



NOTICE OF MEETING

**Notice is hereby given of the Meeting of the
Risk and Assurance Committee
to be held in the Council Chamber,
First Floor, Te Hīnaki Civic Building,
101 Esk Street, Invercargill on
Tuesday 21 November 2023 at 8.30 am**

Mr B Robertson (Chair)
Mayor W S Clark
Cr R I D Bond
Cr T Campbell
Cr G M Dermody
Mr R Jackson
Cr D J Ludlow
Cr I R Pottinger
Cr L F Soper

MICHAEL DAY
CHIEF EXECUTIVE

Risk and Assurance Committee - Public

21 November 2023 08:30 AM

Agenda Topic	Page
1. Apologies	
2. Declaration of Interest	
a. Members are reminded of the need to stand aside from decision-making when a conflict arises between their role as an elected representative and any private or other external interest they might have.	
b. Elected members are reminded to update their register of interests as soon as practicable, including amending the register at this meeting if necessary.	
3. Public Forum	
4. Minutes of the Risk and Assurance Committee Held on 19 September 2023 (A4877577)	6
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9. Risks – Long-Term Plan Decision Making (A5038821)	55
10. Public Excluded Session	

Public Excluded Session

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

- a) Minutes of the Public Excluded Session of the Risk and Assurance Committee Held on 19 September 2023
- b) Minutes of the Public Excluded Session of the Risk and Assurance Committee Held on 25 October 2023
- c) Health, Safety and Wellbeing Update
- d) Council Litigation Update
- e) Financial Risk Update – Procurement Risk and Policy Compliance Report
- f) Draft ICC Internal Audit Plan 2023 – 2025
- g) Group Risk Discussion - Verbal Update
- h) Verbal Update from Chief Executive

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 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) Minutes of the Public Excluded Session of the Risk and Assurance Committee Held on 19 September 2023	<p>Section 7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p> <p>Section 7(2)(a) Protect the privacy of natural persons, including that of deceased natural persons</p> <p>Section 7(2)(g) Maintain legal professional privilege</p> <p>Section 7(2)(b) (ii) Protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>Section 7(2)(h)</p>	<p>Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7</p>

	Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	
b) Minutes of the Public Excluded Session of the Risk and Assurance Committee Held on 25 October 2023	<p>Section 7(2)(b)(ii) Protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.</p>	<p>Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7</p>
c) Health, Safety and Wellbeing Update	<p>Section 7(2)(a) Protect the privacy of natural persons, including that of deceased natural persons</p>	<p>Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7</p>
d) Council Litigation Update	<p>Section 7(2)(g) Maintain legal professional privilege</p>	<p>Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7</p>
e) Financial Risk Update – Procurement Risk and Policy Compliance Report	<p>S7(2)(b)(ii) Protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p>	<p>Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7</p>
f) Draft ICC Internal Audit Plan 2023 – 2025	<p>Section 7(2)(h) Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7</p>
g) Group Risk Discussion - Verbal Update	<p>Section 7(2)(i)</p>	<p>Section 48(1)(a)</p>

	Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7
h) Verbal Update from Chief Executive	Section 7(2)(a) Protect the privacy of natural persons, including that of deceased natural persons	Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7

**MINUTES OF RISK AND ASSURANCE COMMITTEE, HELD IN THE COUNCIL CHAMBERS,
FIRST FLOOR, TE HĪNAKI CIVIC BUILDING, 101 ESK STREET, INVERCARGILL ON
TUESDAY 19 SEPTEMBER 2023 AT 8.30AM**

Present: Mr B Robertson (Chair)
Mayor W S Clark
Cr T Campbell
Cr G M Dermody
Mr R Jackson
Cr D J Ludlow
Cr I R Pottinger
Cr L F Soper

In Attendance: Mr M Day – Chief Executive
Mrs P Christie – Acting Group Manager – Finance and Assurance
Ms J Hutton – Interim Group Manager – Customer, Communications
and People
Mr J Shaw – Interim Group Manager – Consents and Compliance
Mr A Cameron – Chief Risk Officer
Mr P Patton – Manager – Building, Planning and Quality
Ms R Suter – Manager – Strategy and Policy
Ms L Knight – Manager – Strategic Communications
Mr G Caron – Digital and Communications Advisor
Mrs L Williams – Team Leader Executive Support

1. Apology

Cr Bond; Mayor Clark for lateness (arrived at 8.45 am)

Moved Mr Robertson, seconded Cr Campbell and **RESOLVED** that the apologies be accepted.

2. Declaration of Interest

Nil.

3. Public Forum

Nil.

4. Minutes of the Meeting of Risk and Assurance Committee held on Tuesday 18 July 2023

A4740843

Moved Mr Robertson, seconded Cr Soper and **RESOLVED** that the Minutes of the Risk and Assurance Committee held on Tuesday 18 July 2023 be confirmed.

The chair asked under strategic risks – requested a report. Mr Cameron confirmed that had been addressed.

5. Internal Audit and Continuous Improvement Update

A4826957

Mr Peter Patton spoke to the report and commented that the Quality Assurance team continued to work on documenting Councils processes, and had 740 processes mapped for staff to utilise and it was a valuable tool for capturing knowledge.

A query was raised if there was a plan of internal audits and it was confirmed there were and that it came to this Committee annually.

Internal auditing of information management was new and it was confirmed that progress had been made since this report was written and that there were no concerns about information, Council was compliant with the Public Records Act.

The Chair asked that the internal programme come regularly to this Committee and requested it come to the next meeting.

A query was raised if Council was compliant with the revised FRS48 requirements around non-financial information, it was confirmed that Council was compliant and had been working towards this for a couple of years, with only minor changes required.

A query was raised around a duplication of audits in the report, it was confirmed that the information management was not but that the transfer station details could be and Mr Patton confirmed he would check. He also noted that the QA team were undertaking an internal audit of their own work.

Mr Patton advised that the waste contract audit was an ongoing piece of work with 16 moderate actions, there had been staff changes which had slowed progress. The Chair noted that he would like to see progress.

Cr Pottinger noted that as Chair of Infrastructure and a member of WasteNet that that committee did not know of this audit. Mr Day confirmed that due to staff changes this had not be done and that this would be taken to the Committee. Concern was raised that this was reliant on a person being in a role and that things were missed. Mr Day confirmed that the vacant position had now been filled. Discussion around whether these internal audits should go to the respective committees prior to coming to Risk and Assurance. This work was driven by the Risk and Assurance Committee but believe that it should be reported to the Committee responsible for the activity and signed off before coming to Risk and Assurance.

Cr Ludlow did note that performance did come through the Committees.

Moved Cr Dermody, seconded Cr Soper and **RESOLVED** that the Risk and Assurance Committee:

1. Receives the report "Internal Audit and Continuous Improvement Update".

6. Review of the Risk and Assurance Committee Effectiveness

A4863562

Mr Bruce Robertson took the Committee through his presentation. He advised that he wanted to open up discussion and felt that the Committee needed to review annually, and that this work should do 'normal' Risk and Assurance work. There had been some big issues around ICHL, litigation and with auditors, but would like to see this year looking at what the Committee should focus on. Discussion around risks and communication with Council, the Auditor and internal auditor.

Discussion took place around if the Governance Statement covered what the intent and purpose of this Committee was, as it was quite complex. This Committee needed to be aware and have responsibility for risks for the group. Does this include joint committees i.e. WasteNet and Great South? The Chair confirmed that he felt there should be greater communication with these committees for the benefit of the whole of Council, should have an understanding of their risks and compliance.

It was noted that all Councillors receive the agendas and minutes of all Committees and meetings.

Discussion around having regular meetings with ICHL as per the Governance Statement. It was noted that there had been a number of meetings during the development of ICL and that reporting came through. It was agreed previously that ICHL reporting should go through to the Finance and Projects Committee.

Risk maturity was one area that was discussed by this Council and who was responsible for risk – it was around identification; control and mitigation and that was all our responsibility. What does managing risk look like throughout the organisation?

Cr Soper noted that "what keeps us awake at night" – these are the strategic risks that we need to identify as governors and have knowledge of.

Need to be conscious of not over-reaching this Committee, risk was the biggest issue as a Council that we have. This Committee does not have all councillors as members. Could annually identify risks, and have an ability for Chairs of Committees to raise risks that should come to this Committee. Suggestion that Chairs of Committees and Chief Executive should report to Council regularly.

Also need to have an awareness of emerging risks.

Is it the role of this Committee to learn from things like the recent litigation? The Chair confirmed that with the Chief Executive, this Committee should look at what learnings there were out of these claims and situations etc.

This Committee received reports on Health and Safety and Continuous Improvement – and a query was asked if a report should come to this meeting around other risks. The Chair noted that there should be a next steps and actions to come out of this paper that are brought back, a roadmap to improvement, it was agreed that the Chair; Mr Jackson, the Chief Executive and the Chief Risk Officer should review this.

Mr Jackson noted that regular agenda setting meetings were valuable in terms of understanding what's coming through and any areas of risk/concern.

There should be a regular overview from the Chief Executive at these meetings focussed on risk, noting that not all risk needs to come through to this Committee operational vs strategic.

Moved Cr Dermody, seconded Cr Ludlow and **RESOLVED** that the Risk and Assurance Committee:

1. Receives the report "Review of the Risk and Assurance Committee Effectiveness".
2. The Chair to develop a programme for the next 12 months working with Mr Jackson; the Chief Executive and Chief Risk Officer.

7. LTP 2024 – 2034 Risks and Assumptions

A4847410

Ms Rhiannon Suter spoke to the report and noted these were draft assumptions and that there was still a lot of work to be done and raised concern and uncertainty over the next few months.

The Plan was on schedule, all of the workshops had been held and direction from Council. Now in the budgeting phase and there would be a number iterations. Expect that this would be an intensive budget round and could be impacted by reforms etc.

The Mayor noted that the workshops had been very good and valuable and that good feedback had been received around livestreaming. It was raised that some assumptions did not come out of the workshops e.g. population growth, it was confirmed that this was the case and which was why this report had come to this Committee at this stage for review and discussion. A query was raised if there should be a workshop on the assumptions, it was noted that it was not useful for this Committee to go through each assumption and how they were made.

Some assumptions that had been made were based on external indicators provided by the likes of Infometrics and that the ageing population; Tiwai etc had been discussed at a number of workshops.

A number of the assumptions provided Council with a "wake up call" around action needed e.g. the number of households increasing by 4,000 and therefore the need for housing.

The meeting on 28 November was a critical stage and there could be an impact following on from the General Election. There was the option of the December meeting if needed. Staff were still awaiting the LTP Audit letter and fee estimate from Audit New Zealand.

Ms Suter spoke to the assumptions and advised there had been a lower level accuracy from the census and so Council undertook extra work to get a greater level of certainty particularly around population assumptions, this had been provided by Infometrics.

Invercargill and Bluff do have a greater number of Maori particularly younger which impacts as the population ages.

Inflation and interest rates are expected to change but fairly confident in the information presented. There were a number of things that have not landed that would impact the assumptions and may not come through for some time. Seen some positive things like tourism numbers bouncing back quicker than expected. Impact that new industry may have on the network, we have been in a position where the network was built for greater numbers. Shortage of the right housing rather than the number of houses. Uncertainty around 3 Waters remains.

Assessments and the certainty / likelihood differ depending on the assumptions e.g. population ageing has more certainty whereas – Tiwai was one that staff had not included in the likelihood yet and would add once there was more information and flow on impacts are known, there were a number of impacts not just economic.

Where there is a higher level of uncertainty than expected, Council needs to be aware of this and the possibility of having to rework plans as a result.

Discussion around water, it was noted that the reform was not the risk but the need to find an alternative water source for this Council was of greater concern.

Need to think about how we manage some of this risk, i.e new industry and the need for infrastructure and the potential costs, it was noted that this could go to Finance and Projects to start the initial work and that this was how council could use these assumptions to flag to other Committees. Need to understand scenario planning, the example of the closing of Tiwai and the possibility that we could lose people from our community.

Discussion around risk appetite of Council and risk tolerance. If need to review this document due to something happening that was where the tolerance came in and what mitigations could be put in place, this was the work of this Committee.

What situation could get us to an intolerable position and the need for a workshop on the assumptions and look at scenario planning.

Discussion that the Plan could take Council to a place of what we can do, look further, what can be achieved in collaboration with other partners.

Moved Mr Robertson, seconded Cr Soper and **RESOLVED** that the Risk and Assurance Committee:

1. Receives the report "LTP 2024 – 2034 Risks and Assumptions".
2. Notes progress towards delivering the 2024 – 2034 LTP for adoption.
3. Notes and provides feedback on the draft assumptions for the LTP (A4848736).

8. Public Excluded Session

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

- a) Confirmation of Minutes of the Public Excluded Session of the Risk and Assurance Committee Held on 18 July 2023
- b) Health, Safety and Wellbeing Update
- c) Council Litigation Update
- d) Financial Risk Update - Procurement Risk and Policy Compliance Report
- e) 2023 Draft Annual Report – Unaudited

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 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 of the Public Excluded Session of the Risk and Assurance Committee Held on 18 July 2023	Section 7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7
b) Health, Safety and Wellbeing Update	Section 7(2)(a) Protect the privacy of natural persons, including that of deceased natural persons	Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7
c) Council Litigation Update	Section 7(2)(g) Maintain legal professional privilege	Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7
d) Financial Risk Update - Procurement Risk and Policy Compliance Report	Section 7(2)(b) (ii) Protect information where the making available of the information would be	Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure

	likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information	of information for which good reason for withholding would exist under Section 7
e) 2023 Draft Annual Report - Unaudited	Section 7(2)(h) Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7

There being no further business, the meeting finished at 11.50am.

**MINUTES OF RISK AND ASSURANCE COMMITTEE, HELD IN THE COUNCIL CHAMBERS,
FIRST FLOOR, TE HĪNAKI CIVIC BUILDING, 101 ESK STREET, INVERCARGILL ON
WEDNESDAY 25 OCTOBER 2023 AT 8.30AM**

Present:

Cr L F Soper (Chair)
Mr B Robertson (via zoom)
Mayor W S Clark
Cr T Campbell
Cr G M Dermody
Cr D J Ludlow
Cr I R Pottinger

In Attendance:

Mr C Genet – Audit NZ
Ms J Hills – Audit NZ
Mrs P Coote – Kaikaunihera Māori – Awarua
Mr M Day – Chief Executive
Mrs P Christie – Group Manager – Finance and Assurance
Ms J Hutton – Acting Group Manager – Acting Group Manager -
Community Engagement and Corporate Services
Mr J Shaw – Group Manager – Consenting and Environment
Mr A Cameron – Chief Risk Officer
Mr P Patton – Manager – Building, Planning and Quality
Ms R Lane – Internal Auditor
Ms S Roberts – Manager – Financial Services
Mr G Caron – Digital and Communications Advisor
Mr M Morris – Manager – Governance and Legal
Ms M Sievwright – Senior Executive Support

1. Apology

Cr R Bond, Cr P Kett, Mr R Jackson, Rev E Cook

Moved Cr Ludlow, seconded Cr Dermody and **RESOLVED** that the apologies be accepted.

2. Declaration of Interest

Nil.

3. Public Forum

Nil.

4. Public Excluded Session

Moved Cr Ludlow, seconded Cr Dermody and **RESOLVED** that the public be excluded from the following parts of the proceedings of this meeting, with the exception of the external auditors, Mr Chris Genet and Ms Jenna Hills, namely:

- a) Draft 2023 Annual Report Adoption

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 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) Draft 2023 Annual Report Adoption	Section 7(2)(b)(ii) Protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.	Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7

There being no further business, the meeting finished at 9.28 am.

INTERNAL AUDIT AND CONTINUOUS IMPROVEMENT UPDATE

To: Risk and Assurance Committee

Meeting Date: Tuesday 21 November 2023

From: Peter Patton, Manager – Quality Assurance

Approved: Patricia Christie - Group Manager - Finance and Assurance

Approved Date: Thursday 16 November 2023

Open Agenda: Yes

Public Excluded Agenda: No

Purpose and Summary

The purpose of this report is to provide an update on the internal audits conducted as part of Council's Internal Audit Programme, additional audits conducted in-house and an update on the recommended actions including the current state of the continuous improvement system.

Recommendations

That the Risk and Assurance Committee:

1. Receives the report "Internal Audit and Continuous Improvement Update".

Issues

The Internal Audit Plan for 2023/24 continues as scheduled. The focus for the August-October 2023 period has been Building and Environmental regulatory audits and regular Payroll access and Masterfile data audits coordinated with council pay cycles. The Building Control Authority have completed the required Technical Audits and these were completed by Focus Consulting Limited. The mid-term priority is supporting the Building Services and Environmental Health teams as they prepare for external IANZ Regulatory Assessments in mid-2024.

The long-term focus includes Annual Plan Quarterly KPI data audits. These audits will include a review of source data collation, integrity, documentation and compliance to the level of Service and result reported quarterly. This review will systematically audit all areas of council that report KPI's for the Long Term and Annual plans.

Summary of audits/reviews completed 23 August to 23 October 2023:

- Environmental Health (Food Regulations 110 (2) e and g – 2
- Building Services (Building Regulations 7 (2) d (v), 8, 12 and 17 (iv) – 4
- Payroll Audits, including Quarterly System Access Audit, System Masterfile – 7

Continuous Improvement Programme

The Information Management and Solid Waste teams continue to proactively engage with the QA team and are proactively completing the recommendations made during their respective audits/reviews. The whole of team approach by the Environmental Health team has seen numerous improvement requests submitted (not only those from audits/reviews) and closed during the reporting period. There are no issues to report in this update. Table 1 below provides a summary of the continuous improvement requests currently under action. The continuous improvement risk rating matrix is at table 3.

Table 1 – Continuous Improvement Update

Improvement Area			
	Made	Closed	Open
Audit NZ – Annual Report 2022	15	5	10 (moderate)
Building Services (including IANZ)	35	31	4 (moderate)
Building Administration	7	6	1 (minor)
Building Compliance	10	1	9 (moderate)
Environmental Compliance	9	3	6 (minor)
Environmental Health Services (including IANZ)	11	9	2 (moderate)
Information Management - LGOIMA	32	4	28 (18 high, 5 mod, 5 minor)
Information Management – Maturity Framework	10	3	7 (1 minor, 6 moderate)
Quality Assurance	6	0	6 (moderate)
Invercargill Transfer Station	10	5	5 (moderate)

Table 2 – Internal Audit Partner Reviews – Recommended Actions


Review	Recommendations		
	Made	Closed	Open
Infrastructure Contract Compliance	22	13	9 (9 moderate)
Total	22	13	9 ( 9)

Table 3 – External Audit Recommendations

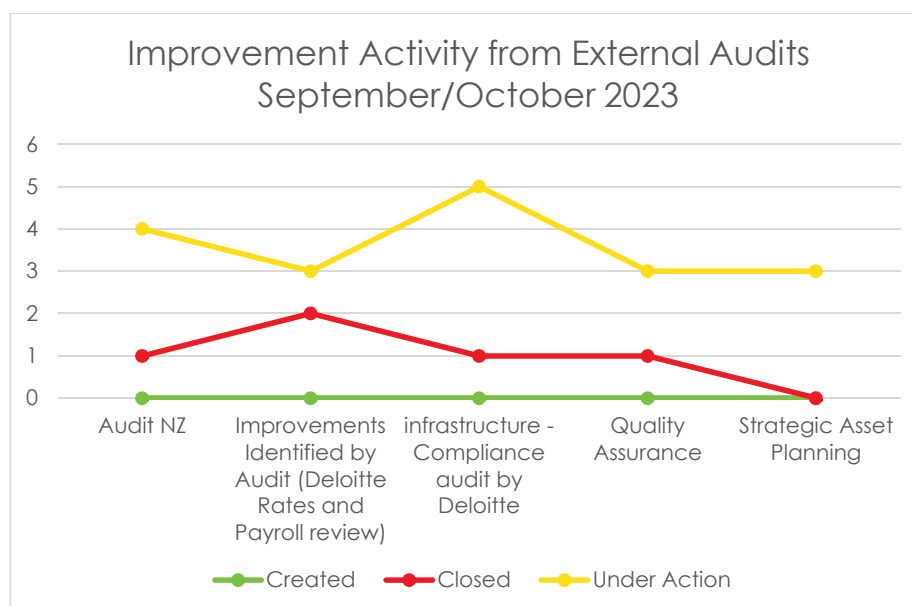


Table 4 – Internal Audit Recommendations

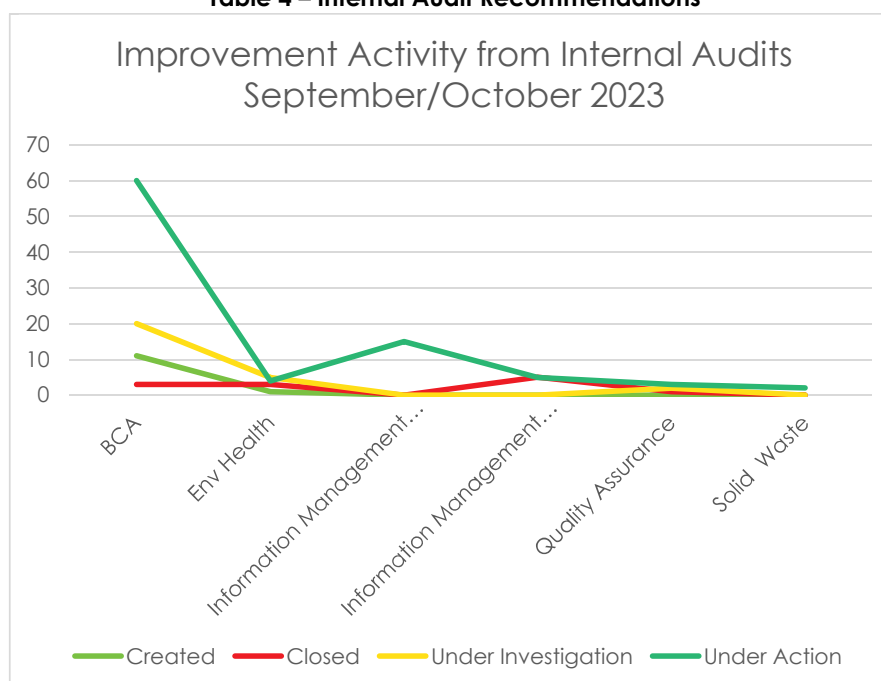
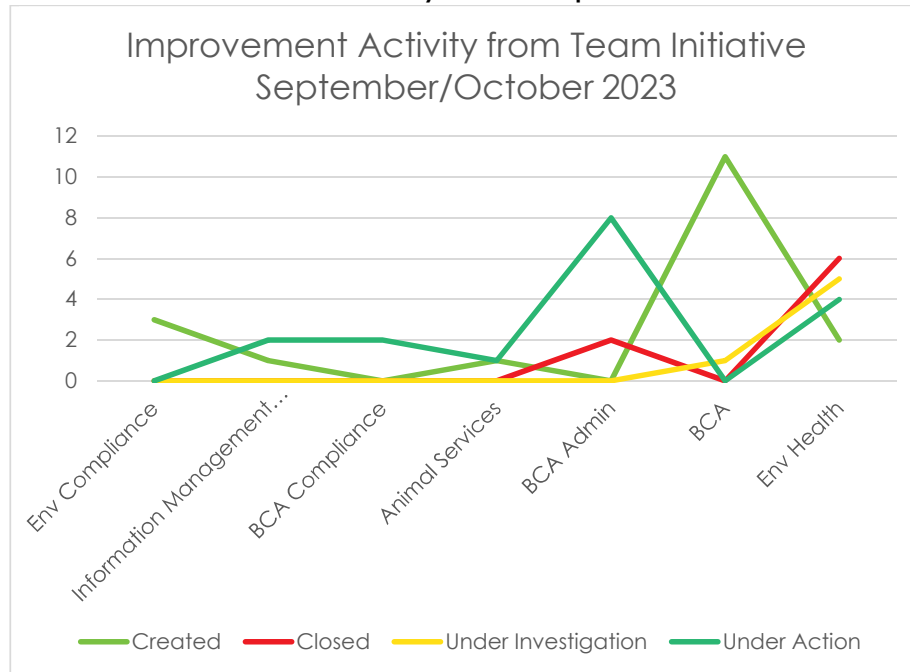


Table 5 – Internally Initiated Improvements

ICC Continuous Improvement Risk Rating Scale

The findings from each internal audit / review will include a risk rating based on the perceived risk Council may be exposed to.

Table 3 – ICC Continuous Improvement Risk Matrix

Very High	Issue represents a severe control weakness. This could cause or is causing severe disruption to process/service, or severe adverse effect on the ability to achieve objectives.
High	Issue represents a significant control weakness. This could cause or is causing significant disruption to process/service, or significant adverse effect on the ability to achieve objectives.
Moderate	Issue represents a moderate control weakness. This could cause or is causing some disruption to process/service. There may be a level of short-term tolerance due to compensating controls or remedial plans underway.
Low	Issue represents a minor control weakness. This could cause or is causing inefficiencies in process, or is a lack of formality in documentation or process.
Process Improvement	Observation represents an identified opportunity to improve process/service efficiency.

Next Steps

The continuous improvement requests, recommendations and actions from audits/reviews will be monitored and reported using the Process Manager – Improvements module.

FINANCIAL RISK UPDATE

To:	Risk and Assurance Committee
Meeting Date:	Tuesday 21 November 2023
From:	Patricia Christie – Group Manager Finance and Assurance
Approved:	Michael Day - Chief Executive
Approved Date:	Thursday 16 November 2023
Open Agenda:	Yes
Public Excluded Agenda:	No

Purpose and Summary

The purpose of this report is to provide an update on the Council's financial risks including:

- Council Credit Rating
- Treasury policy.

Recommendations

That the Risk and Assurance Committee:

1. Receive the report 'Financial Risks Update'.

Background

This report provides the Council with an update on key financial risks. This quarter's report is focused on the Council's recent credit rating review and compliance with our Treasury policy.

Issues

Fitch Credit Rating

Fitch Ratings released the results of its annual review of Council's credit rating on 10 November.

Fitch Ratings reaffirmed Council's AA+ with stable outlook ratings. Council has held this rating for five years.

The full report is attached at Attachment 1.

The strength of the credit rating reflects Council's ability to rate together with the fiscal prudence that we have exercised and continue to do so. Examples of the fiscal prudence include:

- 150% of revenue debt cap
- Maintaining \$20 million cash reserves.

Treasury risk

Attached as Attachment 2 is the September quarter Treasury review from Bancorp.

This report shows that at present and as has been the case for the last 18 months is that Council is outside its policy limits in relation to the amount of fixed interest rate debt we hold in the 2 – 4 year maturity band.

Council's policy is for debt that matures in 2-4 years' time that 25-80% should be at a fixed interest rate. At present Council has less than 25% for part of that period.

Officers continue to monitor this breach. The rates for interest rate swaps, movements in interest rates and ongoing borrowing requirements are all considerations in the decision to purchase interest rate swaps or take on fixed rate borrowing through this maturity period to correct the policy breach.

It is noted in the Treasury report that Council's average cost of funds is 2.98%. This is expected to increase in coming years as the very low rate debt matures and is replaced with current rates and the additional borrowing required to fund our capital programme.

New borrowing at present (15 November) is between 5.7 – 6.1% depending on whether it is fixed or floating interest and the length of borrowing.

Next Steps

Continue to monitor the 2-4 year maturity fixed interest rate coverage and identify opportunities to remedy the current policy breach.

Attachments

1. Fitch Credit Rating Report issued on 10 November 2023 (A5036752)
2. First Quarter Treasury Report from Bancorp (A5036745)



RATING ACTION COMMENTARY

Fitch Affirms Invercargill City Council at 'AA+'; Outlook Stable

Fri 10 Nov, 2023 - 3:20 AM ET

Fitch Ratings - Sydney/Singapore - 10 Nov 2023: Fitch Ratings has affirmed Invercargill City Council's (ICC) Long-Term Local-Currency Issuer Default Rating (IDR) at 'AA+' with a Stable Outlook.

The council's 'aa+' Standalone Credit Profile (SCP) reflects its low leverage compared with peers.

We expect the council to maintain a 'High Midrange' risk profile, given its autonomy on rates and ability to manage expenditure growth, despite rising inflation and interest rates. Increasing capital expenditure needs will drive debt growth in the next five years, leading to a 'aa' debt sustainability score.

KEY RATING DRIVERS

Risk Profile: 'High Midrange'

We believe there is a low risk that the council's ability to cover its debt-service needs will unexpectedly weaken in the medium term. Our assessment reflects a combination of 'Stronger' key risk factors for revenue robustness, revenue adjustability, expenditure adjustability and liabilities and liquidity robustness and 'Midrange' key risk factors for expenditure sustainability and liabilities and liquidity flexibility.

Revenue Robustness: 'Stronger'

We expect the council's flexible fiscal management will support sustainable revenue growth. Rates revenue from properties rose by 8.5% in the financial year ended June 2023 (FY23). This was higher than the 6.5% in FY22 and 3.6% rise in FY21, due to a rate hike and a rise in the number of rating units in the city, which were up by 0.8% to 27,056. The council

11/10/23, 4:24 PM

Fitch Affirms Invercargill City Council at 'AA+'; Outlook Stable

plans to increase rates by 5.67% in FY24, which is higher than the 4.0% increase detailed in ICC's long-term plan for FY21-FY31. The rise is in response to an increased capital programme, high inflation and increased interest rates.

Revenue Adjustability: 'Stronger'

We believe the council's tax autonomy allows it to cover any decline in revenue, although we do not expect significant fluctuation in revenue in the near term. This view is supported by the minor 1.5% Covid-19 pandemic-induced adjusted operating revenue decline in FY20. A large proportion of rates revenue, at 61% of adjusted operating revenue in FY23, provides the flexibility to address a potential fall in revenue, which can be covered by a rates adjustment.

Expenditure Sustainability: 'Midrange'

Adjusted operating expenditure rose by 6.4% in FY23, against a 5.2% increase in FY22, while adjusted operating revenue rose by 10.0% during the same period. The expenditure growth trend has historically been in line with revenue growth, partly supported by the council's effort to match revenue to expenditure at around 100%. However, capital expenditure, which is partly debt funded, has surged in the past two years on core infrastructure investment. We believe expenditure on core infrastructure is less cyclical, as it comprises mostly planned investments and is maintenance focused.

Expenditure Adjustability: 'Stronger'

We expect the council to have a low exposure to mandatory expenditure, such as employee expenses, which were reported at 23% of total expenditure in FY23, while expenditure to maintain existing services is likely to rise. ICC has ongoing investment needs for general services and core infrastructure, such as roads and pipe networks, but we believe that it has strong affordability, as the majority of expenditure is for existing services and can be easily adjusted.

Liabilities & Liquidity Robustness: 'Stronger'

We expect the council's debt, which stood at 9.7% of total assets in FY23, to remain below its internal limit of 15.0% for the next five years. The council's prudent liability management provides visibility on debt growth and it has no exposure to currency risk or risky derivatives. Some exposure to short-term debt with maturity concentration does not deteriorate from the council's debt profile, as its membership of the New Zealand Local

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Fitch Affirms Invercargill City Council at 'AA+'; Outlook Stable

Government Funding Agency Limited (LGFA) (AA+/Stable) provides stable liquidity with low refinancing risk.

Liabilities & Liquidity Flexibility: 'Midrange'

The council sourced most of its borrowings from the LGFA as of FY23. The financial covenants limit ICC's debt position in relation to revenue. However, this does not weaken the council's liquidity flexibility, as it can access other forms of liquidity. The council had NZD34 million in cash and cash equivalents as of FY23, including short-term deposits, and NZD10 million in committed undrawn facilities. This implies 35% of cash and undrawn facilities to total debt or 62% to short-term debt.

Debt Sustainability: 'aa category'

Fitch classifies ICC as a 'Type B' local and regional government under the relevant criteria, because its annual debt-service requirements are largely covered by revenue and cash flow. The net payback ratio increased to 4.0x in FY23, from 3.2x in FY22, and we expect it to rise further under the council's capital programme and slightly lower operating margin. Rates revenue will remain as a major source of funding, having averaged at 59% of adjusted operating revenue in FY19-FY23, with a rising proportion of debt in funding. This implies a net payback ratio of 5.7x by FY28, resulting in 'aa' debt sustainability.

DERIVATION SUMMARY

ICC's Long-Term IDR is driven by its SCP, which reflects a 'High Midrange' risk profile and strong debt metrics. The notch-specific SCP is derived from peer comparison across the key rating drivers and debt sustainability metrics.

Short-Term Ratings

The Short-Term IDR corresponds to a Long-Term IDR that lies between 'AAA' and 'AA-', based on the relevant criteria.

KEY ASSUMPTIONS

Risk Profile: 'High Midrange'

Revenue Robustness: 'Stronger'

Revenue Adjustability: 'Stronger'

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Expenditure Sustainability: 'Midrange'

Expenditure Adjustability: 'Stronger'

Liabilities and Liquidity Robustness: 'Stronger'

Liabilities and Liquidity Flexibility: 'Midrange'

Debt sustainability: 'aa'

Support (Budget Loans): 'N/A'

Support (Ad Hoc): 'N/A'

Asymmetric Risk: 'N/A'

Rating Cap (LT IDR): 'AA+'

Rating Cap (LT LC IDR) 'AA+'

Rating Floor: 'N/A'

Quantitative assumptions - Issuer Specific

- Rating units growth averaging at 0.2% over FY23-FY28, against an average of 1.4% in FY18-FY23.
- Adjusted operating revenue CAGR of 3.1% in FY23-FY28, against 5.2% in FY18-FY23.
- Adjusted operating expenditure CAGR of 3.5% in FY23-FY28, against 6.3% in FY18-FY23.
- Net debt/operating balance of 5.7x by FY28, against 4.0x in FY23.

Liquidity and Debt Structure

Total debt is trending up, rising by 22% in FY23 to reach NZD125 million. This follows 14.4% growth in FY22. Debt is mostly borrowed from the LGFA. We expect total debt to reach NZD173 million by FY28 on ICC's capital programme, particularly its museum project. Nevertheless, the council is able to smooth out capital expenditure in the next five years, which will mitigate liquidity risk.

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Issuer Profile

Invercargill is New Zealand's southernmost city, founded in the 1850s, and the regional capital and commercial centre of Southland. We estimate that the Southland region accounts for around 1% of the country's GDP.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A downgrade of New Zealand's Long-Term Local-Currency IDR (AA+/Stable) or a weakening of ICC's SCP may lead to negative rating action. A weaker SCP could be caused by a negative reassessment of the council's risk profile to 'Midrange' or deterioration of the payback ratio to closer to 7.0x on a sustained basis in our rating-case scenario.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade of New Zealand's Long-Term Local-Currency IDR and an upward revision of ICC's SCP could lead to positive rating action. ICC's SCP may be raised by a positive reassessment of its risk profile, a payback ratio of below 5.0x, and firming of its debt service coverage ratio to above 4.0x on a sustained basis in our rating case assessment.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit

www.fitchratings.com/topics/esg/products#esg-relevance-scores

References for Substantially Material Source Cited as Key Driver Rating

The principal sources of information used in the analysis are described in the Applicable Criteria.

RATING ACTIONS

ENTITY / DEBT ⇅

RATING ⇅

PRIOR ⇅

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Fitch Affirms Invercargill City Council at 'AA+'; Outlook Stable

Invercargill City Council

LC LT IDR

AA+ Rating Outlook Stable

AA+ Rating
Outlook
Stable

Affirmed

LC ST IDR

F1+

Affirmed

F1+

[VIEW ADDITIONAL RATING DETAILS](#)**FITCH RATINGS ANALYSTS****Paul Norris**

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Additional information is available on www.fitchratings.com

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APPLICABLE CRITERIA

[International Local and Regional Governments Rating Criteria \(pub. 03 Sep 2021\)](#)
[\(including rating assumption sensitivity\)](#)

ADDITIONAL DISCLOSURES

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Invercargill City Council

EU Endorsed, UK Endorsed

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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. Sector-specific best- and worst-case scenario credit ratings are listed in more detail at <https://www.fitchratings.com/site/re/10238496>

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structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.



Quarterly Treasury Dashboard

30 September 2023

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Economic Commentary

2

Global (for the September 2023 quarter)

Traditionally, September and October are known as months of high volatility, and September lived up to its reputation as central bankers struggled to allay inflationary fears as traders and speculators adopted a 'risk-off' environment. US financial markets had a volatile September 2023, with stocks and bonds both falling sharply, which contributed to higher yields and a stronger US-dollar. The Nasdaq fell -7.5% as investors attempted to diversify away from the 'magnificent 7' while the S&P500 fell -6.7% to record its worst monthly performance since March 2020. The DJI fell -5.3%. Bond markets also struggled to attract buyers, which saw rates increase sharply throughout the month, with the 10-year US Treasury yield reaching a 17-year high of 4.554% while the 2-year is threatening to breach its 14-year high at 5.27%.

At its September meeting, the Federal Reserve ("Fed") maintained its benchmark Fed funds range at 5.25%-5.50%; however, the pause could easily have been classified as a 'hawkish pause' as the central bank also indicated it expects one further rate hike before year-end while the 'dot-plots' suggested fewer rate cuts in 2024 and 2025 than previously indicated. Conversely, the Fed's decision to pause its hiking cycle in September was also seen as an acknowledgement there are growing concerns about the risk of a recession with Chair Jerome Powell emphasising, *"We have come very far, very fast. We are taking advantage of the fact that while we have moved quickly, we now have to move a little more carefully as we find our way to the right level of restriction to get inflation back down to 2%,"* before adding, *"we must proceed carefully!"* Overall, the Fed's September meeting was a cautious one with the central bank clearly concerned about the risks of a recession while also remaining committed to fighting inflation.

The European Central Bank ("ECB") stuck to its guns and raised their key interest rates for a 10th consecutive time with a 25bp hike, lifting the deposit rate to a record 4.00% and the main refinancing rate to 4.50%, its highest level since 2001. With a 'dovish' tone, the central bank signaled that it is likely done with the current tightening cycle, as inflation has started to decline, although they also warned they see inflation remaining persistently high while ECB President Christine Lagarde acknowledged she *"can't say"* if European rates have peaked. Policymakers also cut their growth and core inflation forecasts for every year through to 2025. Meanwhile the Bank of England ("BOE") surprised markets by easing back on its aggressive hiking cycle for its first pause, holding the cash rate at 5.25%, although it was a fine line with the MPC voting 5-4. Governor Andrew Bailey had the casting vote and said at the post meeting press conference that *"the good news is that inflation in the UK is coming down (although the) BOE has to stay the course on the inflation fight."*

Despite a raft of stimulatory measures announced, the outlook for the Chinese economy still looks problematic, with the 5.0% growth target under threat as record youth unemployment and falling house prices continue to undermine consumer confidence and thus domestic demand. Fresh concerns at property developers Evergrande Group, China Oceanwide Holdings, and Country Garden have seen executives detained as defaults loom. Bank loans to property developers were down 25% in August from a year ago, and with Chinese President Xi trying to move his country away from debt fuelled growth, it seems that the issues facing the Chinese economy aren't going to go away anytime soon.

Global bond yields moved sharply higher in September as concerns mount that inflation would be stickier than previously expected, and the market struggled to absorb the increased issuance by the US, which is needed to fund the increasing budget deficit. The benchmark US 10-year Treasury bond yield started September at 4.09% and has since climbed relentlessly to its current level of 4.74%, a yield not seen since 2007.

Economic Commentary

New Zealand (for the September 2023 quarter)

3

	OCR	90 day	2 years	3 years	5 years	7 years	10 years
30 June 2023	5.50%	5.70%	5.47%	5.09%	4.69%	4.55%	4.50%
30 Sept 2023	5.50%	5.74%	5.72%	5.48%	5.22%	5.17%	5.18%
Change	+0%	+0.04%	+0.25%	+0.39%	+0.53%	+0.62%	+0.68%

In the August Monetary Policy Statement ("MPS"), the RBNZ again left the OCR at 5.50% and, in a reiteration of the July MPR stated that "The Committee agreed that the OCR will need to remain at a restrictive level for the foreseeable future." However, the RBNZ was confident that "consumer price inflation will return to within its target range". The MPS could be summed up as being slightly more hawkish than anticipated with the projected track for the OCR increasing from 5.5% to 5.6% (which implies a 40% probability of an increase to 5.75%) and pushing out the timing of the projected OCR cuts to early 2025. The justification for this appears to be in the wording "measures of core inflation remain too high" and "In the near term, there is a risk that activity and inflation measures do not slow as much as expected." Some commentators have interpreted the slight upward revision to the OCR track and the pushing out the timing of the first cut as a bit of a warning to the market not to unnecessarily pre-empt the easing as there is still a way to go on the inflation fighting front.

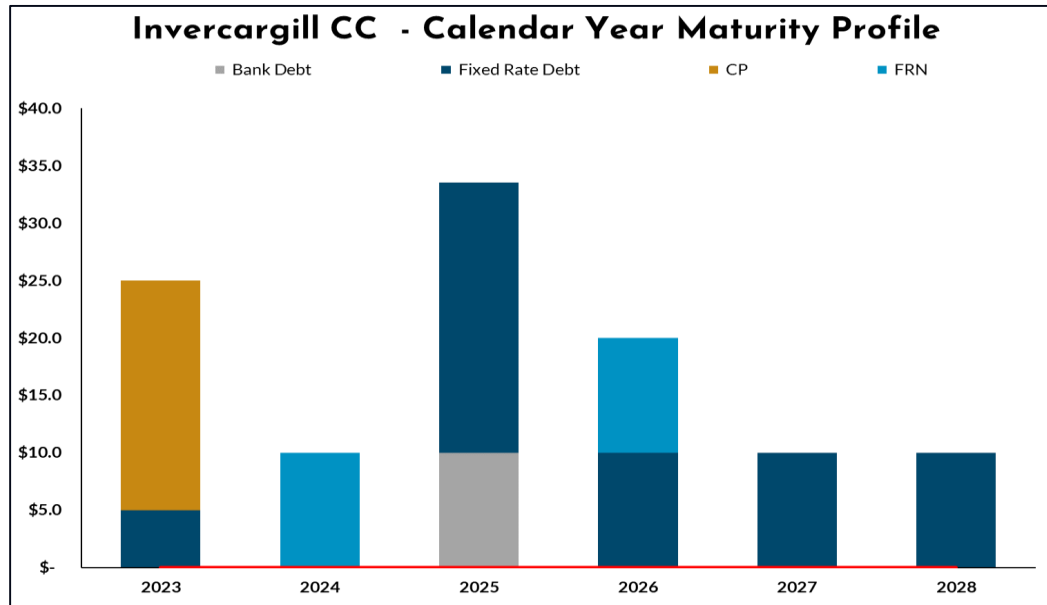
Ahead of the general election, the New Zealand Treasury's Half Year Economic and Fiscal Update (HYEFU) highlighted the Treasury will require an additional NZD9bn over the next 4 years, however, the expected borrowings were not as severe as initially forecasted, which is a positive. The Treasury is forecasting local economy will avoid a 'double dip' recession, which was supported by the Q2 GDP print which exceeded expectations at 0.9% while, for the year to June, GDP reached 1.8%, but that was where the good news ended with March 2024 growth downgraded from 2.2% to 1.2%, the unemployment forecast was upgraded to 4.6% from 4.1%, while the 2023-2024 budget deficit is expected to reach NZD11.4bn, although return to a surplus has been extended by a year to 2027. Ultimately, the HYEFU suggests businesses should prepare for a slower growing economy and higher interest rates while consumers should be prepared for a higher cost of living and a tighter labour market.

New Zealand's Q2 GDP came in far higher than expectations, at 0.9% for the quarter, against expectations of 0.4%. For the year to June, GDP was up 1.8% against expectations of 1.2%. The technical recession was also revised away as March quarter GDP was increased slightly on review to be flat for the March quarter. The industries that saw the greatest gains were mining, utilities, public administration and safety, recreation, and other.

Following the stronger than expected GDP print, markets are now pricing in one more rate hike from the RBNZ to take the OCR to 5.75% by April 2024, and then for it to decline to 5.50% by October 2024 and 5.25% by February 2025. Swap rates have moved sharply higher during the quarter, due primarily to moves in the US bond market, but also aided by the stronger than expected local GDP data. The 2-year rate climbed from 5.33% to 5.76%, currently it is at 5.72%, while the 10-year rate rose from 4.36% to 5.18%.

Liquidity and Funding

4



Policy Compliance	Compliant
Have all transactions been transacted in compliance with policy?	Yes
Is fixed interest rate cover within policy control limits?	No
Is the funding maturity profile within policy control limits?	Yes
Is liquidity within policy control limits?	Yes
Are counterparty exposures within policy control limits?	Yes

Debt

\$98.5m

External Council Drawn Debt

LGFA

\$98.5m

Funds Drawn from LGFA

Bank facility headroom + term deposits

\$28.19m

Liquidity Ratio

128.62%

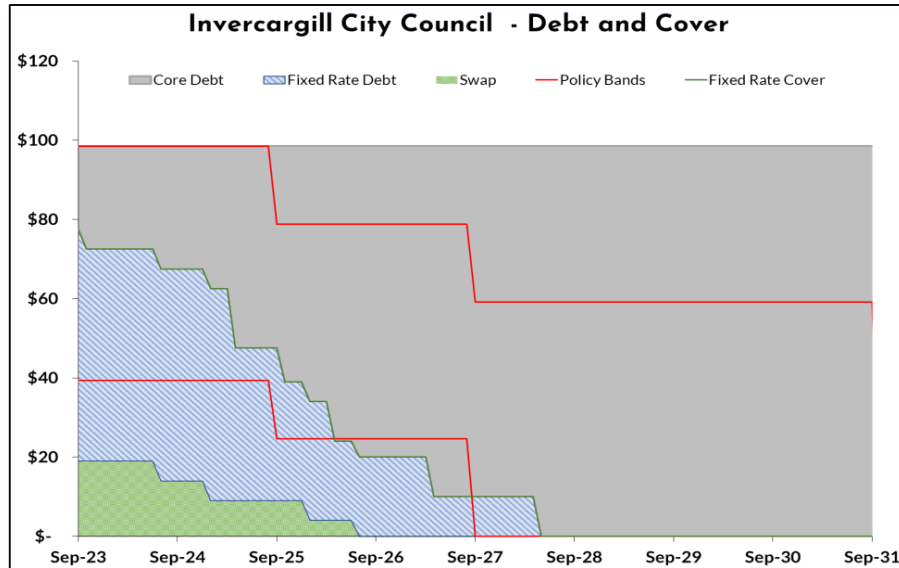
Definition: (Term Deposits + Cash in Bank + Lines of Credit + Drawn Debt)/Drawn Debt

Cost of Funds as at 30 September

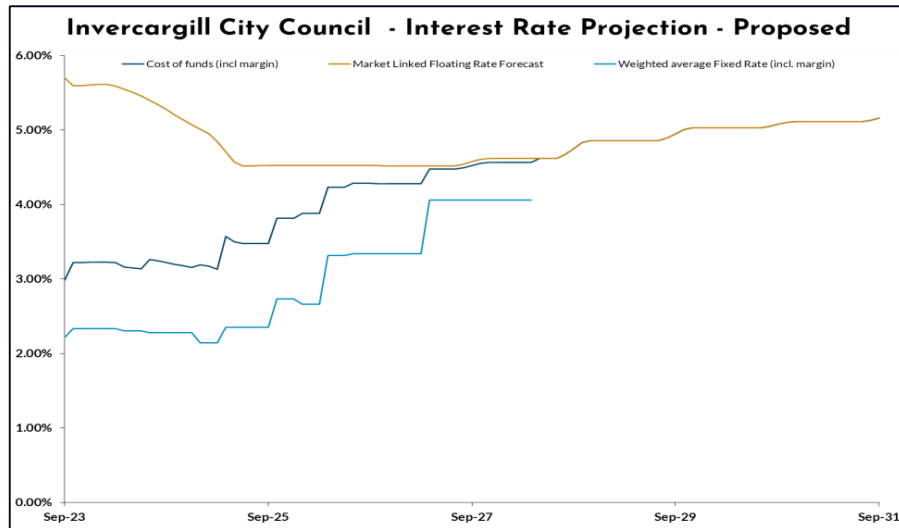
2.98%

Interest Rate Risk Management

5



Current % of Debt Fixed	78.7%
Current % of Debt Floating	21.3%
Value of Fixed Rate (m)	\$77.5
Weighted Average Cost of Fixed Rate Instruments	2.18%
Value of Forward Starting Cover	\$0.0
Value of Floating Rate (m)	\$21.0
Current Floating Rate	5.70%
All Up Weighted Average Cost of Funds Including Margin	2.98%
Total Facilities In Place	\$108.5



Policy Bands			
	Minimum	Maximum	Policy
0 - 2 years	40%	100%	Compliant
2 - 4 years	25%	80%	Breach
4 - 8 years	0%	60%	Compliant

Invercargill City Council - Funding

6

As at 30 September 2023, ICC had \$98.5 million of core debt, all of which is sourced from the LGFA using Commercial Paper, Floating Rate Notes and Fixed Rate Bonds which are detailed in the table below.

Instrument	Maturity	Yield	Margin	Amount
LGFA CP	27-Jul-23	5.81%	0.15%	\$20,500,000
LGFA FRB	15-Oct-23	0.44%	N/A	\$5,000,000
LGFA FRN	29-Apr-24	6.15%	0.49%	\$10,000,000
LGFA FRB	15-Apr-25	1.49%	N/A	\$15,000,000
LGFA FRB	15-Oct-25	0.59%	N/A	\$8,500,000
LGFA FRB	15-Apr-26	1.09%	N/A	\$10,000,000
LGFA FRN	15-Apr-26	6.03%	0.37%	\$10,000,000
LGFA FRB	29-Apr-27	2.62%	N/A	\$10,000,000
LGFA FRB	15-May-28	4.06%	N/A	\$10,000,000

LGFA Funding Rates as at 30 September

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Listed below are the credit spreads and applicable interest rates as at 30 September for Commercial Paper ("CP"), Floating Rate Notes ("FRN") and Fixed Rate Bonds ("FRB"), at which ICC could source debt from the Local Government Funding Agency ("LGFA").

Maturity	Margin	FRN (or CP Rate)	FRB
3-month CP	0.15%	5.86%	N/A
6-month CP	0.20%	5.98%	N/A
April 2024	0.32%	6.03%	6.20%
April 2025	0.38%	6.09%	6.24%
April 2026	0.38%	6.09%	5.95%
April 2027	0.52%	6.23%	5.87%
May 2028	0.67%	6.38%	5.86%
April 2029	0.79%	6.50%	5.92%
May 2030	0.89%	6.60%	5.97%
May 2031	0.93%	6.64%	6.00%
April 2033	0.99%	6.70%	6.05%
May 2035	1.04%	6.75%	6.12%
April 2037	1.05%	6.76%	6.22%

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AUDIT NEW ZEALAND UPDATE

To:	Risk and Assurance Committee
Meeting Date:	Tuesday 21 November 2023
From:	Patricia Christie – Group Manager Finance and Assurance
Approved:	Michael Day - Chief Executive
Approved Date:	Thursday 16 November 2023
Open Agenda:	Yes
Public Excluded Agenda:	No

Purpose and Summary

The purpose of this report is to provide an update from Audit New Zealand on outstanding items from the Annual Report and plans for the audit of the Long-term Plan. The update from Audit New Zealand is provided in Attachment 1.

Recommendations

That the Risk and Assurance Committee:

1. Receive the report 'Audit New Zealand Update'.

Background

This report provides the Committee and Council with Audit New Zealand's current issue and progress against the workplan.

Issues

Attachment 1 is a memo from Audit New Zealand outlining the key issues in relation to the 2023 Annual Report audit and the audit of the 2024-34 Long-term Plan.

Annual Report

The 2023 Annual Report has now been published and are available on Council's website. The Summary Annual Report has been completed and its audit opinion was provided on 15 November. This has been / will be published on our website by 17 November 2023.

Audit New Zealand's management report will be reported to the Committee in the New Year once management have had an opportunity to review and provide feedback.

The open book fees review exercise is still to be undertaken.

Long-term Plan Audit

At the time of writing engagement and arrangement letters including audit fees for the Long-term Plan audit are not available.

An update on audit planning, scope, approach and emphasis is provided in the attached memo.

The dates for the audit have been agreed with the Officers responsible for the Long-term Plan and support the consultation dates we are working towards.

Next Steps

Officers will review the 2023 Annual Report Management letter and provide feedback to Audit New Zealand.

Scope and basis for the open book fees review will be agreed.

Attachments

1. Audit New Zealand update memo 14 November 2023 (A5037933)

14 November 2023

Level 3, 335 Lincoln Road
Addington
PO Box 2, Christchurch 8140

Bruce Robertson
Chair Risk and Assurance Committee
Invercargill City Council
Private Bag 90104
Invercargill 9810

Copy to: Michael Day (Chief Executive), Patricia Christie (Group Manager – Finance and Assurance)

Dear Bruce

Update to Risk and Assurance Committee

This letter updates the Risk and Assurance Committee on the status of audit reporting for the 2023 audit and planning for the 2024-34 long-term plan audit. These matters are addressed separately below.

Audit reporting for the 2023 audit

The report to Council on the audit is nearing completion at the time of writing this letter. It is expected to be released to management by 20 November 2023. Following release of the report we ask management to review the report for factual accuracy and provide comments on the report before finalising it and issuing the report to Council in its finalised form. We expect the report will be finalised incorporating managements comments by 15 December 2023.

In the interests of timely communication to the committee of the major matters arising from the audit we have summarised the key matters included in the report.

Audit opinion

We issued a qualified audit report on 31 October 2023. Our audit report was qualified in relation to two matters:

- We were unable to obtain sufficient audit evidence to support the comparative year revaluation movement of the City Council and Group's revalued property, plant and equipment. This was a result of the 2021 qualified audit opinion where we considered that there were reliable indicators that there could be a material increase in the fair value of classes of property, plant and equipment during the 30 June 2021 financial year, despite no revaluation being undertaken.

- We were unable to obtain assurance over the accuracy of traffic count data used to calculate the smooth travel exposure performance measure in the statement of service performance. This was due to source records not being maintained for all traffic counts.

Without further modifying our opinion our audit report also contained an emphasis of matter paragraph. This drew readers' attention to the disclosures in the financial statements relating to the effects of the Government's affordable water services reform programme on the City Council.

Areas of audit focus and matters identified during the audit

Our audit plan outlined the areas of focus for the audit, we also identified other matters during the course of the audit. The outcome of these matters will be included in the full report to the Council. The matters of most significance were:

- ***Carrying value of property, plant and equipment*** – This year the City Council revalued its roading asset class. The asset class increased on revaluation by \$5.06 million to \$302.2 million. The valuation undertaken was an indexed revaluation, therefore movements are reflective of the underlying published indices relevant to the assets. We reviewed the revaluation process including source data collection, methodology of the indexed valuation report and reasonableness of assumptions and concluded the valuation was appropriate for inclusion in the financial statements. For asset classes which were not revalued we agreed with management's assessment that no further revaluations were required.
- ***Investment in Invercargill Central Limited*** – The Investment in Invercargill Central Limited was written down to nil in the Group financial statements following the Investment Property revaluation of the shopping centre development. Previously there had been differences in accounting between ICC and ICHL due to differences in public benefit entity and for-profit accounting standards. We reviewed and agreed with management's assessment that this year the accounting should be consistent. Accordingly, the investment was written down to nil.
- ***Loan to Invercargill Central Limited*** – The loan to Invercargill Central Limited increased from \$12.8 million to \$25.81 million during the financial year. Given the increase in loan value and Invercargill Central Limited's financial position management prepared an assessment of impairment based on the expected future credit losses on the loan. We reviewed the impairment assessment, with a focus on methodology and the key assumptions. Overall, we concluded the impairment of \$2.48 million was fairly stated in the financial statements.
- ***First time adoption of PBE FRS 48 Service Performance Reporting*** - As part of our review of service performance information we reviewed the City Council's disclosures for compliance with the new service performance reporting standard. Our initial review identified additional disclosure was required to comply with the new standard. This predominantly related to ensuring appropriate disclosures are made in regard to the significant judgements the City Council makes in selecting, measuring, aggregating and presenting performance information.

Disclosures were subsequently updated and we concluded the City Council had complied with the standard appropriately.

- Drinking water quality performance measures*** - The regulatory regime in place over the safety of drinking water transitioned in the current year from the Drinking Water Quality Standards 2005 to the new Drinking Water Quality Assurance Rules which came into effect on 14 November 2022. The change in standards initially created uncertainty over what should be reported in local authority annual reports as the mandatory performance measure for drinking water quality did not change. Guidance was subsequently issued by the Department of Internal Affairs, which allowed the City Council to report for the whole period under the existing Drinking Water Standards 2005. The City Council engaged an external expert to confirm their level of compliance against the standards. We reviewed the expert's report including scope of their procedures, methodology, and reasonableness of any judgements applied and concluded the expert's work was appropriate for use as audit evidence. Overall, we concluded drinking water quality performance measures were fairly reflected in the statement of service performance.

In addition to these matters our report will include control observations and recommendations for improvement. We expect to present these to the Risk and Assurance Committee along with the full report in the first Risk and Assurance Committee meeting for 2024.

Planning for the 2024-34 long-term plan audit

Our planning for the 2024-34 long-term plan (LTP) audit has commenced. To date our progress has been to agree the key dates for the audit with management and issue a self-assessment.

We have not yet been able to issue our audit engagement letter. This is because the Office of the Auditor-General is working through the approach to audit fees for the 2024-34 long-term plan audits and the audit fee is incorporated within the engagement letter. When this process is complete, we will issue the engagement letter to you promptly.

In lieu of issuing an engagement letter we provide the following update on the key dates we have agreed with management, and our expected areas of audit emphasis for the 2024-34 LTP audit.

Key dates

Dates	Phase of audit
27 November (1 week)	Audit planning
15 January to 16 February (5 weeks)	Consultation Document audit engagement
3 June (1 – 2 weeks)	Final long-term plan audit engagement

Areas of audit emphasis

The first step of developing our areas of audit emphasis has been to issue the City Council with a self-assessment. The self-assessment helps us understand key risks and matters that affect our audit planning and whether there have been any changes to your key LTP development systems.

In Appendix one we have included our expected areas of focus for the long-term plan for your reference as they stand at the time of writing this letter. These are presented alongside our audit scope and audit approach for context. Our areas of emphasis may increase or be amended following review of your responses to the self-assessment.

Thank you

We would like to thank members of the Committee, Councillors, management and staff for their assistance and engagement throughout the recent 2023 audit. We look forward to working with you throughout the long-term plan audit.

Yours sincerely



Chris Genet
Audit Director

Appendix 1: Our audit scope, approach to the audit and areas of audit emphasis

1 Our audit scope

The Act requires us to provide two separate reports, as follows:

- on the consultation document, a report on:
 - whether the consultation document gives effect to the purpose specified in section 93B; and
 - the quality of the information and assumptions underlying the information in the consultation document; and
- on the LTP, a report on:
 - whether the LTP gives effect to the purpose in section 93(6); and
 - the quality of the information and assumptions underlying the forecast information provided in the LTP.

We expect our work to assess the quality of underlying information and assumptions to be a single, continuous process during the entire LTP preparation period.

Our focus for the first limb of each report will be to assess whether the consultation document and the LTP meet their respective statutory purposes. Given the different purposes of each document, we will assess the answers to different questions for each report.

Our focus for the second limb of each report will be to obtain evidence about the quality of the information and assumptions underlying the information contained in the consultation document and LTP. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the information and assumptions underlying the information contained in the consultation document and LTP, whether because of fraud or error.

Our audit reports do not:

- provide a guarantee of absolute accuracy of the information in the relevant document;
- provide a guarantee that the City Council has complied with all relevant legal obligations;
- express an opinion on the merits of any policy content; or

- include an opinion on whether the forecasts will be achieved.

2 Our approach to this audit

2.1 The content of the consultation document

The Act emphasises the discretion of the City Council to decide what is appropriate to include in the consultation document and the associated consultation process. In deciding what to include in the consultation document, the Council must have regard to its significance and engagement policy, and the importance of other matters to the City Council and its communities.

We will need to understand how the Council has approached the task of applying its significance and engagement policy, and how it has weighed the importance of other matters in deciding what to include in the consultation document. This will help inform our assessment of whether the consultation document achieves its statutory purpose.

We will also confirm that the City Council has appropriately set out the impact of the Water Services Entities Act 2022 in the consultation document.

2.2 Adopting and auditing the underlying information

Before adopting the consultation document, section 93G of the Act requires the City Council to prepare and adopt the information that:

- is relied on by the content of the consultation document;
- is necessary to enable the Auditor-General to issue an audit report under section 93C(4); and
- provides the basis for the preparation of the LTP.

The information to be prepared and adopted needs to be enough to enable the City Council to prepare the consultation document.

We consider that local authorities will need to have thought comprehensively about how best to meet the requirements of the Act. Consistent with the guidance of Taituarā, Local Government Professionals Aotearoa, our view is that core building blocks of an LTP will be needed to support an effective consultation document. This will include, but not be limited to, draft financial and infrastructure strategies and the information that underlies them, including asset management information, assumptions, defined levels of service, funding and financial policies, and a complete set of financial forecasts.

We will work with management to understand the information proposed to be adopted and assess whether it will enable us to issue an audit report under section 93C(4).

In addition, the time frames to consider and adopt the LTP after the consultation process will be tight. From a practical perspective, it will be important that the City Council is well

advanced with the preparation of the full LTP when it issues the consultation document. Otherwise, you may find it difficult to complete the work and adopt the full LTP before the statutory deadline. The same is true for the audit work. The more audit work that can be completed at the first stage of the process, the less pressure there will be on you and the audit team at the end of the process.

2.3 Control environment

The Council is responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the City Council), supported by written policies and procedures, designed to prepare the consultation document and LTP, and to provide reasonable quality information and assumptions underlying the information contained in these documents.

Our approach to the audit will be to identify, confirm, and assess the City Council's key processes and controls over the underlying information and the production of both the consultation document and the LTP. The purpose of this assessment is to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit reports. Our assessment is not for the purpose of expressing an opinion on the effectiveness of the City Council's internal controls.

We will carry out a review of the control environment to help us understand the approach taken to develop the consultation document and LTP, develop expectations of what should be included in the consultation document and LTP, and identify areas of potential audit risk. This will involve discussions with elected representatives and selected staff throughout the City Council, review of publicly available information about the City Council, updating our knowledge of City Council issues developed during recent years, and a review of Council minutes since the last audit review.

Our review of your self-assessment response (see below) and key controls relating to the underlying information and development of the LTP is useful to our initial assessment of audit risk and so the nature and extent of our overall audit work.

2.4 Project management, reporting deadlines, and audit progress

The development of the consultation document and LTP is a significant and complex project, and a comprehensive project plan is required for a successful LTP process. It is also essential that there is commitment throughout the organisation for the project, starting with the elected representatives. The involvement of senior management and elected representatives is important in deciding what to include in the consultation document.

The LTP has complex and inter-related information needs and draws together plans, policies, decisions, and information from throughout the City Council and its community. We recognise that the City Council will be doing its LTP preparation over an extended period. A more efficient and cost-effective audit can be achieved when audit work and feedback is provided in "real time" or on an "auditing as you go" basis as the underlying information is developed.

Consequently, we will discuss with you and your staff the City Council's approach to preparing and completing the LTP. We expect that the City Council is approaching its preparation on a project basis and recognise that our audit work should "shadow" that project timetable. The success of this "auditing as you go" approach will depend on the City Council's project management of the overall LTP process, which should include time for audit work at appropriate points in the process.

2.5 Self-assessment

To assist our audit planning, we use a self-assessment process to assist with our risk assessment process. The self-assessment requires you to reflect on your most significant issues and risks, governance of the LTP project, and the systems and processes you have in place (particularly to meet the purposes in the Act for the consultation document and the LTP), asset management, performance management and reporting, and financial management.

The self-assessment is like those used with our audit of previous LTPs. The information provided through the self-assessment will be confirmed with you through discussion after its completion.

3 Our areas of audit emphasis

3.1 Impact of the current economic environment on the Council's forecasts

The national and international response to the Covid-19 pandemic has created a significantly uncertain economic environment. Supply chain and labour market constraints due to closed borders and economic stimulus has led to inflationary pressures being seen around the world. New Zealand's response to increased inflation has meant significantly higher interest rates than that experienced in the recent past.

The current economic environment and what it means for the future will need to be factored into the City Council's LTP forecasts. We will review the approach the City Council has taken, and the quality of the supporting evidence used for the resulting assumptions.

We will also carefully consider how the City Council sets out its proposed response to the current economic environment, including any discussion of any affordability trade-offs that are needed in the response, in the consultation document. We will specifically focus on whether City Council's consultation document is "fit for purpose" in accordance with section 93B of the Local Government Act 2002.

3.2 Central Government reforms

The Government is undertaking a significant reform programme, some of which impacts on the operations of the City Council. We discuss the main areas of reform and how we expect them to impact on the audit of the LTP below:

Affordable waters reform

With the enactment of the Water Services Entities Act 2022 and the passing of amendment acts in August 2023, the City Council is expected to transfer assets to water services Entity J during the 2025/26 financial year.

This will have implications for the content of the LTP. The City Council will need to include the information required by Part 1 of schedule 10 of the Act, as modified by clause 32 of schedule 1AA. In preparing this information, the City Council must plan to at least maintain levels of service at the levels planned to be provided in the 2023/24 financial year. The LTP (and its consultation document) must also explain to communities the following matters:

- water services are to be transferred from the City Council to a water services entity during the 2025/26 financial year;
- the implications of, and any significant risks associated with, the transfer (including financial implications and risks); and
- how the City Council is planning to deal with the implications of, and any significant risks associated with, the transfer (including financial implications and risks).

Our audit will assess the reasonableness of the assumptions and other information used to prepare the information required by Part 1 of schedule 10 of the Act, as modified by clause 32 of schedule 1AA of the Act. We will also assess whether the City Council has reasonably accounted for the transfer of the three water services in the forecast financial information.

Finally, we will review the disclosures about the transfer of the water services. This will include assessing the completeness of the significant risks associated with the transfer.

The removal of the three water services may also have a significant impact on City Council's financial strategy. We will gain an understanding of how City Council proposes to amend its financial strategy because of the impact of the three waters reforms, check this is consistent with City Council's financial modelling, and ensure that the amendments are clearly set out in the draft financial strategy and other relevant documents, such as the consultation document.

Resource Management Act reforms

The Natural and Built Environment Act 2023 and the Spatial Planning Act 2023 were both enacted in August 2023. We understand implementation of the reforms will be staged over the next seven years.

As we understand all regional spatial strategies will need to be completed by mid-2029, the City Council will need to forecast the implementation in the LTP. We will assess the reasonableness of the assumptions made by the City Council in forecasting the implementation. In assessing the reasonableness, we will be interested in understanding

what discussions have occurred with other councils involved in the implementation of its regional spatial strategy.

Future for local government

As the Future for Local Government Panel only provided its final report to Government in June 2023, we do not expect any substantive policy decisions will be made to inform the development of the LTP.

The City Council may decide to include some discussion of the Future for Local Government Panel's final report in the LTP or other supporting documentation such as the consultation document. We will assess the reasonableness of any such discussion.

3.3 Financial strategy and infrastructure strategy

The Act requires a local authority to prepare two key strategies as part of the LTP: the financial strategy and the infrastructure strategy.

The purpose of the financial strategy is to:

- facilitate prudent financial management by the local authority by providing a guide for the local authority to consider proposals for funding and expenditure against; and
- provide a context for consultation on the local authority's proposals for funding and expenditure by making transparent the overall effects of those proposals on the local authority's services, rates, debt, and investments.

The purpose of the infrastructure strategy is to:

- identify significant infrastructure issues for the local authority during the period covered by the strategy; and
- identify the principal options for managing those issues and the implications of those options.

For the two strategies to be effective, they must be closely aligned. Section 101B(5) allows for them to be combined into a single document.

Although the Act clearly sets the minimum requirements for these strategies, it does not define the only things that can be in a strategy. A good strategy should include what is needed to be a good quality strategic planning document. In the case of the infrastructure strategy, the principles of ISO 55000 should be considered, particularly where the City Council is seeking to prepare a best practice strategy.

Our focus when reviewing both strategies is to assess whether the City Council has met the purpose outlined in the Act and presented the strategies in a coherent and easily readable manner. Specifically, we will:

- confirm that the two strategies are appropriately aligned;
- understand the effect of the financial forecasts included in the infrastructure strategy on the prudence of the financial strategy; and
- assess the reasonableness of the prepared forecasts by:
 - understanding how the City Council has applied the effect of its assumptions (for example, allowing for changing demographics, the implications of the changing climate, the condition and performance of critical assets) and levels of service on expenditure decisions and outlined the implications of these decisions in the strategies;
 - reviewing the City Council's relationship between its renewal capital expenditure and depreciation expenditure forecasts; and
 - checking that the infrastructure strategy is appropriately inflated.

The City Council's financial modelling is a significant component of the underlying information that supports both the financial strategy and infrastructure strategy. We will place particular emphasis on the integrity and effectiveness of the financial modelling of all local authorities.

An additional role played by these strategies is to facilitate accountability to the community. It is critical that these strategies are presented in such a way that they are engaging and informative, and support the presentation of issues, options, and implications presented in the consultation document.

3.4 Assumptions

The quality of the City Council's financial forecasts is significantly affected by whether the assumptions on which they are based are defined and reasonable. The Act recognises this by requiring all local authorities to clearly outline all significant forecasting assumptions and risks underlying the financial estimates in the LTP (schedule 10, clause 17). *Prospective Financial Statements* (PBE FRS 42) also requires the disclosure of significant assumptions.

We will review the City Council's list of significant forecasting assumptions and confirm that they are materially complete. We will also test the application of selected assumptions in the financial forecasts to check they have been reasonably applied. Finally, we will confirm that:

- all significant forecasting assumptions disclose the level of uncertainty associated with the assumption; and
- for all significant forecasting assumptions that involve a high level of uncertainty, the uncertainty and an estimate of the potential effects of the uncertainty on the financial forecasts are appropriately disclosed in the LTP.

We consider that the significant forecasting assumptions are crucial to the underlying information for the consultation document and will complete our review during our audit of the consultation document.

Climate change assumption

We will continue to focus on the assumptions that the City Council has made about climate change and the adequacy of other information and disclosures relating to climate change.

We will review the City Council's climate change assumptions to determine whether they are reasonable and supportable. We will assess the quality of the supporting information the City Council is using in developing its assumptions and disclosures included in the LTP, the consultation document (if relevant), and the adopted underlying information.

We do expect the City Council to reflect information on the impacts of climate change identified in the last three years in its climate change assumptions and work plans outlined in the LTP.

3.5 Quality of asset-related forecasting information

A significant portion of the City Council's operations relates to the management of its infrastructure: the provision of roads and footpaths (including transport stormwater systems). These activities typically make up about 8.5% of operational expenditure and 17% of capital expenditure.

To prepare reasonable quality asset information, the City Council needs to have a comprehensive understanding of its critical assets and the cost of adequately maintaining and renewing them. An important consideration is how well the City Council understands the condition of its assets and how the assets are performing.

In reviewing the reasonableness of the City Council's asset-related forecasting information, we will:

- assess the City Council's asset management planning systems and processes;
- understand what changes the City Council proposes to its forecast levels of service;
- understand the City Council's assessment of the reliability of the asset-related information;
- consider how accurate recently prepared budgets have been; and
- assess how matters such as affordability have been incorporated into the asset-related forecasts prepared.

Depending on what we identify in completing the above, we may have to complete further detailed testing on the City Council's asset-related information.

RISK – LONG-TERM PLAN DECISION MAKING

To:	Risk and Assurance Committee
Meeting Date:	Tuesday 21 November 2023
From:	Andrew Cameron – Chief Risk Officer Rhiannon Suter - Manager – Strategy, Policy and Engagement
Approved:	Michael Day – Chief Executive
Approved Date:	Thursday 16 November 2023
Open Agenda:	Yes
Public Excluded Agenda:	No

Purpose and Summary

In July 2023 this Committee considered changes to the Risk Management Framework to incorporate strategic risks identified in 2022 (A4734406). In making those changes this Committee recognised the difference in risks for Invercargill City Council (ICC) when setting a strategy compared to the implementation of that strategy.

ICC is about to commence the audit of its consultation materials for the 2024-34 Long-term Plan. Like all councils and businesses around New Zealand there are a number of pressures on that process.

This paper considers some of those risks, some of the risks / biases associated with decision making, and the controls that we have in place to manage those risks.

Recommendations

That the Committee:

1. Receives the report "Risks – Long-Term Plan Decision Making".
2. Notes the difference between decision making under uncertainty versus risk and the implications for decision making.
3. Confirm the appropriateness of the current controls to manage decision making risks through the Long-term Planning process.
4. Confirm the current residual risk rating and recommend/not recommend further action be taken to reduce the residual risk to the Long-term Plan development.

Background

The introduction of the LTP process was an important mechanism to strengthen long-term planning, community consultation and participation, and accountability in local government.

The select committee when reviewing the LTP amendments noted that the audit of LTP materials was designed to cover the quality and adequacy of the information and performance measures, rather than the merits of any policy content.

ICC has a plan for the development of the LTP which is used to manage the risks associated with its development. A copy of the LTP timeline which was agreed by Council in December 2033 is provided as Appendix A. In particular the process is designed to ensure that the process promotes good decision making, with the strategic direction setting work package, flowing into the technical strategy requirements, including assumptions and from there into detailed asset, activity and strategic project planning. Information, including assumptions are recognised as the basis of good decision making and this is reflected in the emphasis of LTP consultation materials.

It is recognised that on occasions Council will be required to make decisions in what may be considered uncertainty. When we talk about uncertainty we are usually talking about risk. This is reflected in the ICC Risk Framework and the aim to manage the effect of uncertainty on ICC achieving its objectives.

It is an important distinction as framing decisions as uncertain will often lead to a failure to make a decision, which is its own risk. The LTP assumptions are decision made under risk, there is a known range of outcomes and ICC can monitor and manage as those ranges change.

The most recent report on LTP delivery to the Risk and Assurance Committee identified that progress was on schedule with only a number of significant risks remaining:

- Availability of key staff incl strategy and planning and finance staff
- Availability and timing of audit
- Key decision making by Council in the final stages of the LTP ahead of audit.

The ongoing impact of the uncertainty around three waters and RMA reform was also called out.

These risks are discussed in more detail in this paper, including strategic risks linked to assumptions and to the Health, Safety and Wellbeing of staff which reflects the impact of the LTP process on staff, particularly at key times during the process. It is important for ICC to reflect on the impact that significant changes to the plan for managing the LTP may have on this risk.

This part of the LTP process immediately prior to audit as all the workstreams of the LTP come together is always a complex balancing act. It is at this point that the responsibilities of Council, under the Local Government Act to balance the needs and wellbeing of current and future generations, are crucial to attaining an appropriate outcome. The financial benchmarks are a critical tool to assess the Council's plans are in balance which will be used by external parties to assess Council's decision making.

Strategic Risks

It was agreed the strategic risks would be assessed using the following consequence table.

Consequence rating				
Low	Minor	Moderate	Major	Catastrophic
Individual significance or concern that can be managed as part of business as usual.	<ul style="list-style-type: none"> No amendment to the strategic plan but adjustment to extent and/or timing of current strategies; and/or No restructuring required; and/or May result in a minor reduction of staff levels; and/or No impact on discretionary services being offered currently but may 	<ul style="list-style-type: none"> Amendments to the current strategic plan for Council but not reissue; and/or May involve consideration of some restructuring of Council; and/or May result in a moderate reduction of staff levels; and/or May result in some discretionary services (less than 5) not being offered. 	<ul style="list-style-type: none"> May involve consideration of significant restructuring of Council; and/or May result in a significant reduction of staff levels; and/or May result in several discretionary services (more than 5) not being offered by the Council. 	<ul style="list-style-type: none"> Complete change to strategic plan for the Council – full reissue; and/or Loss of social licence; and/or Legal penalty

As ICC is about to enter the first audit process for the LTP and make some final decisions on the proposed content of that LTP ICC should review the effectiveness of its current controls to date.

An assessment of the risks, current controls and existing residual risk based on the effectiveness of those controls are set out below. It is important to note that some of the issues identified above and prevalent in the media may have, or be having, impacts on the effectiveness of those controls to manage the identified risks. Some of those factors include but are not limited to:

- Inflationary impacts;
- Concerns around costs of living generally;
- Short term versus long term objectives and strategies;
- Unusually high levels of regulatory uncertainty;
- No current decision on known issues.

Strategic Risk	Likelihood	Consequence	Control	Control Effectiveness	Residual Risk
If ICC is not committed to eliminating and minimising health and safety risks or does not fulfil its responsibilities (systems, policies, processes), then a fatality or serious injury could occur to staff, contractors or the public.	Moderate	Major	<ul style="list-style-type: none"> Plan to manage additional demands of BAU Time for good decision making and preparation of materials Alignment of BAU work plans with LTP as far as practicable 	Partially effective	
If the objectives between ICC and central government are misaligned as a result of legislative reform for 3 Waters, RMA and the future of local government, this could impact Council's ability to successfully deliver its strategic objectives.	Likely	Major	<ul style="list-style-type: none"> Monitor central government pronouncements Anticipate direction of central government reforms Manage strategy to ensure that the impact of any uncertainty around reform on achieving objectives is minimised 	Defective/negligible	
If ICC does not implement effective communication on delivery of its strategy , then it may miss opportunities to engage with and inform the public, stakeholders and tangata whenua leading to a breakdown in relationships and lost support	Moderate	Moderate	<ul style="list-style-type: none"> Comprehensive engagement approach including pre-engagement Clarity around communications Appropriate time allowed for engagement 	Reasonably/ Mostly effective	
If ICC does not maintain effective relationships with key stakeholders (territorial authorities, central government, business partners, funding providers, media, the public and tangata whenua) this could impact Council's ability to successfully deliver its strategic objectives.	Likely	Major	<ul style="list-style-type: none"> Mayoral Forum Engagement with Central Government at all levels to manage funding and support required CEO engagement with stakeholders to ensure alignment of plans and programmes 	Partially Effective	
If ICC's councillors and executive do not have the necessary governance skills and experience or have conflicting priorities they may make decisions that are not in the best interest of Council which could impact Council's ability to successfully deliver its strategic objectives.	Moderate	Major	<ul style="list-style-type: none"> Divergence between Council adopted strategy and future Councillor positions All major projects considered and approved as part of LTP process Background and supporting information provided to Councillors and the public sufficient to enable good decision making Understanding of long and short term implications of decisions on capital and operational costs 	Partially Effective	

Strategic Risk	Likelihood	Consequence	Control	Control Effectiveness	Residual Risk
If ICC's strategic direction is not clear or it is not followed, then Council's functions may not deliver what is required. Poor decision making could result in lost opportunities and the public may not benefit from the services offered by Council.	Likely	Major	<ul style="list-style-type: none"> Clarity around development of LTP All major items included in LTP considerations LTP takes into considerations all risks that may arise as a result of uncertainty around outcomes Councillors hold staff accountable to the LTP 	Partially Effective	

Issues and Options

ICC has a number of difficult decisions including decisions with some level of risk and/or uncertainty around outcomes. Drucker once wrote *(o)ne has to make a decision when a condition is likely to degenerate if nothing is done... The effective decision-maker compares effort and risk of action to risk of inaction.* ICC's Risk Management Framework aims to ensure that this process is undertaken.

There is a risk that in the current decision making process the consequence of inaction is potentially not weighed against the cost of taking action. ICC should ensure that decisions to do nothing are treated with the same level of consideration as decisions to take action.

Analysis

There are a number of strategic risks facing Council. It is the role of this Committee and the Framework to ensure that ICC is appropriately placed to manage those risks.

ICC should assess its control effectiveness whenever there is a change in the external environment or any other matter that may have an impact.

Significance

Strategic failures result in significant losses for organisations.

The consequences of inadequate management of strategic risks for ICC could be significant.

Community Views

ICC has not yet sought community views on these issues – this is an aspect of the LTP consultation.

Implications and Risks

Strategic Consistency

Development of a robust long-term plan provides the basis of strategic consistency for ICC.

Financial Implications

To the extent that risk is not appropriately managed there may be financial implications from this report. There are no direct financial ramifications from this decision. Good risk management reduces the financial risk to ICC.

Legal Implications

There are no legal implications from this decision.

Climate Change

There are no climate change impacts from this decision.

Risk

There is a risk that a failure to appropriately identify and manage strategic risks leads to a weakening of risk management at ICC.

Attachments

1. ICC LTP timeline approved by Council December 2022

Appendix A

Date	LTP - DRAFT Workshop Schedule 2023
Tuesday, 21 February 2023	Our City With Heart – City Centre Focus Discussion of topics including: High level strategy for connecting our spaces, including connection to 1225 and Wachner Place Creating inner city vibrancy, including understanding young people's needs, spaces for food trucks Options for City centre beautification
Tuesday, 14 March 2023	Community wellbeing Discussion of topics including: One community - LOS - different communities Community development/ activation Safety (CCTV and role of Maori wardens) Safety – gravel roads What role can Council take to support mental health (e.g. use of green spaces) Leisure and Rec
Tuesday, 28 March 2023	Regional and environmental issues Discussion of topics including: District Plan and RMA planning issues Air quality Oreti Beach New River estuary/ Ocean Beach – monitoring of contaminants Regional Spatial Strategy Climate change Regional Land Transport Plan
Tuesday, 18 April 2023	Housing Discussion of topics including: Beyond 2025 Regional Housing workstream Housing strategy Provision of Council housing for vulnerable people
Wednesday, 26 April 2023	Strategic projects high level options Discussion of topics including: Roadmap projects Other major projects – TBC by Council Alternative Water Supply/ Water Tower/ Branhholme – Three Waters
Tuesday, 2 May 2023	Options for optimisation/Disposal of non-strategic parks and property
Tuesday, 16 May 2023	Revenue strategy Discussion of topics including: Commercial strategy/ areas for rationalisation/ collaboration; Appropriate fee for service Development contributions
Tuesday, 13 June 2023	Financial strategy and infrastructure strategy Discussion of topics including: Strategic approach Rating Policy

Date	LTP - DRAFT Workshop Schedule 2023
Tuesday, 4 July 2023	LTP Asset and Activity Plans Rooding Solid waste Property Passenger Transport Public toilets
Tuesday, 11 July 2023	LTP Asset and Activity Plans Pools Parks Libraries Venues Arts and Culture
Tuesday, 25 July 2023	LTP Asset and Activity Plans Housing Democratic Process Investments Corporate Services
Tuesday, 15 August 2023	Strategic Projects Workshop Two
Tuesday, 12 September 2023	Economic wellbeing/ priorities Discussion of topics including: Great South work programme Beyond 2025
Tuesday, 26 September 2023	ICHL Strategic direction
Tuesday, 10 October 2023	External grants and funding
Tuesday, 28 November 2023	Financials Financial Strategy Revenue and Finance policy Rating policy Draft budget preparation