council's community outcomes as required by the Local Government Act (there is a requirement to put any monitoring we do in the Annual Report).
- to develop its policy on development contributions – where significant errors in the available data could result in significant under-recovery of funds from the development community with flow on effects on Council rates
- to set the basis for developing our other strategies and policies
- to inform land-use planning - predominantly Councils District Plan
- to inform relevant policies and strategies, and asset management planning.

These projections are key assumptions that underpin our asset and activity planning, and through those plans, our LTP.

#### **Mōrearea | Risk**

All assumptions carry uncertainty. Where there is a high level of uncertainty, Council must state why. An estimate of the potential effects on the financial assumptions must also be provided. The level of uncertainty is determined by the likelihood of occurrence and the financial materiality.

This means there will be a variation in the levels of reliability in the forecasting for our plan. We have made a number of significant assumptions in preparations of the financial forecasts.

The assumptions are based on industry advice and best practice:

- Financial information has been prepared on best estimate assumptions regarding the potential for future events, economic shifts, and the local environment.
- Forecast cost indices will be based on advice from Business and Economic Research Limited (BERL) who forecast price level change indices adjusters for councils to use in long-term plans. These are used for both operating and capital budgets, based on a medium term view.
- Other assumptions have considered information from Te Ngira: Institute for Population Research (formerly NIDEA) and Statistics New Zealand.

Some of the proposed forecasting assumptions are more uncertain or provide greater risk than others. The key is to ensure this uncertainty and risk is adequately explained appropriately in the LTP. Key assumptions involving higher levels of risk may include:

- Assumptions about Council's delivery of water and wastewater services. It is uncertain as to exactly when the proposed three waters reforms will take effect, and based upon our current understanding of timelines, where central government have signalled transition to new entities by July 2026, but may be earlier. This means that the LTP is currently being based on the assumption that Council will continue to provide water and wastewater services – at least for the next few years;
- Assumptions about a changing climate - the impact on council's operations, service levels, and planned responses;
- Implementing new or known changes to regulation/legislative reform such as resource management.

### **Ngā Whiringa | Options**

There are some options around what significant assumptions Council discloses in the LTP and what its response is.

### **Ngā take ā-ture, ā-Kaupapahere hoki | Legal and policy considerations**

Schedule 10 of the Local Government Act 2002 requires that the Council identifies the significant forecasting assumptions and risks underlying the financial information set out in the LTP.

Where there is a high level of uncertainty the Council is required to state the reason for that level of uncertainty and provide an estimate of the potential effects on the financial assumptions. The level of uncertainty can be determined by reference to both the likelihood of occurrence and the financial materiality.

### **Ngā Pāpāhonga me ngā Wātaka | Communications and timeframes**

#### Process

- 31 May - Council workshop discussion on forecasting assumptions
- 13 June – Risk and Assurance meeting
- 28 June - Council to adopt forecasting assumptions (date to be confirmed).

There is no public communications planned around these significant forecasting assumptions. They will be incorporated into the LTP 2024-34.

### **Ngā take ā-lhinga | Consent issues**

There are no consent issues.

### **Te Tākoha ki ngā Hua mō te Hapori me te here ki te whakakitenga o te Kaunihera | Contribution to Community Outcomes and consistency with Council Vision**

#### **Key community outcomes:**

#### Connected Infrastructure

- Infrastructure and services are fit for purpose and affordable, now and in the future.
- Infrastructure and services are fit for purpose and affordable, now and in the future.





#### Economic Opportunities

- Our future planning enables sustainable growth in our District.
- We encourage community engagement and provide sound and visionary decision making.

## Pānga ki te pūtea, me te puna pūtea | Financial Cost and Funding Source

This work is covered within the LTP project budget.

## Ngā Tāpiritanga | Attachments

- A.  OAG guidance - forecasting assumptions  

- B.  LTP 2024-34 Significant Forecasting Assumptions - Draft Version 1 (*Under Separate Cover*)
- C.  Population Projections for LTP 2024-34 (*Under Separate Cover*)

## Ngā waitohu | Signatories

|             |  |  |
|-------------|--|--|
| Author(s)   | Niall Baker<br><b>Policy Team Leader</b>                           |  |
| Approved by | Erin Bates<br><b>Strategic Partnerships and Governance Manager</b> |  |

## Office of the Auditor-General

### 2021 Long-Term Plan Bulletin

<https://oag.parliament.nz/2021/ltp-bulletins/assumptions.htm>

## Assumptions underpinning your long-term plan

A long-term plan (LTP) can only be as good as the assumptions underpinning it. As an elected member, you need to ensure that the best judgement and available data is applied to the assumptions used to prepare your LTP. It is not possible to predict the future, but your underlying assumptions provide your council with reference points that help direct your community and organisation into the future.

### The importance of supportable and realistic assumptions

To provide effective leadership, elected members should have input at all stages of the LTP process, from planning to the final document. This includes consideration of, and agreement on, the significant assumptions underpinning the LTP. Having realistic and evidence-based assumptions is crucial to ensure that the LTP is based on the best available information at the time of its preparation, and it provides readers with the best possible insight into the future of their council and community.

Input for assumptions needs to be from both internal and external sources. Although there might be common assumptions across councils, it is important that your council applies its own specific knowledge when developing its assumptions. This will enable the assumptions to be sufficiently tailored to your council and for your LTP to reflect what is most likely to happen in your community.

You need to understand how the assumptions have been developed and what your council has used to support them. You should challenge management on what is there and what might be missing.

You and your colleagues will adopt the significant assumptions before adopting the consultation document. Therefore, they will become your assumptions – you need to understand and be prepared to explain and stand by them.



## The significant assumptions to focus on

The future is uncertain and transparency about the potential impact of that uncertainty is important in preparing the LTP. For the 2021-31 LTP, matters such as Covid-19, the future impacts of climate change, and the three waters reforms will be front of mind. They create additional uncertainty. Your council will need to develop assumptions to cover each of these matters.

Some of your council's significant assumptions are more uncertain or provide greater risk than others. The more risky and uncertain the assumption, the more focused attention and challenge you should apply to it. You should ensure that this uncertainty and risk is adequately explained in your LTP. Key assumptions underpinning your LTP are likely to include:

- the Covid-19 downturn and recovery assumptions. These will affect other assumptions, such as those related to population growth, other demand changes, and funding sources (including revenue from your council-controlled trading organisations). Although the full implications of Covid-19 are still unclear, and will remain so for some time, it is likely that some of the assumptions councils previously made about the future (for example, in the 2020/21 annual plan) will need to be revisited. We will cover other Covid-19-related issues in our next bulletin;
- your council's assumptions about a changing climate. Your LTP should reflect how the expected effects of the changing climate will impact your council's operations, service levels, and planned responses;
- for territorial authorities, assumptions about your council's delivery of water and wastewater services. It is uncertain how, and to what extent, the proposed three waters reforms will take effect, and based upon our current understanding of timelines, this is not expected to be resolved by 30 June 2021. This means that your LTP should be based on the assumption that your council will continue to provide water and wastewater services;
- your council's asset assumptions. Your LTP should contain maintenance and renewal forecasts that are based on realistic and reliable information about asset condition and performance;
- your council's ability to deliver its planned capital expenditure. The impact on your council's planned levels of service and its flow-on impacts on forecast debt and rates funding means that it is essential the LTP's forecast capital programme is achievable; and
- implementing new or known changes to regulation. For example, the recently released National Policy Statements on Freshwater Management and Urban Development and, in particular, how

regulatory changes might affect the levels of service your council is required to provide.

Some of these assumptions – such as your council’s plans to recover from the Covid-19 downturn and climate change – might be of great interest to your community. Be prepared to engage with your community on these and the other assumptions that you approve.

## Questions for elected members when considering the significant assumptions

- What process has your council carried out to identify its significant assumptions? Are you satisfied that the significant assumptions are comprehensive and robust, and there is nothing missing?
- Are you satisfied that there is appropriate evidence to support the significant assumptions?
- Are you satisfied that management has applied the assumptions consistently across the LTP (including in the financial and infrastructure strategies), consultation document, and other underlying information?
- Do you have enough information on your council’s assumptions to be able to engage with your community on them?



## 8 Ngā Pūrongo Whakamārama | Information Reports

### 8.1 Adoption of Annual Report 2021/22

CM No.: 2724815

#### Rāpopotonga Matua | Executive Summary

The Local Government Act 2002 (LGA) requires Council to adopt its Annual Report and Summary by 31 October each year. However the Annual Report for 2021/22 was presented late for adoption due to the impacts of Covid and the workload pressures on our Auditors which has extended the Audit process.

Audit Director, René Van Zyl of Audit New Zealand was in attendance at the adoption of the Annual Report at the Council meeting on 26 April to present the audit opinion for the Annual Report.

This report covers the following items;

- a. the Annual Report and Summary 2021/22
- b. the Audit Opinions for the Annual Report and Summary 2021/22
- c. the warrant of fitness for the Annual Report and Summary 2021/22
- d. the letter of representation for the Annual Report and Summary 2021/22
- e. the misstatement schedule from the Annual Report final audit
- f. the Auditor's Independent Assurance Report for the Debenture Trust Deed
- g. the letter of representation for the Debenture Trust Deed

Also attached to this report is the draft timeline for the 2022/23 Annual Report and Audit Engagement Letter. René Van Zyl will be in attendance to provide an update.

#### Tūtohunga | Recommendation

That:

1. The following documents be received:

- a. the Audit Opinions for the Annual Report and Summary 2021/22
- b. the warrant of fitness for the Annual Report and Summary 2021/22
- c. the letter of representation for the Annual Report and Summary 2021/22
- d. the misstatement schedule from the Annual Report final audit
- e. the Auditor's Independent Assurance Report for the Debenture Trust Deed
- f. the letter of representation for the Debenture Trust Deed
- g. the Annual Report and Summary 2021/22
- h. the 2022/23 Annual Report timeline

#### Horopaki | Background

The LGA requires Council to adopt the Annual Report and Summary by 31 October each year. Due to COVID-19 there was an extension provided under legislation until 31 December 2022. Workload pressures experienced by our Auditors has also meant that the 2021/22 Annual Report was presented late for adoption on 26 April as the Audit process was extended.

Preparations for the 2022/23 Annual Report are currently underway. Due to the late adoption of the previous year's Annual Report, Audit has created tighter deadlines for the audit of the 2022/23 Annual Report. The revised timeframes are reflected in the attached timeline.

## Ngā Take/Kōrerorero | Issues /Discussion

The Warrant of Fitness (WOF) which is attached to this report has proven to be a useful tool for staff to check that significant matters have been considered in the preparation of the Annual Report. It is intended to provide some assurance to Council in this regard.

The Warrant of Fitness section 13 is to be completed by elected members.

The representation letters, sets out the Council's responsibilities under the LGA to report on the Council's financial position and activities; and quality of information presented in the Annual Report and Annual Report Summary.

The letters provides assurances to Audit in relation to the following requirements, which to the best of their knowledge, Council are of the opinion have been met:

- General responsibilities relating to the Councils actions
- Responsibilities for the financial statements and the statement of service performance
- Responsibilities to provide information
- Confirmation that Council is a going concern
- Responsibilities for the information presented in the Annual Report Summary
- Publication of information on our website.

The schedule of misstatements circulated separately, sets out the errors noted by Audit and those changes identified by staff in their QA process. Staff will be in attendance to discuss these with Council. Council's auditors will also be able to provide their view on the nature of the misstatements. Council should note that all misstatements as listed have been corrected, unless stated otherwise.

In regards to the 2022/23 Annual Report, Audit has proposed a shorter timeframe for the Audit process. Audit has asked that staff have the draft Annual Report prepared by the 11<sup>th</sup> of September 2023.

Due to the short timeframe allotted for the Audit process and internal constraints, there will be two interim audits. The first interim audit is from 12 June – 23 June, and the second audit is from 24 July – 4 August. This audit will focus on MPDC's trail balance and general ledger up to 30 June. There will also be a pre-final audit from 28 August to 8 September, which will require staff to provide draft financials and performance measure results.

One of the primary reasons for having two interim audits is due to a current shortage of valuers, hence asset valuations will be provided later in the pre-final audit.

## Ngā take ā-ture, ā-Kaupapahere hoki | Legal and policy considerations

- There are no legal or policy issues.
- The Annual Report measures our performance against the Long Term Plan 2021-31.

## Ngā Pāpāhonga me ngā Wātaka | Communications and timeframes

The Annual Report and its Summary was adopted by Council 26 April 2023. The adopted documents will be made public on the Council website within one month of adoption, and publicly notified in the local newspapers.

## Te Tākoha ki ngā Hua mō te Hapori me te here ki te whakakitenga o te Kaunihera | Contribution to Community Outcomes and consistency with Council Vision

### Council Vision

The Annual Report monitors progress towards all our community outcomes.











### Pānga ki te pūtea, me te puna pūtea | Financial Cost and Funding Source

The production of the Annual Report and Summary has a budget of \$7,000. Annual Report audit fees have a budget of \$125,000.

#### ii. Funding Source

The Annual Report cost is provided for within the Strategies and Plans activity budgets. The Annual Report and audit are funded from general rates.

### Ngā Tāpiritanga | Attachments

- A.  Annual Report Summary 2021-2022 Signed 26 April 2023
- B.  ANNUAL REPORT 2021/22 (*Under Separate Cover*)
- C.  Warrant of Fitness (WOF) - Financial - Annual Report 2021 22 (*Under Separate Cover*)
- D.  Finalised Legislative Warrant of Fitness Compliance (WOF) 2021-22 Updated 22 April 2023 (*Under Separate Cover*)
- E.  Debenture Trust Deed Representation Letter (*Under Separate Cover*)
- F.  SAR Letters of REP (*Under Separate Cover*)
- G.  AR Letters of Rep (*Under Separate Cover*)
- H.  MPDC Limited independent assurance report - Debenture Trust Deed (*Under Separate Cover*)
- I.  Annual Report 2022-23 Timeline
- J.  Audit Engagement Letter - MPDC (*Under Separate Cover*)

### Ngā waitohu | Signatories

|             |  |  |
|-------------|--|--|
| Author(s)   | Christa Kurian<br><b>Graduate Policy Advisor</b>                   |  |
| Approved by | Niall Baker<br><b>Policy Team Leader</b>                           |  |
|             | Erin Bates<br><b>Strategic Partnerships and Governance Manager</b> |  |









## WELCOME – MESSAGE FROM THE MAYOR

I am honoured to have been elected as Mayor of the Matamata-Piako District and want to extend my thanks to everyone who voted for me.

Local government is facing a number of challenges right now, with major reforms underway. But I want to assure the community that I am ready to lead our district through those challenges to get the best possible outcomes for this community. I'm surrounded by a team of passionate Councillors, with a mix of experience and fresh ideas which includes the addition of our Māori ward Councillor from Te Toa Horopū ā Matamata-Piako Ward.

This is the first Annual Report that reports on our progress on the 2021 – 2031 Long Term Plan (LTP). The LTP was a plan grounded in reality, with higher rates increases than in previous years – reflecting the true costs of delivering our services to the standards that our residents and ratepayers expect.

While no one likes rates increases, I like to think that people valued that we were really transparent in the planning process, and gave the community lots of opportunities to influence our plans. We tried hard to strike a balance between keeping rates affordable, while still driving the community forward – and this Annual Report shows we're delivering on that.

Our revenue and patronage at our facilities around the district was down due to COVID-19 lockdowns and restrictions – but they were still higher than we had predicted, and the facilities continue to get positive feedback from the community. We are starting to see the visitors return to the district and are looking forward to seeing these facilities start to thrive again.

2021/22 saw two major projects wrapped up, with the re-opening of Headon Events Centre in Matamata and the opening of the Morrinsville River Walk extension. Both of these projects were years in the making and experienced delays due to COVID-19, so seeing them both up and running and well used feels like a major achievement! There were several other, smaller projects completed as well, which you'll find documented throughout this report.

2021/22, as 'year one' of the LTP, also saw the ground work underway for a number of larger projects that will continue over the years to come. The Governance Group was established for the Te Aroha Spa project, and a Project Manager appointed. We made good progress on the additional water supply for Morrinsville. We co-designed a master plan for the Morrinsville Rec Grounds, which will guide our planning and spending in years to come. And we kicked off the Pride of Place project, which aims to get all three of our town centres buzzing. I'm excited to watch these projects progress over the next 12 months.

In reflecting on the last year, I want to thank the outgoing Mayor and Councillors. Their forward thinking and practical decision making have left us in good stead to tackle the challenges ahead – and with rising inflation, supply chain issues, a tight labour market and reforms from central government, I have no doubt that the next few years will be challenging. But I'm looking forward to working alongside this community to face those challenges together, and ensure Matamata-Piako continues to grow and thrive.

Mayor Adrienne

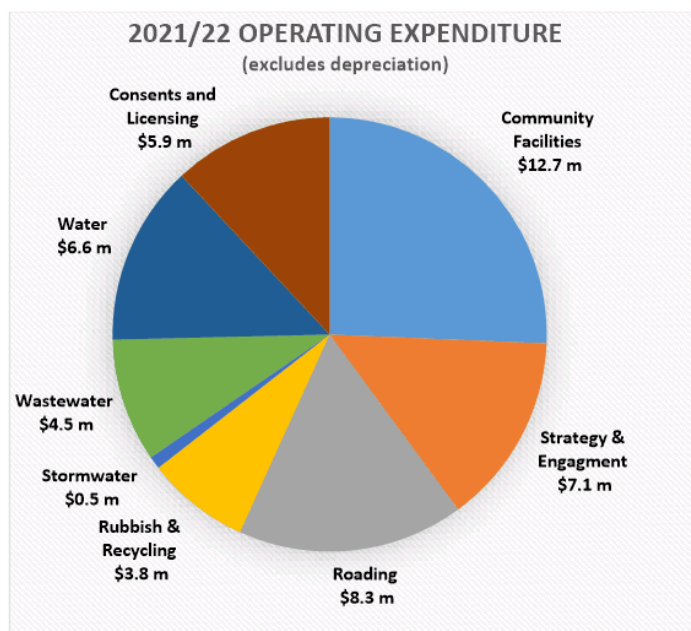


This summary has been prepared in accordance with PBE FRS 43 (summary financial statements), and does not include all of the information provided in the full Annual Report, and for this reason cannot be expected to provide a complete understanding of Council's performance as provided by the Annual Report. The financial statements contained in the Annual Report comply with GAAP (Generally Accepted Accounting Practice). The financial statements in the Annual Report have been prepared in accordance with Tier 1 Public Benefit Entity (PBE) Accounting Standards. The Annual Report has been audited by our independent auditors, Audit New Zealand. They have issued an unmodified audit opinion. The financial statements and this summary were authorised for issue by Council on 26 April 2023. The Annual Report 2021/22 is available to view at our offices or libraries in Matamata, Morrinsville and Te Aroha. If you would like a copy of the Annual Report you can download it at [mpdc.govt.nz](http://mpdc.govt.nz). Specific disclosures included in the summary financial statements have been extracted from the full financial statements.

## TE RĀPOPOTONGA Ā-PŪTEA | FINANCIAL SUMMARY

|  | Restated Actual<br>2020/21* | Budget 2021/22 | Actual 2021/22 |
|--|-----------------------------|----------------|----------------|
|  | \$000                       | \$000          | \$000          |
| <b>Summary statement of comprehensive revenue and expense for the year ended 30 June</b> |                             |                |                |
| Revenue  | 71,958                      | 61,466         | 74,149         |
| Expenses   | (61,884)                    | (57,715)       | (66,837)       |
| Finance costs  | (1,127)                     | (1,150)        | (1,168)        |
| <b>Net surplus/(deficit)</b>   | <b>8,947</b>                | <b>2,601</b>   | <b>6,144</b>   |
| <b>Other comprehensive revenue and expense</b>   |                             |                |                |
| Financial assets at fair value through other comprehensive revenue and expense           | 6,128                       | -              | 9,843          |
| Property, plant and equipment revaluation  | 100,683*                    | 21,394         | 89,860         |
| <b>Total other comprehensive revenue and expense</b>                                     | <b>106,811</b>              | <b>21,394</b>  | <b>99,703</b>  |
| <b>Summary statement of changes in equity for the year ended 30 June</b>                 |                             |                |                |
| Balance at 1 July  | 654,461                     | 693,044        | 770,219        |
| Total comprehensive revenue and expense  | 115,758*                    | 23,995         | 105,847        |
| <b>Balance at 30 June</b>  | <b>770,219</b>              | <b>717,039</b> | <b>876,066</b> |

\* Some balances from the 2020/21 financial statements have been restated. Refer to the prior period adjustments disclosure in note 5 for more detail.





Explanations for major variations between the actual results for the year and the budget in Council's Long Term Plan for 2021-22 are as follows:

#### STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

The financial statements show a surplus of \$6.1 million compared to a budgeted surplus of \$2.6 million. There are a few factors that have had a significant impact on this result, both positively and negatively;

- In a continuing theme from the last three years, this year's financial results reflect the unprecedented level of development happening within our district. This was in the form of assets vested in Council through the subdivision process of just over \$6 million, and development contributions received being \$1.8 million higher than budgeted (with both items reflected as income in Council's books). In response to this level of development, Council incurred additional net costs of \$300,000 to keep up with the huge demand for processing of building and resource consents, as well as additional resource and financial pressure on a number of activities across Council to support this level of development activity.
- The New Zealand economy has shifted significantly over the last year, with the highest levels of inflation we have seen in many years, and interest rates starting to climb again. These economic factors have impacted our bottom line significantly in two ways; increasing construction costs have pushed up the replacement cost of Council's infrastructure assets significantly, increasing our depreciation expense for the year by \$3.8 million compared to budget. And the turnaround in longer dated interest rates saw the book valuation of Council's interest rate swap portfolio increase by just over \$3 million over the year, which increases the reported surplus for the year.
- Council was the fortunate recipient of a \$500,000 private donation that Council has since allocated to revitalise the Thomas Park playground in Morrinsville.

In terms of Council's business as usual activities, there are two continuing areas of operating pressure;

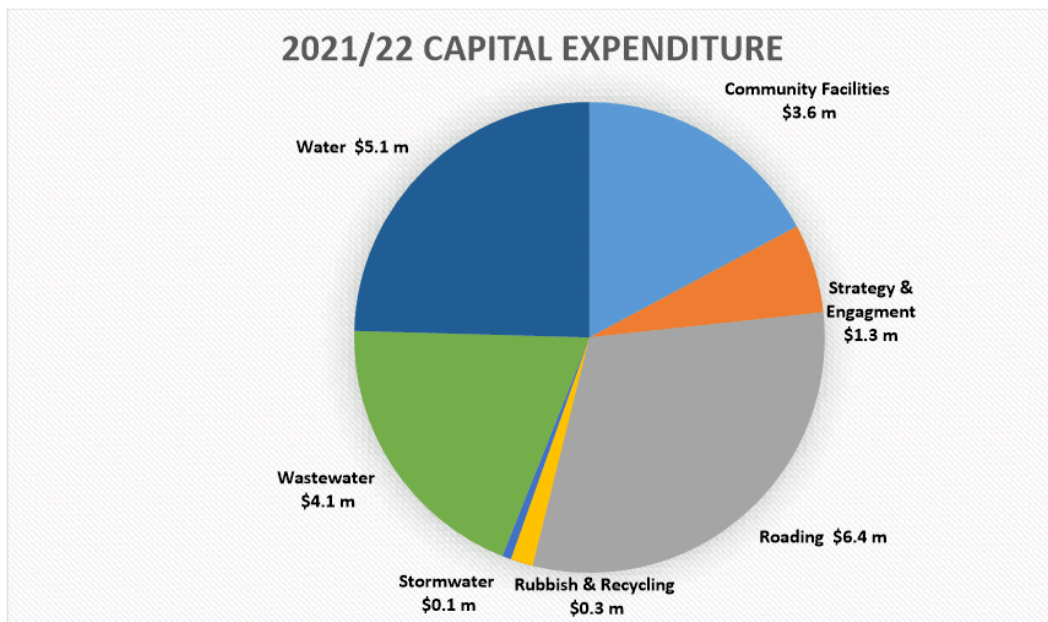
- In the Water activity, treatment plant costs have continued to escalate including compliance costs and chemicals, resulting in spending \$750,000 higher than budgeted. These additional compliance costs are being driven by higher standards required by the new Water Regulator, Taumata Arowai, and higher chemical costs are a result of the current market conditions. Coupled with increasing costs is that the volume of metered water for the year was significantly less than budgeted (in part due to water restrictions over the summer period), resulting in less income of \$561,000, and an overall deficit for this activity of \$1.3 million.
- For rubbish and recycling, the budgeted income from the sale of rubbish bags was \$229,000 under budget, and fees from the Transfer Stations were \$174,000 less than budgeted. This is a difficult area to budget with any certainty given the income stream is dependent on consumer behaviour.

Personnel costs were \$636,000 more than budgeted for the year, due to increasing annual leave balances of staff, and due to some unbudgeted positions including for activities under pressure from the significant level of development in the district, and for the Domain House Beauty operation and the Placemaking activity.



|  | Restated Actual<br>2020/21* | Budget 2021/22 | Actual 2021/22 |
|--|-----------------------------|----------------|----------------|
|  | \$000                       | \$000          | \$000          |
| <b>Summary statement of financial position as at 30 June</b>     |                             |                |                |
| Current assets   | 13,932                      | 12,883         | 22,421         |
| Non-current assets   | 797,500*                    | 750,042        | 905,420        |
| <b>Total assets</b>  | <b>811,432</b>              | <b>762,925</b> | <b>927,841</b> |
| Current liabilities  | 11,628                      | 11,927         | 16,982         |
| Non-current liabilities  | 29,585                      | 33,959         | 34,793         |
| <b>Total liabilities</b>   | <b>41,213</b>               | <b>45,886</b>  | <b>51,775</b>  |
| Accumulated funds  | 437,181                     | 462,461        | 439,243        |
| Other reserves   | 333,038*                    | 254,578        | 436,823        |
| <b>Equity</b>  | <b>770,219</b>              | <b>717,039</b> | <b>876,066</b> |
| <b>Summary statement of cashflows for the year ended 30 June</b> |                             |                |                |
| Net from operating activities                                    | 19,248                      | 17,742         | 15,782         |
| Net from investing activities                                    | (20,354)                    | (25,437)       | (20,330)       |
| Net from financing activities                                    | -                           | 7,699          | 11,500         |
| <b>Net increase/decrease in cash held</b>                        | <b>(1,106)</b>              | <b>4</b>       | <b>6,952</b>   |
| Opening cash balance   | 4,292                       | 618            | 3,186          |
| <b>Closing cash balance</b>                                      | <b>3,186</b>                | <b>622</b>     | <b>10,138</b>  |

\* Some balances from the 2020/21 financial statements have been restated. Refer to the prior period adjustments disclosure in note 5 for more detail.



5

Explanations for major variations between the actual results for the year and the budget in Council's Long Term Plan for 2021-22 are as follows:

#### STATEMENT OF FINANCIAL POSITION

Council's statement of financial position continues to show a healthy financial footing, despite some of the increasing economic pressures on our operations.

Current assets were higher than budgeted largely due to additional cash being held from the pre-funding of debt due to mature in April 2023 and higher receivables and prepayments at 30 June 2022. Non-current assets were significantly higher than budget due to a few major factors. Firstly, inflationary pressures and market conditions have pushed up the replacement cost and valuation of Council's Roding and Three Water assets significantly over the year. In addition we've had a higher level of assets being vested in Council than budgeted over this and previous years as well. And the value of Council's investment in the Waikato Regional Airport has increased \$16 million since the budget was adopted.

Current liabilities were slightly higher than budgeted, particularly payables due to the timing of projects and contract payments falling due, and employee entitlements were higher due to increased annual and long service leave balances. Non-current liabilities were largely in line with budget, notwithstanding the pre-funded debt that is due to be repaid in April 2023.

#### ADDITIONAL DISCLOSURES AND ACCOUNTING POLICIES

Matamata-Piako District Council (the Council) is a local authority established under 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 Council provides local infrastructure, local public services, and performs regulatory functions to the community. Council has designated itself as a Public Benefit Entity (PBE) for financial reporting purposes.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

##### 1. Changes in accounting policies

###### *Amendment to PBE IPSAS 2 Cash Flow Statement*

An amendment to PBE IPSAS 2 Cash Flow Statements requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. No further disclosure has been required in respect of this amendment this year, as Council's financing activities are limited to secured borrowings, for which the non-cash movement for accrued interest is trivial.

There have been no other changes to accounting policies during the financial year.

##### 2. Capital commitments

At 30 June 2022, Council have commitments of \$4.5 million for projects where contracts have been entered into but goods or services have not been received (2021: \$5.45 million).

##### 3. Contingent liabilities

###### **Local Government Funding Agency**

Council is a guarantor of the New Zealand Local Government Funding Agency Limited (LGFA). The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand. LGFA has a local currency rating from Fitch Ratings and Standard and Poor's of AAA and a foreign currency rating of AA+.

As at 30 June 2022, LGFA has 30 local authority shareholders and Matamata-Piako District Council is one of 68 local authority guarantors of the LGFA. Together with the other shareholders and guarantors, Council is a guarantor of all of LGFA's borrowings. At 30 June 2022, LGFA had borrowings totalling \$15.8 billion (2021: \$13.6billion).

The LGFA's borrowing of \$15.8 billion is made up of the following (\$'000's):

|  |              |
|--|--------------|
| Fair value of bonds on issue   | \$15,105,000 |
| Accrued interest on bonds on issue                                   | \$87,681     |
| Bills on issue   | \$565,000    |
| Treasury stock lent to counterparts under bond repurchase agreements | \$31,671     |

Financial reporting standards require Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. Council considers the risk of LGFA defaulting on repayment of interest or capital to be very low on the basis that:

- We are not aware of any local authority debt default events in New Zealand; and
- Local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

#### Te Aroha wastewater resource consent

Under the resource consent issued by Waikato Regional Council for the Te Aroha Wastewater Treatment Plant during 2016, if Council fails to meet annual nitrate discharge conditions as per the consent, then an annual sum of \$15,000 will be payable to the local Wetlands Trust.

#### 4. Events after balance date

##### Water services reform programme

The New Zealand Government is implementing water services reform that is intended to ensure all New Zealanders have safe, clean and affordable water services. Government believe this will be achieved by establishing new public entities to take on the delivery of drinking water, wastewater and stormwater services across New Zealand. The reform will be enacted by three pieces of legislation:

- The Water Services Entities Act 2022 which contains the water entities' ownership, governance and accountability arrangements. This act received royal assent on 14 December 2022.
- The Water Services Bill to enable the transfer of these assets and liabilities to the water services entities, is currently before Parliament.
- Water Services Economic Efficiency and Consumer Protection Bill, which will provide the economic regulation and consumer protection framework for water services. It is currently at select committee stage.

On 13 April 2023, the Government announced further proposed amendments to the number of water services entities and to stagger their establishment dates starting from early 2025, with all the water services entities to be established by 1 July 2026. The timing of the transfer of assets and liabilities is therefore uncertain until amendments to existing legislation are passed.

Council continues to recognise its three waters assets in accordance the accounting policies set out in note 12 to the financial statements. There has been no adjustment in these financial statements to reflect the expected future transfer of assets to the new water entity. It is expected central government will develop details around the mechanism for the transfer of the water assets. As further details are established this may require adjustments to Council's three water assets either in respect of disclosure or measurement.

## 5. Prior period adjustments

When reviewing the 1 July 2021 valuation report, it has been identified that our fair value assessment as at 30 June 2021 did not take into consideration all the information available to Council, and that as at 30 June 2021 a revaluation of the roading assets should have occurred. As a result, the carrying value of roading assets within property, plant and equipment, and the property, plant and equipment revaluation movement were materially understated. The comparative figures for 30 June 2021 have been restated and the following table summarises the impact of the prior period error on the financial statements:

| 30 June 2021   | As previously reported<br>\$000 | Adjusted<br>\$000 | As restated<br>\$000 |
|--|---------------------------------|-------------------|----------------------|
| Summary statement of comprehensive revenue and expense |                                 |                   |                      |
| Property, plant and equipment revaluations             | 29,395                          | 71,288            | 100,683              |
| Total other comprehensive revenue and expense          | 35,523                          | 71,288            | 106,811              |
| Summary statement of changes in equity                 |                                 |                   |                      |
| Total comprehensive revenue and expense                | 44,470                          | 71,288            | 115,758              |
| Balance at 30 June                                     | 698,931                         | 71,288            | 770,219              |
| Summary statement of Financial Position                |                                 |                   |                      |
| Non-current assets                                     | 726,212                         | 71,288            | 797,500              |
| Total assets   | 740,144                         | 71,288            | 811,432              |
| Other reserves   | 261,750                         | 71,288            | 333,038              |
| Equity   | 698,931                         | 71,288            | 770,219              |

## TE RĀPOPOTANGA INENGA MAHI | PERFORMANCE SUMMARY

In 2021/22 we focused on maintaining our services to support our community while making sure cost increases were kept affordable. We delivered our extensive range of activities, services and projects to similar levels as detailed in the Long Term Plan 2021-31, and to a similar standard as previous years.

Our performance measures are measured through an Annual Customer Survey and other surveys, external data reports and our customer request management system. Overall we achieved 31 out of 61 of our measures (51%), this is a decrease of over 17% from last year. Three were not measured this financial year, and two were partly achieved / not achieved. Details of how we performed for each of our activities is outlined in the Annual Report. The graph below is a summary of each of our activity groups.

### CUSTOMER SURVEY

The purpose of our Annual Customer Survey is to gauge residents' perception of performance for our services and facilities. The survey is undertaken by an independent research company who conduct telephone and online interviewing of randomly selected residents. The sample size is selected based on the latest population demographic information from Census. This year our sample size was 400 randomly selected residents, from the three wards – Matamata, Morrinsville and Te Aroha, with weighting applied for age and gender. This sample group gave us a margin of error of +/- 4.90% at the 95% confidence interval. In other words, if this survey were to be repeated again with a different set of randomly selected respondents at a similar time, there would be a very high probability that the results would be within 5% of the original results.

### COMMUNITY FACILITIES AND PROPERTY

Council activities focused on recreational and cultural opportunities in the district. This includes providing services and assets such as Libraries, Swimming Pools, Parks and Reserves, Public Amenities, Housing for older persons, and Council offices.

### INFRASTRUCTURE

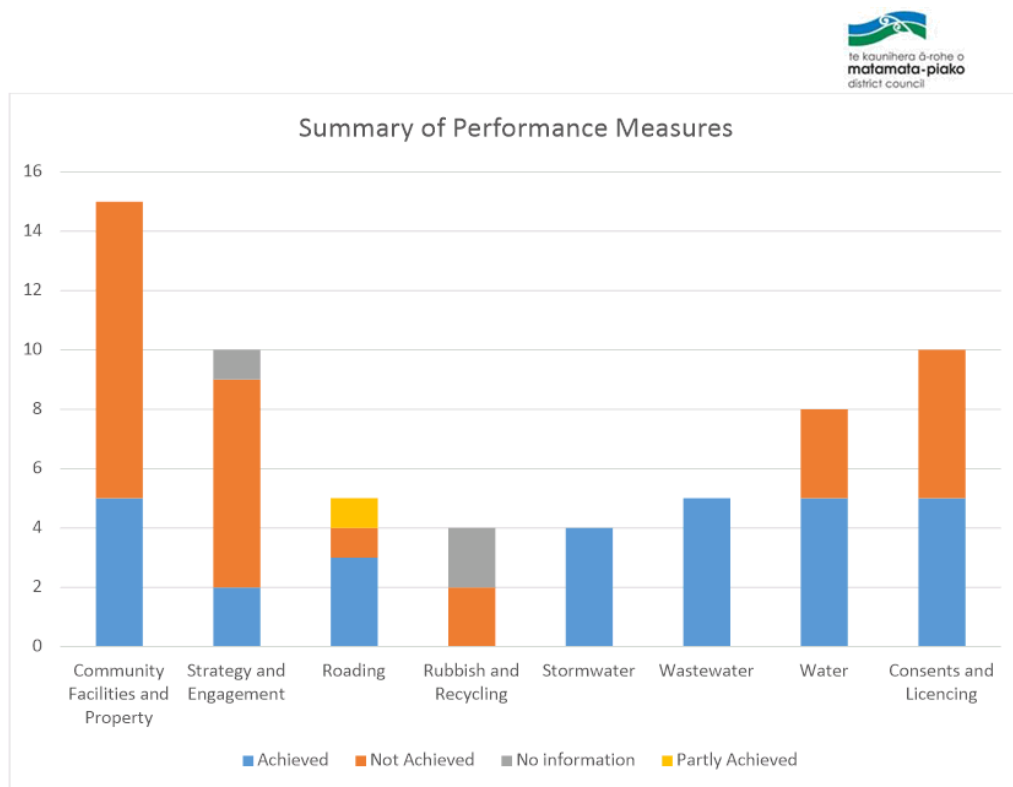
Represents many of the responsibilities that Council has historically managed, including Roothing, Rubbish and Recycling, Stormwater, Wastewater (sewage and the grey water that goes down your drains) and Water.

### STRATEGY AND ENGAGEMENT

This is about making good decisions for the future of our community. The activities responsible for this are Civil Defence, Communications and Events, Community Leadership and Strategies and Plans.

### CONSENTS AND LICENSING

Focuses on our regulatory functions we have an obligation to perform under legislation. These are Animal Control, Building Consents and Monitoring, Licensing and Enforcement, and Resource Consents and Monitoring.







## ANNUAL REPORT DISCLOSURE STATEMENT FOR THE YEAR ENDING 30 JUNE 2022

### What is the purpose of this statement?

The purpose of this statement is to disclose the Council's financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings. The Council is required to include this statement in its Annual Report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information including definitions of some of the terms used in this statement.

### Rates affordability benchmark

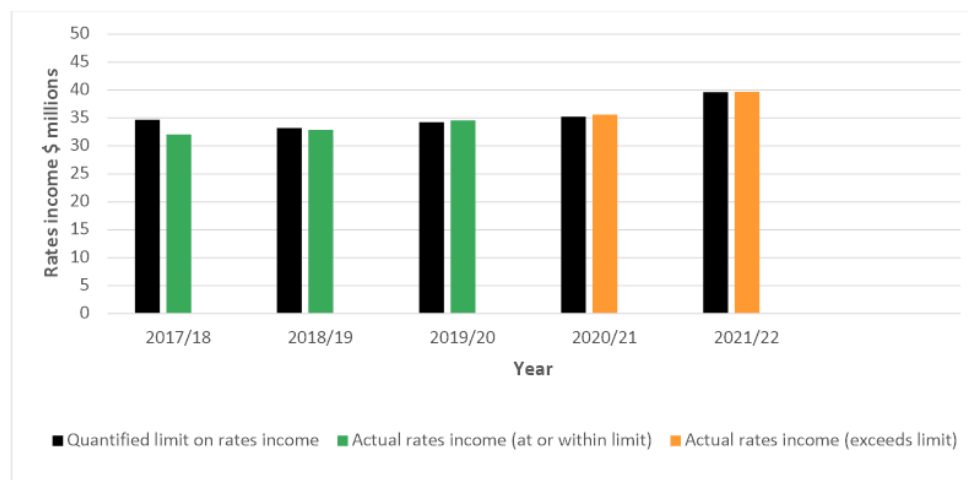
The Council meets the rates affordability benchmark if:

- Its actual rates income equals or is less than each quantified limit on rates;
- Its actual rates increases equal or are less than each quantified limit on rates increases.

### Rates (income) affordability

The following graph compares the Council's actual rates income with a quantified limit on rates contained in the financial strategy included in the Council's Long Term Plan.

The quantified limit from the financial strategy included in the 2021-31 LTP is: Annual rates income<sup>1</sup> will not increase by more than 6%, other than for year 1 (2021/22) and year 3 (2023/24) where the forecast increases are 11.73% and 11.81% respectively.



### Comment:

*The limit on rates income for 2021/22 was set at \$39.644 million. Actual rates income (excluding penalties and metered water revenue) was \$39.683 million. In the process of preparing the annual budget, Council makes an assumption for the additional value expected to be added to the rating base (ie due to subdivisions or new*

<sup>1</sup> For the purposes of this calculation, rates revenue excludes penalties (which are not budgeted for) and the rate revenue from metered water supplies (the majority of which came from a few large industrial users). These items are excluded as the level of revenue received is not within Councils' direct control.

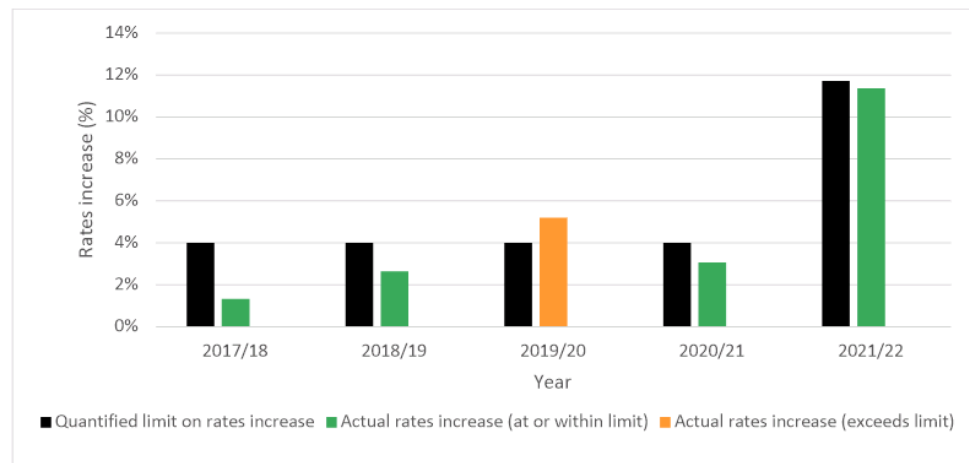


*builds/improvements) that will be captured in time for the calculation of the rates strike at 1 July the following financial year. The amount of growth in the rating base at 1 July 2021 exceeded the level expected, resulting in slightly more rates income than budgeted. The same happened for the previous year.*

#### Rates (increases) affordability

The following graph compares the Council's actual rates increases with a quantified limit on rates increases included in the financial strategy in the Council's Long Term Plan.

The quantified limit from the financial strategy included in the 2021-31 LTP is: Annual rates increases<sup>2</sup> will not be more than 6%, other than year 1 and 3 where the limits are set at 11.73% and 11.81% respectively.



#### Comment:

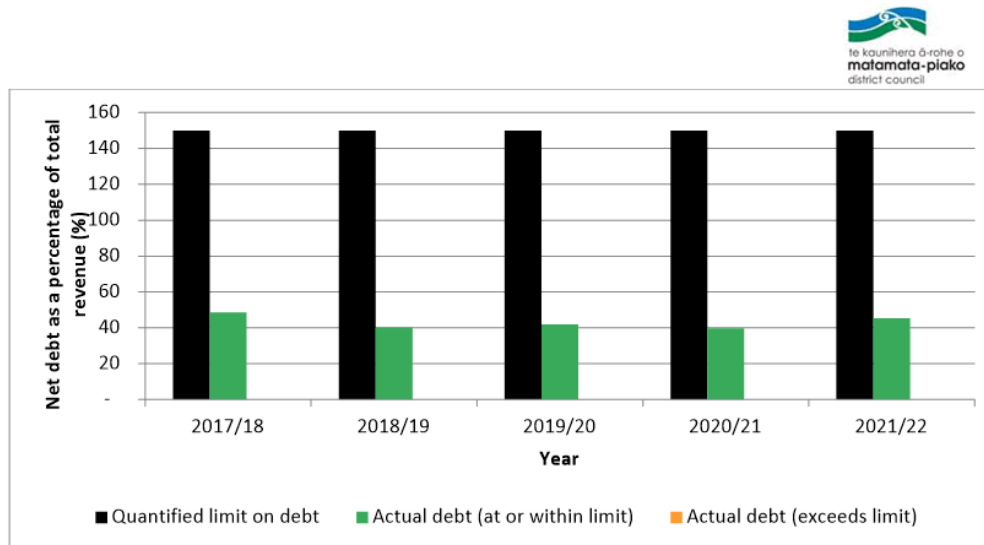
*For 2021/22, total rates increased 11.37% on the last financial year, so within the limit set out in the Financial Strategy for 2021/22 of 11.73%. For 2020/21, total rates increased 3.06% on the last financial year, so within the Financial Strategy limit of 4%. The actual rates increase (excluding penalties and metered water revenue) for 2019/20 was 5.2%, compared to the Financial Strategy limit of 4%, due to growth in the rating base at 1 July 2019 exceeding the level expected, resulting in rates increasing more than budgeted.*

#### Debt affordability benchmark

The Council meets the debt affordability benchmark if its actual borrowing is within the quantified limit on borrowing. The following graph compares the Council's actual borrowing with the quantified limit on borrowing stated in the Financial Strategy included in the Council's Long Term Plan. The quantified limit is: Net debt as a percentage of total revenue will not exceed 150%<sup>3</sup>.

<sup>2</sup> For the purposes of this calculation, rates revenue excludes penalties (which are not budgeted for) and the rate revenue from metered water supplies (the majority of which came from a few large industrial users). These items are excluded as the level of revenue received is not within Councils' direct control.

<sup>3</sup> Consistent with our Liability Management Policy;  
- Net debt is calculated as external debt less cash, bank deposits and investments realisable in the short term  
- Total revenue excludes development and financial contributions, vested and found assets and other gains.

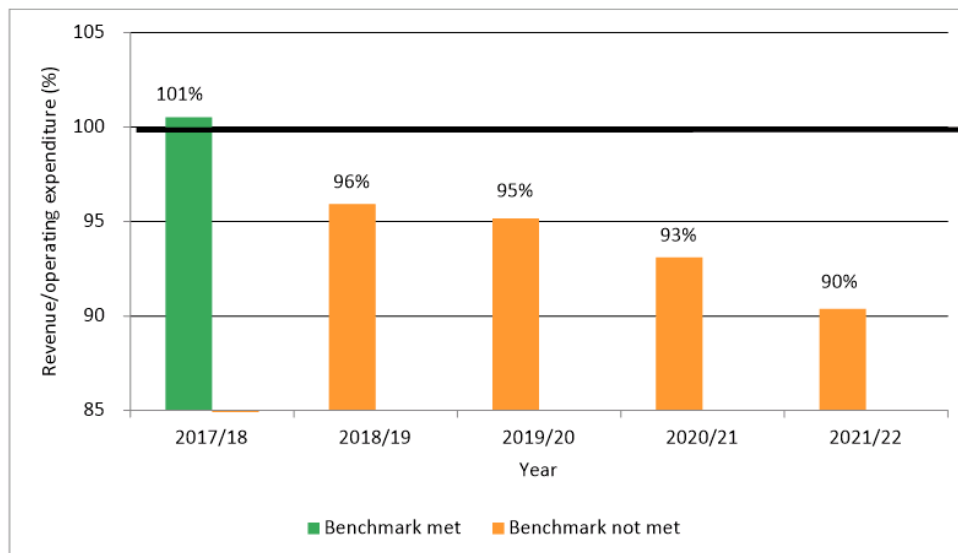


**Comment:**

Council's net debt as a percentage of total revenue sits at 45% at 30 June 2022 and has remained well below the limit of 150% for the last five years. The limit of 150% is considered (by independent professionals) to be a prudent limit for a council of our size and nature.

**Balanced budget benchmark**

The following graph displays the Council's revenue (excluding development contributions, financial contributions, vested and found assets, gains on derivative financial instruments, and revaluations of property, plant or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant or equipment). The Council meets this benchmark if its revenue equals or is greater than its operating expenses.



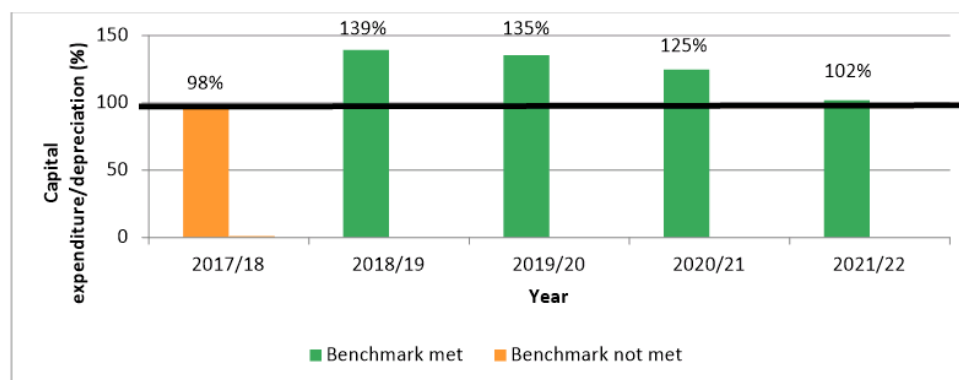
**Comment:**



When budgeting, Council aims for operating expenses to be covered by operating revenue - to "break even". For accounting purposes, when we replace assets like pipes and reseal roads, the old replaced assets are "disposed of" and the "loss" from doing so is recorded as "operating expenses". Council does not rate to cover this. At the same time, operating revenue also includes subsidies that Council receives to maintain and replace roading in the district. This revenue is included in operating, however the cost is not reflected as an operating expense - it is capital expenditure.

#### Essential services benchmark

The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services. The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.

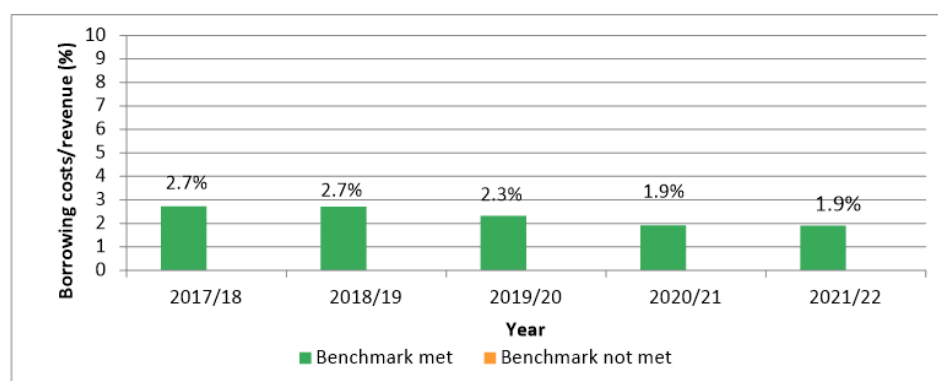


#### Comment:

Council's capital spending is not programmed on a straight-line basis consistent with depreciation. Over the five years shown, the capital spend averages 120% of depreciation.

#### Debt servicing benchmark

The following graph displays the Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment). Because Statistics New Zealand projects the Council's population will grow more slowly than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue.



#### Comment:

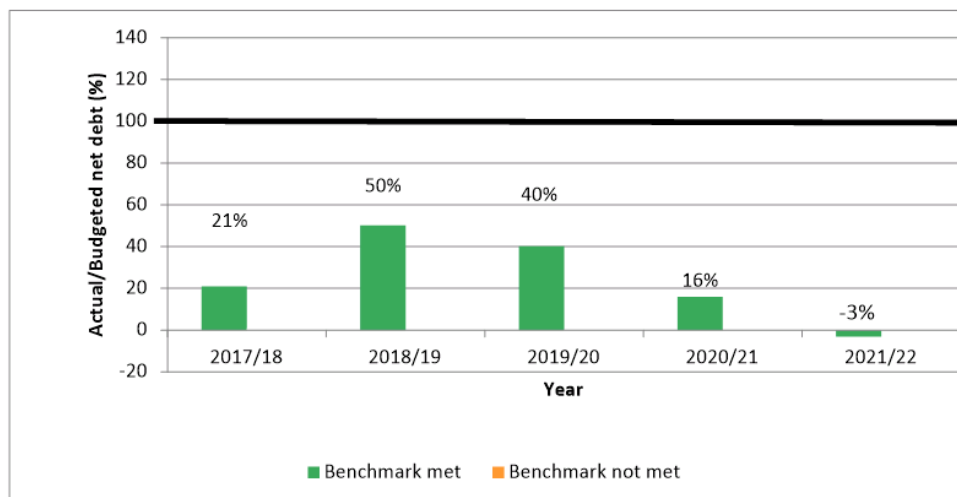
Council's borrowing costs are sustainable and well under the 10% limit.





#### Debt control benchmark

The following graph displays the Council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding receivables). The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.

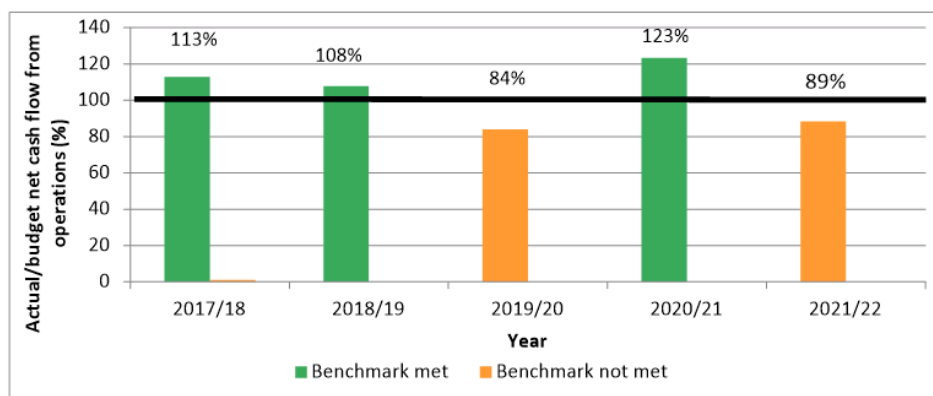


#### Comment:

Debt over the last five years has been lower than budgeted due to delayed capital spending, and maturing investments/surplus cash have been used to repay debt or internally fund capital work. Council's investment in the Waikato Regional Airport has also increased significantly since the planned net debt was set out in the adopted LTP.

#### Operations control benchmark

This graph displays the Council's actual net cash flow from operations as a proportion of its planned net cash flow from operations. The Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



#### Comment:

Council's actual cashflow from operations has exceeded our budgeted cashflow from operations in three of the last five years.

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

### Independent Auditor's Report

#### To the readers of Matamata-Piako District Council's summary of the annual report for the year ended 30 June 2022

The summary of the annual report was derived from the annual report of the Matamata-Piako District Council (the District Council) for the year ended 30 June 2022.

The summary of the annual report comprises the following information on pages 3 to 15:

- the summary statement of financial position as at 30 June 2022;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2022;
- the notes to the summary financial statements that include additional disclosures and accounting policies; and
- the performance summary.

#### Opinion

In our opinion:

- the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS-43: Summary Financial Statements.

#### Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted accounting practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

### **The full annual report and our audit report thereon**

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2022 in our auditor's report dated 26 April 2023.

### ***Uncertainty over the financial impact of three waters reform***

Our auditor's report on the full annual report also includes an emphasis of matter paragraph drawing attention to the water services reform programme. Legislation passed in December 2022 established four publicly owned water services entities to carry out responsibilities for the delivery of three waters services and related assets and liabilities currently controlled by local authorities. A water services Bill to enable the transfer of these assets and liabilities to the water services entities, is currently before Parliament. Until the Bill is passed, the financial impact of the transfer on the District Council, remains uncertain.

On 13 April 2023, the Government announced further proposed amendments to the number of water services entities and to stagger their establishment dates starting from early 2025, with all the water services entities to be established by 1 July 2026. The timing of the transfer of assets and liabilities is therefore uncertain until amendments to existing legislation are passed.

### ***Our audit was completed late***

Our auditor's report on the full annual report also includes a paragraph acknowledging that our audit was completed later than required by section 98(7) of the Local Government Act 2002. This was due to an auditor shortage in New Zealand and the consequential effects of Covid-19, including lockdowns.

### **Council's responsibility for the summary of the annual report**

The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS-43: Summary Financial Statements.

### **Auditor's responsibility**

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: Summary Financial Statements.

Our opinion on the summary of the annual report is based on our procedures, which were carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to reporting on the summary and full annual reports, we have carried out engagements in the areas of a limited assurance engagement related to the District Council's debenture trust deed and assurance reviews of certain procurement processes which are compatible with those

independence requirements. Other than these engagements we have no relationship with or interests in the District Council.



René van Zyl,  
Audit New Zealand  
On behalf of the Auditor-General  
Auckland, New Zealand  
26 April 2023



Annual Report 2022-23 Timeline

| Task  | Date  |
|---|---|
| Audit / MPDC Meeting                          | Thu 8 June  |
| First Interim Audit (2 weeks)                 | Mon 12 June to Fri 16 June<br>Mon 19 June to Fri 23 June  |
| Risk and Assurance Committee                  | Tue 13 June   |
| Council Meeting                               | Wed 28 June   |
| Second Interim Audit (2 weeks)                | Mon 24 July to Fri 28 July<br>Mon 31 July to Fri 4 August   |
| Council Meeting                               | Wed 19 July   |
| Pre Final Audit (4 weeks)                     | Mon 28 Aug to Fri 1 Sep<br>Mon 4 Sep to Fri 8 Sep<br>Mon 11 Sep to Fri 15 Sep<br>Mon 18 Sep to Thu 21 Sep |
| Risk and Assurance Committee                  | Tue 12 Sep  |
| Annual Report Adopted by Council (by end Oct) | Wed 27 Sep <i>or</i><br>Wed 25 Oct  |
| Publishing AR and AR Summary                  | Within one month of adoption  |

8 Ngā Pūrongo Whakamārama | Information Reports

## 8.2 Draft report to Council on the Audit for the year ended 30 June 2022

CM No.: 2726175

### Rāpopotonga Matua | Executive Summary

Audit New Zealand have recently provided a draft report to management on the audit for the year ended 30 June 2022. At the time of writing, staff have not had an opportunity to discuss the Auditors' initial findings and assessments and make comment on these. So the draft is provided for information only at this point with the intention of discussing any progress on this report at the meeting,

### Tūtohunga | Recommendation

That:

1. The draft report be received


### Horopaki | Background

The draft report was provided to Council staff on 17 May, however due to other priorities, at the time of writing, staff have not had an opportunity to discuss the initial findings set out in the draft report amongst ourselves and with Audit New Zealand, and provide appropriate comment on the matters raised.

Staff felt it was appropriate to share the report with the Committee in it's very raw form however, given we are due to make a start on our next Annual Report and audit before the Committee's next scheduled meeting.

Staff intend to table and discuss the progress with the report at this meeting.

### Ngā Tāpiritanga | Attachments

- A.  Draft Report on the audit for the year ended 30 June 2022 - received 17 May 2023 (*Under Separate Cover*)

### Ngā waitohu | Signatories

|             |   |  |
|-------------|---|--|
| Author(s)   | Larnia Rushbrooke<br><b>Finance and Business Services Manager</b> |  |
| Approved by | Manaia Te Wiata<br><b>Group Manager Business Support</b>          |  |

8 Ngā Pūrongo Whakamārama | Information Reports

## 8.3 Food Act 2014 Quality Management System Recognition Approval

CM No.: 2720394

### Rāpopotonga Matua | Executive Summary

The introduction of the Food Act 2014 changed the way that food premises were licensed as it went from an inspection regime to verification auditing. It also required Councils to be accredited to undertake verification services for National Programmes. In 2019, Council achieved our first QMS accreditation and was subsequently deemed a recognized agency. In April 2021 and February 2022 we passed our interim Surveillance Assessments.

In December 2022 we were audited by IANZ for our three yearly reassessment and as reported to the Risk & Assurance Committee on 7 March 2023 we received one non conformity. This report is to advise that this non conformity has now been closed out.

### Tūtohunga | Recommendation

That:

1. The information be received

### Horopaki | Background

The introduction of the Food Act 2014 (Act) changed the way food premises were licensed as it went from an inspection regime to a verification auditing. The Act promotes food safety by focusing on the processes of food production, not the premises where food is made. For example, someone who makes and sells food from a food truck must follow the same rules as someone who makes and sells food at a restaurant. It also required all food businesses to be registered with the local authority or the Ministry for Primary Industries (MPI).

All food businesses have transitioned from an inspection system under the Food Hygiene Regulations 1974 to an audit system pursuant to the Food Act 2014. Council has sole rights to audit food control plans however the audit of national programmes is contestable. Accreditation as a recognized agency was required to compete in this market and to offer a local service to our community.

The difference between food control plans and national programmes are:

- Food control plans (FCPs): Written plans for managing food safety on a day-to-day basis. These are used by higher-risk businesses.
- National programmes: A set of food safety rules for medium and low-risk businesses. If you're under a national programme, you don't need a written plan (or develop written procedures), but must register, meet food safety standards, keep some records, and get checked.

To date MPI has appointed JAS-ANZ and IANZ to assess all agencies against the requirements of the Act. To become a recognised agency pursuant to section 135 of the Food Act 2014 an agency must meet the requirements of Part 4 of the Food Regulations 2015 – Recognised agencies, persons, and classes of persons. This process allows MPI to check that they meet the same standards that they would apply if they were doing the checks. Our audits have focused on having

a robust quality management system containing all the requirements set out in Regulation 110 that apply to a quality management system for the purposes of these regulations.

In December 2022, we were audited by IANZ for our three yearly reassessment and as reported to the Risk & Assurance Committee on 7 March 2023, we received one non conformity. This report is to advise that this non conformity has now been closed out.

Recognition Approvals are undertaken every three years with a yearly Surveillance Audit carried out every year.

Matamata-Piako District Councils, Ministry of Primary Industries Recognition Approval (copy attached) is valid until 31 March 2026. Our next Surveillance Audit is due 31 March 2024.


### Ngā Whiringa | Options

That the information be received.

### Ngā Tāpiritanga | Attachments

A  CAR Clearance Letter IB (ID 665319)



B  C002669\_AUD277\_Cert\_20221223 -Notice of recognition



### Ngā waitohu | Signatories

|             |  |  |
|-------------|--|--|
| Author(s)   | Cathy Bjerring<br><b>Planning &amp; Environmental Health Admin<br/>Officer</b> |  |
| Approved by | Ally van Kuijk<br><b>District Planner</b>                                      |  |
|             | Dennis Bellamy<br><b>Group Manager Community Development</b>                   |  |



Building 7, Central Park  
660–670 Great South Road, Ellerslie, Auckland 1051  
09 525 6655 info@ianz.govt.nz ianz.govt.nz



The NZ mark of competence  
Tohu Matatau Aotearoa

21 April 2023

Ally van Kuijk  
District Planner  
Matamata-Piako District Council  
PO Box 266  
Te Aroha 3342  
New Zealand

Dear Ally,

Thank you for the responses to the Non-Conformance that was raised at your assessment on 14 December 2022. My evaluation of this information is summarised below.

**NC 1 Cleared**

MPDC provided various records relating to an assessment of Jess Brueck's competence as a verifier, including a peer review conducted by Peter Challis. In addition, an induction process was implemented for when contracting the services of an external verifier. A review of the NZFS register of recognised agencies and persons showed that Jess Brueck had been recognised for conducting NP and FCP verifications for MPDC.

The following observations relate to the clearance of this NC:

- Contracts between MPDC and any contracted verifiers should include a clause relating to confidentiality of information.
- The External Auditor Pre-Checklist should include a check that all relevant training records have been received and reviewed.
- The verification report for the verification conducted by Jess and peer reviewed by Peter was issued on the MPDC letterhead (which implies that this was a verification conducted by Jess on behalf of MPDC). The field "Auditor Organisation" was indicated as QEC Ltd. This is not appropriate – Jess conducted the verification as a contracted verifier for MPDC, and MPDC should therefore be indicated as the "Auditor Organisation". Likewise, the QEC verification checklist was used by Jess. When conducting verifications on behalf of MPDC, she should be operating according to MPDC's systems, and should therefore use MPDC verification checklist and report templates. It is expected that MPDC will ensure that this happens for all future verifications, and will be checked at the next assessment.

Please do not hesitate to call me if you wish to discuss any of the above comments.

Yours sincerely

**Julie Richards**  
**Lead Assessor**  
**Inspection Body Programme**

Ministry for Primary Industries  
Manatū Ahu Matua



## NOTICE OF RECOGNITION

### Recognised Agency

An agency is recognised to carry out specified functions and activities. The Ministry for Primary Industries has recognised:

### Matamata-Piako District Council

located at

35 Kenrick St  
Te Aroha 3320

This agency has been assigned the following Recognition Number

**AUD277**

This recognition is effective from **5 September 2017**

This recognition is due to expire on **31 March 2026**

This recognition applies to the following functions and activities as at 23 December 2022

| Act           | Function                             | Activity |
|---------------|--------------------------------------|----------|
| Food Act 2014 | Food Act Verification - template FCP | Generic  |
|               | Food Act Verification - NP           | Generic  |



Maree Zinzley  
Manager Approvals  
Acting under delegated authority  
Ministry for Primary Industries - Manatū Ahu Matua  
23 December 2022

This recognition is subject to the following condition(s) as at 23 December 2022

| Condition  | Function   |
|--|--|
| Recognised agency must only allocate a recognised person to perform services in sector(s) for which s/he is trained and competent, unless the recognised person has a technical expert with the relevant training and competencies to assist them.<br>Standard Food agency condition | Food Act Verification - NP<br>Food Act Verification - template FCP |
| Recognised agency must manage or supply recognised persons to carry out its specified functions and activities (excluding agencies whose functions and activities are recognised under section 137 of the Food Act 2014).<br>Standard Food agency condition                          | Food Act Verification - NP<br>Food Act Verification - template FCP |
| Confirmation of close-out of IANZ CAR1 must be provided to MPI Approvals approvals@mpi.govt.nz by 1 March 2023.<br>Confirmation of IANZ CAR close-out<br>Due Date: 2023-03-01 00:00:00   | Food Act Verification - NP<br>Food Act Verification - template FCP |

8 Ngā Pūrongo Whakamārama | Information Reports

## 8.4 Building Control Authority - IANZ Assessment 2023

CM No.: 2724056

### Rāpopotonga Matua | Executive Summary

The Building Consent Authority (BCA) Accreditation Scheme sets out the minimum policies, procedures and systems that a building consent authority must have, and consistently and effectively implement, to perform its building control functions.

International Accreditation New Zealand (IANZ) has been appointed by the Ministry of Business, Innovation and Employment (MBIE) to assess all BCA's, to ensure compliance with the Building (Accreditation of Building Consent Authorities) Regulations 2006.

IANZ undertook an on-site assessment of Council's BCA during 28 February to 3 March 2023. A copy of their report is attached.

### Tūtohunga | Recommendation

That:

1. The information be received.

### Horopaki | Background

The Building Act 2004 (the Act) requires that a territorial authority must act as a BCA for its district and gain both accreditation and registration to carry out building control functions (i.e. processing applications, inspections, and certifying). The Act requires the Chief Executive of MBIE to specify the minimum frequency of accreditation assessments in the New Zealand Gazette. The Act requires that some form of accreditation assessment must be undertaken at least once every three years. The Gazette notice however, narrows this timeframe to two years.

International Accreditation New Zealand (IANZ) was appointed by the Ministry of Business, Innovation and Employment (MBIE) to assess all BCA's.

Failure to meet the requirements of an assessment may lead to a BCA having their accreditation revoked and unable to carry out building control functions in their district.

The objectives of the BCA accreditation scheme are that all building consents authorities have:

- appropriate, documented and implemented policies, procedures and systems
- appropriate, documented and implemented effective quality assurance systems
- sufficient skills and resources to undertake their statutory functions
- employees and contractors with appropriate building control competencies and qualifications.

## Ngā Take/Kōrerorero | Issues/Discussion

### Assessment

The full on-site assessment by IANZ included a team of technical experts auditing: the BCA's quality assurance system, policies and procedures; a number of completed building consents, code compliance certificates, compliance schedules, and 'in the field' building inspections.

A formal report was then produced determining compliance or otherwise with the Building (Accreditation of Building Consent Authorities) Regulations 2006 and advising the BCA of any non-compliances and/or recommendations that are required to be met. The full assessment report is attached.

The Lead assessor noted in the report that the BCA

*"had maintained improvements made following the previous special and routine assessments in areas such as allocations, forecasting, training, technical records, supervision and continuous improvement records, amongst others" and that. "During the assessment, the BCA were enthusiastic towards getting the most out of the assessment process and discussed plans to address non-compliances, as well as successfully clearing some parts of non-compliances. The BCA had also recruited a new building control administration and quality officer in 2022, and her positive contribution could be seen throughout the continuous improvement processes".*

They also noted that

*"there were no serious concerns about the BCA's technical output".*

### Findings

The BCA received 2 serious non-compliances, 3 general non-compliances, 10 recommendations and 5 advisory notes. The BCA has provided an action plan, which has been accepted by IANZ. This plan details how the BCA will address the identified non-compliances. The action plan is currently under implementation with two remaining non-compliances to be cleared.

#### Non-Compliance definitions

- **Serious non-compliance** – is where one or more of the minimum policies, procedures and systems required by the Regulations is absent or not appropriate for purpose. Serious non-compliance may also include where a BCA has failed completely to implement one or more of the required policies, procedures or systems. Or it may be a failure to consistently and effectively implement a policy, procedure or system (or part thereof) required by the regulations over two or more assessment cycles (as was the case for the two serious non-compliances received)
- **General non-compliance** - is where a BCA has failed to consistently and effectively implement a policy, procedure or system (or part thereof) required by the regulations.
- **Recommendation** - is where the future potential for non-compliance with the policies, procedures and systems required by the Regulations is identified. No current action is required for the BCA's accreditation to continue.
- **Advisory note** - is where there is the potential to improve the required policies, procedures and systems or their implementation. No current action is required for the BCA's accreditation to continue.

### Action Required

Provide the following to IANZ for review



- Action Plan required by 14 April 2023. This was submitted to IANZ and approved on the 31 March 2023
- Non-compliances to be completed and closed by 14 June 2023 – this requires evidence of corrective actions completed and implemented, as per the Action Plan submitted. All but one non-compliance has been cleared at the date of writing this report.
- The required evidence for the last non-compliance has been sent to IANZ and waiting clearance.

### Next Accreditation Assessment

As the BCA has been considered to pose a medium risk, this triggers the requirement for a further assessment to be conducted within one year. The next assessment of the BCA is therefore planned as a Special Monitoring Assessment for March 2024.

If the identified non-compliances are able to be satisfactorily cleared within the agreed timeframe, the Special Monitoring Assessment is likely to be undertaken as a remote review with a scope focused on the repeat findings identified during this assessment.

This requirement for a Special Monitoring Assessment will be reviewed at the end of the clearance process and, if for any reason it is not deemed to be necessary, then the next assessment would be planned as a Routine Reassessment for March 2025.

### Mōrearea | Risk

Failure to meet the requirements of an assessment may lead to a BCA having their accreditation revoked and unable to carry out building control functions in their district.

### Ngā Whiringa | Options

That the information be received

### Pānga ki te pūtea, me te puna pūtea | Financial Cost and Funding Source

The cost of the Assessment is funded through the building control operations and is added as a portion to each building consent fee.

### Ngā Tāpiritanga | Attachments

A.  2023 Matamata-Piako District Council BCA Assessment Report (*Under Separate Cover*)

### Ngā waitohu | Signatories

|           |  |  |
|-----------|--|--|
| Author(s) | Dennis Bellamy<br><b>Group Manager Community Development</b> |  |
|-----------|--|--|

|             |  |  |
|-------------|--|--|
| Approved by | Dennis Bellamy<br><b>Group Manager Community Development</b> |  |
|-------------|--|--|

8 Ngā Pūrongo Whakamārama | Information Reports

## 8.5 Update on Organisational Culture

CM No.: 2727374

### Rāpopotonga Matua | Executive Summary

The annual external staff survey, 'AskYourTeam' was undertaken in March and the results were once again very positive overall.

This report provides a summary of the results and highlights other areas of development related to organisational culture.

### Tūtohunga | Recommendation

That:

1. The information be received.

### Horopaki | Background Staff Survey

The annual external staff survey, 'AskYourTeam' was undertaken in March. AskYourTeam is a continuous improvement tool that also allows us to benchmark with other Councils.

The results were once again very positive overall. The overall score was 67% (last year the score was 69%) and the participation rate increased to 65% from 59% the previous year.

MPDC is ranked 21<sup>st</sup> out of 54 Councils (2022 13<sup>th</sup> out of 49 Councils), and 16<sup>th</sup> out of the top 100 survey scores (league table that ranks survey overall average scores rather than organisations, in 2022 MPDC was 13<sup>th</sup> out of 100).

The highest scoring questions were culture focussed – staff enjoy working for MPDC, and think MPDC is a great place to work. It was encouraging to see a 15% increase in the number of staff that feel they can report harassment (including bullying or discrimination) without repercussions. A summary of the highest scoring questions and a comparison of results between years is below.

| Question   | 2022 | 2023 | Percentage increase/ decrease between 2022 and 2023 |
|--|------|------|---|
| I feel that I can report harassment (including bullying or discrimination) without repercussions | 81%  | 96%  | 15%   |
| I enjoy working for MPDC   | 96%  | 95%  | -1%   |
| MPDC places an emphasis on the health and safety of its staff and customers                      | 93%  | 94%  | 1%  |
| MPDC is a great place to work  | 95%  | 93%  | -2%   |
| I understand clearly how the things I do affect the ability of others in my team to do their job | 98%  | 93%  | -5%   |
| I am clear on the role I play in helping deliver what our ratepayers/community wants             | 95%  | 91%  | -4%   |
| I have the autonomy to make decisions on matters I am responsible for                            | 93%  | 91%  | -2%   |
| I feel that harassment (including bullying or discrimination) is not tolerated by MPDC           | 87%  | 91%  | 4%  |
| My manager/team leader shares information with me that enables me to do my job effectively       | 94%  | 90%  | -4%   |
| I am proud of the impact MPDC has on the community   | 90%  | 89%  | -1%   |
| I am aware of the Harassment (including bullying and discrimination) policy                      | 98%  | 89%  | -9%   |
| MPDC cares about my overall wellbeing  | 90%  | 89%  | -1%   |

Highest scoring questions (top 10 (3 questions with 89%)):

| Question   | 2022 | 2023 | Percentage increase/ decrease between 2022 and 2023 |
|--|------|------|---|
| I feel that I can report harassment (including bullying or discrimination) without repercussions | 81%  | 96%  | 15%   |
| I enjoy working for MPDC   | 96%  | 95%  | -1%   |
| MPDC places an emphasis on the health and safety of its staff and customers                      | 93%  | 94%  | 1%  |
| MPDC is a great place to work  | 95%  | 93%  | -2%   |

|  |     |     |     |
|--|-----|-----|-----|
| I understand clearly how the things I do affect the ability of others in my team to do their job | 98% | 93% | -5% |
| I am clear on the role I play in helping deliver what our ratepayers/community wants             | 95% | 91% | -4% |
| I have the autonomy to make decisions on matters I am responsible for                            | 93% | 91% | -2% |
| I feel that harassment (including bullying or discrimination) is not tolerated by MPDC           | 87% | 91% | 4%  |
| My manager/team leader shares information with me that enables me to do my job effectively       | 94% | 90% | -4% |
| I am proud of the impact MPDC has on the community   | 90% | 89% | -1% |
| I am aware of the Harassment (including bullying and discrimination) policy                      | 98% | 89% | -9% |
| MPDC cares about my overall wellbeing  | 90% | 89% | -1% |

The lowest scoring question was about learning and development. The Learning and Development budget was decreased last year, but a strategic approach to learning and development was also taken i.e. focussing on preventing bullying and harassment training, leadership development and investing in a shared learning service through Collab that is developing E-Learning on relevant topics such as child protection training and hazardous substances. There was also a theme around systems, resources and technology. A summary of the lowest scoring questions is below:

| Question  | 2022 | 2023 | Percentage increase/decrease between 2022 and 2023 |
|---|------|------|--|
| We have the technology to effectively support our processes                               | 32%  | 38%  | 6%   |
| I consider our pay is fair compared to similar roles and organisations in the marketplace | 31%  | 37%  | 6%   |
| MPDC has a positive reputation with our ratepayers  | 23%  | 34%  | 11%  |
| MPDC allocates resources effectively to achieve agreed outcomes                           | 27%  | 32%  | 5%   |
| We can quickly obtain customised reports from our information systems                     | 25%  | 28%  | 3%   |
| We work efficiently and effectively between different teams at MPDC                       | 19%  | 28%  | 9%   |
| I am regularly asked for feedback on how to improve MPDC                                  | 28%  | 27%  | -1%  |
| Meetings are generally an effective use of time   | 18%  | 26%  | 8%   |
| All teams understand how their goals and objectives affect each other                     | 23%  | 26%  | 3%   |
| People are held accountable for meeting deadlines   | 19%  | 24%  | 5%   |

|   |     |     |     |
|---|-----|-----|-----|
| We have effective training that enhances the performance and development of individuals | 13% | 24% | 11% |
|---|-----|-----|-----|

A plan for addressing some of the issues raised is currently being developed. This will include feedback from the Takatū Anamata| Future Ready organisation review as well and actions for improvement from the Hauora | Wellbeing Strategy once finalised.

The draft Hauora | Wellbeing Strategy is a 'strategy on a page' that has been developed based on the 'Mental Wellbeing at Work guide' from the Business Leaders' Health and Safety Forum and feedback from a focus group. The strategy is also aligned with Te Whare Tapa Whā - a model developed by leading Māori health advocate Sir Mason Durie in 1984 that describes health and wellbeing as a wharenuī/meeting house with four walls and a foundation, and when all these things are in balance, we thrive. Consultation on this strategy is currently underway and will be discussed further with the Risk and Assurance Committee as part of an update on the Psychosocial Critical Risk.

### **Vision and Values**

In 2022 we reviewed how the vision and values are promoted to staff. Managers now discuss the vision and values at their team meetings, and report to the Management Group to share examples and celebrate success.

### **Remaining connected**

The Flexible Ways of Working Policy was reviewed in 2022, maintaining connection as an organisation was one of the concerns raised. Staff were invited to share their ideas on how the organisation can stay connected – as teams and across departments, including understanding what each team does and establishing and maintaining relationships.

An internal Communications Officer was appointed to ensure we have a strong focus on internal communication, particularly during the organisation review. This role is also tasked with promoting the vision and values, and creating opportunities for connection amongst staff.

### **Diversity, Equity and Inclusion**

Pink Shirt Day was recently celebrated to encourage staff to stamp out bullying by celebrating diversity and promote kindness and inclusion. Staff were encouraged to have morning tea together and it was an excellent way to encourage connection amongst staff.

A diversity, equity and inclusion strategy will be developed in 2023 to ensure MPDC does inclusion well.

Developing staff capability in Te Ao Māori is also a priority.

### **Ngā Take/Kōrerorero | Issues/Discussion**

As above

### **Mōrearea | Risk**

Reviewing the staff climate on an annual basis ensures any issues with staff climate are identified and address.



### Ngā Whiringa | Options

Not applicable.

### Ngā take ā-ture, ā-Kaupapahere hoki | Legal and policy considerations

Not applicable

### Ngā Pāpāhonga me ngā Wātaka | Communications and timeframes

An Internal Communications Officer has been appointed to ensure strengthened internal communication.

### Ngā take ā-lhinga | Consent issues

Not applicable.

### Te Tākoha ki ngā Hua mō te Hapori me te here ki te whakakitenga o te Kaunihera | Contribution to Community Outcomes and consistency with Council Vision

Not applicable.

### Pānga ki te pūtea, me te puna pūtea | Financial Cost and Funding Source

Not applicable.

### Ngā Tāpiritanga | Attachments

There are no attachments for this report.

### Ngā waitohu | Signatories

|             |   |  |
|-------------|---|--|
| Author(s)   | Kelly Reith<br><b>People, Safety and Wellness Manager</b> |  |
| Approved by | Don McLeod<br><b>Chief Executive Officer</b>              |  |

## 8 Ngā Pūrongo Whakamārama | Information Reports

### 8.6 Transformation Team Update

CM No.: 2725542

#### Rāpopotonga Matua | Executive Summary

The purpose of this report is to provide an update on work undertaken by the Transformation Team – the internal team set up to support the organisation through the current local government reform programme and MPDC's Takatū Anamata | Future Ready organisation review.

#### Tūtohunga | Recommendation

That:

1. The information is received.

#### Horopaki | Background

The Local Government sector is undergoing significant reform and this has the potential to impact MPDC's ability to deliver both business as usual as well as the activities contained in the 2021-31 Long Term Plan. The reform agenda includes Three Waters, RMA and Future for Local Government.

The MPDC Executive Team identified that a dedicated team is required to lead the organisation through change and support the transformation process.

The team is made up of the following:

##### The core group:

Project Sponsors: Exec Team

People, Safety and Wellness Manager: Kelly Reith (Chair of the Group and has also been appointed to the National People and Workforce Transition Reference Group for the Three Waters Reform)

Communications Manager: Jenni Cochrane

Strategic Partnerships and Governance Manager: Erin Bates

##### Sub groups:

##### Water Reform:

Sponsor: Fiona Vessey

Project Manager(s): Karl Pavlovich / Lance Gwynne

##### RMA:

Sponsor: Dennis Bellamy

Project Manager(s): Ally van Kuijk / Susanne Kampshof

##### Future for LG:

Sponsors: Don McLeod and Manaia Te Wiata

Project Manager: Erin Bates

##### Specialist advice provided by (as required):

- Finance (Larnia Rushbrooke)
- Risk (Lesley Steeples)

- Information Management (Steve Hancock/Jo Gifford)
- Project Management (Rachel Norman)
- Iwi Liaison (Tuatahi Nightingale-Pene)
- Communications (Andrea Durie)

## **Ngā Take/Kōrerorero | Issues/Discussion**

### **Latest update:**

The Transformation Team continues to meet regularly to ensure there is an overview of all three reform areas and staff are kept well informed. This includes monitoring the impact on the organisation - ensuring risks are reviewed, the ability to maintain business as usual is monitored and any resourcing issues are raised.

Three Waters: consultation was undertaken with employees on their preliminary pathway to the new entity by the National Transition Unit (NTU) for staff that work in three waters for more than 30% of the time. MPDC undertook consultation with staff that were 29% and below as per the Alternative Consultation Process MPDC opted into. Pathway confirmation has been delayed by the April announcement of changes to the Water Services Reform programme. Staff have been kept informed by a regular e-newsletter and a hot topic zoom session. Requests for information (RFIs) have continued to be actioned. The Risk Register was reviewed and updated. NTU change management training is being offered to staff in June.

RMA – a hot topic zoom session was undertaken for staff to discuss the submission on the Spatial Planning Bill and the Natural and Built Environment Bill and latest information. The Risk Register was reviewed and updated.

## **Takatū Anamata | Future Ready organisation review**

The Takatū Anamata | Future Ready organisation review was launched in March. This is the first major organisation review since 2011, with the objective is to make the organisation future ready. The following organisation design principles will be applied:

- Sustainable and flexible for future needs
- More effective and efficient
- Pragmatic and practical – using recognised local government practice where appropriate ie strategy, policy, operations
- Collaborative - facilitating cross-organisation processes and simplifying ways of working
- Support our journey to be customer centric and digitally enabled
- Support our ability to enhance district resilience, including partnering with others to build cultural and social capacity
- Easy to understand for our staff, citizens and other stakeholders

The organisation design process is based on co-design principles and has been split into three phases, the first phase is seeking staff and stakeholder feedback about the future, what's currently working well, what is causing gaps, issues or concerns and what we might do differently.

Workshops were held with managers, team leaders, and 130 staff attended five initial workshops, following by further workshops with some individual teams. Staff could also provide feedback

through an online survey, the intranet and the staff facebook page. Staff also had the opportunity to provide feedback on organisation design through the use of an online organisation design tool.

A workshop has been held with Councillors and meetings with Iwi Trust CEOs will be held over the next couple of weeks. Other information is also being analysed such as customer feedback, performance measures and internal strategies.

The second phase will begin in late June when a high level organisation design will be proposed based on the feedback received and research into national and international exemplars. Two rounds of staff consultation will follow. A detailed organisation design will then be proposed followed by further consultation.

### Risk management

David Walker, an external consultant from GHD has been engaged as the Project Manager to develop the high level and detailed organisation designs and analyse all feedback received. This ensures a robust external process.

The Project Sponsor, Kelly Reith is ensuring the corporate project management framework is applied, change management principles are being considered and employment processes are adhered to.

The Communications Manager, Jenni Cochrane and Internal Communications Officer Matthew Beveridge are ensuring staff are kept informed throughout the process and providing advice on engagement.

A risk register is maintained and updated regularly, including identified controls for dealing with any risk to business as usual. The register was also updated to reflect the risk following the Three Waters Reform changes.

### **Mōrearea | Risk**

Risk registers have been set up for each of the reform areas, with input from MPDC's Risk Manager.

### **Ngā Whiringa | Options**

The formation of this group proactively responds to the need to guide the organisation through the local government reform changes.

### **Ngā take ā-ture, ā-Kaupapahere hoki | Legal and policy considerations**

The reforms will impact across the organisation.

### **Ngā Pāpāhonga me ngā Wātaka | Communications and timeframes**

The Communications Manager is part of the Transformation Team to ensure robust communications. The Internal Communications Coordinator ensures information is shared with staff on a regular basis.

### Ngā take ā-lhinga | Consent issues

Not applicable.

### Pānga ki te pūtea, me te puna pūtea | Financial Cost and Funding Source

Not applicable.

### Ngā Tāpiritanga | Attachments

There are no attachments for this report.

### Ngā waitohu | Signatories

|             |   |  |
|-------------|---|--|
| Author(s)   | Kelly Reith<br><b>People, Safety and Wellness Manager</b> |  |
| Approved by | Don McLeod<br><b>Chief Executive Officer</b>              |  |



## 8 Ngā Pūrongo Whakamārama | Information Reports

### 8.7 Review of Council Insurance

CM No.: 2725287

#### Rāpopotonga Matua | Executive Summary

The Audit & Risk Committee work programme includes the review of Council's insurance arrangements.

The type and extent of cover has not changed from 2022.

This report provides information to the Risk and Assurance Committee (the Committee) to allow it to consider and answer the following questions:

- Does Council have the appropriate types of insurance?
- Is the cover adequate?

#### Tūtohunga | Recommendation

That:

1. The information be received.

#### Horopaki | Background

The Committee reviews the insurance programme annually.

The Controller and Auditor General published a report in June 2013 – Insuring Public Assets.

The report states that public entities need to consider six questions when considering insurance. These questions are included under the Issues section below.

As a member of the Waikato Local Authorities Shared Services (WaiLASS), Council places most of its insurance through AON insurance brokers (AON). The exception is liability insurance.

Liability insurance is provided through Marsh (formally Jardine Lloyd Thompson Limited (JLT)). This is currently under review.

The Insurance classes and annual premiums are included in the tables below.

| AON Brokerage              | 2021/2022    | 2022/2023     | % Increase |
|----------------------------|--------------|---------------|------------|
| Material Damage Buildings  | \$438,064.71 | \$501,615.96  | 14.51%     |
| Employers Liability        | \$ 1,224.00  | \$ 1,228.45   | 0.36%      |
| Motor Vehicles             | \$ 46,369.46 | \$ 68,336.56  | 47.3%      |
| Infrastructure (Utilities) | \$ 83,836.62 | \$ 102,334.09 | 22.1%      |
| Statutory Liability        | \$ 6,206.00  | \$ 6,518.59   | 5.0%       |

|                           |                     |                     |              |
|---------------------------|---------------------|---------------------|--------------|
| Crime (Fidelity)          | \$ 21,005.99        | \$ 23,257.00        | 10.72%       |
| Cyber                     | \$ 13,742.91        | \$ 19,000.00        | 38.25%       |
| UAV (drone)               | \$ 1,386.67         | \$ 1,627.66         | 17.38%       |
| Total                     | \$611,836.36        | \$723,918.31        |              |
|                           |                     |                     |              |
| <b>Marsh Ltd (ex JLT)</b> |                     |                     |              |
| Public Liability          | combined            | combined            |              |
| Professional Indemnity    | \$83,688.67         | \$110,986.49        | 32.6%        |
|                           |                     |                     |              |
| <b>Grand Total</b>        | <b>\$695,525.03</b> | <b>\$834,904.80</b> | <b>20.0%</b> |

## Ngā Take/Kōrerorero | Issues/Discussion

**What is the assessed risk of assets not being available to provide public services in the future, and what is the most appropriate way to manage it?**

Natural disaster is the main source of risk that could have widespread impact on Council assets and the availability of public services.

AON assessed the extent of asset disruption in financial terms at a high level a number of years ago.

It was estimated that a large loss would cause \$25-\$35 million of damage to assets. This would be an infrequent event. A more likely scenario for Council was a loss of \$5-\$8 million. This is based on average assumptions (i.e. average ground conditions, average material type) and Council's spread of assets. Our risk profile is helped that our urban centres are spread across the district. Whereas a city will have a higher concentration of assets.

The values from that assessment are now quite dated and need to be revisited. If we adjusted the figures by a conservatively high figure of say 100%, Council's losses from a large event could be \$50-\$70 million. Based on the modelling undertaken the losses would more likely be in the order of \$10-\$16 million.

Council's insurance cover reflects the current state of knowledge which is also informed by:

- Asset Management Plans for infrastructure, community facilities and buildings
- Business Continuity plans that have been developed for water, wastewater and solid waste.
- The Waikato Lifelines Utilities group (WLU). This group has the mission to "*enhance the connectivity of lifelines utility organisations across agency and sector boundaries in order to improve infrastructure resilience*". Council is a member of the group.

Weather events and other incidents in our district have provided some test of our asset resilience (eg flooding preventing road access to some properties).

There is still considerable scope for improvement in our assessment of asset resilience and contingency planning. This will be progressed through the asset management plans.

Any implications on our insurance cover will need to be considered as new information becomes available.

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**How well are risk assessments being done to inform decisions about insurance, including assessments of the likely costs to replace assets?**

Risk assessments have not been done to inform insurance decisions. Premiums or increases in premiums have been or are the driver for consideration of insurance changes.

For example, Council considered taking insurance cover for critical bridges a number of years ago (roads and bridges are not insured). Premiums were considered to be prohibitive, especially when it was identified that the most critical bridges in our district are owned by Waka Kotahi.

There are no plans to review insurance for Three Waters asset insurance arrangements at this time.

Potential increases in material damage premiums have triggered a review of the insurance cover for some Council owned buildings. The results of this review will be reported to the Committee.

**Is the right amount and nature of insurance cover being obtained to ensure that public services can continue to be delivered?**

Insurance cover is based on the financial values in asset registers. Most assets are regularly revalued. The exception being furniture and equipment.

Valuations for the purposes of financial reporting can differ markedly from replacement costs arising from an event (eg earthquake).

The financial values will continue to be used as the basis of insurance values until better information is available (eg loss modelling work is undertaken).

AON has provided a schedule of the most common classes of insurance available for business in New Zealand. This is included in the attachment to this report.

Management is comfortable that with the professional oversight of AON, there are no major omissions in insurance cover.

**Is insurance being acquired in the most cost-effective way?**

Council acquires most of its insurance through the WaiLASS group scheme. This collective approach is considered to be more attractive to the insurance market than if Council acted on its own.

**How much can be prudently borrowed to replace uninsured assets?**

Council has a debt limit under the financial strategy of 150% of revenue.

The long term plan indicates that the maximum level Council's debt/revenue ratio reaches is less than 125%.

Under those financial projections, Council could borrow a minimum of \$20 million to replace uninsured assets.

Note that the long term plan is due for review.

**Has the risk of all uninsured assets been assessed centrally, and is the risk being appropriately managed?**

Roading assets are not insured (refer discussion above). All other assets on Council asset registers are insured.

As noted earlier in the report, we are reviewing insurance arrangements for some buildings (Material damage insurance). This has been prompted by the expectation that insurance premiums may increase significantly next financial year.

Any significant changes to insurance cover will be reported to the Committee.

### Mōrearea | Risk

Insurance cover is a risk mitigation method to help facilitate the re-establishment of services or assets in the event of significant loss or damage.

Under our current insurance arrangements it is acknowledged that:

- Our insurance values for assets are based on values in the financial statements not specific insurance values
- There is considerable scope for improvement in understanding the extent of loss that could occur in a major natural disaster
- Our assessment of the appropriate insurance cover has been driven more by affordability than risk assessments.

Council's debt capacity is considered to provide a fall-back source of funding if there is a significant short-fall in insurance pay-out

### Ngā Whiringa | Options

Staff will be directed by the Committee on any changes to insurance that it may consider should be investigated.

### Pānga ki te pūtea, me te puna pūtea | Financial Cost and Funding Source

The amount of Council's insurance premiums is included in the background in this report.

### Ngā Tāpiritanga | Attachments

[A↓](#). Classes of Insurance



### Ngā waitohu | Signatories

|             |  |  |
|-------------|--|--|
| Author(s)   | Manaia Te Wiata<br><b>Group Manager Business Support</b> |  |
| Approved by | Manaia Te Wiata<br><b>Group Manager Business Support</b> |  |

## Classes of Insurance Available

This is a list of some of the more common classes of insurances offered to businesses in New Zealand.

|  |   |
|--|---|
| <b>Property AND Business Interruption</b>                |   |
| <b>Computer Breakdown</b>                                | Covers computers and computer media against a wider variety of risks than those covered under a Material Damage policy.   |
| <b>Computer Consequential Loss</b>                       | Covers financial losses and extra costs, including data reconstruction, following damage covered under a Computer Breakdown policy.   |
| <b>Contract Works</b>                                    | Covers physical loss or damage and, as an option, to cover public liability arising in connection with a contract works.  |
| <b>Advanced Loss of Profits</b>                          | Covers loss of future income where completion of a construction project is delayed by damage.   |
| <b>Machinery Breakdown</b><br>Including Boiler Explosion | Covers breakdown risks and/or boilers and other pressure vessels against risk of explosion (such risks are commonly excluded from cover under Material Damage insurance).   |
| <b>Machinery Business Interruption</b>                   | Covers loss of income and increased costs resulting from damage by a peril insured under a Machinery policy.  |
| <b>Material Damage</b>                                   | A general form of policy to cover damage to buildings, plant and stock at insured locations.  |
| <b>Business Interruption</b>                             | Covers loss of income and increased costs resulting from damage to assets; sometimes referred to as "Loss of Profits" or "Consequential Loss" insurance. Can include a number of optional extensions, including Gross Rentals (Rents Receivable), Outstanding Debtors Balances, Severance and Redundancy payments.  |
| <b>Money</b>   | Covers cash and other forms of money against loss or damage whilst at your premises or in transit. Small limits can often be included under a Material Damage policy.   |
| <b>Motor Vehicle</b>                                     | Covers accidental damage, malicious damage and theft of insured vehicles (own damage) and third-party liability in connection with the vehicles. Can take several forms such as own damage and third-party liability (comprehensive); fire, theft and third party liability; or third party liability only. Some comprehensive policies can be extended to include Loss of Use (specified vehicles) – provides cover for the reasonable cost of the Insured hiring a replacement vehicle during the period of loss. |
| <b>Natural Disaster</b>                                  | Covers loss or damage caused by earthquake, volcanic activity, hydrothermal activity, subterranean fire, tsunami, geothermal activity, or fire caused by any of these. Typically included as part of Material Damage and Business Interruption cover.   |
| <b>Natural Disaster Deductible Buydown</b>               | Provides an opportunity to reduce the Natural Disaster Deductible applicable under a Material Damage and/or Business Interruption policy.   |
| <b>Stock Deterioration</b>                               | Provides cover following accidental stoppage of refrigeration equipment for chilled or frozen goods; usually only available in conjunction with Machinery Breakdown insurance, or sometimes under a Marine Cargo policy.  |
| <b>Terrorism</b>   | This risk is commonly excluded from insurance policies.   |
| <b>LIABILITY</b>   |   |
| <b>Association Liability</b>                             | Covers individual officers and trustees against liability they might incur in the management or operation of the Association. The insurance will also reimburse the Association where it has already indemnified its officers for any such liability; cover includes associated defence costs.  |
| <b>Bailees Liability</b>                                 | Covers liability for damage to property held under bailment, or in your custody and/or control.   |
| <b>Defence Costs</b>                                     | Defence Costs in excess of underlying policy(ies) or where such underlying policy(ies) are prevented from paying defence costs by reason of the application of Section 9 of the Law Reform Act 1936 or similar legislation.   |
| <b>Directors and Officers Liability</b>                  | Provides cover to a board and officers, to defend and settle claims arising out of an alleged or actual breach of their governance duties.  |
| <b>Prospectus Liability</b>                              | Covers the company, its directors and senior executives for liabilities arising from the issue of a prospectus, information memorandum or other sale/purchase documents. This liability is generally excluded from Directors and Officers policies unless they are specifically extended to cover it. Cover includes associated defence costs.  |
| <b>Employers Liability</b>                               | Provides cover to the employer in respect of personal injury claims brought by employees not  |



|   |   |
|---|---|
| (NZ risk only)  | within the scope of ACC.  |
| <b>Employment Practices Liability</b>   | Provides cover in respect of claims by employees arising out of personal grievances.  |
| <b>Environmental Impairment</b>   | A special form of pollution liability insurance.  |
| <b>LIABILITY</b> (cont)   |   |
| <b>Exemplary Damages</b><br>(also called Punitive Damages)                    | Covers damages arising out of bodily injury in New Zealand where the law otherwise prevents legal action for compensatory damages.  |
| <b>Liability Consequential Loss</b>   | To partially cover loss of gross profit and increased costs arising from an event that also gives rise to a valid claim on a liability policy; this limited form of cover is only available where the liability insurance is provided by the same insurer.  |
| <b>Private Legal Aid</b>  | Covers private persons and their families for private legal aid costs for defending a variety of criminal, traffic and civil actions.   |
| <b>Product Guarantee</b>  | Covers liability for correcting defects in products or for replacing defective products.  |
| <b>Product Recall</b>   | Covers liability for the cost of recalling products which are defective or suspected of being defective.  |
| <b>Professional Indemnity and/or Errors and Omissions</b>                     | Provides cover to the company, to defend and settle claims arising out of alleged or actual negligence causing financial loss to a third party.   |
| <b>Public and Products Liability</b><br>(General or Broadform Liability)      | Provides cover in respect of negligent actions of the insured which gives rise to claims by third parties who suffer property damage or personal injury; cover includes associated defence costs.   |
| <b>Statutory Liability</b>  | Provides cover to the company, employees and directors, to defend and pay fines and reparations in respect of prosecutions that can give rise to a criminal offence, and arise out of an inadvertent breach of most New Zealand statutes.   |
| <b>Trustees Liability</b>   | Provides cover to trustees, to defend and settle claims arising out of an alleged or actual breach of their governance duties.  |
| <b>TECHNOLOGY</b>   |   |
| <b>Cyber Risk</b>   | Covers costs and expenses incurred as a result of a malicious electronic attack which causes unauthorised use or access to your computer systems including the data contained within it. Coverage can include forensic IT investigation costs, extortion costs, business interruption, legal liability to third parties including defence costs, regulatory fines and penalties (where insurable at law), public relations/crises communications and restoration/ recollection of data. |
| <b>Media Liability/</b>   | Covers advertising injury, defamation, breach of third party intellectual property through operating on the internet or via email; includes liability to third parties from inadvertent transmission of viruses. Can be an endorsement to either a Public Liability policy or Professional Indemnity policy.  |
| <b>Internet Liability</b>   |   |
| <b>FINANCIAL</b>  |   |
| <b>Bonds</b>  | Protection for financial penalties arising from contractual obligations. Financial devices (rather than insurance policies) designed to avoid the need to provide a bond in cash.   |
| <b>Credit Insurance and Trade Debtors</b>                                     | Covers risk of trade debtors failing to pay debts due to their insolvency or protracted default.  |
| <b>Crime</b>  | Provides cover for loss of your own money or money that you are responsible for (including by electronic funds transfer), arising out of the fraudulent actions of employees or external parties.   |
| <b>Event Cancellation</b>   | Covers costs and expenses and/or lost revenue that results from the cancellation, abandonment, postponement, interruption or relocation of an event (in whole or in part) due to uncontrollable circumstances. Can include non-appearance of key individuals.   |
| <b>Fidelity</b>   | Covers theft by employees of property and money.  |
| <b>Intellectual Property Pursuits</b>   | Covers legal expenses to enforce intellectual property rights that are infringed by a third party.  |
| <b>Prize Indemnity</b>  | Covers the risk that the prize (giveaway) will be won e.g. Hole in One Insurance (golf tournament).   |
| <b>Warranties &amp; Representations Liability</b><br>(Mergers & Acquisitions) | Provides cover around contractual liability arising in the purchase or sale of a business.  |
| <b>MARINE</b>   |   |

|   |   |
|---|---|
| <b>Carriers Liability</b>                             | Covers liability under the Contract and Commercial Law Act 2017 (CCL Act) relating to the carriage of goods.  |
| <b>Charterers Liability</b>                           | Protection tailored to meet the conditions of a Marine Charter Agreement for hull and/or liabilities.   |
| <b>Cargo</b>  | Covers shipments of goods by land, sea or air.  |
| <b>Marine Hull</b>                                    | Covers watercraft against physical loss or damage. Can include third party liability arising out of the use of watercraft.  |
| <b>Marine Throughput</b>                              | Covers loss or damage to stock from start to end – raw materials through manufacture/processing/packing and onto transit and shipment to final destination.   |
| <b>MARINE (cont)</b>                                  |   |
| <b>Port Operator's Liability</b>                      | Covers liability arising from the activities in connection with Port operations and/or associated activities.   |
| <b>Protection and Indemnity</b>                       | Covers liability to third parties arising out of the ownership operation/use or otherwise of watercraft/vessels.  |
| <b>Ship Repairers Liability</b>                       | Covers damage to property worked upon and arising from the work itself.   |
| <b>Stevedores Liability</b>                           | Covers liability for loss or damage to customer's ships, cargo, port and some third-party property.   |
| <b>AVIATION</b>                                       |   |
| <b>Aviation Hull</b>                                  | Covers aircraft against physical loss or damage, includes third party liability arising out of the use of insured aircraft.   |
| <b>Aviation Liabilities</b>                           | Covers liability arising out of the use of aircraft (commonly excluded from Public Liability policies).   |
| <b>Charterers Liability</b>                           | Protection tailored to meet the conditions of an Aviation Charter Agreement for hull and/or liabilities.  |
| <b>Hangar Keepers Liability</b>                       | Covers legal liability risks for airside activities (i.e. hangar owner, tenants liability) and work completed on aircraft, or aircraft components, or third party aircraft that are in your care, custody or control (i.e. bailee) and products liability for aircraft or aircraft components which have been maintained, serviced or worked on by you. |
| <b>Unmanned Aerial Vehicle (UAV) Operators</b>        | Covers the hull, equipment and liability arising from the use of unmanned aerial vehicles or drones.  |
| <b>Agricultural and Bloodstock</b>                    |   |
| <b>Bloodstock</b>                                     | Covers horses for the risks of accident, sickness or disease.   |
| <b>Farm</b>   | Covers can include farm assets, farm business interruption, liabilities and farm vehicles.  |
| <b>Forestry</b>                                       | Covers forests against specified perils; including but not limited to fire and lightning. Optional extensions are available.  |
| <b>Growing Crops</b>                                  | Insurance against failure or diminution of a crop resulting from certain specified events, for example flood or adverse weather.  |
| <b>Livestock</b>                                      | Covers livestock for the risks of accidents, sickness or disease.   |
| <b>HUMAN RESOURCE</b>                                 |   |
| <b>Employee Benefits</b>                              | Includes a variety of special forms of insurance including life insurance, long term disability, salary continuance, medical expenses and superannuation.   |
| <b>Expatriate Medical Benefits</b>                    | Covers medical and emergency expenses to protect insured person(s) and their family members who are on a long-term secondment overseas.   |
| <b>Extra Territorial</b>                              | Covers liabilities where employees are injured outside their normal country or state of employment and are not covered by the relevant statutory policy.  |
| <b>Workers Compensation</b>                           | To provide cash benefits to the company in the event of death or disablement of key personnel.  |
| <b>Key Person</b>                                     | To provide cash benefits in the event of death or disablement following accident to insured person(s).  |
| <b>Personal Accident</b>                              |   |
| <b>Shareholder Protection/ Succession Planning</b>    | Provides funds for the surviving shareholders to purchase the shares of a fellow shareholder who dies or suffers a disablement that prevents their continuation in the business.  |
| <b>Miscellaneous</b>                                  |   |
| <b>Accidental and Malicious Product Damage/Tamper</b> | Crisis management providing cover for product recall, restoration costs, loss of income and incident response costs (following product tamper).   |
| <b>Extortion</b>                                      | Cover includes kidnap, ransom and product tampering.  |

|                                |  |
|--------------------------------|--|
| Plant, Machinery and Equipment | Covers mobile plant, equipment and machinery typically for material damage, road risk liability and public liability where equipment is vital to protect the business from incurring loss (e.g. farmers, contractors, miners). Can extend to cover additional risks such as business interruption. |
| Political Risk                 | Covers confiscation, expropriation or nationalisation of overseas assets and contracts; can also include cover against frustration or repudiation of a contract.   |
| Travel                         | Covers medical, evacuation and additional expenses, baggage, personal accident, personal liability and other travel related risks of insured persons.  |

## 8 Ngā Pūrongo Whakamārama | Information Reports

### 8.8 Committee review of accounting policies

CM No.: 2726789

#### Rāpopotonga Matua | Executive Summary

Staff have queried if the Committee see any benefit from the continuation of the review of accounting policies as a separate item as part of their annual work programme. Or rather than the review of policies being the Committee's responsibility, should their role be to seek assurance from qualified staff and independent experts that the policies are appropriate (in line with standards) and have been complied with.

#### Tūtohunga | Recommendation

That:

1. **The annual review of Council's accounting policies is removed from the Committee's work programme.**

#### Horopaki | Background

The Risk and Assurance Committee's work programme has historically included an annual review of Council's accounting policies. The current accounting policies (recently review for the Draft 2023/24 Annual Plan) are attached for information.

#### Ngā Take/Kōrerorero | Issues/Discussion

Staff have queried if the Committee see any benefit from the continuation of this review as a separate item as part of their work programme?

The thinking behind this is as follows:

- Council doesn't have great opportunity to be creative with its accounting policies, and, given Council is not subject to income tax, there are no tax benefits of doing so (as you may see in the private sector)
- The accounting policies are updated by qualified staff as part of preparing the Annual Report and/or Annual Plan, and in line with changes to accounting standards released by the New Zealand Accounting Standards Board, and following sector guidance published by Audit New Zealand.
- Audit New Zealand review Council's accounting policies on an annual basis as part of their audit.
- In the warrant of fitness document that is provided to Council and this Committee at the completion of the Annual Report, staff report on any changes to accounting policies and compliance with accounting standards.
- Given the technical nature of accounting policies, it may be unfair to expect the Committee to have responsibility for undertaking a review of Council's accounting policies, but rather should their role be to seek assurance from qualified staff and independent experts that the

policies are appropriate (in line with standards) and have been complied with. The above steps should serve to address these requirements.

### **Mōrearea | Risk**

There is no increased risk exposure to Council, as adequate controls are already in place to ensure appropriateness of and compliance with accounting policies.

### **Ngā Whiringa | Options**

If the Committee wish to retain the review of accounting policies on their annual work programme, the objective and outcome of the review should be defined by the Committee, so as to focus the scope of the review.

### **Ngā Tāpiritanga | Attachments**

[A](#)  Statement of Accounting Policies (from 23-24 draft Annual Plan)



### **Ngā waitohu | Signatories**

|             |   |  |
|-------------|---|--|
| Author(s)   | Larnia Rushbrooke<br><b>Finance and Business Services Manager</b> |  |
| Approved by | Manaia Te Wiata<br><b>Group Manager Business Support</b>          |  |



## STATEMENT OF ACCOUNTING POLICIES

### Reporting Entity

Matamata-Piako District Council (the Council) is a local authority established under 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 Council provides local infrastructure, local public services, and performs regulatory functions to the community. Council has designated itself as a Public Benefit Entity (PBE) for financial reporting purposes.

The financial information contained within these documents is prospective financial information in terms of Financial Reporting Standard 42 Prospective Financial Statements (PBE). The purpose for which this has been prepared is to enable the public to participate in decision making processes as to the services to be provided by the Council over the next financial year, and to provide a broad accountability mechanism of the Council to the community. The financial information in the Draft Annual Plan may not be appropriate for purposes other than those described.

The draft forecast financial statements of the Council are for the year ended 30 June 2023. The draft forecast financial statements were authorised for issue as part of the draft Annual Plan by Council on 3 May 2023. Council is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

### Basis of Preparation

The draft forecast financial statements have been prepared on the going concern basis and the accounting policies have been applied consistently to all periods presented in these forecast financial statements.

### Implementation of new and amended standards

All standards, interpretations and amendments approved but not yet effective in the current year are either not applicable to the Council or are not expected to have a material impact on the financial statements of the Council and, therefore, have not been disclosed.

### Statement of compliance

The draft forecast financial statements 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 generally accepted accounting practice in New Zealand (NZ GAAP). These draft forecast financial statements have been prepared in accordance with and comply with PBE Standards.

### Presentation currency and rounding

The draft forecast financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

### Opening balances

The draft forecast financial statements have been prepared based on expected opening balances for the year ended 30 June 2023. Estimates have been restated accordingly if required.

### A cautionary note

The information in the draft forecast financial statements is uncertain and the preparation requires the exercising of judgement. Actual financial results achieved for the period covered are likely to vary from the information presented, and the variations may be material. Events and circumstances may not occur as expected or may not have been predicted or we may subsequently take actions that differ from the proposed

courses of action on which the draft forecast financial statements are based. The information contained within these draft forecast financial statements may not be suitable for use in another capacity.

### Revenue

#### *Accounting policy*

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 the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.
- Rates arising from late payment penalties are recognised as revenue when rates become overdue.
- Revenue from water-by-meter rates is recognised as it is invoiced.
- Rates remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.

#### *Waka Kotahi NZ Transport Agency roading subsidies*

The Council receives funding assistance from Waka Kotahi NZ Transport Agency, 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 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.

#### *Fees and Charges*

Fees and charges are recognised as revenue when the obligation to pay arises or, in the case of license fees, upon renewal of the licence.

#### *Private works*

The revenue from private works is recognised as revenue by reference to the stage of completion of the work at balance date.

#### *Building and resource consent revenue*

Fees and charges for building and resource consent services are recognised when received or invoiced.

#### *Infringement fees and fines*

Infringement fees and fines related to animal control are recognised when the payment of the fee or fine is received.

#### *Lease and rental revenue*

Lease and rental revenue arising on property owned by us is accounted for on a straight line basis over the lease term.

#### *Development and financial contributions*

Development and financial contributions are recognised as revenue when the Council provides, or is able to 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 is able to provide, the service.

#### *Vested 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. 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. An exception to this is land under roads which is valued using the average land values for the urban and rural areas of the whole district as at 1 July 2001. 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.

#### *Found assets*

Found asset revenue recognises the value of assets that we own, or where we have full control and management of the asset (and that asset is not recorded as such by any other entity), and these assets have not been previously accounted for. These assets are recognised at their fair value from the time that they are identified.

#### *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 released to revenue as the conditions are met (for example, as the funds are spent for the nominated purpose).

#### *Interest and dividends*

Interest revenue is recognised using the effective interest method. Dividends are recognised when the right to receive the payment has been established.

#### *Borrowing costs*

Finance/borrowing costs are recognised as an expense in the financial year in which they are incurred.

#### *Grant expenditure*

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 expenditure when an application that meets the specified criteria for the grant has been received. Discretionary grants are those grants where the Council have no obligation to award on receipt of the grant application and are recognised as expenditure 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 transfer substantially 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.

#### *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.

#### *Receivables*

Short-term receivables are recorded at the amount due, less any provision for uncollectability. A receivable is considered to be uncollectable when there is evidence that the amount due will not be fully collected. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

### Inventory

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:

- Commercial: measured at the lower of cost and net realisable value.
- Non-commercial: measured at cost, adjusted for any loss of service potential.

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 the surplus or deficit in the year of the write-down.

When land held for development and future resale is transferred from 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.

### Non-current assets held for sale

Non-current 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 the 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).

### Derivative financial instruments

Derivative financial instruments are used to manage exposure to interest rate risks arising from the Council's financing activities. In accordance with its treasury policies, the Council does 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 at their fair value at each balance date. The associated gains or losses are recognised in the surplus or deficit. The fair value of the derivative is classified as current if the contract is due for settlement within 12 months of balance date. Otherwise derivatives are classified as non-current.

### Other financial assets

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit, in which case the transaction costs are recognised in the surplus or deficit.

### Term deposits, and community and other loans (loans and receivables)

Loans made at nil or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar financial instrument. For loans to community organisations, the difference between the loan amount and present value of the expected future cash flows of the loan is recognised in the surplus or deficit as a grant expense.

After initial recognition, term deposits and community and other loans are measured at amortised cost using the effective interest method. Where applicable, interest accrued is added to the investment balance.

At year-end, the assets are assessed for indicators of impairment. Impairment is established when there is evidence that the Council will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, receivership or liquidation and default in payments are indicators that the asset is impaired.



If assets are impaired, the amount not expected to be collected is recognised in the surplus or deficit.

#### Investments in Council Controlled Organisations and other entities (fair value through other comprehensive revenue and expense)

Shares in Council Controlled Organisations and other entities are designated at fair value through other comprehensive revenue and expense.

After initial recognition, the shares are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to the surplus or deficit.

For shares, a significant or prolonged decline in the fair value of the shares below its cost is considered to be objective evidence of impairment. If impairment evidence exists, the cumulative loss recognised in other comprehensive revenue and expense is transferred to the surplus or deficit. Impairment losses on shares recognised in the surplus or deficit are not reversed through the surplus or deficit.

#### Property, plant and equipment

Property, plant and equipment consist of:

- Operational assets - These include land, buildings, plant and machinery, furniture and equipment, computer equipment, and library collections.
- Restricted assets – Restricted assets are mainly parks, reserves and cycleways owned by the Council that provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.
- Infrastructure assets – Infrastructure assets are the fixed utility systems owned by the Council. Each asset class includes all items that are required for the network to function. For example, wastewater reticulation includes reticulation piping and wastewater pump stations.
- Land (operational and restricted) is measured at fair value, and buildings (operational and restricted), and infrastructural assets (except land under roads) are measured at fair value less accumulated depreciation. All other asset classes are measured at cost less accumulated depreciation and impairment losses.

#### Revaluations

Land and infrastructural assets (except land under roads) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years.

Buildings (operational and restricted) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every five years.

Revaluation movements are accounted for on a class-of-asset basis.

The net revaluation results 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 the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

#### 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 the cost of the item can be measured reliably. 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 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 Council 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 the 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 the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

#### Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment (other than land and the library collection), at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The library collection is depreciated on a diminishing value basis.

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

| Operational assets            | Useful Life    | Depreciation rate | Utility assets                    | Useful life     | Depreciation rate |
|-------------------------------|----------------|-------------------|-----------------------------------|-----------------|-------------------|
| Buildings                     | 2 to 100 years | 1% - 50%          | Buildings                         | 2 to 100 years  | 1% - 50%          |
| Restricted assets (buildings) | 2 to 100 years | 1% - 50%          | Wastewater mains                  | 50 to 100 years | 1% - 2%           |
| Restricted assets (cycleways) | 2 to 50 years  | 2% - 50%          | Wastewater other                  | 80 to 100 years | 1% - 2%           |
| Restricted assets (walkways)  | 2 to 50 years  | 2% - 50%          | Wastewater pump station equipment | 1 to 120 years  | 1% - 100%         |
| Plant and machinery           | 2 to 15 years  | 6% - 50%          | Wastewater service lines          | 50 to 100 years | 1% - 2%           |
| Furniture and equipment       | 2 to 20 years  | 5% - 50%          | Water mains                       | 40 to 88 years  | 1% - 3%           |
| Computer equipment            | 3 to 10 years  | 10% - 33%         | Water valves                      | 35 to 80 years  | 1% - 3%           |
| Server hard drives            | 1 year         | 100%              | Water hydrants                    | 80 years        | 1%                |
| Library collection            | 2 to 9 years   | 11% - 50%         | Water nodes                       | 80 years        | 1%                |
| <b>Infrastructural assets</b> |                |                   | Water pump station equipment      | 3 to 100 years  | 1% - 33%          |
| <b>Road network</b>           |                |                   | Water service lines               | 40 to 88 years  | 1% - 3%           |
| Street lighting               | 10-25 years    | 4% - 10%          | Stormwater mains                  | 51 to 100 years | 1% - 2%           |
| Formation carriageway         | 100 years      | 1%                | Stormwater manholes               | 100 years       | 1%                |
| Pavement surfacing            | 5 to 50 years  | 2% - 20%          | Stormwater pumps                  | 15 years        | 7%                |
| Pavement structure            | 60 to 90 years | 1% - 2%           | Stormwater service lines          | 60 to 100 years | 1% - 2%           |
| Footpaths                     | 5 to 50 years  | 2% - 20%          | Swale drains                      | Indefinite      | 0%                |
| Drainage                      | 60 to 80 years | 1% - 2%           |                                   |                 |                   |

|           |                   |          |
|-----------|-------------------|----------|
| Bridges   | 60 to 90<br>years | 1% - 2%  |
| All other | 1 to 70 years     | 1%- 100% |

The residual value and useful life of an asset is reviewed and adjusted if applicable, at each balance date.

#### Impairment of non-financial assets

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 the 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 the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the 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 is the present value of expected future cash-flows.

#### Intangible assets

##### Computer software

Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with staff training and maintaining computer software are recognised as an expense when incurred.

#### Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its 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 period is recognised in the surplus or deficit. Computer software is estimated to have a useful life of 1 to 15 years and is amortised at a rate of 6.67% to 100%.

#### Impairment

Refer to the policy for impairment of property, plant and equipment. The same approach applies to the impairment of intangible assets.

#### Payables and deferred revenue

Short-term creditors and other payables are recorded at their face value.

#### Borrowings

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

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

#### Employee entitlements

##### Short term employee entitlements

Employee benefits that are due to be settled within 12 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, annual leave earned to, but not yet taken at balance date, and sick leave.

##### Long term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the year 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 staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- The present value of the estimated future cash flows.

#### Presentation of employee entitlements

Sick leave, annual leave, long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liabilities. All other employee entitlements are classified as a non-current liabilities.

#### Defined contribution superannuation scheme

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

#### 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 using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in 'finance costs'.

### 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:

- Accumulated funds
- Other reserves - other reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Council.

Other reserves include:

**Council created reserves** - reserves established by Council decision. Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at Council's discretion.

**Restricted reserves** - those reserves subject to specific conditions accepted as binding by Council and which may not be revised without reference to the Courts or third party. Transfers from these reserves may be made only for certain specified purposes or when certain conditions are met.

**Asset revaluation reserves** - represent unrealised gains on assets owned by Council. The gains are held in the reserve until such time as the gain is realised and a transfer can be made to retained earnings.

**Fair value through other comprehensive revenue and expense reserve** – This reserve comprises the cumulative net change in the fair value of assets classified as fair value through other comprehensive revenue and expense.

### Goods and service tax (GST)

Items in the financial statements are stated exclusive of GST, except for receivables and payables which are stated on a GST inclusive basis.

Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The net amount of GST recoverable from or payable to, the Inland Revenue Department (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 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.

### Foreign currency transactions

Foreign currency transactions (including those subject to forward foreign exchange contracts) are translated into NZ\$ (the functional currency) using the spot exchange rate at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

### Cost allocation

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which 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. The allocation of indirect costs to the activities of Council has also been benchmarked against neighbouring local authorities for moderation.

### Critical accounting estimates and assumptions

In preparing these forecast 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 period of the Annual Plan follows.

#### Infrastructural assets

There are a number of assumptions and estimates used when performing depreciated replacement cost valuations on infrastructural assets. These include:

The physical deterioration and condition of an asset, for example we could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets, which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by us performing a combination of physical inspections and condition modelling assessments of underground assets; estimating any obsolescence or surplus capacity of an asset.

Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then we 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, our infrastructural assets useful lives have been determined with reference to the New Zealand Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of our asset management planning activities, which gives us further assurance over its useful life estimates. Experienced independent valuers perform or undertake a peer review of our infrastructural asset revaluations.

#### Provisions for landfill aftercare and Tui Mine site monitoring

The cash outflows for landfill after care and site monitoring costs are expected to occur over 25 years or more. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provisions have been estimated taking into account existing technology and discounted using a discount rate of 6%.

The following assumptions have been made in the calculation of the provisions: obligations for the work are for the period of the resource consents for these sites. Costs have been estimated based on best information and technology known at this point.

#### Critical judgments in applying accounting policies

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

##### Classification of property

We own a number of properties held to provide housing to elderly persons. The receipt of rental from these properties is incidental to holding them. The properties are held for service delivery objectives as part of our social housing policy. The properties are therefore accounted for as property, plant and equipment.

##### Waikato Regional Airport Limited

As an increasing portion of Waikato Regional Airport Limited's (WRAL's) balance sheet is carried at fair value, Council are able to reliably measure its investment in WRAL at fair value using the net asset backing of the company.



8 Ngā Pūrongo Whakamārama | Information Reports

## 8.9 Draft report of KMPG's internal audit on cash-handling

CM No.: 2726299

### Rāpopotonga Matua | Executive Summary

KMPG have provided their draft report in relation to their review of Council's cash handling and non-cash refund processes. At the time of writing, staff have not had an opportunity to provide comment on the findings or to develop a plan of action. Any update to progress in this regard will be discussed at the meeting.

### Tūtohunga | Recommendation

That:

1. The draft report be received

### Horopaki | Background

As part of our Internal Audit programme, KMPG were contracted to undertake a review of Council's cash handling and non-cash refund processes. Their review was concentrated on four representative cash sites; being Morrinsville Office, Morrinsville Library, Te Aroha Mineral Spas and Te Aroha Swimzone.

To provide some context alongside this review, the below table lists the total cash receipts per facility for the 2021/22 financial year:

| Cash site                  | 2021/22 cash receipts |
|----------------------------|-----------------------|
| Matamata Office            | \$115,518             |
| Te Aroha Mineral Spa       | \$107,174             |
| Morrinsville Office        | \$92,204              |
| Te Aroha Office            | \$81,339              |
| Te Aroha Swimzone          | \$28,083              |
| Matamata Swimzone          | \$21,120              |
| Morrinsville Swimzone      | \$19,232              |
| Firth Tower                | \$8,665               |
| Te Aroha i-Site            | \$6,020               |
| Matamata Library           | \$5,486               |
| Morrinsville Library       | \$4,424               |
| Te Aroha Library           | \$4,103               |
| Domain House Beauty        | -                     |
| <b>Total cash receipts</b> | <b>\$493,365</b>      |

Note that Domain House Beauty do not accept cash. Council's total revenue for 2021/22 was \$74,149,000, so cash makes up approximately 0.7% of total revenue. While this percentage is low overall, cash is identified as an inherent area of risk for any organisation.

### Ngā Take/Kōrerorero | Issues /Discussion

KPMG provided their draft report to staff on 29 May. Staff have not yet had an opportunity to discuss the findings, gather feedback on the recommendations and determine an appropriate action plan in conjunction with the office and facility managers. We intend to report on any progress made in this regard at the meeting.

On initial review of the draft report, there were two matters of concern that were immediately communicated with facilities to be addressed asap, being the issues around the physical security/access to the cash safes and keys, and the Armourguard cash hand off process.

Other recommendations made in the report will be worked through with the office and facility managers, and they will consider how the findings of this review of selected sites may also apply across their other sites. We will consider the feasibility of the recommendations and develop a priorities plan of action for addressing these. We plan to monitor and report progress against the action plan to this Committee going forward.

### Ngā Tāpiritanga | Attachments

[A↓](#). KMPG Draft Internal Audit Report - Cash Handling May 2023



### Ngā waitohu | Signatories

|             |   |  |
|-------------|---|--|
| Author(s)   | Larnia Rushbrooke<br><b>Finance and Business Services Manager</b> |  |
| Approved by | Manaia Te Wiata<br><b>Group Manager Business Support</b>          |  |

**DRAFT**



# Cash Handling and Non-Cash Refund Processes

**Matamata Piako District Council**  
Internal Audit Report

May 2023



DRAFT

# Contents

|    |  |    |
|----|--|----|
| 01 | Executive summary                          | 03 |
| 02 | Detailed findings and recommendations      | 06 |
| 03 | Appendix 1: Internal audit scope (extract) | 12 |
| 04 | Appendix 2: Ratings and classifications    | 13 |

## Disclaimers

### Inherent Limitations

This report has been prepared in accordance with our Internal Audit Scope document dated April 2023. The services provided under our Internal Audit Scope document ('Services') have not been undertaken in accordance with any auditing, review or assurance standards. The term 'Audit/Review' used in this report does not relate to an Audit/Review as defined under professional assurance standards.

The information presented in this report is based on that made available to us in the course of our work/publicly available information/information provided by Matamata-Piako District Council. We have indicated within this report the sources of the information provided. Unless otherwise stated in this report, we have relied upon the truth, accuracy and completeness of any information provided or made available to us in connection with the Services without independently verifying it.

No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, Matamata-Piako District Council consulted as part of the process.

KPMG is under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form.

Any redistribution of this report requires the prior written approval of KPMG and in any event is to be a complete and unaltered version of the report and accompanied only by such other materials as KPMG may agree. Responsibility for the security of any electronic distribution of this report remains the responsibility of those parties identified in the engagement letter. KPMG accepts no liability if the report is or has been altered in any way by any person.

### Third Party Reliance

This report is solely for the purpose set out in the Executive Summary and Appendix 1 of this report and for Matamata-Piako District Council's information and is not to be used for any other purpose or copied, distributed or quoted whether in whole or in part to any other party without KPMG's prior written consent.

Other than our responsibility to Matamata-Piako District Council, neither KPMG nor any member or employee of KPMG assumes any responsibility, or liability of any kind, to any third party in connection with the provision of this report. Accordingly, any third party choosing to rely on this audit report does so at their own risk.

### Internal Controls

Due to the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Our procedures were not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period and the tests performed are on a sample basis. As such, except to the extent of sample testing performed, it is not possible to express an opinion on the effectiveness of the internal control structure.



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# 1. Executive summary

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## Introduction

Matamata-Piako District Council (MPDC) Management have engaged us to perform an internal audit review of cash handling and non-cash refund processes for MPDC's cash collection units.

We would like to thank Management and staff for their time and assistance during this review.

## Objective

The overall objective of the review was to confirm whether controls within MPDC's cash handling and non-cash refund processes were adequately designed, appropriate, and operating effectively to mitigate key business risks and to provide recommendations for improvement to align with good practice where opportunity existed.

The detailed scope and approach of the review were agreed with Management and are set out in Appendix 1.

## Overall rating

Based on the results of the review, we have rated the control environment relating to MPDC's cash handling and non-cash refund processes as Developing. Refer to Appendix 2 for the classification of the ratings.

|                |            |
|----------------|------------|
| Overall rating | Developing |
|----------------|------------|

Overall, there are some valuable processes in place for cash handling activities, however, these are not always consistently applied across sites. As a result, there is opportunity for uplift to current processes and integrate good practices to improve the control environment.

## Positive attributes

We identified the following positive attributes at MPDC in the cash handling and non-cash refund processes, which we encourage MPDC to maintain:

- There is a continuous improvement culture where staff are open to improvements and willing to uplift processes.
- Staff have a good understanding of the Promapp process guidance documents and awareness of how to locate and utilise these.
- System functionality ensures staff carrying out cash receipting across sites are required to 'log in' using their cashier number and can be retrospectively identified after completing receipting.

## Key findings

Summarised below are the number of findings identified by the risk ratings.

|                | High | Medium | Low |
|----------------|------|--------|-----|
| Total findings | 1    | 2      | 0   |

The high and medium rated findings are summarised below:

- There is a lack of safeguards over cash at the in scope sites, in particular the security of physical cash, the point of sale transaction processing and the Armourguard cash collection process.
- There is a lack of monitoring over cash handling processes. Previously there was a 'cash handling audit' performed by Finance assessing the sites cash handling processes. However, this is not currently being completed and there is no other monitoring in place.
- There are inefficiencies in cash up and receipting process documentation as well as the use of CM, the document management system.



# 1. Executive summary continued

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Management action plans

Insert Text

Overall management comments

Insert Text



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**02**

# Detailed Findings and Recommendations

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## 2. Detailed findings and recommendations

| 1. Improve safeguards over cash   | Rating of finding: High   |
|---|---|
| <p><b>Internal Audit Finding</b></p> <p>At present there is a lack of controls over cash handling at the four sites in scope for this review. In particular, the physical security of cash, point of sale (POS) transaction process and Armourguard cash collection processes. We identified the following:</p> <p><b>Physical security of cash</b></p> <p>There is a lack of controls and consistency of procedures relating to the security of cash stored at the different sites. We visited the Morrinsville Office, Morrinsville Library, Swim Zone Te Aroha and Te Aroha Mineral Spas as part of this review and the following weaknesses in the physical security of cash were identified:</p> <ul style="list-style-type: none"><li>• The safe located in the Morrinsville Office is in a room accessible by swipe key. However, the safe is generally kept open during the day and we understand all MPDC staff within the building have access to this room, therefore, staff with swipe keys would be able to access the safe. The amount of cash stored in this safe includes a \$100 float, \$200 petty cash and cash takings varying between \$100 to \$4,000 depending on the time of year.</li><li>• The Morrinsville Library's float and daily takings are stored in a locked cupboard rather than a secure safe. Once a week the daily takings are moved to the Morrinsville Office safe for Armourguard collection. The amount of cash stored in this locked cupboard includes a \$100 float, \$50 petty cash and cash takings generally up to \$250.</li><li>• The key to the Te Aroha Mineral Spa's safe is kept on a hook less than a metre away from the safe. The amount of cash kept in the safe includes a \$100 float, \$300 petty cash and cash amounts ranging between \$50 to \$4000.</li><li>• Swim Zone Te Aroha staff expressed concern over not having a security camera installed in the room where the safe is kept and highlighted that this issue has been raised previously with no action taken. The amount of cash kept in the safe includes a \$100 float, \$300 back up float and cash amounts generally ranging between \$200 to \$500.</li></ul> | <p><b>Recommendations</b></p> <p><b>Physical security of cash</b></p> <ol style="list-style-type: none"><li>1. Restrict access to safe/keys to authorised personnel, and store keys in secure locations only known to authorised personnel.</li><li>2. Ensure staff understand safes are required to be locked at all times, when not in use.</li><li>3. Increase the frequency the Morrinsville library deposits cash into the office safe to reduce cash held in the locked cupboard</li><li>4. Investigate opportunity to install a security camera in the Swim Zone Te Aroha office</li></ol> |

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1. Improve safeguards over cash continued

Rating of finding: High

Internal Audit Finding

Recommendations

Point of Sale (POS) transaction processing

POS transaction processing

At present there are different POS systems in use at sites across MPDC. These POS systems have varying capability to record audit logs of transactions and the opening of the till, as well as limitations recording the cashier who processed a transaction. The ability to maintain full and accurate records can assist in deterring fraudulent behaviour and in the instance where it does occur, enable greater access to data to identify the issue.

1. Investigate the opportunity and costs for an updated POS system like the one in use at Swim Zone Te Aroha to be installed and used across sites.

The system currently in place at Swim Zone Te Aroha is an example of an appropriate POS system given the following system capabilities:

- Eftpos transactions are automatically sent from the POS system to the Eftpos machine; there are no manual Eftpos transactions.
- Staff are required to input their unique pin-code to process a transaction.
- The till cannot be opened unless a transaction is processed or the 'no sale' function on the POS system is used.
- The POS system maintains an audit trail log of all transactions, and who performed these, along with the use of the 'no sale' function.

At present the following limitations are experienced at other sites:

- The Morrinsville Library has a single sign on at the start of the day which isn't unique to any user. Therefore, transaction logs cannot be traced to a particular staff member.
- The Te Aroha Mineral Spa requires staff to sign onto the POS system at the start of their shift but not for individual transactions. Therefore, transaction logs cannot be traced to a particular staff member.
- The Morrinsville Office tills are not connected to the POS system and are required to be manually opened, leaving no record of till activity.

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| 1. Improve safeguards over cash continued  | Rating of finding: High  |
|--|--|
| <p><b>Internal Audit Finding</b></p> <p><b>Armourguard cash hand off process</b></p> <p>Armourguard cash collection processes vary across sites. An uplift in processes is required across all sites at varying levels to ensure adequate and consistent practice (particularly when evidencing the Armourguard cash collection) and appropriate processes are in place when Armourguard scanner devices don't work.</p> <p>The Morrinsville Office is currently the only site evidencing Armourguard's cash collection. They require Armourguard collection staff to sign that they have received the cash from the Morrinsville Office and Morrinsville Library, including the number of bags collected and the time of collection. As good practice, we would expect all sites to be obtaining similar confirmation for cash collection as it provides evidence that Armourguard have collected the cash from the site, rather than relying on Armourguard's record of cash collections.</p> <p>Additionally, from conversations with stakeholders we understand that the scanner used by Armourguard to record cash collection can be unreliable, and frequency of issues reported range from very infrequent to around 50% of the time. At present there is no process in place for when the automatic scanner does not work and a manual paper form is completed by Armourguard for the cash pick up.</p> <p><b>Impact</b></p> <ul style="list-style-type: none"><li>• Lack of accountability surrounding the safeguards over cash to ensure adequate measures are in place to mitigate risk.</li><li>• Inability to detect and resolve fraudulent activity due to system limitations.</li><li>• Heighten risk of misappropriation of funds due to a lack of strong controls in place and lack of evidence to authenticate cash collection procedures.</li></ul> | <p><b>Recommendations</b></p> <p><b>Armourguard cash hand off process</b></p> <ol style="list-style-type: none"><li>1. Update the Armourguard cash hand off process to ensure all sites are evidencing Armourguard collecting the cash from their sites as the Morrinsville Office do.</li><li>2. Update processes to include guidance for what staff are required to do when the Armourguard automatic scanners are not working, ensure it includes what information is required to be retained by the site and for how long.</li></ol> |
| Agreed Management Actions  |  |
| 1. <b>Insert Text</b>  |  |
| Responsibility <b>Insert Text</b>  | Target Date <b>Insert Text</b>   |



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| 2. Increase monitoring of cash handling processes  | Rating of finding: Medium   |
|--|---|
| <p><b>Internal Audit Finding</b></p> <p>From discussions with stakeholders and review of Promapp process documents, we identified there was previously a 'Cash Handling Audit' where a Finance team member was to periodically audit the various MPDC sites. However, this is not occurring and as we understand, hasn't occurred for a number of years due to various reasons, but primarily due to staff resources constraints. This audit provides quality assurance (QA) testing and therefore, forms a key control to ensure accuracy and integrity of cash handling processes.</p> <p>As this audit hasn't been undertaken for a number of years and documentation was unavailable, it was unclear which cash handling processes would be included. However, we would expect this audit to include:</p> <ul style="list-style-type: none"><li>• The end of day cash up process</li><li>• Authority receipting process</li><li>• Armourguard cash hand off process.</li></ul> <p>These key processes can help form a basis for the content of a cash handling audit and be incorporated into a quality assurance methodology.</p> <p><b>Impact</b></p> <ul style="list-style-type: none"><li>• Increased risk of errors due poor work quality occurring as a result of a lack of monitoring.</li><li>• Heightened risk of fraudulent behaviour occurring and going undetected.</li><li>• Missed opportunities for process improvements.</li></ul> | <p><b>Recommendations</b></p> <ol style="list-style-type: none"><li>1. Develop a formal QA methodology which provides guidance and clarity on responsibilities, coverage, reporting and other expectations regarding the 'Cash Handling Audit'.</li><li>2. Implement the updated 'Cash Handling Audit' QA framework across sites ensuring adequate reporting and action completion to address issues which arise.</li></ol> |
| Agreed Management Actions  |   |
| 1. <b>Insert Text</b>  |   |
| <b>Responsibility</b> <b>Insert Text</b>   | <b>Target Date</b> <b>Insert Text</b>   |

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| 3. Cash-handling process inefficiencies  |  | Rating of finding: Medium  |
|--|--|--|
| <b>Internal Audit Finding</b>  |  | <b>Recommendations</b>   |
| <p>As part of this review we identified a range of process inefficiencies relating to the forms used for cash up and receipting processes, use of the document management system, and document retention.</p> <p>Different sites are providing their cash up and receipting information in different formats by completing different forms. Additionally, there are sites providing their cash up and receipting documentation via paper copies and others through the document management system, 'CM'. Ideally, all sites would utilise CM, and as we understand, it is a system available at all in scope sites.</p> <p>However, for CM to have the desired consistency and efficiencies across sites, uplift in the use of CM is required. The current process of using CM is unclear and the 'container' set up of CM creates inefficiencies for the Finance team when reviewing uploaded documentation. The identified inefficiencies were:</p> <ul style="list-style-type: none"><li>• There is a single 'container' for all sites' documentation rather than individual containers by site.</li><li>• Lack of naming conventions across documents and sites.</li><li>• Unclear guidance of which documents are required to be uploaded to CM.</li></ul> <p>Additionally, during testing, a portion of the evidence for one of the samples could not be located and, therefore, was unable to be tested. The inability to locate this sample highlights the need for clearer processes for saving and retaining documents, ensuring consistency across sites.</p> <p><b>Impact</b></p> <ul style="list-style-type: none"><li>• Heightened risk of unidentifiable or irretrievable information.</li><li>• Unnecessary delays in the supply or identification of documentation.</li></ul> |  | <ol style="list-style-type: none"><li>1. Update cash up processes and process guidance across sites to incorporate the following:<ul style="list-style-type: none"><li>• All sites are to use the same cash up form and clarifying which form this is to be.</li><li>• Provide direction for what is to be saved on CM, where, and how.</li></ul></li><li>2. For sites which do not currently use CM, provide training on how to use CM based on updated guidance as a point of reference.</li></ol> |
| Agreed Management Actions  |  |  |
| 1. <b>Insert Text</b>  |  |  |
| Responsibility <b>Insert Text</b>  |  | Target Date <b>Insert Text</b>   |





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# Appendix 1: Internal audit scope (extract)

## Internal audit objectives

The internal audit had the following objectives:

- It confirmed whether controls within MPDC's cash handling and non-cash refund processes were adequately designed, appropriate, and operating effectively to mitigate key business risks.
- It provided recommendations for improvement to align with good practice where opportunity existed.

## Scope

The scope of this review covered end to end cash handling and non-cash refund processes in relation to MPDC's key cash collection units, being:

- Morrinsville Office and Library
- Te Aroha Mineral Spas and Swimming Pool.

The review covered the following elements:

- Safeguards and controls over cash (including petty cash) and back-up floats
- Controls relating to receipt of cash (including cash refunds)
- Compliance to policies and procedures across the cash collection units
- Controls over the preparation, review and approval of reconciliations to ensure the accuracy, completeness and timeliness of daily cash collected
- Controls over timely preparation and review of bank reconciliations
- Segregation of duties
- Access management and security over related systems and spreadsheets used to record daily revenue and prepare key reconciliations
- Controls relating to non-cash refunds issued via the Flo2Cash system.

## Internal Audit approach

The review was completed in accordance with KPMG's Internal Audit Methodology and followed the approach described below:

### Planning

- Interviewed relevant staff to understand the approach to, and expectations for, cash handling and non-cash refund processes.
- Reviewed the following in relation to cash handling and non-cash refund processes:
  - Documented risks
  - Policies, procedures and process documentation.
- Identified key stakeholders to interview
- Developed a detailed work plan. The work plan set out the focus for the fieldwork phase of the review.

### Fieldwork

- Interviewed key stakeholders to enhance our understanding of relevant processes and to learn staff perceptions of current strengths and challenges.
- Completed walkthroughs of processes where required.
- Reviewed supporting documentation.
- Tested implementation and, if necessary, operating effectiveness, of an key, repeatable, control points.
- Identified gaps between the current state and general good practice for relevant processes.
- Identified any 'quick wins' for potential risk reduction.

### Reporting

- Conducted 'in-flight' meetings part way through the fieldwork with key stakeholders to discuss any preliminary findings.
- Documented our findings and recommendations.
- Conducted a close out meeting to confirm the findings and agree recommendation with the key stakeholders.





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# Appendix 2: Ratings and classifications

## Review rating

The review ratings are defined as follows:

| Rating        | Definition   |
|---------------|--|
| GOOD          | The controls are fit for purpose and are being performed in a manner which effectively mitigates the identified risks.   |
| EFFECTIVE     | Despite the fact that some control weaknesses were identified, existing controls within the audited process are considered to be generally adequate, appropriate and effective. They ensure that the audited business processes will achieve their control objectives. |
| DEVELOPING    | Control weaknesses were identified which, if not appropriately addressed, could in the future result in the audited business processes not achieving their control objectives.   |
| NOT EFFECTIVE | Existing controls are considered to be inadequate and ineffective to ensure that the audited business processes will achieve their control objectives. Significant improvements are required to improve the adequacy and effectiveness of the control environment.     |

## Risk rating

The risk rating assigned to the findings is determined based on an assessment of the impact of the business and the likelihood of the risk occurring, defined as follows:

| Rating | Definition   |
|--------|--|
| LOW    | Matters which are unlikely to have a significant impact on the system of internal control but should be addressed as part of continuous improvement.   |
| MEDIUM | Matters which are important to the system of internal control and should be addressed as soon as possible.   |
| HIGH   | Matters which are fundamental to the system of internal control. The matters observed can seriously compromise the system of internal control and data integrity and should be addressed as a matter of urgency. |





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8 Ngā Pūrongo Whakamārama | Information Reports

## 8.10 Risk Management Update

CM No.: 2725520

### Rāpopotonga Matua | Executive Summary

Implementation Update

#### Tūtohunga | Recommendation

That:

1. The information be received.

#### Horopaki | Background

- Risk Appetite: Process is being finalised. Currently based on the Council's Strategic Direction, our Vision our Community Outcomes and our Priorities, refer attachment A.
- Working with Communications Team on options to promote Risk Management.
- The SPAG Report Writing Workshops included an overview of the Risk Assessment process and a worked example. This process will be used as the basis of the "Introduction to Risk Management"
- Risk Assessment Workshops will be run for each of the Management Group Teams and Project Teams.
- **Risk Assessments carried out:**
- Strategic: SPAG completed for the LTP.
- Tactical: Risk Assessments completed for a number of projects. Risk Assessment of the Spa Project Investment Case is underway, risks identified during the Deloitte, Brookfields and GHD reviews are being captured.
- Risk Management Framework & Policy Review is scheduled for September.
- Quality Management System – Health Check carried out by software provider ref attached report.
- Cash Handling Audit Conducted by KPMG refer to attached previous agenda item "Draft report of KMPG's internal audit on cash-handling".

The search for a software solution has recommenced. In discussion with other Council Risk Managers CAMM's is used by a number of the Councils. A meeting was held on the 1<sup>st</sup> March with the CAMM's Software Provider to discuss the features of the product. Second option being looked at is "KnowRisk". The criteria that the software options will be assessed against has been created. Access to a test system to evaluate the suitability of the two options is part of the selection process.

#### Ngā Tāpiritanga | Attachments

A.  Risk Appetite



B.  QMS Health Check (Under Separate Cover)

**Ngā waitohu | Signatories**

|           |  |  |
|-----------|--|--|
| Author(s) | Lesley Steeples<br><b>Risk Manager</b> |  |
|-----------|--|--|

|             |  |  |
|-------------|--|--|
| Approved by | Dennis Bellamy<br><b>Group Manager Community Development</b> |  |
|-------------|--|--|

## MPDC Risk Appetite Statement

### Long Term Plan Overview

Matamata-Piako District is vibrant, passionate and progressive where opportunity abounds.

We have over 34,000 people calling Matamata-Piako home, and our current projections show steady population growth over the next 30 years.

We're also diverse, with urban and rural communities, different ethnicities and a strong cultural base.

We want to ensure the district is a great place for all age groups. Our older residents have much to contribute to our community – and we want to harness this. We also want to make sure we cater to younger people, with opportunities for education, employment and to be involved within the community.

Already, Matamata-Piako has the key ingredients it needs to be one of the best places in New Zealand and the world to live, work and raise families. In our district, we now have a strong focus on vibrant and connected open spaces, good connections to other centres, inter-generational equity and housing affordability – things we know are important to people who live here.

While Council continues to work hard on looking after the district assets we already have; we want to prepare and plan well for those things which will further improve the wellbeing of our community both now and into the future.

Risk Management is intertwined with MPDC's strategic direction by identifying and balancing out threats in order to maximise the opportunities that contribute to the achievement of our objectives. Where uncertainty exists the Risk Appetite process quantifies the level of uncertainty that MPDC is prepared to accept in pursuit of our objectives.

### Risk Appetite Terminology

| Rating              | Philosophy                                  | Tolerance for Uncertainty<br>Willingness to accept uncertain outcomes or variations. | Choice<br>Willingness to select an option puts objectives at risk.          | Trade-off<br>Willingness to trade off against achievement of other objectives |
|---------------------|---|--|---|---|
| <b>Flexible</b>     | We will take justified risks                | Fully anticipated  | Will choose option/s with highest return; accepting Possibility of failure. | Willing   |
| <b>Justified</b>    | Will take strongly justified risks          | Expect some  | Will choose to put at risk, but will manage impact                          | Willing under right conditions  |
| <b>Measured</b>     | Preference for delivering expected outcome. | Limited  | Will accept if limited and heavily out-weighted by benefits                 | Prefer to avoid   |
| <b>Conservative</b> | Extremely conservative                      | Low  | Will accept only if essential and limited possibility/extent of failure     | With extreme reluctance   |
| <b>Averse</b>       | Avoidance of risk is a core objective       | Extremely low  | Will always select the lowest risk option.                                  | Never   |

## TŌ MĀTOU WHĀINGA MATUA | OUR PRIORITIES (community outcomes)

### Priority One: HE WĀHI KAINGĀKAU KI TE MANAWA | A Place with People At It's Heart

**What we want:** Support the wellbeing of our Community

### TŌ MĀTOU WHĀINGA | What We Are Going To Do:

- Prioritise community grants that enhance placemaking.
- Be the connector between our community, Iwi, NGOs and government agencies.
- Create vibrant, welcoming town centres.
- Strive for liveable, accessible, connected neighbourhoods.

|            |             |            |                |          |
|------------|-------------|------------|----------------|----------|
| • Flexible | • Justified | • Measured | • Conservative | • Averse |
|------------|-------------|------------|----------------|----------|

In relation to the proposed project Council is prepared to take a XXX approach to achieving this outcome on the basis that there is a desire to support the wellbeing of our community.

| Tolerances and Measures  |               |     |         |             |             |
|--|---------------|-----|---------|-------------|-------------|
| To ensure progress toward the desired outcome remains within the acceptable range the following tolerances and measures will be applied:   |               |     |         |             |             |
| Risk Appetite Category   | Extremely Low | Low | Limited | Expect Some | Anticipated |
| People Safety & Wellness   |               | •   |         |             |             |
| No notifiable injuries or illness from growth projects due to poor health and safety practices by MPDC Staff and/or Contractors.   |               |     |         |             |             |
| Environmental Impacts (staff, community)   |               | •   |         |             |             |
| No significant environmental effects/impacts resulting in long term damage to natural resources, flora and fauna, attributed to Strategic growth projects as a result of non-compliance with the Resource Management Act by MPDC Staff and/or Contractors. |               |     |         |             |             |
| Financial Variation / outcomes   |               | •   |         |             |             |
| +/- X 20% of Budget  |               |     |         |             |             |
| Service Delivery Standard  |               |     | •       |             |             |
| Continue to foster a genuine partnership with Mana Whenua and Iwi interests.<br>Community Engagement.  |               |     |         |             |             |
| Compliance Outcomes  |               | •   |         |             |             |
| No material failures to comply with the life safety requirements of Planning and Building Acts.  |               |     |         |             |             |
| Reputation Outcomes  |               |     |         | •           |             |
| Positive regional public interest or media attention.<br>Support arts and heritage as an important part of our communities.<br>A place that thrives and prospers.  |               |     |         |             |             |



## TŌ MĀTOU WHĀINGA MATUA | OUR PRIORITIES (community outcomes)

### Priority Two: HE WĀHI PUAWAITANGA | A Place To Thrive And Prosper

**What we want:** We are open for business

### TŌ MĀTOU WHĀINGA | What We Are Going To Do:

- Seek opportunities to realise Matamata-Piako's economic potential.
- Support and encourage quality, sustainable, varied development.
- Invest in the right infrastructure at the right time.

**Appetite:** (highlight relevant rating)

|            |             |            |                |          |
|------------|-------------|------------|----------------|----------|
| • Flexible | • Justified | • Measured | • Conservative | • Averse |
|------------|-------------|------------|----------------|----------|

In relation to the proposed project Council is prepared to take a XXX approach to achieving this outcome on the basis that there is a desire to support the wellbeing of our community.

| Tolerances and Measures  |               |     |         |             |             |
|--|---------------|-----|---------|-------------|-------------|
| To ensure progress toward the desired outcome remains within the acceptable range the following tolerances and measures will be applied:   |               |     |         |             |             |
| Risk Appetite Category   | Extremely Low | Low | Limited | Expect Some | Anticipated |
| People Safety & Wellness   |               | •   |         |             |             |
| No notifiable injuries or illness from growth projects due to poor health and safety practices by MPDC Staff and/or Contractors.   |               |     |         |             |             |
| Environmental Impacts (staff, community)   |               | •   |         |             |             |
| No significant environmental effects/impacts resulting in long term damage to natural resources, flora and fauna, attributed to Strategic growth projects as a result of non-compliance with the Resource Management Act by MPDC Staff and/or Contractors. |               |     |         |             |             |
| Financial Variation / outcomes   |               | •   |         |             |             |
| Spend between -X% and +X% for Project, how we operate  |               |     |         |             |             |
| Service Delivery Standard  |               |     | •       |             |             |
| Planning Consents, Building Consents   |               |     |         |             |             |
| Compliance Outcomes  |               | •   |         |             |             |
| No material failures to comply with the life safety requirements of Planning and Building Acts.<br>Continue to foster a genuine partnership with Mana Whenua.  |               |     |         |             |             |
| Reputation Outcomes  |               |     |         | •           |             |
| Positive regional public interest or media attention.<br>Support arts and heritage as an important part of our communities.  |               |     |         |             |             |

## TŌ MĀTOU WHĀINGA MATUA | OUR PRIORITIES (community outcomes)

**Priority Three:** HE WĀHI E POIPOI AI TŌ TĀTOU TĀIAO | A Place That Embraces Our Environment.

**What we want:** A clean, green, environmentally friendly district

## TŌ MĀTOU WHĀINGA | What We Are Going To Do:

- Educate and exemplify continuous improvement in waste minimisation.
- Create and maintain green and natural and open spaces.
- Demonstrate and advocate for climate friendly and community resilient initiatives.

**Appetite:** (highlight relevant rating)

|            |             |            |                |          |
|------------|-------------|------------|----------------|----------|
| • Flexible | • Justified | • Measured | • Conservative | • Averse |
|------------|-------------|------------|----------------|----------|

In order to be a place that “embraces our environment” the Council is prepared to take a “XXX” approach to achieving this outcome on the basis that there is a desire to be a clean, green, environmentally friendly district.

| Tolerances and Measures  |   |     |         |             |             |
|--|---|-----|---------|-------------|-------------|
| To ensure progress toward the desired outcome remains within the acceptable range the following tolerances and measures will be applied: |   |     |         |             |             |
| Risk Category  | Extremely Low   | Low | Limited | Expect Some | Anticipated |
| People Safety & Wellness   | No notifiable injuries or illness from growth projects due to poor health and safety practices by MPDC Staff and/or Contractors.  |     |         |             |             |
| Environmental Aspects  | No environmental effects/impacts resulting in long term damage to natural resources, attributed to Strategic growth projects as a result of non-compliance with the Resource Management Act by MPDC Staff and/or Contractors. |     |         |             |             |
| Financial Variation outcomes   | Spend between -X% and +X% for Project   |     |         |             |             |
| Service Delivery Standard  |   |     |         |             |             |
| Compliance Outcomes  | No material failures to comply with the life safety requirements of Planning and Building Acts.<br>Continue to foster a genuine partnership with Mana Whenua  |     |         |             |             |
| Reputation Outcomes  | Positive regional public interest or media attention. MPDC seen as a place of Choice. Lifestyle. Opportunities. Home.   |     |         |             |             |

## TŌ MĀTOU WHĀINGA MATUA | OUR PRIORITIES (community outcomes)

**Priority Four:** HE WĀHI WHAKAPAPA, HE WĀHI HANGAHANGA | A Place To Belong And Create

**What we want:** A district that's easy to live in, explore and connect.

### TŌ MĀTOU WHĀINGA | What We Are Going To Do:

- Genuine partnership with Mana Whenua.
- Partner and plan for multi-purpose sporting, cultural and community hubs.
- Support arts and heritage as an important part of our communities.

**Appetite:** (highlight relevant rating)

|            |             |            |                |          |
|------------|-------------|------------|----------------|----------|
| • Flexible | • Justified | • Measured | • Conservative | • Averse |
|------------|-------------|------------|----------------|----------|

In order to be “a place to belong and create” Council is prepared to take a “XXX” approach to achieving this outcome on the basis that there is a desire to.

| Tolerances and Measures   |               |     |         |             |             |
|---|---------------|-----|---------|-------------|-------------|
| To ensure progress toward the desired outcome remains within the acceptable range the following tolerances and measures will be applied:  |               |     |         |             |             |
| Risk Category   | Extremely Low | Low | Limited | Expect Some | Anticipated |
| People Safety & Wellness  | •             |     |         |             |             |
| No notifiable injuries or illness from growth projects due to poor health and safety practices by MPDC Staff and/or Contractors.  |               |     |         |             |             |
| Environmental Aspects   |               |     |         |             |             |
| No environmental effects/impacts resulting in long term damage to natural resources, attributed to Strategic growth projects as a result of non-compliance with the Resource Management Act by MPDC Staff and/or Contractors. |               |     |         |             |             |
| Financial Variation outcomes  |               |     |         |             |             |
| Spend between -X% and +X% for Project   |               |     |         |             |             |
| Service Delivery Standard   |               |     |         |             |             |
| Compliance Outcomes   |               |     |         |             |             |
| No material failures to comply with the life safety requirements of Planning and Building Acts.<br>Continue to foster a genuine partnership with Mana Whenua  |               |     |         |             |             |
| Reputation Outcomes   |               |     |         |             |             |
| Positive regional public interest or media attention. MPDC seen as a place of Choice. Lifestyle. Opportunities. Home.   |               |     |         |             |             |

8 Ngā Pūrongo Whakamārama | Information Reports

## 8.11 Safety and Wellness Quarterly Report January-March 2023

CM No.: 2723553

### Rāpopotonga Matua | Executive Summary


The Quarterly Safety and Wellness report for January – March 2023 and the April 2023 Safety and Wellness Update are attached to the agenda. Kate Stevens, Safety & Wellness Team leader, in attendance to discuss the report with the committee.

### Tūtohunga | Recommendation

That:

1. The information be received.

### Ngā Tāpiritanga | Attachments

A.  Quarterly Safety Wellness Report January - March 2023

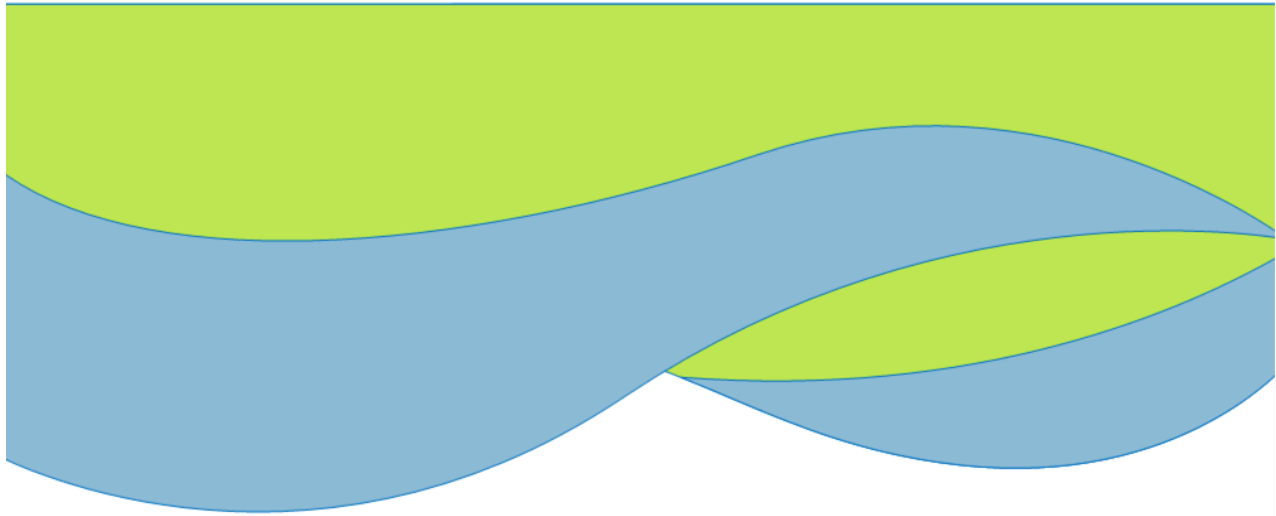


B.  April 2023 Safety Wellness Update



### Ngā waitohu | Signatories

|             |   |  |
|-------------|---|--|
| Author(s)   | Kate Stevens<br><b>Safety and Wellness Team Leader</b>    |  |
| Approved by | Kelly Reith<br><b>People, Safety and Wellness Manager</b> |  |
|             | Don McLeod<br><b>Chief Executive Officer</b>              |  |



# Safety & Wellness

## Quarterly report:

January - March 2023

**Together we create a healthy, safe workplace where we thrive.**



### Executive summary

The first part of this quarter was dominated by natural events: firstly an earthquake and series of aftershocks, followed by flooding at the end of January and then Cyclone Gabrielle in February. For some of our teams, events such as these require a significant amount of work aside from business as usual, but also provide an opportunity to learn and improve our processes.

For many people in our community these events were stressful, and staff report an ongoing increase in abusive behaviour towards those who are customer facing. We have also seen an increase in the number of break-ins and theft at Council offices and facilities.

The critical risk review for working over/near water commenced this quarter with a Three Waters focus group, site visit to the water and wastewater treatment plants at Thames Coromandel District Council and risk reviews at Pohimihi Reservoir and Te Aroha Waste Water Treatment Plant. We have identified some initial areas for improvement which will be presented to the Executive Team in April.

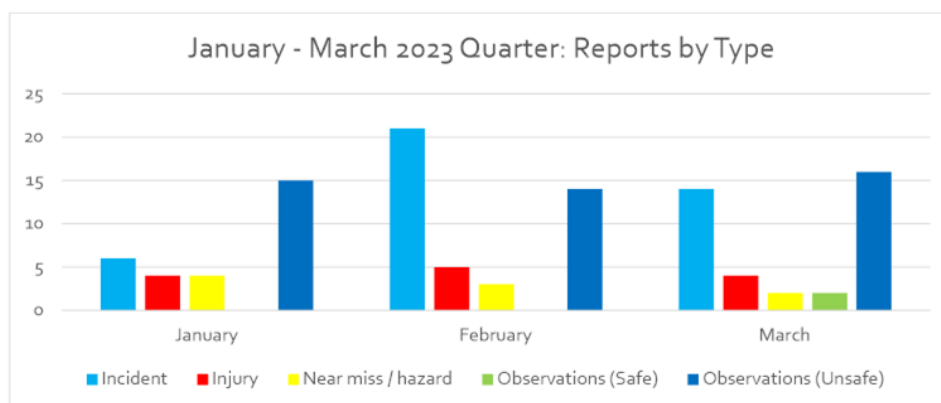
Craig Marriott, the co-leader of the health and safety component of the 3 Waters Transition Unit, visited our Morrinsville Water and Wastewater Treatment Plants and met with some of our operators as part of the baseline review to understand the systems and approaches currently in place across the existing providers, including rural councils.

### Events

There were no notifiable events and no lost time injuries this quarter.

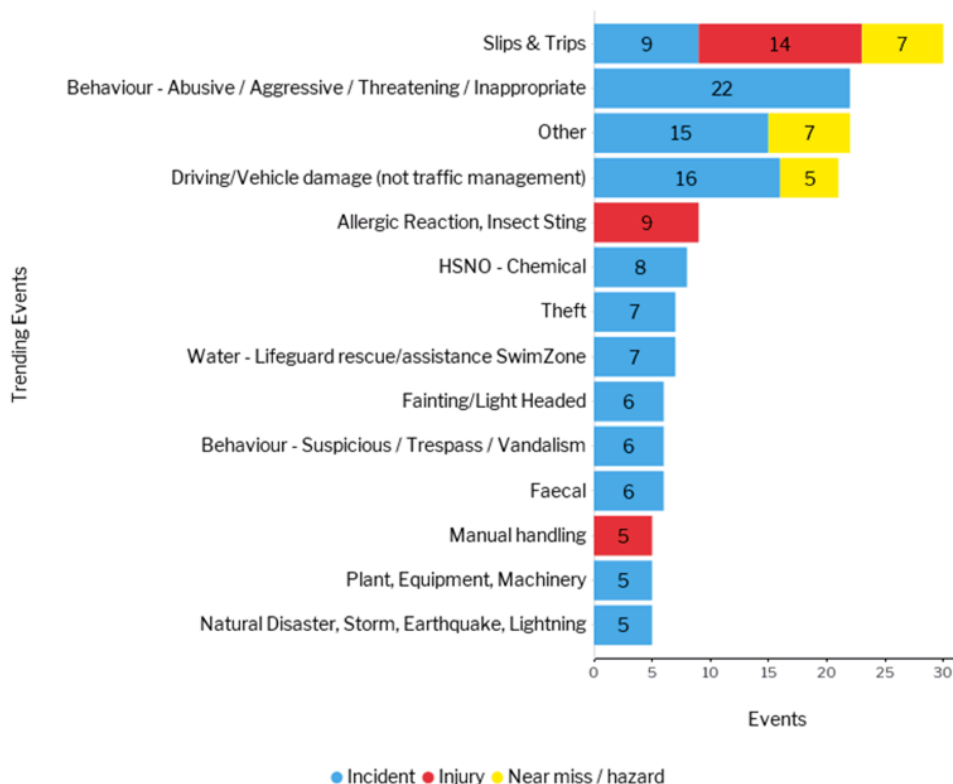
The graphs below provide summary data from Vault.

| Number of events and observations this quarter: |                  |                   |                       |                     |                   |                    |
|---|------------------|-------------------|-----------------------|---------------------|-------------------|--------------------|
| Incidents                                       | Injuries/illness | Near Miss/Hazards | Observations (Unsafe) | Observations (Safe) | Notifiable Events | Lost Time Injuries |
| 41  | 13               | 9                 | 45                    | 2                   | 0                 | 0                  |

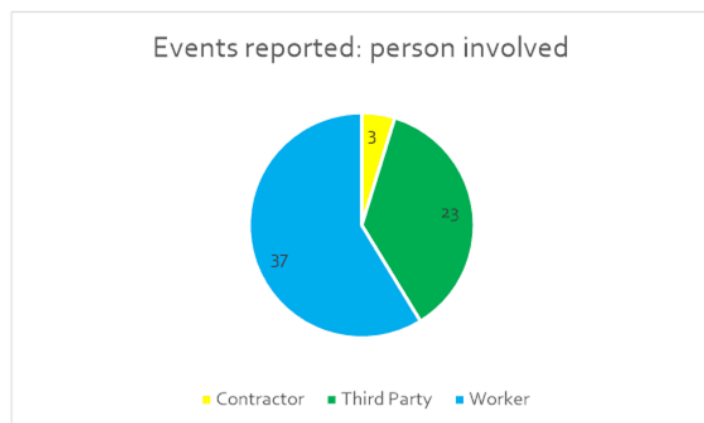


The graph below shows events from the last twelve months that have occurred five or more times. There has been an increase in theft, with break-ins to the Three Waters Office, the Dog Pound and SwimZone Morrinsville this quarter.

Events by trending category - Rolling 12 months



The graph below sets out the number of events reported according to the person involved.



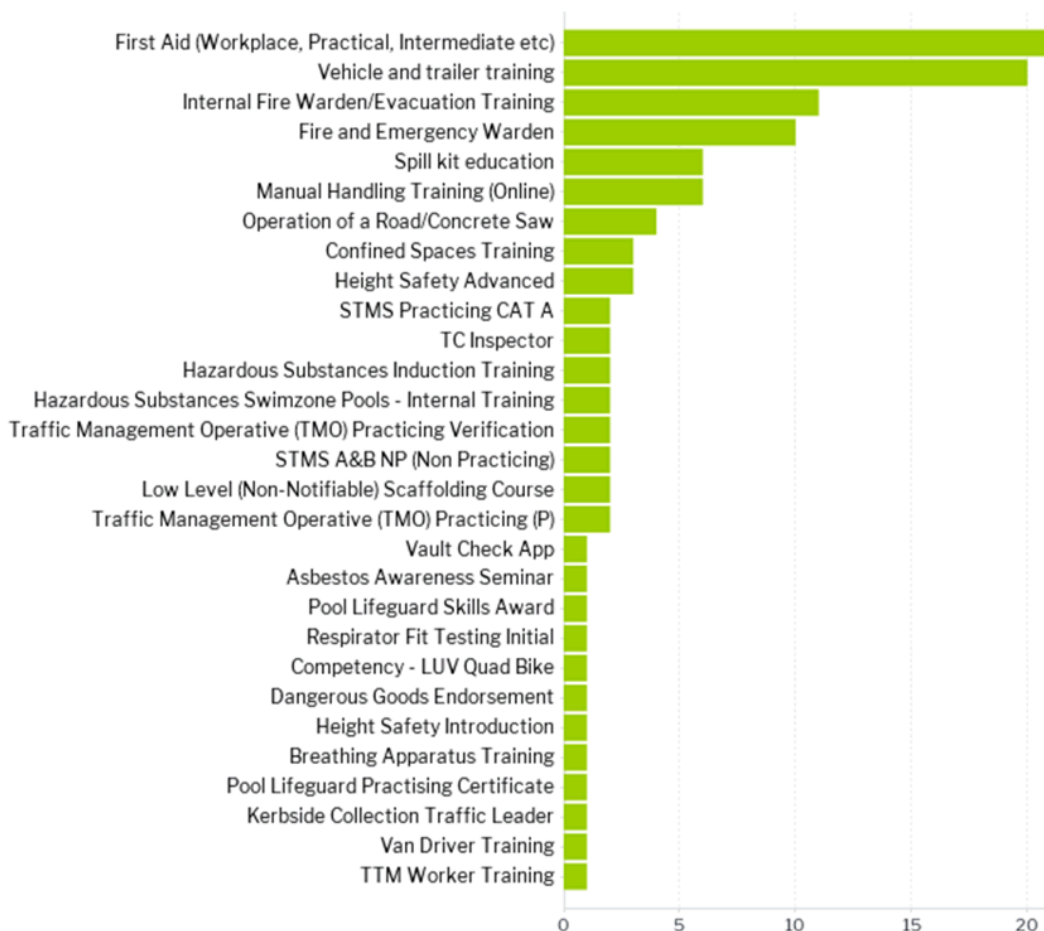
|   |    |  |    |
|---|----|--|----|
| Event Investigations completed this quarter | 58 | Overdue Investigations at end of quarter | 20 |
|---|----|--|----|

The number of overdue investigations decreased from 31 at the end of last quarter to 20 this quarter, as teams continue to work through the backlog.

## Learning & Development

The graph below shows training (both internal and external) completed this quarter.

Training Completed this Quarter



## Learning Team:

We held a Learning Team meeting in March to discuss the work underway at the Firth Tower Chapel as this was a complex job with several different MPDC teams involved. Work that was initiated as a simple gutter replacement escalated into a bigger more complex re-roofing project with unforeseen issues emerging (potential asbestos and then borer). There were multiple stakeholders involved including Heritage New Zealand, the Matamata Historical Society and contractors. Staff from the Facilities Team and Property Team attended the meeting, which provided a great opportunity to share perspectives, learn from each other and ensure that responsibilities are clear, particularly when managing contractors.

## Risk management

Council's identified "Top 10" critical risks are as follows:



## Critical risk updates:



### Hazardous Substances:

- Tahuna, Hinuera, Te Aroha and Tills Road Water Treatment Plants all have current Location Compliance Certification (LCC). Provisional Improvement Notices have been removed from Burwood Road and Tawari Street Water Treatment Plants as these do not trigger the requirements for LCC under the amended regulations. WorkSafe have extended the Provisional Improvement Notice on the Morrinsville WTP chlorine gas room until the 26th of May. Tendering will commence in April for improvements to Chlorine storage at this plant.



### Working on the road:

- Further work was done on our process for staff who are involved in inspection type activities in the road reserve and ensuring that they have the required equipment such as beacons and signage.
- KVS are reviewing traffic management training and planning for how we can upskill staff to meet the increased level of traffic management requirements.



#### Psychological wellbeing:

- During February we shared tips from our experienced staff on how to manage customer conflict. We continue to see abusive behaviour from customers: at our office, on the phone and also on social media. Other councils are experiencing similar issues and we are sharing information between councils as to how best to mitigate this.
- We held a focus group in March to get staff feedback as we continue to work on the Mental Health Strategy.



#### Driving on the Roads:

- Updated our induction process for new drivers
- New external training for key staff on safe towing and load security is underway.



#### Plant, Equipment & Machinery:

- Three Waters have work underway to ensure that inspections for safety critical equipment (such as harnesses and ladders) are captured in the system and missed checks are escalated.



#### Working over/near water:

- Review of this critical risk for Three Waters has commenced.
- The focus group identified four areas to explore further at this stage:
  1. Te Aroha Water Treatment Plant
  2. Pohimihi Reservoir (Mill Road)
  3. Morrinsville Dam at Te Miro
  4. Water Sampling activities across the district
- Site reviews were completed at the first two sites in March and the next two will be reviewed in April and May.
- We also visited a Thames Coromandel District Council water and wastewater treatment plant to see how they are managing this risk.

#### Other key risks:

##### Fatigue:

We continue to see observations relating to excessive hours worked (26 this quarter for the water and wastewater team) – these observations are logged when hours worked during an on-call period exceed 56. Events such as Cyclone Gabrielle create challenges with water and wastewater treatment, often requiring 'round the clock' work from these teams. The Three Waters Team continue to look at ways of providing back up for staff in these emergency situations.

##### Corrective actions:

| Completed this quarter | Overdue end of this quarter | Trend                   |
|------------------------|-----------------------------|-------------------------|
| 134                    | 92                          | ↓ From 122 last quarter |



#### Risk reviews:

| Completed this quarter | Overdue end of this quarter | Trend                 |
|------------------------|-----------------------------|-----------------------|
| 141                    | 26                          | ↑ from 0 last quarter |

#### Solid Waste:

Traffic management plans have been drawn up for Morrinsville and Matamata Refuse Transfer Stations, with road marking to assist with the road layout, and signage and delineation marker installation underway. Traffic management planning for Waihou Refuse Transfer Station is on hold until a final decision is made about its future.

#### Health Monitoring

Data for health monitoring and respirator fit testing for the quarter is shown below.

|                                    |    |                                  |    |
|------------------------------------|----|----------------------------------|----|
| Annual health monitoring completed | 14 | Exit health monitoring completed | 1  |
| Overdue health monitoring          | 1  | Pre-employment health monitoring | 11 |

#### Emergency management

Seismic and weather events provided us with an opportunity to rehearse and review our response to these scenarios.

#### Earthquake

Staff went out across our district checking infrastructure after the 5.1 magnitude earthquake 5km south of Te Aroha on the 4th of January. Whilst there was no major infrastructure damage, we did discover damage to some of the headstones at Te Aroha Cemetery. We cordoned off the memorials deemed a falling hazard and are awaiting the report from a monumental mason engaged to undertake an assessment of these. Firth Tower is closed while concerns about the structural safety of the tower following the earthquakes and wet weather are investigated further.

#### Weather

Dealing with flooding events can create high-risk situations for teams that are working in these conditions, whether they are clearing culverts, inspecting roads, dealing with water and wastewater issues and the many other tasks needed. Where possible work is delayed until daylight and the weather has improved, but there are staff that need to work at night and in wet and windy conditions.

Our Civil Defence team activated an Emergency Operating Centre during Cyclone Gabrielle, and are collating learnings from this to assist with any future events.

### Contractor management

Our Site Safety Coordinator completed five site visits this quarter at sites where our contractors' work included critical risks such as hazardous substances, working over/near water, driving (kerbside collection), traffic management and excavation. She also completed an Annual Contractor Safety and Wellness Review meeting with Road Markers NZ.

### Volunteers

Redesign of the volunteer handbook is underway, simplifying and collating useful information into one document rather than purely covering safety and wellness. We also continue to work on the best way to capture information about our volunteers and the work they do so that we can provide appropriate safety and wellness support.

### Policy

There were no safety and wellness policy reviews this quarter.

### Celebrating success

We are promoting use of the 'Safe' observation category as a way for managers and team leaders to show safety leadership by highlighting good practice by MPDC teams or contractors.

### Employee Engagement & Participation

Thirteen people attended the H&S Committee meeting in November. We discussed the recent weather events (flooding and Cyclone Gabrielle) including the hazards that staff from across the organisation may face in these situations. We also talked about the right under the Health and Safety at Work Act (2015) for staff to stop work if there is a serious threat to safety, particularly in the context of facility closure in severe weather events.

Employee engagement and participation for Takatū Anamata – Future Ready Organisation Review commenced in March, with facilitated workshops providing a starting point for staff to give feedback into this process. Early consultation and consistent communication are key to protecting mental health and wellbeing of staff during this time of change.

### Governance

Two safety and wellness due diligence workshops were held for Council: Working over/near Water (with a focus on SwimZone) and Volunteers.

### Assurance activities

We reviewed progress on two key aspects of contractor safety and wellness management: Pre-start meetings and Annual Reviews, with an internal audit of work undertaken late in 2022. There were some improvements in uptake with the pre-start meetings, and good progress with annual reviews. The Site Safety Coordinator will continue to support Contract Managers with the pre-start meetings and annual reviews moving forward.

### Safety and Wellness Objectives

We have three over-arching strategic priorities for this financial year. Below are some examples of activities we have undertaken this quarter that align with these priorities.

1. Building partnerships (with contractors, volunteers and between MPDC Teams)  
—strengthening relationships through collaboration and sharing of information:
  - Collaboration between libraries, customer services and facilities to improve our processes for responding to aggressive customers.
  - Learning team for Firth Tower Chapel re-roofing, attended by staff from Facilities, Property and Safety & Wellness teams.
  - Focus group for Mental Health Strategy included staff from across the organisation.
  - Safety & Wellness Team currently provide on-site support to KVS on a weekly basis and visit other sites on a regular basis.
  - The co-leader of the health and safety component of the 3 Waters transition visited our Morrinsville Water and Waste Water Treatment Plants in March. This was an opportunity to provide input into the baseline review to give an indication of the current health and safety systems and approaches for a smaller rural council.
2. Using the hierarchy of control—looking for prevention strategies to keep people safe and well, rather than just mitigation when things have gone wrong.
  - Focus group for Mental Health Strategy focussed on looking for ways to design ‘healthy work’
  - This approach forms part of the critical risk review for working over/near water.
3. Using the processes that work and challenging those that do not—decluttering our paperwork. Streamlining how we do things and focusing on the things that make a difference.
  - The volunteer booklet is being simplified and legal jargon removed
  - We reviewed our return to work processes to reduce paperwork and ensure that follow up is completed promptly.

## Safety & Wellness Update April 2023

### New Zealand guide to temporary traffic management

All workers and road users  
go home safe every day



### Temporary Traffic Management (TTM) Guide



At the end of April Waka Kotahi released the long-awaited [New Zealand Guide to Temporary Traffic Management \(NZGTTM\)](#), setting out a new approach to managing road work sites. The new guidance is based on managing the specific risks for each site, rather than the previous compliance-based approach of the Code of Practice for Temporary Traffic Management (CoPTTM).

There will be a stronger focus on planning upfront, and a move away from using the prescriptive 'generic' plans that were commonly used under CoPTTM.

#### Roll out

Progressive roll-out will start via Waka Kotahi contracts with the existing Code of Practice gradually phased out. CoPTTM will continue to be available until it is no longer common practice, which is anticipated to be 2025. There will also be a change from the current warrant system under Waka Kotahi to industry-led training.

A national Temporary Traffic Management Industry Steering Group has been formed to help support the upcoming transition to the new Guide, considering the needs of all parties impacted by TTM, including on-site workers. This will include supporting webinars and roadshows to provide opportunities for learning and engagement.

Our Roading Team are collaborating with other local councils to determine how best to move forward on this, but in the interim we are able to continue to use CoPTTM.

#### Creating consistency

The NZGTTM includes a 'Toolbox' section that provides information about the engineering principles used for design of temporary traffic management, and an equipment section that provides guidance around material and use specifications, ensuring consistency across New Zealand.

From the seven guiding principles of Waka Kotahi's Road to Zero vision, the following are key to temporary traffic management:

- We promote good choices but plan for mistakes.
- We design for human vulnerability.
- We make safety a critical decision-making priority.



**Together we create a healthy, safe workplace where we thrive.**



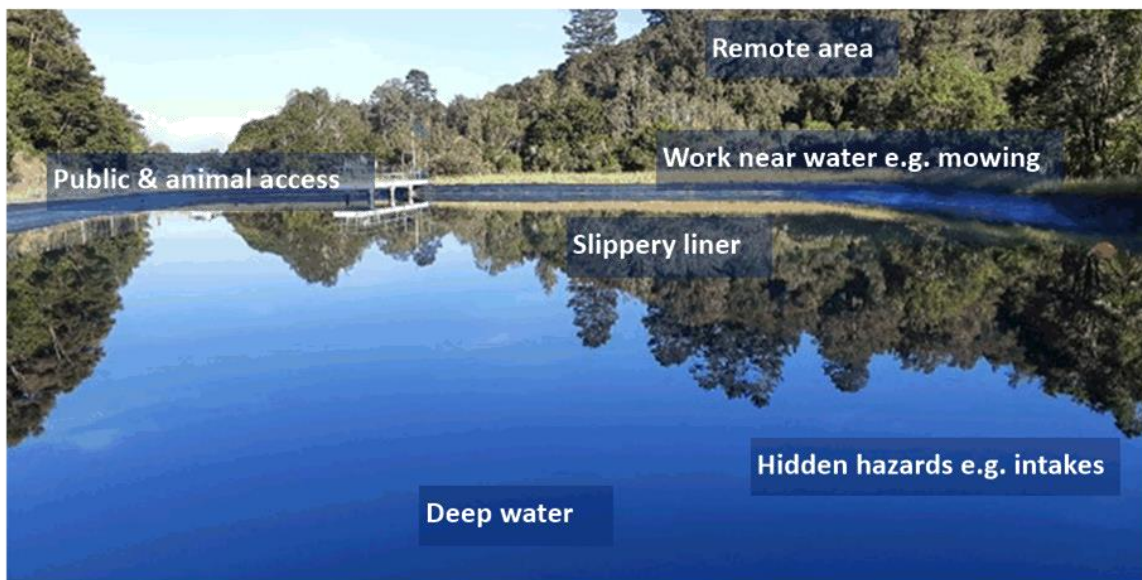
**We are.  
Local Government.**



## Working over/near water

As part of the critical risk review for Working over/near water we have been focussing on the risk of drowning in relation to Three Waters sites. This risk includes work at ponds, dams, clarifiers, river intakes, reservoirs and chambers.

The image below is an example of one of our higher-risk sites—Pohimihi water reservoir. It looks picturesque and inviting, but there are several factors that increase the risk here.



### Review of controls:

As part of this process we review the controls we have in place to manage this risk, such as:

- Physical barriers such as handrails, fencing and platforms
- Signage
- Training
- Procedures and guidelines
- Equipment, including life jackets, harnesses
- Emergency planning
- Safe access/egress
- Isolation procedures
- Monitoring weather conditions
- Two person tasks rather than lone work

### Ways to improve:

We are working through the process of reviewing our sites, starting with the higher risk ones, and have already identified some areas where we can improve safety.

These include:

- Rescue training and equipment such as throw ropes or life rings
- Improved means of egress e.g. ladders or stairs
- Guidelines that set a minimum standard for controls
- Review of boat operations
- Fencing of some sites.

We also look for opportunities to introduce engineering solutions such as tapping bands to reduce the need to visit difficult to access areas.

**Together we create a healthy, safe workplace where we thrive.**



8 Ngā Pūrongo Whakamārama | Information Reports

## 8.12 Risk and Assurance Work Programme 2023 - Update June 2023

CM No.: 2723748

### Rāpopotonga Matua | Executive Summary

The Work Programme for the Committee is attached. It is intended this is a standing item for each Committee meeting.

### Tūtohunga | Recommendation

That:

1. The information be received.

### Horopaki | Background

Prior to the commencement of each calendar year the Committee sets a work programme.

While priorities can shift during the year as unexpected issues arise, the work programme is a useful tool to enable Committee members to set their direction and to allow staff to understand the work priorities that need to be achieved.

### Ngā Tāpiritanga | Attachments

A  Risk and Assurance Committee Work Programme 2023 - Update June 2023



B  Risk and Assurance Committee Work Programme 2023



### Ngā waitohu | Signatories

|             |  |  |
|-------------|--|--|
| Author(s)   | Stephanie Hutchins<br><b>Governance Support Officer</b>            |  |
| Approved by | Sandra Harris<br><b>Placemaking and Governance Team Leader</b>     |  |
|             | Erin Bates<br><b>Strategic Partnerships and Governance Manager</b> |  |

## Risk and Assurance Committee Work Programme 2023

| Meeting Date | Scheduled Reports   | Status – included in agenda | Comment  |
|--------------|---|-----------------------------|--|
| 13 June 2023 | <ul style="list-style-type: none"> <li>Annual Report – <i>review of the report on the interim audit</i></li> </ul>              | ✓                           | Adoption of 2021/22 Annual Report (Interim audit has not been completed)<br>Draft report to Council on the Audit for the year ended 30 June 2022 |
|              | <ul style="list-style-type: none"> <li>Annual update on organisational culture - <i>vision and values</i></li> </ul>            | ✓                           | See agenda report  |
|              | <ul style="list-style-type: none"> <li>Annual Insurance Programme Review</li> </ul>   | ✓                           | See agenda report  |
|              | <ul style="list-style-type: none"> <li>Weathertight Buildings Update</li> </ul>   | ✗                           | To be reported at the next meeting in September 2023   |
|              | <ul style="list-style-type: none"> <li>Annual Plan – <i>project update</i></li> </ul>   | ✓                           | See agenda report  |
|              | <ul style="list-style-type: none"> <li>Annual risk management framework/analysis review &amp; Risk Management Policy</li> </ul> | ✓                           | See agenda report  |
|              | <ul style="list-style-type: none"> <li>Accounting Policies</li> </ul>   | ✗                           | To be discussed with the Chair following the 13 June 2023 meeting  |
|              | <ul style="list-style-type: none"> <li>Local Government Reform update</li> </ul>  | ✓                           | Transformation Team Update   |
|              | <ul style="list-style-type: none"> <li>IT Security Report</li> </ul>  | ✓                           | See agenda report  |
|              | <ul style="list-style-type: none"> <li>Forecasting Assumption – Long Term Plan</li> </ul>                                       | ✓                           | Additional report  |
|              | <ul style="list-style-type: none"> <li>Food Act 2014 Quality Management System Recognition Approval</li> </ul>                  | ✓                           | Additional report  |
|              | <ul style="list-style-type: none"> <li>Safety and Wellness Quarterly Report</li> </ul>  | ✓                           | Additional report  |
|              | <ul style="list-style-type: none"> <li>Building Control Authority – IANZ Assessment 2023</li> </ul>                             | ✓                           | Additional report  |
|              | <u>Standing Items</u>   |                             |  |
|              | <ul style="list-style-type: none"> <li>Specific Project Risk Management Review (<i>if required</i>)</li> </ul>                  | -                           | Not required   |
|              | <ul style="list-style-type: none"> <li>Review of any audit reports that have been completed (<i>if required</i>)</li> </ul>     | ✓                           | Cash handling audit  |
|              | <ul style="list-style-type: none"> <li>Policy review (<i>if required</i>)</li> </ul>  | -                           | Long Term Plan report added above  |

Risk and Assurance Committee Work Programme 2023



|  |   |   |
|--|---|---|
| <ul style="list-style-type: none"><li>Quarterly procurement report</li></ul> | - | Not required, to be completed 6 monthly |
|--|---|---|

## Risk and Assurance Committee Work Programme 2023



| Meeting Date      | Scheduled Reports   |
|-------------------|---|
| 7 March 2023      | <ul style="list-style-type: none"> <li>• Annual update on organisational culture - vision and values</li> <li>• Annual Plan – <i>project update</i></li> <li>• Annual Report – review of the Audit Arrangements Letters (<i>if available</i>)</li> <li>• Annual Report – review of the six-month report</li> <li>• Local Government Reform update</li> <li>• Long Term Plan – <i>project update</i></li> <li>• Treasury Policy Review</li> <li>• Annual Plan – project update</li> <li>• IT Security Audit</li> </ul> <p><u>Standing Items</u></p> <ul style="list-style-type: none"> <li>• Specific Project Risk Management Review (<i>if required</i>)</li> <li>• Review of any audit reports that have been completed (<i>if required</i>)</li> <li>• Policy review (<i>if required</i>)</li> <li>• Quarterly procurement report</li> </ul>            |
| 13 June 2023      | <ul style="list-style-type: none"> <li>• Annual Report – <i>review of the report on the interim audit</i></li> <li>• Annual update on organisational culture - vision and values</li> <li>• Annual Insurance Programme Review</li> <li>• Weathertight Buildings Update</li> <li>• Annual Plan – <i>project update</i></li> <li>• Annual risk management framework/analysis review &amp; Risk Management Policy</li> <li>• Accounting Policies</li> <li>• Local Government Reform update</li> <li>• IT Security Report</li> </ul> <p><u>Standing Items</u></p> <ul style="list-style-type: none"> <li>• Specific Project Risk Management Review (<i>if required</i>)</li> <li>• Review of any audit reports that have been completed (<i>if required</i>)</li> <li>• Policy review (<i>if required</i>)</li> <li>• Quarterly procurement report</li> </ul> |
| 12 September 2023 | <ul style="list-style-type: none"> <li>• Annual Report – review of the final Annual Report, Summary, Audit Opinion and letter of representation (<i>if available</i>)</li> <li>• Long Term Plan – <i>project update</i></li> <li>• Annual financial warrant of fitness assessment</li> <li>• Annual review of delegations</li> <li>• Annual review of legislative compliance assessment</li> <li>• Self-evaluation of committee circulated (<i>Survey Monkey</i>)</li> <li>• Policies raised in interim management report</li> <li>• Web Security Audit</li> <li>• Local Government Reform update</li> </ul>  |

## Risk and Assurance Committee Work Programme 2023



|  |   |
|--|---|
|  | <p><u>Standing Items</u></p> <ul style="list-style-type: none"> <li>• Specific Project Risk Management Review <i>(if required)</i></li> <li>• Review of any audit reports that have been completed <i>(if required)</i></li> <li>• Policy review <i>(if required)</i></li> <li>• Quarterly procurement report</li> </ul>  |
| <p>5 December 2023<br/><i>(Combined Christmas Lunch)</i></p> | <ul style="list-style-type: none"> <li>• Review of the Audit and Risk Committee Charter</li> <li>• Schedule of Meetings 2024</li> <li>• Draft Work Programme 2024</li> <li>• Annual Report – review of the final Annual Report, Summary, Audit Opinion and letter of representation <i>(if not addressed at September meeting)</i></li> <li>• Annual update of External Audit being undertaken by Council</li> <li>• Annual Risk Policy review</li> <li>• Self-evaluation of committee completed and chair comments <i>(Survey Monkey)</i></li> <li>• LGOIMA requests summary for 2023</li> <li>• Local Government Reform update</li> </ul> |
|  | <p><u>Standing Items</u></p> <ul style="list-style-type: none"> <li>• Specific Project Risk Management Review <i>(if required)</i></li> <li>• Review of any audit reports that have been completed <i>(if required)</i></li> <li>• Policy review <i>(if required)</i></li> <li>• Quarterly procurement report</li> </ul>  |



## Exclusion of the Public: Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following part(s) of the proceedings of this meeting.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

### C1 Information Technology - Security Update

| Reason for passing this resolution in relation to each matter  | Particular interest(s) protected (where applicable)  | Ground(s) under section 48(1) for the passing of this resolution  |
|--|--|---|
| The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7. | 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.<br><br>It is inadvisable to disclose the state or extent of Council's Information Technology Security measures. | s48(1)(a)<br><br>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7. |