



NOTICE OF MEETING

**Notice is hereby given of a Meeting of the
Audit Committee
to be held in the Council Chamber,
First Floor, Civic Administration Building,
101 Esk Street, Invercargill on
Wednesday 16 August 2017 at 3.00 pm**

Cr I R Pottinger – Chair
Cr D J Ludlow
Cr R R Amundsen
Cr L S Thomas
Cr R L Abbott

EIRWEN HARRIS-MITCHELL
MANAGER, SECRETARIAL SERVICES

A G E N D A

		Page
1.	APOLOGIES	
2.	CONFIRMATION OF COMMITTEE MINUTES	
	2.1 28 MARCH 2017	4
3.	MATTERS ARISING	
4.	REPORT OF THE DIRECTOR OF WORKS AND SERVICES	
	4.1 DEVELOPMENT UPDATE OF THE 2018-2028 LONG TERM PLAN	7
5.	GENERAL BUSINESS	
6.	PUBLIC EXCLUDED SESSION	

Moved, seconded that the public be excluded from the following parts of the proceedings of this meeting; namely

- (a) *Confirmation of Public Excluded Session Minutes 28 March 2017*
- (b) *Report of the Director of Finance and Corporate Services*

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)(d) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
(a) Confirmation of Minutes – 28 March 2017	Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Section 7(2)(i)

(b) 2017 Interim Management Report	Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Section 7(2)(i)
Report of Ian Lothian	Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Section 7(2)(i)
Audit Engagement Letter	Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Section 7(2)(i)
Audit for the Year Ending 30 June 2017	Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Section 7(2)(i)
Proposed to Conduct the Audit of Invercargill City Council	Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Section 7(2)(i)

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD IN THE
CE MEETING ROOM, CIVIC ADMINISTRATION BUILDING, 101 ESK STREET,
INVERCARGILL, ON MONDAY 28 MARCH 2017 AT 10.00 AM**

PRESENT: Cr I R Pottinger – Chairman
Cr D J Ludlow
Cr R R Amundsen
Cr L S Thomas
Cr R L Abbott

IN ATTENDANCE: CR L F Soper
Mr R King – Chief Executive Officer
Mr D J Johnston – Director of Finance and Corporate Services
Ms M Short – Manager, Strategy and Policy
Ms A K Sleeman – Committee Secretary
Mr I Lothian – Audit NZ
Mr C Genet – Audit NZ

1. **APOLOGIES**

Nil

2. **CONFIRMATION OF COMMITTEE MINUTES**

17 OCTOBER 2016

It was resolved:

The Committee note these minutes were from a meeting held to sign off the Annual Report and prior to Council Elections and a Committee being formed. Therefore they cannot be signed off by the current members of the Committee and are accepted as notes.

3. **MATTERS ARISING**

Nil

4. **GENERAL BUSINESS**

Nil

5. **PUBLIC EXCLUDED SESSION**

Moved Cr Ludlow, seconded Cr Abbott and **RESOLVED** that the public be excluded from the following parts of the proceedings of this meeting, namely:

- (a) Minutes for Confirmation from the Meeting of 17 October 2016
- (b) Matters Arising
- (c) Welcome and Introduction to Audit New Zealand
- (d) Audit Sub Committee Terms of Reference
- (e) Rugby Park Stadium – Legal Opinion
- (f) General Business

	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
a)	<i>Minutes for Confirmation from the Meeting of 17 October 2016</i>	<i>Enable any local authority holding the information to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</i>	Section 7(2(i))
b)	<i>Matters Arising</i>	<i>Enable any local authority holding the information to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</i>	Section 7(2(i))
c)	<i>Welcome and Introduction to Audit New Zealand</i>	<i>Prevent the disclosure or use of official information for improper gain or improper advantage.</i>	Section 7(2(j))
d)	<i>Audit Sub Committee Terms of Reference</i>	<i>Enable any local authority holding the information to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</i>	Section 7(2(i))

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| e) | <i>Rugby Park Stadium - Legal Opinion</i> | <i>Maintain legal professional privilege.</i> | Section 7(2(g)) |
| f) | <i>General Business</i> | <i>Prevent the disclosure or use of official information for improper gain or improper advantage.</i> | Section 7(2(j)) |

TO: AUDIT COMMITTEE
FROM: THE DIRECTOR OF WORKS AND SERVICES
MEETING DATE: WEDNESDAY 16 AUGUST 2017

DEVELOPMENT UPDATE OF THE 2018-2028 LONG TERM PLAN

Report Prepared by: Peter Thompson - Aquatic Services Manager

SUMMARY

This report updates the development of the 2018-2028 Long Term Plan as at 3 August 2017 and discusses both risks and mitigation measures.

RECOMMENDATIONS

That the report on Development Update of the 2018-2028 Long Term Plan be received.

IMPLICATIONS

1.	<i>Has this been provided for in the Long Term Plan/Annual Plan?</i> NA
2.	<i>Is a budget amendment required?</i> NA
3.	<i>Is this matter significant in terms of Council's Policy on Significance?</i> NA
4.	<i>Implications in terms of other Council Strategic Documents or Council Policy?</i> Yes – Long Term Plan
5.	<i>Have the views of affected or interested persons been obtained and is any further public consultation required?</i> NA
6.	<i>Has the Child, Youth and Family Friendly Policy been considered?</i> NA

2018 – 2028 LONG TERM PLAN DEVELOPMENT BACKGROUND

The Long Term Plan (LTP) is a key strategic document of Council, its purpose is to

- Describe the Council's activities and the community outcomes it aims to achieve.
- Provide integrated decision-making and coordination of the resources, as set out in section 93 (6)(c) of the Local Government Act:
 - describe the activities of the local authority; and
 - describe the community outcomes of the local authority's district or region; and

- provide integrated decision-making and co-ordination of the resources of the local authority; and
 - provide a long-term focus for the decisions and activities of the local authority; and
 - provide a basis for accountability of the local authority to the community.
- Provide a long-term focus.
 - Show accountability to the community.
 - Provide an opportunity for participation by the public in council decision-making processes.

The LTP outlines all the things a council does and how they all fit together. They show what will be done over the Plan's 10-year period (or 30 years for some infrastructure areas), why the council is doing things and the cost to do these things.

LTP's are developed every 3 years and each year during the intervening 2-year period between LTP's Council also produces an Annual Plan. An Annual Report is also produced every year.

Year 1 LTP	Year 2 LTP	Year 3 LTP
LTP	Annual Plan	Annual Plan
Annual Report	Annual Report	Annual Report

The Annual Plan is adopted prior to the start of the financial year and sets out Council's plan for achieving its goals in the following 12 months.

The Annual Report must be adopted by October 31st each year and outlines whether Council has achieved what it had planned to do, and what it spent as per the previous Annual Plan (or LTP).

It is important to note that a published LTP is a 'living' document and can change, when required, subject to the Annual Plan consultation process.

2018-2028 LTP STATUS

In late January this year, a LTP working group was formed to facilitate the development of the LTP across Council. Members were included from each of the directorates ensuring appropriate representation, with the Group's main objective to ensure that key milestones in the development of the LTP were met.

The development charter to date has included:

- Budget reviews
- Development of Assessment Cases
- LTP, Financial and Policy Workshops

Assessment cases presented have been categorised by Council as either Approved, Consult, Standby or Decline.

Each assessment case represents a significant project that is likely to impact the development of the final LTP budget (and rates required) and may impact the development of Activity Management Plans and/or the LTP.

As at 3 August, the status of each of the 51 Assessment cases presented to Council is as follows:

- 1 declined
- 5 put forward for consultation
- 31 approved; of these 13 have not been included in budgets.
- 14 on standby

A critical path for the LTP has been developed:

By 31 August 2017

1. Budgets reopened to allow for changes per assessment cases and as a result of a review of staff salary and wage forecasts. This is based on updated wage data following the completion of recent remuneration reviews.
2. Staff continuing to develop and write respective Activity Management Plans.
3. Infrastructure Asset Revaluations completed.
4. Completion of Assessment Cases
 - a. Budgets for those assigned Approved or Consult included in Council's budget templates.
 - b. Reports provided to Council for those cases on standby requiring additional information.

September & October 2017

1. First draft of Activity Management Plans completed for Peer review (Mid September).
2. Funded Depreciation and Modelling completed (Infrastructure Assets).
3. Financial and Infrastructure strategies drafted.
4. Council Workshop required Mid October: Priority Setting of Growth Projects.
5. Council Workshop required: Full draft presentation of LTP budgets and supporting documentation.

By mid-November Activity Management Plans will be ready to be considered and adopted by Council followed shortly thereafter by the Financial and Infrastructure strategies.

The first of three audits by Audit New Zealand are planned for the end of November 2017.

Whilst the Project Manager is currently on leave, the project continues to be managed by the Project Team and work on the Activity Plans and budgets continues in the departments.

LTP Risks

Given the extent of the work required to complete all of this within the legislated timelines, a matrix has been developed to identify the likelihood, impact and possible mitigation measures for risks to the LTP timeline. This was overviewed to Councillors at the last LTP workshop.

As at 3 August, 20 Risks have been identified, this is included as Appendix 1. Summarily the register has been distilled to key high level risks that governance should be aware of.

The key Risks which remain high after controls are:

Risk 13	All Plans are not completed within allocated timeframes
14	Peer reviews identify technical flaws in the activity plan approach and plans need reworking
15	Activity Plans individually deliver an unmanageable LTP Outcome as a whole
16	Significant change to existing LTP including consulting impacts on staff resourcing of LTP 18-21
17	New Projects or Staff Change Projects needing direct input from Activity Managers and LTP team diverts attentional and resource from LTP 18-21

Resources and Changes

There is already tenuous balance between the capacity of staff to develop the LTP (and all ancillary requirements) and manage their typical core jobs.

Events that will negatively influence this balance include:

1. Conflicting work priorities for staff
2. New projects
3. Organisational changes
4. Changes to existing legislation or Council policies or priorities (this includes the current 2015-2025 LTP)

Peer Review and Audit Process

Activity Management Plans and the LTP will be subject to internal (and in some cases external) peer review and audit. Should a review find that requirements are not met this will affect the article in question and may have a domino effect on any other documents that succeed, precede or otherwise have a dependency on.

Mitigation measures

Whilst it is accepted that there is additional pressure on staff and resources during this time, it remains that the development of the LTP exists in addition to the normal core function of Council.

Any other additional work; new projects, policy changes, organisational changes etc. should be carefully considered if it is required to commence before late November.

Furthermore, given the criticality of timing regarding LTP development there are few remaining opportunities to bring information before Council before the November audit.

Focussed staff reporting and Council governance will be required to ensure the categorisation of 'standby' assessment cases to ensure timeframes are met, i.e. that these cases are either approved, declined or signalled for consultation.

CONCLUSION

The development of the 2018-2028 LTP is currently on track to be ready for the first audit late November.

There is considerable pressure on staff during this time to complete the required development of Plans and to create documents to support these. However, provided there are no new projects introduced, significant changes to Council policies or organisational changes, it is expected that milestones for the LTP development will be met.

Audit Committee Agenda - 16 August 2017 - Report of the Director of Works and Services

Risk Register - Project @ 8/10/2017

Risk #	Project	Area	Description	Original Impact High Medium Low	Original Likelihood High Medium Low	Original Risk Score Red Amber Green	Date open	Raised by	How Mitigated	After Mitigation Impact High Medium Low	After Mitigation Likelihood High Medium Low	After Mitigation Risk Score Red Amber Green	Allocated to	Date Closed	Status
1		Staff	Staff will not be available to work on the LTP as required	High	Medium	Red		Melissa	Directors discusses and assigns as a priority with each manager	High	Low	Amber	Exec		Open
2		Information	Key information necessary to progress the LTP is not received on time	High	Medium	Red		Melissa	Early engagement for delivery of reports from expert areas.	Medium	Low	Green	Melissa		Open
3		Process	The draft consultation document and suite of supporting information documents requires more than minimal adjustment for Audit NZ requirements	High	Medium	Red		Melissa	Engage with Audit during process and supply early drafts	Medium	Medium	Amber	Melissa		Open
4		Management	The Executive Leadership Team does not champion the project throughout the organisation	Medium	Medium	Amber		Melissa	LTP Project provides regular updates to Exec and documents requests	Medium	Medium	Amber	Exec		Open
5		Management	The Executive Leadership Team is unable to provide expertise and guidance to the Project Manager and project team when needed	Medium	Medium	Amber		Melissa	Seek external advice where expertise is not available	Low	Low	Green	Project Team		Open
6		Management	The elected representatives do not participate in the process and as decision-makers, are not decisive.	High	Medium	Red		Melissa	Plan workshops and engage early with Councillors. Provide key risks and promote good decision making	Medium	Medium	Amber	Melissa		Open
7		Staff	Conflicting work priorities for required staff may create limitations to the capacity of staff to take on the LTP work	Medium	High	Red		Melissa	Directors manage AMP writers workloads and control new projects corporately	Medium	Medium	Amber	Directors		Open
8		Staff	Staff turnover may create limitations to the capacity of staff	Medium	Low	Green		Melissa	Directors manage Staff expectations and work in the process	Medium	Low	Green	Directors		Open
9		Staff	A lack of staff buy-in at all levels of the organisation impacts on development of LTP	Low	Medium	Green		Melissa	Communicate to all levels of staff and keep them informed how the process is going and where their input is needed.	Low	Low	Green	Project Team		Open
11		Process	Changes to legislation occur which require different approaches to the LTP.	High	Low	Amber		Melissa	Monitor government process and keep informed	Low	Low	Green	Melissa		Open
12		Process	Elected Representatives change priorities / policies during the development of the LTP.	High	Medium	Red		Melissa	Communicate current issues linking to previous decisions	Medium	Medium	Amber	Project Team		Open
13		Management	All Plans are not completed within allocated timeframes	High	Medium	Red	22-Jun-17	Russell	Regularly monitor progress and communicate	High	Medium	Red	Project Team		Open
14		Process	Peer reviews identify technical flaws in the activity plan approach and plans need reworking	High	Medium	Red	22-Jun-17	Russell	Regular input from reviews. Engage early and seek progressive input	Medium	Low	Green	Russell		Open
15		Management	Activity Plans individually deliver an unmanageable LTP Outcome as a whole	High	Medium	Red	22-Jun-17	Russell	Input budgets early into process and collectively discuss impacts across teams	High	Medium	Red	Dale		Open
16		Management	Significant change to existing LTP including consulting impacts on staff resourcing of LTP 18-21	High	High	Red	3-Aug-17	Anna	re-Prioritise workloads and defer some of current project	High	High	Red	Richard		Open
17		Management	New Projects or Staff Change Projects needing direct input from Activity Managers and LTP team diverts attentional and resource from LTP 18-21	High	High	Red	3-Aug-17	Russell	Plans for new projects brought to ELT notice and impacts on staff explained.	High	High	Red	Richard		Open
18		Process	HR to update budgets for salary in departments	Medium	Medium	Amber	3-Aug-17	Jaimie	HR to consult with AM's where the impact is material and assist entering data	Medium	Low	Green	Dale		Open
19		Process	Ownership of Financial and Infrastructure Strategies requires clarification and how these are strategies are developed to meet expectations	High	Medium	Amber	3-Aug-17	Peter	Discussion with directors and a plan to either allocate suitable resource and or supplement with external expertise to assist strategy development and drafting	Medium	Medium	Amber	Peter		Open
20			Financial Assessment cases not allocated and suitable budgets available for LTP financials in time	Medium	Medium	Amber	3-Aug-17	Jaimie	Activity Managers to have a best guess of information and keep discussing through committee meetings with Councillors	Medium	Medium	Amber	Jaimie		Open
21			Last Updated 3 August 2017												