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## NOTICE OF MEETING

**Notice is hereby given of the Meeting of the  
Risk and Assurance Committee  
to be held in the Victoria Room, Civic Theatre,  
88 Tay Street, Invercargill on  
Tuesday 20 February 2024 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 May 2024 08:30 AM

<b>Agenda Topic</b>	<b>Page</b>
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. <a href="#">Minutes of the Risk and Assurance Committee Held on 20 February 2024 (A5216149)</a>	5
5. <a href="#">2024-2034 Long-term Plan Audit (A5353198)</a>	12
5.1 <a href="#">Appendix 1 - Long-term Plan Audit Engagement Letter (A5353224)</a>	15
6. <a href="#">Financial Risk Update (A5354768)</a>	30
6.1 <a href="#">Appendix 1 - March Quarter Treasury Report from Bancorp (A5354843)</a>	33
7. <a href="#">Review of Bylaw Making Process (A5354715)</a>	41
7.1 <a href="#">Appendix 1 – Bylaws Procedures Manual (A1528847)</a>	46
8. <a href="#">Long-term Plan Assumptions (A5354804)</a>	62
8.1 <a href="#">Attachment A – LTP Assumptions (A5359172)</a>	69
9. 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 20 February 2024
- b) Health, Safety and Wellbeing Update
- c) Internal Audit and Continuous Improvement Update
- d) Financial Risk Update
- e) Annual Report Audit Fees 2023 -2025
- f) Ombudsman Investigations
- g) Council Litigation Update

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:

<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under Section 48(1) for the passing of this resolution</b>
a) Minutes of the Public Excluded Session of the Risk and Assurance Committee Held on 20 February 2024	<p><b>Section 7(2)(a)</b> Protect the privacy of natural persons, including that of deceased natural persons</p> <p><b>Section 7(2)(g)</b> Maintain legal professional privilege</p> <p><b>Section 7(2)(i)</b> Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p><b>Section 48(1)(a)</b> 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>
b) Health, Safety and Wellbeing Update	<p><b>Section 7(2)(a)</b> Protect the privacy of natural persons, including that of deceased natural persons</p>	<p><b>Section 48(1)(a)</b> 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) Internal Audit and Continuous Improvement Update	<p><b>Section 7(2)(h)</b> Enable any local authority holding the information to carry out, without prejudice or</p>	<p><b>Section 48(1)(a)</b> That the public conduct of this item would be likely to result in the disclosure of information for which good reason for</p>

	disadvantage, commercial activities	withholding would exist under Section 7
d) Financial Risk Update	<b>Section 7(2)(b) (ii)</b> 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	<b>Section 48(1)(a)</b> 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
e) Annual Report Audit Fees 2023 -2025	<b>Section 7(2)(i)</b> Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	<b>Section 48(1)(a)</b> 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
f) Ombudsman Investigations	<b>Section 7(2)(g)</b> Maintain legal professional privilege	<b>Section 48(1)(a)</b> 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
g) Council Litigation Update	<b>Section 7(2)(g)</b> Maintain legal professional privilege	<b>Section 48(1)(a)</b> 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  
20 FEBRUARY 2024 AT 8.30 AM**

**Present:** Mr R Jackson (Chair)  
Mr B Robertson (via zoom)  
Cr I R D Bond  
Cr T Campbell  
Cr G M Dermody  
Cr D J Ludlow (from 8.33 am)  
Cr L F Soper

**In Attendance:** Mr M Day – Chief Executive  
Ms E Moogan – Group Manager – Infrastructure  
Mrs P Christie – Group Manager – Finance and Assurance  
Mrs T Hurst – Group Manager – Community Engagement and Corporate Services  
Mr R Capil – Group Manager – Community Spaces and Places  
Mr J Shaw – Group Manager - Consenting and Environment  
Mr A Cameron – Chief Risk Officer  
Mr M Morris – Manager – Governance and Legal  
Mr P Patton – Manager - Quality Assurance  
Ms T Anderson – Risk and Audit Specialist  
Ms S Roberts – Manager Financial Services  
Mr Genet – Audit New Zealand (via zoom)  
Ms Hills – Audit New Zealand (via zoom)  
Mr G Caron – Digital and Communications Advisor  
Ms M Sievwright – Senior Executive Support

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## 1. Changes to the Agenda

Mr Jackson noted that Item 8 – Governance Risk would sit on the table and be brought back to the next meeting after some further work.

Moved Cr Dermody, seconded Cr Campbell and **RESOLVED** that the Risk and Assurance Committee accept the change to the agenda.

## 2. Apologies

Mayor Clark, Cr Pottinger.

Moved Mr Jackson, seconded Cr Soper and **RESOLVED** that the apologies be accepted.

## 3. Declaration of Interest

Nil.

#### 4. Public Forum

Nil.

#### 5. Minutes of the Meeting of Risk and Assurance Committee held on Tuesday 21 November 2023

A5040085

Moved Mr Jackson, seconded Cr Campbell and **RESOLVED** that the Minutes of the Risk and Assurance Committee held on Tuesday 21 November 2023 be confirmed.

#### 6. Annual Report 2023 – Audit New Zealand Management Report

A5189484

Mr Chris Genet, Ms Jenna Hills and Ms Stephanie Roberts were in attendance to speak to this.

It was noted that this was a different audit to prior years and this could be seen in the management report. Acknowledge there were still 'work on's', and were putting together a programme to get improvements put in place.

Note: Cr Ludlow arrived at the meeting at 8.33 am.

Mr Genet acknowledged the work of Mrs Christie and her team and this was reflected in the process.

In response to a question regarding the public benefit related to ICL and how this would show in an audit report, it would be shown as a qualitative measure, such as the number of people in the CBD. Public benefit was hard to measure. A comment could be included in the Audit Report which would cover the service performance.

In response to a question regarding payments, it was noted that this would be further explained in the verbal update on risk. There was a plan in place for improvement in this area, and was included in the internal audit.

Mr Robertson thanked Audit New Zealand (Audit NZ) and Council for the work they had done on this report.

In response to a question regarding internal controls and how these were moved, in particular payroll segregation of duties, it was noted there were some controls in payroll so no one only ever did one component. Mindful considering changing payroll process and software which would impact this. This would have a greater level of control. It was suggested a bigger response was required to mitigate risk.

The question was asked how do councillors move some of the recommendations in the report, particularly the asset condition in the IPS database, a response would come back.

The payroll system was one of the first projects which had been initiated as part of an internal work programme. In relation to the asset information, what was included in the consultation document for the Long-term Plan, trying to get better data such as putting cameras in pipes to get a better understanding of the condition of the pipes.

In response to a question regarding the audit opinion qualification relating to asset valuation and if this was the last year it would apply, the response was the closing balance in 2021 in reserves was the opening balance in the comparative. Staff know the assets had moved but this gave an opening balance of the reserve so the question over the balance remained.

In response to a question regarding traffic count, it was responded that this would be fixed going forward. It was that previously the raw data was corrupted.

In response to a question regarding payroll, different staff members were reviewing work to those doing the work and internal audit checking the Masterfile changes were important and these checks and balances brought comfort to the current process.

It was suggested that Audit New Zealand needed to speak to Infrastructure New Zealand about getting better with information collection in order to be more effective in spending.

The LTP audit was well advanced and Council had taken the option to not have the consultation document audited. Audit NZ were working on the audit already. There was no engagement letter for the LTP yet as waiting for the Water Repeal Act to come in to force.

Moved Cr Campbell, seconded Cr Bond and **RESOLVED** that the Risk and Assurance Committee:

1. Receive the report 'Annual Report 2023 – Audit New Zealand Management Report'.
2. Note the recommendations raised by Audit New Zealand and management's response to those issues.
3. Thank the Chair and Independent member for their support working through the issues associated with the 2023 Annual Report.

## **7. Internal Audit and Continuous Improvement Update**

A5161132

Mr Peter Patton spoke to the report.

It was noted that while there were a number of outstanding items under the LGOIMA improvement area, these related to reviewing councils LGOIMA policy and making staff familiar with their responsibilities which was taking longer than necessary.

In response to a question regarding capacity and whether it was being undertaken in accordance with the law, it was noted there had been a number of changes in

legislation and that those dealing with LGOIMA responses were aware of their responsibilities. The majority of staff were not expected to deal with these requests. External reviews for Building Control Authority and Environmental Health Services, it was mentioned that Environmental Health was being audited by JASANZ and there were no concerns. Building Control Authority was taking note of the themes which were coming through from the Southern Cluster and believe Council was on track for the audit in July.

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

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

## **8. Risk Update**

A5202302

Mr Andrew Cameron spoke to the report.

In response to a question regarding the distinction between 'Council' and 'community', it was noted that the interest of community and the interest of Council could be in conflict. It was noted that councillors and executive needed to be separate. It was suggested that these be recorded as two separate risks.

In response to a question regarding what had been happening previously and why this was brought up now, it was noted that this was recognising the maturity of the organisation and noting incidents/errors coming up and ensuring through quality assurance that this was being addressed. Focus over the last three to four years giving a clear direction to focus on policies and frameworks.

It was noted that the distractions prior to this current triennium were substantial and had been of significant risk and had been dealt with through this Committee, and the Committee needed to get onto the issue of proper risk and assurance governance and management. The conversation around executive governance not being adequate was important as an effective risk discussion was required. The Committee was now required to drive this into the organisation as this had not been done in the past.

The question was asked what the next steps were so everyone was aligned and what the risk appetite was. It was noted there were a number of things in place to help achieve this. A lot of the difficulty was not that these issues may or may not have been managed, it was that could not see if they were being managed. Could see the changes in the health and safety improvement report.

Staff were trying to get for this Council a stepped approach on what was acceptable risk and then bringing the risks from the Long Term Planning process and what risks were required to be managed from councillor's views. Need to bring back risks to Council for validation. From councillor perspective it is about asking better questions.

In response to questions regarding the child protection policy, it was noted that the policy came from the Youth Council, they had the ability to set their own rules. Councillors were not employees and Council could not enforce rules. The policy was an internal policy.



It was noted that policy was at the request of the Youth Council, and it was better to have something in place than nothing at all. It was suggested that a separate policy just for councillors be written.

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

1. Receives the report "Risk Update".
2. Notes the additional risks identified by the Executive Leadership Team.
3. Requests a further report on the Risk Register.
4. Notes changes to the Child Protection Policy requiring those who work with the Youth Council to have completed Police checks through Invercargill City Council.

## 9. Governance Risk

A5201359

This report would sit on the table and be brought back at a further meeting.

## 10. Financial Risk Update

A5203080

Mrs Patricia Christie took the meeting through this item.

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

1. Receives the report 'Financial Risks Update'.
2. Notes the intention of officers to enter into forward start swap arrangements to partially correct the policy non-compliance.

### Recommend to Council:

3. That the fixed/floating interest policy bands in the Liability Management Policy Interest Rate Exposure section be changed to 0-2 years, 2-4 years and 4-10 years.

## 11. Public Excluded Session

Moved Cr Ludlow, seconded Cr Soper and **RESOLVED** 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 21 November 2023
- b. Health, Safety and Wellbeing Report
- c. Ombudsman Investigations

- d. Council Litigation Update
- e. Chief Executive Rias Update

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:

<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under Section 48(1) for the passing of this resolution</b>
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- |   |  |  |
|---|--|--|
| b) Health, Safety and Wellbeing Update  | <p><b>Section 7(2)(a)</b><br/>Protect the privacy of natural persons, including that of deceased natural persons</p>   | <p><b>Section 48(1)(a)</b><br/>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) Ombudsman Investigations             | <p><b>Section 7(2)(g)</b><br/>Maintain legal professional privilege</p>  | <p><b>Section 48(1)(a)</b><br/>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><b>Section 7(2)(g)</b><br/>Maintain legal professional privilege</p>  | <p><b>Section 48(1)(a)</b><br/>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) Chief Executive Risk Update (Verbal) | <p><b>Section 7(2)(i)</b><br/>Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p> | <p><b>Section 48(1)(a)</b><br/>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> |

There being no further business, the meeting finished at 11.34 am.

## 2024-2034 LONG-TERM PLAN AUDIT

<b>To:</b>	Risk and Assurance Committee
<b>Meeting Date:</b>	Tuesday 21 May 2024
<b>From:</b>	Patricia Christie – Group Manager Finance and Assurance
<b>Approved:</b>	Michael Day - Chief Executive
<b>Approved Date:</b>	Wednesday 15 May 2024
<b>Open Agenda:</b>	Yes
<b>Public Excluded Agenda:</b>	No

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### Purpose and Summary

The purpose of this report is for the committee to review the engagement letter for the Long-term Plan Audit by Audit New Zealand on behalf of the Office of the Auditor General and recommend that the Mayor sign the engagement letter.

### Recommendations

That the Risk and Assurance Committee:

1. Receive the report "2024-2034 Long-term Plan Audit".
2. Note the key issues that Audit New Zealand will consider as part of its audit.
3. Recommend that the Mayor sign the engagement letter.

### Background

The Long-term Plan is a key planning document for Council. As prescribed in the Local Government Act 2002 the Long-term Plan is required to be audited to ensure that the statutory requirements are met and to obtain evidence as to the quality of the information and assumptions on which the plan is based.

The LTP and the information supporting it are also required to be in compliance with Generally Accepted Accounting Practice.

Given the uncertainty with the future of Three Waters through the 10 years of the Long-term Plan and 30 years of the infrastructure strategy a number of concessionary measures were available to Councils for the 2024-2034 Long-term Plan only.

Council took the position in the development of the Long-term Plan to keep the Three Waters activities in the document. This meant all the modelling was initially completed with the Three

Waters activities being included within Council's operations. The recent repeal of the Three Waters legislation meant that no specific changes were needed.

Council did take the concession that Long-term Plan Consultation documents did not have to be audited. This meant that Audit New Zealand did audit the draft documents that supported the Consultation Document but did not form or issue an opinion on this. For the 2024-2034 Long-term Plan the only audit opinion issued will be that on the final document which incorporates all the decisions made by Council in the Long-term Plan deliberations held on 14 May 2024.

## **Issues**

### **Key Audit Focus Areas**

The key areas of focus for the audit of the Long-term Plan are:

- Financial Strategy and Infrastructure Strategy
- Assumptions:
  - Key financial forecasting assumptions.
  - Climate Change.
  - Waka Kotahi Rooding Funding.
  - Quality of asset-related forecasting information.

### **Significance**

These decisions are not considered significant.

### **Community Views**

Community views in relation to the audit are not required.

### **Implications and Risks**

#### **Financial Implications**

The audit fee proposed is \$139,500 excluding GST and disbursements. At an average charge out rate of \$210 this reflects 664 hours of auditing which is significantly lower than both the 2018 (841 hours) and 2021 (1073 hours) audit's actual hours incurred. The fee is an increase of \$24,200 or 21% on the 2021 audit.

The increase reflects both inflation over the three year period and also a move to ensure that actual audit fee reflects the complexity and risk associated with the plan and the organisation.

Allowance has been made for the audit fee proposed with the budgets and this fee has formed the based assumption for audits fees for the next Long-term Plans.

#### **Legal Implications**

The Local Government Act 2002 sets the requirements both for the long-term plan and the audit of it.

### **Climate Change**

Not applicable.

### **Risk**

There is a level of organisational risk associated with the audit including the risk that legislative requirements have not been met, assumptions are not considered reasonable, and information is unable to be appropriately supported. These risks have been mitigated through the use of detailed checklists, review and sign-off of component parts by senior leaders and close project management.

### **Next Steps**

Audit New Zealand will recommence the audit of the final Long-term Plan documents on 4 June and sign off is expected ahead of the Council's adoption of the Long-term Plan on 25 June 2024.

### **Attachments**

1. Long-term Plan Audit Engagement Letter (A5353224)

23 March 2024

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

Nobby Clark  
Mayor  
Invercargill City Council  
Private Bag 90104  
Invercargill 9840

cc Michael Day, Chief Executive  
Patricia Christie, Group Manager – Finance and Assurance  
Rhiannon Suter, Manager – Strategy, Policy and Engagement

Dear Nobby

**Audit engagement letter: audit of the long-term plan for the period commencing 1 July 2024**

This audit engagement letter is sent to you on behalf of the Auditor-General, who is the auditor of all “public entities”, including Invercargill City Council (the City Council), under section 14 of the Public Audit Act 2001. The Auditor-General has appointed me, Chris Genet, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Public Audit Act 2001, to carry out the audit of the City Council’s long-term plan (LTP).

This letter outlines:

- the terms of the audit engagement and the respective responsibilities of the Council and me as the Appointed Auditor;
- the audit scope and objectives;
- the approach taken to complete the audit;
- the areas of audit emphasis;
- the audit logistics; and
- the professional fees.

## **1 Specific responsibilities of the Council for preparing the consultation document and the long-term plan**

Our audit will be carried out on the basis that the Council acknowledges that it has responsibility for preparing the consultation document and LTP, by applying the Council's own assumptions, in accordance with the Local Government Act 2002 (the Act) (in particular, the requirements of Part 6 and Schedule 10) and in accordance with generally accepted accounting practice in New Zealand. We assume that elected members are familiar with those responsibilities and, where necessary, have obtained advice about them.

The Council has chosen not to have its 2024 consultation document audited.<sup>1</sup> For clarity, we note the following statutory responsibilities as set out in the Act:

- section 93 of the Act requires the Council to have an LTP at all times, and Part 1 of Schedule 10 prescribes the information that must be included in the LTP;
- section 111 requires all information that is required to be included in the LTP to be prepared in accordance with applicable generally accepted accounting practice standards;
- section 83 (with reference to section 93A) sets out the special consultative procedure that the Council is required to follow to adopt the consultation document and LTP; and
- section 94 requires an audit report on the LTP.

Please note that the audit of the LTP does not relieve the Council of any of its responsibilities.

Other general terms are set out in the relevant sections of this letter and Appendix 1.

## **2 Our audit scope**

The Act requires us to provide 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 including the consultation document stage.

Our focus for the first limb of the LTP audit report will be to assess whether the LTP meets its statutory purposes.

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<sup>1</sup> Section 93C(4) of the Act requires an auditor's report on the consultation document. However, clause 45 of Schedule 1AA of the Act (inserted by the Water Services Acts Repeal Act 2024) provides that, despite section 93C(4), the consultation document for the 2024-2034 LTP of a territorial authority (except the Chatham Islands Council) or the Wellington Regional Council need not contain an auditor's report.



Our focus for the second limb will be to obtain evidence about the quality of the information and assumptions underlying the information contained in the 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 LTP, whether because of fraud or error.

Our audit report does not:

- provide a guarantee of absolute accuracy of the information in the LTP;
- 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.

### **3 Our approach to this audit**

#### **3.1 The content of the consultation document**

The Council has elected not to have its consultation document audited – in accordance with the option provided to you by the Water Services Repeal Act 2024.

While we will not be issuing an audit opinion on the consultation document, we will still need to form a view as to what are the major matters that the Council intends to consult on in their consultation document – as this will directly inform our audit opinion on whether the LTP meets its purpose in accordance with Section 93(6) of the Local Government Act 2002. Further, the audit of the assumptions, underlying information, financial model, performance framework, infrastructure strategy, and financial strategy still needs to take place at the time the Council is producing its consultation document. Delaying this work increases the risk of audit issues arising that are unable to be resolved before Council adopts its long-term plan.

We will work with you to ensure sufficient assurance is provided over these fundamental aspects of the LTP in a timely fashion.

#### **3.2 Adopting and auditing the underlying information**

Before adopting the consultation document, section 93G of the Act requires the 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.

We note that the requirements in the first and third bullet points above continue to apply despite the consultation document not being audited.

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.

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.

### **3.3 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 the LTP. The purpose of this assessment is to enable us to plan the most effective and efficient approach to the work needed to provide our audit report. 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 LTP, develop expectations of what should be included in the 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.

### **3.4 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.

### **3.5 Self-assessment**

To assist our audit planning, we intend to 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.

We have forwarded the self-assessment to you. You have returned this to us.

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

## **4 Our particular areas of audit emphasis**

### **4.1 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.

## 4.2 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.

### 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 City Council is using in developing its assumptions and disclosures included in the LTP, 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.

### **Waka Kotahi funding for roading**

Historically, Waka Kotahi has contributed 51% of the cost of the Council's approved maintenance programme for roading as well 51% for the approved capital programme.

We will review the Council's Waka Kotahi funding assumptions to determine whether they are reasonable and supportable. We will determine whether the assumptions have been consistently applied in the Infrastructure Strategy and financial forecasts.

We will also assess what, if any, disclosure should be made as to the uncertainty that the forecast funding will be received especially the impact on the planned capital programme.

### **4.3 Quality of asset-related forecasting information**

A significant portion of the City Council's operations relates to the management of its infrastructure. These activities typically make up about 62% of operational expenditure and 38% 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 type 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.

## **5 Other matters**

### **5.1 Our independence**

It is essential that the audit team and Audit New Zealand remain both economically and attitudinally independent of the City Council (including being independent of management personnel and the Council). This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with integrity, objectivity, and independence.

### **5.2 Publication of the consultation document and adopted long-term plan on the City Council's website**

The City Council is responsible for the electronic presentation of the consultation document and LTP on its website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the presented data. Please ensure that your project plan allows time for us to examine the final electronic file version of the respective documents, including our audit report on the LTP, before its inclusion on the website.

We need to do this to ensure consistency with the paper-based document that has been subject to audit.

## **6 Audit logistics**

### **6.1 Audit timing**

The key dates in the audit timetable are as follows:

Self-assessment provided	8 November 2023
Self-assessment returned to audit team for consideration	6 December 2023
Interim visit (initial assessment)	15 January 2024
Final visit	4 June 2024
Audit report on adopted LTP required	25 June 2024
Draft report to governors on LTP engagement	No later than 30 June 2024

Should we encounter any significant problems or delays during the audit, we will inform you immediately.

We have an electronic audit management system. This means that our auditors will complete most of their work on their laptops. Therefore, we would appreciate it if the following could be made available during our audit:

- a suitable workspace for computer use (in keeping with the health and safety requirements discussed in Appendix 1); and
- electronic copies of key documents.

As noted in section 3.4, our audit work needs to be done as you develop your underlying information and prepare your consultation document and LTP, to ensure the timely completion of our audit.

To ensure that we meet agreed deadlines, it is essential that the dates agreed are adhered to.

## **7 Professional fees**

Our audit fee, covering the LTP for the period commencing 1 July 2024, is \$139,500 (excluding GST and disbursements).

In the unlikely event the actual hours to carry out the audit of the consultation document and LTP results in the above audit fee being more than \$210 per hour, the fee will be reduced to a maximum \$210 per hour.

For the 2018 LTP, our actual hours were 841 hours. These hours are likely to include some inefficiencies on our part, as well as inefficiencies caused by the City Council. The audit fee we charged was \$107,000, which was an effective hourly rate of \$127 per hour. For context, in 2018 the average effective charge out rate for an audit of this complexity should have been \$163-\$211 per hour.

For the 2021 LTP, our actual hours were 1073 hours. These hours are likely to include some inefficiencies on our part, as well as inefficiencies caused by the City Council. The audit fee we charged was \$115,300, which was an effective hourly rate of \$107 per hour. For context, in 2021 the average effective charge out rate for an audit of this complexity should have been \$180-\$233 per hour.

We cannot continue to spend significant amounts of time on the audit that is not compensated. Over time, we need to increase our audit fees to fairly reflect the costs of performing an efficient audit. The proposed 2024 fee is an increase of \$24,200 compared to the 2021 agreed fee.

The proposed fee is based on the following assumptions:

- Information required to conduct the audit is complete and provided in accordance with the agreed timelines. This includes the full draft financial strategy, draft infrastructure strategy and key underlying assumptions and information that supports the LTP.
- There will be an appropriate level of assistance from your staff.
- All documentation provided will be subject to appropriate levels of quality review before submission for audit.



- The LTP will include all relevant disclosures.
- We will review, at most, two drafts of the LTP during our audit.
- We will also review one printer’s proof copy of the LTP and one copy of the electronic version of the LTP (for publication on your website).
- There are no significant changes in the structure or level of operations of the City Council impacting on the audit, such as the establishment of a Council-controlled organisation to deliver core functions or a major restructuring of groups of activities.
- The local authority is preparing forecast financial statements for the “Council parent” only, rather than including consolidated forecast financial statements for Council and any controlled entities in the adopted LTP.

If information is not available for the visits as agreed, or the systems and controls the City Council use to prepare the underlying information and assumptions cannot be relied on, we will seek to recover additional costs incurred as a result. We will endeavour to inform you as soon as possible should such a situation arise.

We wish to interim bill as work progresses. For billing arrangements, we will discuss this with management in due course.

We need to begin our LTP audit work in a timely fashion to ensure that the LTP can be adopted before the statutory deadline.

## **8 Personnel**

Our personnel involved in the management of the audit are:

Chris Genet	Director
Chantelle Gernetzky	Engagement Quality Review Director
Peter Catterick	Specialist Audit and Assurance Services (SAAS)
Jenna Hills	Audit Manager
Adie Chirapattanakorn	Audit Supervisor

We have endeavoured to maintain staff continuity as far as possible.

## 9 Agreement

Please sign and return the attached copy of this letter to indicate that:

- it is in accordance with your understanding of the arrangements for this audit of the LTP for the period commencing 1 July 2024; and
- you accept the terms of the engagement set out in this letter that apply specifically to the audit of the LTP and supplement the existing audit engagement letter dated 12 May 2023.

If there are any matters requiring further clarification, please do not hesitate to contact me.

Yours sincerely



Chris Genet  
Director

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*I acknowledge that this letter is in accordance with my understanding of the arrangements of the audit engagement. I also acknowledge the terms of the engagement that apply specifically to the audit of the LTP, and that supplement the existing audit engagement letter dated 12 May 2023.*

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Nobby Clark  
Mayor

## **Appendix 1: Terms of the engagement that apply specifically to the audit of the LTP**

### **Objectives**

The objectives of the audit of the LTP are:

- to provide an independent report on the LTP (under section 94(1) of the Act) about:
  - whether the LTP gives effect to the statutory purpose; and
  - the quality of the information and assumptions underlying the information included in the LTP; and
- to report on matters relevant to the City Council's planning systems that come to our attention.

Our audit involves performing procedures that examine, on a test basis, evidence supporting assumptions, amounts, and other disclosures in the LTP, and evaluating the overall adequacy of the presentation of information.

We also review other information associated with the LTP to identify whether there are material inconsistencies with the audited LTP.

### **Provision of a report to the governors of the City Council**

At a minimum, we will report to the governors of the City Council at the conclusion of the engagement. The report communicates matters that come to our attention during the engagement and that we think are relevant to the City Council. For example, we will report:

- any weaknesses in the City Council's systems; and
- uncorrected misstatements noted during the audit.

Please note that the Auditor-General may refer to matters that are identified in the audit of consultation documents and LTPs in a report to Parliament if it is in the public interest, in keeping with section 20 of the Public Audit Act 2001.

### **Materiality**

Consistent with the annual audit, the audit engagement for the LTP adheres to the principles and concepts of materiality during the 10-year period of the LTP and beyond (where relevant).

Materiality is one of the main factors affecting our judgement on the areas to be tested and the nature and extent of our tests and procedures performed during the audit. In planning and performing the audit, we aim to obtain assurance that the LTP, and the information and assumptions underlying the

information contained in these documents, do not have material misstatements caused by either fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence a reader's overall understanding of the LTP.

Consequently, if we find material misstatements that are not corrected, we will refer to them in the audit report. Our preference is for any material misstatement to be corrected, avoiding the need to refer to misstatements.

### **The standards applied when conducting the audit of the adopted long-term plan**

Our audit is carried out in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. In meeting the requirements of this standard, we consider particular elements of the Auditor-General's Auditing Standards and International Standard on Assurance Engagements 3400: *The Examination of Prospective Financial Information* that are consistent with those requirements.

### **Responsibilities**

#### **General responsibilities**

The general responsibilities of the Council for preparing and completing the LTP are consistent with those for the annual report, as set out in the audit engagement letter dated 12 May 2023 - but noting that the LTP includes forecast information.

These responsibilities include those set out in Appendix 1 of that audit engagement letter as detailed below:

- Appendix 1: Respective specific responsibilities of Council and the Appointed Auditor:
  - responsibilities for compliance with laws and regulations; and
  - responsibilities to establish and maintain appropriate standards of conduct and personal integrity.

#### **Specific responsibilities**

The Council is responsible for:

- maintaining accounting and other records that:
  - correctly record and explain the forecast transactions of the City Council;
  - enable the City Council to monitor the resources, activities, and entities under its control;
  - enable the City Council's forecast financial position to be determined with reasonable accuracy at any time; and

- enable the City Council to prepare forecast financial statements and performance information that comply with legislation; and
- providing us with:
  - access to all information and assumptions relevant to preparing the LTP, such as records, documentation, and other matters;
  - additional information that we may request from the City Council for the purpose of the audit;
  - unrestricted access to Council members and employees that we consider necessary; and
  - written confirmation of representations made to us in connection with the audit.

### **Health and safety of audit staff**

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015, we need to make arrangements with you to keep our audit staff safe while they are working at your premises.

We expect you to provide a safe work environment for our audit staff that is without risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

## FINANCIAL RISKS UPDATE

<b>To:</b>	Risk and Assurance Committee
<b>Meeting Date:</b>	Tuesday 21 May 2024
<b>From:</b>	Patricia Christie – Group Manager Finance and Assurance
<b>Approved:</b>	Michael Day - Chief Executive
<b>Approved Date:</b>	Thursday 16 May 2024
<b>Open Agenda:</b>	Yes
<b>Public Excluded Agenda:</b>	No

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### Purpose and Summary

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

### Recommendations

That the Risk and Assurance Committee:

1. Receives the report 'Financial Risks Update'.
2. Notes the intention of officers to enter into forward start swap arrangements to partially correct the policy non-compliance.

### Background

This report provides the Committee with an update on key financial risks. This quarter's report is focused on Council's compliance with our Treasury policy.

### Issues

#### Treasury risk

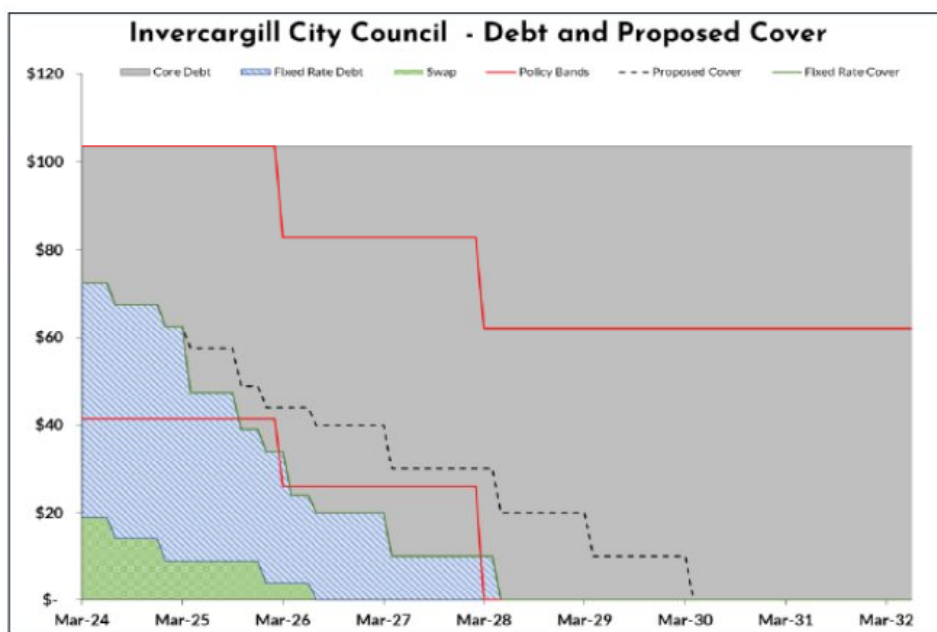
Attached as Attachment 1 is the March Quarter Treasury Report from Bancorp.

This report shows that at present, and has been the case for the last 21 months, that Council is outside its policy limits in relation to the amount of fixed interest rate debt it holds in the 0 – 2 and 2 – 4 year maturity band.

Council remains in compliance with the other policy measures:

- Transactions been transacted in compliance with policy
- Funding maturity profile within policy control limits
- Liquidity within policy control limits

- Counterparty exposures within control limits



Council's policy bands are:

Period to Maturity	Minimum	Maximum
0 – 2 years	40%	100%
2 – 4 years	25%	80%
4 – 10 years	0%	60%

Officers continue to monitor this breach along with our Treasury advisers Bancorp. 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. The dotted line in the table above show the impact on policy compliance if two \$10m forward start interest rates swaps are entered into. One 3 year starting in 2026 and a five year starting in 2025.

It is noted in the Treasury report that Council's average cost of funds is 3.44%. 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 (9 May 2024) is between 5.21% – 5.76% fixed rates depending on the length of borrowing.

### Next Steps

Continue to monitor the breaches. Forward start interest rate swaps will be entered into to reduce the size of the current breaches.

## **Attachments**

1. March Quarter Treasury Report from Bancorp (A5354843)





# Treasury Dashboard Report

31 March 2024

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**BANCORP**  
BANCORP TREASURY SERVICES LIMITED



# Economic Commentary

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## Global (for the March 2024 quarter)

The first quarter of 2024 was another volatile one for the US bond market, with the 10-year treasury starting the year at 3.88% and closing on 31 March at 4.20%. Within the quarter, there was significant volatility with both sharp rallies and significant sell off in rates.

The February US Federal Open Market Committee (“FOMC”) statement provided some positivity about interest rate cuts with the removal of the previous reference that “*additional policy firming*” may be required. The statement did, however, highlight that the timing of the easing cycle will be data-dependent stating that, “*The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2.0%.*” Market pricing is assigning a 64.0% chance that the first cut will occur in June and a 100.0% chance that it will happen in July.

New York Fed member, John Williams, continued to push back against an aggressive cutting cycle given the stickiness of inflation stating, “*at some point, I think it will be appropriate to pull back on restrictive monetary policy, likely later this year. But it’s really about reading that data and looking for consistent signs that inflation is not only coming down but is moving towards that 2.0% longer-run goal.*”

One of the key questions for 2024, with the global GDP growth outlook deteriorating, was which country, or economic block, will contribute to global growth alongside the US, or if the US falters. At this stage, it appears highly unlikely that the Chinese economy will provide such stimulus given that the domestic economy appears to be in a deflationary spiral with CPI at -0.3% and PPIs at -2.7% for the last 12 months, with the ongoing monthly declines worse than those seen in the Asian Crisis in the late 1990s. While GDP printed at 5.2% for 2023, it was China’s slowest annual pace of annual growth since the 1990s and many independent analysts argue that it was closer to zero given the ongoing plunge in property prices and construction levels. IMF President, Kristalina Georgieva, probably summed it up best at the meeting in Davos when she stated, “*China needs structural reforms to continue to open up the economy, to balance their growth model more towards domestic consumption.*”

The increasing and worrying risk for both New Zealand and the global economy continues to be China. This was reinforced again last week, when the People’s Bank of China (“PBOC”) announced its biggest ever reduction in the benchmark mortgage rate, as authorities again tried to support the struggling property market and thus the broader economy. The 25bps cut to the five-year loan prime rate (“LPR”) was the largest since the reference rate was introduced in 2019 and was more than what was expected. The LPR now stands at 3.95% from 4.20% previously, while the one-year LPR was left unchanged at 3.45%.

Australian inflation rose 3.4% in the January year, its lowest level since November 2021. The increase was led by insurance and financial services (8.2%), alcohol and tobacco (6.7%), food and non-alcoholic beverages (4.4%), and housing (4.6%).

# Economic Commentary

## New Zealand (for the March 2024 quarter)

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	OCR	90 day	2 years	3 years	5 years	7 years	10 years
31 Dec 2023	5.50%	5.63%	4.64%	4.32%	4.09%	4.07%	4.14%
31 Mar 2024	5.50%	5.63%	4.85%	4.90%	4.38%	4.38%	4.46%
Change	0%	0%	+0.21%	+0.58%	+0.29%	+0.31%	+0.32%

The March 2024 quarter saw significant volatility, with the benchmark 5-year swap opening the year at 4.08%, reaching a high of 4.77% on 14 February before closing the quarter at 4.37%. At the shorter end of the yield curve, the 2-year swap traded in a 4.64% to 5.27% range, finishing the quarter at 4.79%.

The year opened with significant optimism that significant rate cuts were on the near-term horizon, with this being a function of optimism of significant cuts from both the US Fed and the RBNZ, with at one point six 25 basis point rate cuts being built into market pricing of both the NZ and US markets.

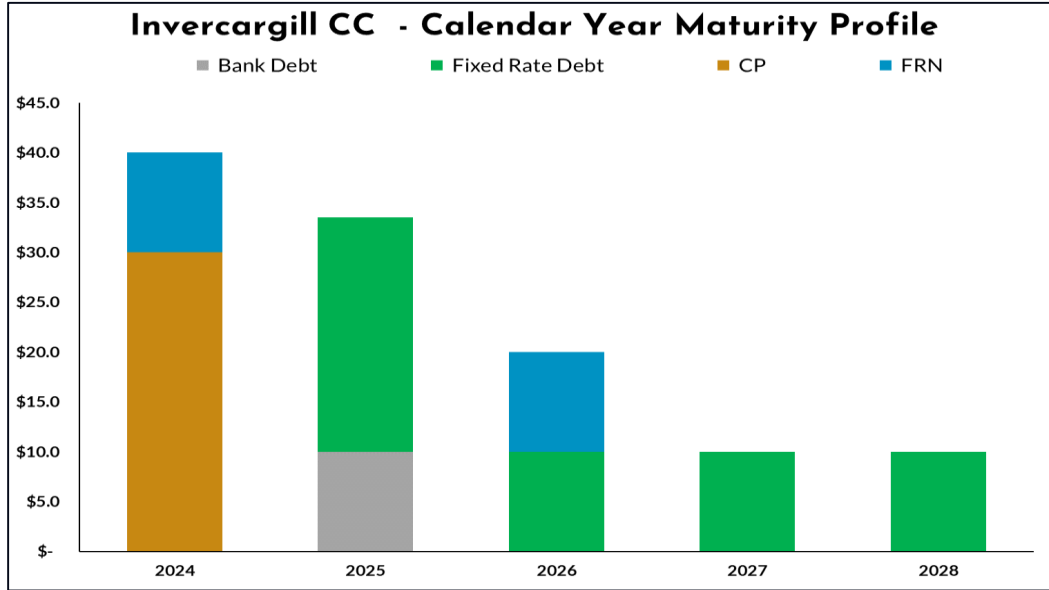
The Reserve Bank of New Zealand ("RBNZ") seemed to want to temper these expectations with a speech from its Chief Economist Paul Conway on the 30<sup>th</sup> January saying that while the September GDP print was very weak and the June number was revised lower, its focus was on continuing capacity pressures, stronger than expected private demand, continuing strong net inward migration and that non-tradeable inflation was uncomfortably high at 5.9%. The message from this was that the RBNZ has a long way to get inflation back to the midpoint of 2.0%.

This statement was likely behind one of the strangest calls from a local bank for quite some time, with the ANZ coming out with a revised forecast of two consecutive OCR increases, which would have taken the rate from 5.50% to 6.00%, the market reaction was severe flipping from a 40% chance of a cut in May to the strong probability of an increase and pushing swap rates noticeably higher.

The RBNZ's Monetary Policy Committee ("MPC") torpedoed any hopes the ANZ had, maintaining the OCR at 5.50% with the MPC statement and the Q&A session taking a slightly 'dovish' stance. The RBNZ downgraded its 2024 CPI and unemployment forecasts and lowered its OCR forecasts slightly with the central bank projecting rate cuts to start in H1 2025 with the OCR falling to 3.00% by 2026. In the Q&A session, Governor Orr confirmed the committee had considered raising rates but decided to hold on to a "very strong consensus". This saw the local swaps curve immediately fall by 25bps to 30bps with the market projecting the first cut to occur in August this year and for the OCR to be 4.00%-4.25% by July 2025. Recent data tends to favour the easing cycle starting sooner than the RBNZ is projecting, with unemployment up to 4.0% in Q4 and retail sales volumes contracting by 1.9% over the same period, despite surging immigration and higher retail pricing, while residential building consents are down 28% on an annual basis.

NZ economic data throughout the quarter has been almost universally poor, with the only exception being tourism-related data. When adjusting the poor economic data with the strong net migration, the per capita data reveals an even poorer economic picture. Adding to this theme are regular announcements of job losses occurring in both the private and public sectors. On the 21<sup>st</sup> of March, Q4 2023 GDP data officially confirmed NZ was in a recession with a 0.1% contraction in the December quarter.

# Liquidity and Funding



Core Debt  
**\$103.5m**  
 External Council Drawn Debt

LGFA debt  
**\$103.5m**  
 Funds Drawn from LGFA

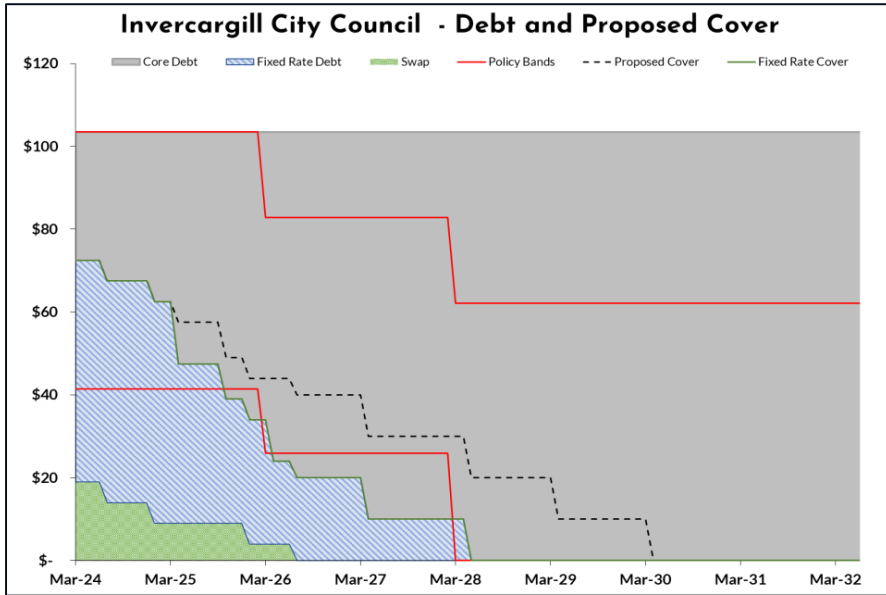
Bank facility headroom + cash in bank + term deposits  
**\$36.29m**

Liquidity Ratio (must be >110%)  
**135.07%**  
 Definition: (Term Deposits + cash in bank + term deposits + Lines of Credit + Drawn Debt)/Drawn Debt

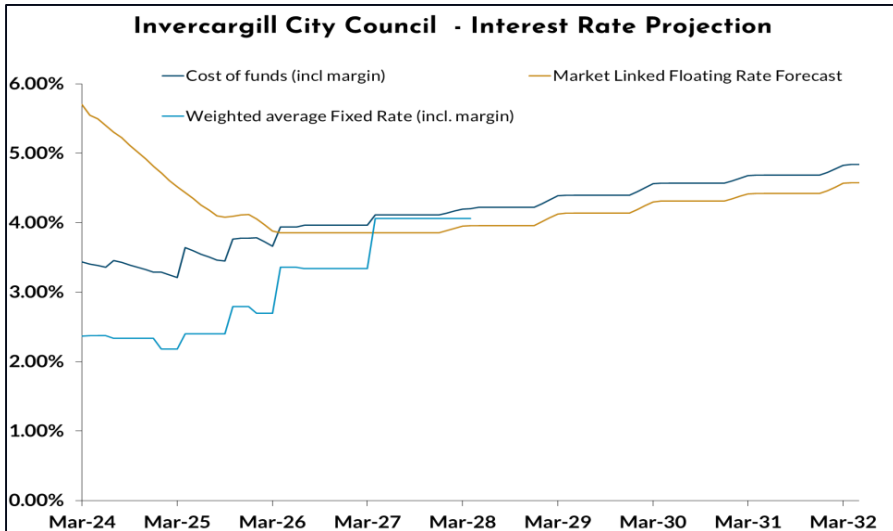
Cost of Funds as at 31 March 2024  
**3.44%**

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

# Interest Rate Risk Management



Current % of Debt Fixed	70.0%
Current % of Debt Floating	30.0%
Value of Fixed Rate (m)	\$72.5
Weighted Average Cost of Fixed Rate Instruments	2.30%
Value of Forward Starting Cover	\$0.0
Value of Floating Rate (m)	\$31.0
Current Floating Rate	5.70%
All Up Weighted Average Cost of Funds Including Margin	3.44%
Total Facilities In Place	\$113.5



Policy Bands			
Term	Minimum	Maximum	Policy
0-2 years	40%	100%	Breach
2-4 years	25%	80%	Breach
4-10 years	0%	60%	Compliant

For the Fixed Rate Hedging Bands, the non-compliance has been noted by ICC, with it being decided to manage the interest rate exposures on a business as usual case now that the water reforms have been delayed. To achieve this ICC is targeting two swaps in order to achieve policy compliance.

- \$10m 15 Apr 26 to 15 Apr 29, targeting 3.80% to 3.90% (currently 4.08%).
- \$10m 15 Apr 25 to 15 Apr 30, targeting 3.90% to 3.99% (currently 4.20%).

These swaps are depicted by dotted blue line in the graph at the top left. ICC's cost of funds at 3.44% is the second lowest of any local authority that Bancorp Treasury is aware of.

# Invercargill City Council - Funding

As at 31 March 2024, ICC had \$103.5 million of core debt, all of which is sourced from the Local Government Funding Agency (“LGFA”) using Commercial Paper (“CP”), Floating Rate Notes (“FRN”), and Fixed Rate Bonds (“FRB”), which are detailed in the table below.

Instrument	Maturity	Yield	Margin	Amount
LGFA CP	29-Apr-24	5.80%	0.15%	\$30,000,000
LGFA FRN	29-Apr-24	6.14%	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
<b>Total</b>				<b>\$103,500,000</b>

# LGFA Funding Rates as at 31 March 2024

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Listed below are the credit spreads and applicable interest rates as at 31 March 2024 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%	5.79%	N/A
6-month CP	0.15%	5.77%	N/A
April 2024	0.27%	5.91%	5.85%
April 2025	0.37%	6.01%	5.70%
April 2026	0.44%	6.08%	5.30%
April 2027	0.57%	6.21%	5.14%
May 2028	0.66%	6.30%	5.08%
April 2029	0.75%	6.39%	5.10%
May 2030	0.83%	6.47%	5.16%
May 2031	0.92%	6.56%	5.28%
April 2033	0.99%	6.63%	5.39%
May 2035	1.07%	6.71%	5.53%
April 2037	1.13%	6.77%	5.66%

## Disclaimer

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### IMPORTANT NOTICE

Statements and opinions contained in this report are given in good faith, but in its presentation, Bancorp has relied on primary sources for the information's accuracy and completeness. Bancorp does not imply, and it should not be construed, that it warrants the validity of the information. Moreover, our investigations have not been designed to verify the accuracy or reliability of any information supplied to us. It should be clearly understood that any financial projections given are illustrative only. The projections should not be taken as a promise or guarantee on the part of Bancorp. Bancorp accepts no liability for any actions taken or not taken on the basis of this information and it is not intended to provide the sole basis of any financial and/or business evaluation. Recipients of the information are required to rely on their own knowledge, investigations and judgements in any assessment of this information. Neither the whole nor any part of this information, nor any reference thereto, may be included in, with or attached to any document, circular, resolution, letter or statement without the prior written consent of Bancorp as to the form and content in which it appears.

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## REVIEW OF PARKING BYLAW PROCESS

<b>To:</b>	Risk and Assurance Committee
<b>Meeting Date:</b>	Tuesday 21 May 2024
<b>From:</b>	Andrew Cameron – Chief Risk Officer
<b>Approved:</b>	Michael Day - Chief Executive
<b>Approved Date:</b>	Thursday 16 May 2024
<b>Open Agenda:</b>	Yes
<b>Public Excluded Agenda:</b>	No

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### Purpose and Summary

Council has recently determined to refund a number of parking infringements issues. This was following a determination before the Courts which determined that the current Council Parking Bylaw did not empower the issue of this specific infringement.

It is appropriate that Council examine and understand the process that led to this result and where appropriate put in place controls to ensure that it does not occur again.

### Recommendations

That the Risk and Assurance Committee:

1. Receives the report "Review of Bylaw Making Process".
2. Notes the risks identified.
3. Request a report to this Committee on completion of the review of the Bylaw Procedures Manual including compliance with the manual and any additional controls or process steps to be implemented.

### Background

This Committee has oversight of the effectiveness of the system for monitoring Council's compliance with relevant laws, regulations and associated government policies. The process for making Bylaws is governed by a number of pieces of legislation including the Local Government Act, the Bylaws Act and, in this particular circumstance the Land Transport Act.

In the particular case of the Parking Bylaw there is an additional layer of complexity. There are no specific rules around the raising of revenue by Council. Having said that Council's power is derogated from the Crown and it is illegal for the Crown to levy money on its subjects without

authority. In this case it is the approval process and clarity as to the bylaw content that enables the collection of the fines and charges. Overlaid on this is the general position, applied more often than not, that charging/taxing provisions will be construed narrowly.

The net effect of all this is that Council needs to be careful and precise in its bylaw and revenue raising policies. This is reflected most particularly in the approach taken by councils to setting of rates. The additional controls put in place reflect the significance of any failure to Council.

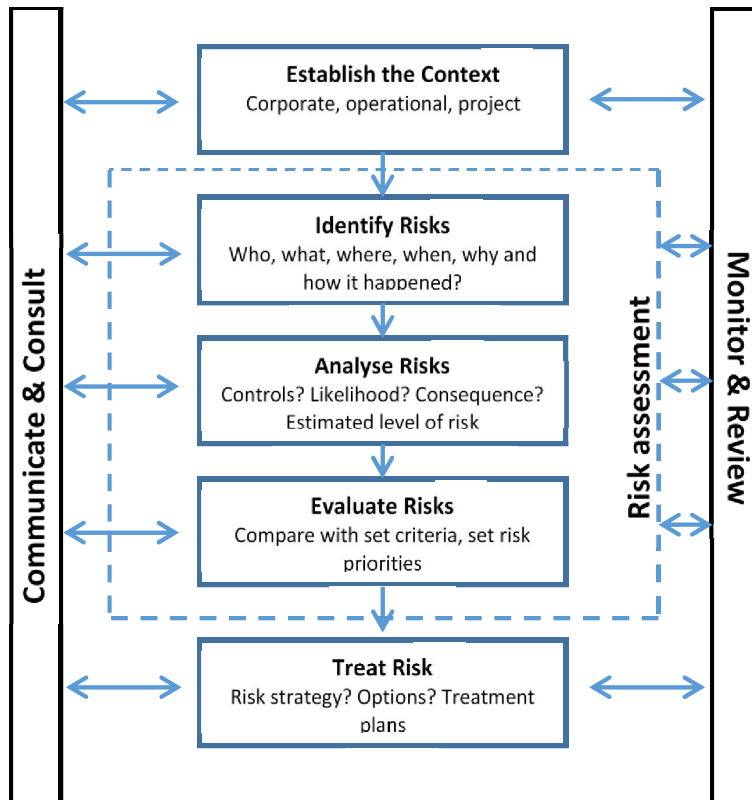
In this case Council has identified a potential loss of up to \$500,000 from this event. It is worth noting that the revenue for parking will still exceed the budget for the financial year, allowing for the refund of these fees. Having said that it is still \$500,000 that would have been available to Council for other purposes.

## Issues and Options

### Analysis

Risks, and by implication the controls and other issues associated with management of risk should be reviewed following any change to the external environment, the internal environment or a change in strategy. In a local government context the Long-term Plan process is one appropriate trigger for that review.

The process and triggers for this are set out in the Council Risk Framework and are driven by the requirement to monitor and review following a change in the context.



## What Occurred

The relevant provision which was called into question in this litigation has remained unchanged from, at least, in the 2020 version of the bylaw. The relevant provision is that which creates the offence of parking in a Metered Parking Area without paying the prescribed fee.

It was noted in the consultation documentation for that bylaw that the move to utilising modern technology would enable Council to offer different solutions including how long visitors can stay, parking period which may not cost anything, and different ways to pay. It was proposed to replace the single-head parking meters with multiple parking kiosks.

It is an interesting note as an aside that it was at this time, November 2020 the first Advisory Group meeting on parking regulation by the Ministry of Transport occurred. At that meeting it was noted that they had heard of difficulties navigating processes such as the bylaw process.

At the time of the bylaw review the 2019/20 and 2020/21 fees and charges had fees noted of \$1.20-\$1.50 for the first hour. The fees and charges noted that:

1. Car parking approach will be changing to include an App and On Street kiosk equipment with the removal of meters. Variable rate charges may be used within new pay equipment. Variable rates are listed in the schedule and will be considered when the equipment is approved. The parking strategy will enable a range of charges to be used.

This charging approach was continued in the 2021/22 fees and charges.

It was in the 2022/23 year, in the lead up to the setting of fees for the annual plan that Council determined to allow the first 30 minutes for on street parking to be free. It was this decision, a change in the operations that, all things working as we would expect, should have triggered a review of the Parking Bylaw. The change in the operational activity did not require a change to the parking fee setting power, it did however require a change to the enforcement power set out in the bylaw (A3456062).

The bylaw was subsequently reviewed following the adoption of the 2022/23 fees and charges. At this stage there had been no significant issues raised with the parking fees and/or penalties. This however was another time that the empowering sections of the bylaw could have been the subject of review.

By early 2023 issues regarding the clarity of the requirement to register a number plate, even if only parking for less than 30 minutes became apparent. Council addressed these issues through an education campaign and further clarity around signage requiring the requirement to "activate" the parking meter. Again, in a perfect world these issues may have prompted a fuller investigation of the bylaw and the penalties associated with the bylaw.

Ultimately these issues resulted in enforcement action through the Court. The initial basis of the defence continued the allegation that the signage was not clear enough to enable the user to understand the requirements. It was at the doors of the Court that the issue of the enforceability of the penalty under the bylaw was raised.

Subsequently Council has reviewed the bylaw and is in the process of consulting on making amendments to address this issue.

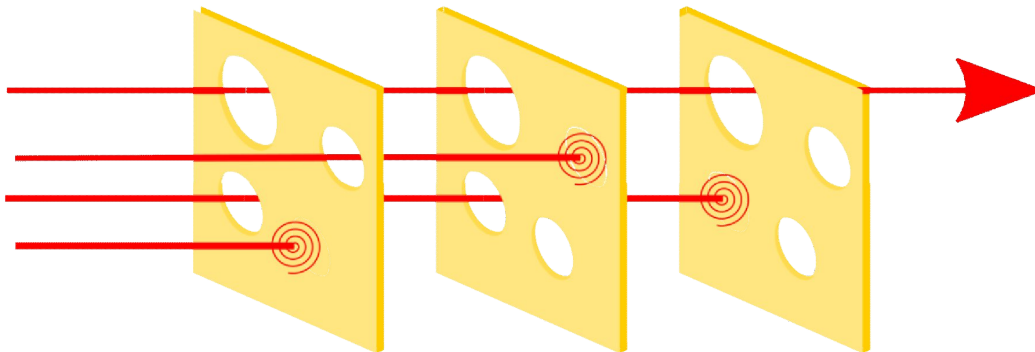
Currently the primary control to ensure that the risks of reviewing a bylaw are appropriately managed is the Bylaw Procedures Manual (Appendix 1). The reviews and changes identified above do not fit clearly into the identified reasons for review. The review frequency and timeframes also suggests that the suggested process and timeframes in Bylaw reviews – flow diagram 9 have not been complied with. This includes the notes set out commencing at page 13.

### **Different Considerations**

It is important to note that those involved in the bylaw review process have different roles and responsibilities:

- Roading – traffic control strategy and parking revenue/
- Strategy and policy – overall strategy and compliance with consultation requirements.
- Governance and legal – legal compliance of the bylaw with the acts set out above.
- Compliance – enforcement powers.

The result of these different considerations has meant that when the bylaw and/or changes to charges have been considered there has been a lack of clarity as to roles which has resulted in the common Swiss cheese problem of risk management. Although each part identified completed their role there was a latent failure in the system which was only identified when the matter came before the Courts.



### **Significance**

The changes are not significant in terms of the Council policy on Significance and Engagement.

### **Options**

Council needs to continue with the risk maturity improvements. Considering how best to manage complex processes is part of that.

### **Community Views**

The Community has an interest in ensuring risks are appropriately managed.

## **Implications and Risks**

### **Strategic Consistency**

Management of risk is consistent with the achievement of ICC's strategic objectives.

### **Financial Implications**

Properly managing this risks will ensure that Council is best placed to receive forecasts revenue.

### **Legal Implications**

There are legal and reputational implications if Council does not manage this process.

### **Climate Change**

There are no climate change implications from this decision.

### **Risk**

It is noted that this amount of financial loss that occurred is assessed as minor under Council's Risk Management Framework. In order to keep the process of bylaw setting, in particular those that have a revenue consequence, within Council's risk appetite it is therefore necessary for the likelihood to be managed to possible or unlikely, that is a return cycle of the risk of every three years plus.

There are also a number of mitigations that Council could have in place to ensure that the consequence is also reduced beyond the amount in this circumstance. These controls would sit outside the bylaw review process but will also be considered by staff as part of any mitigations put in place.

## **Next Steps**

Review the Bylaws Procedures Manual and other processes which may have implications for the requirements of bylaws to be effective.

## **Attachments**

Appendix 1 – Bylaws Procedures Manual (A1528847)

A1528847














# BYLAW PROCEDURES MANUAL



# CONTENTS

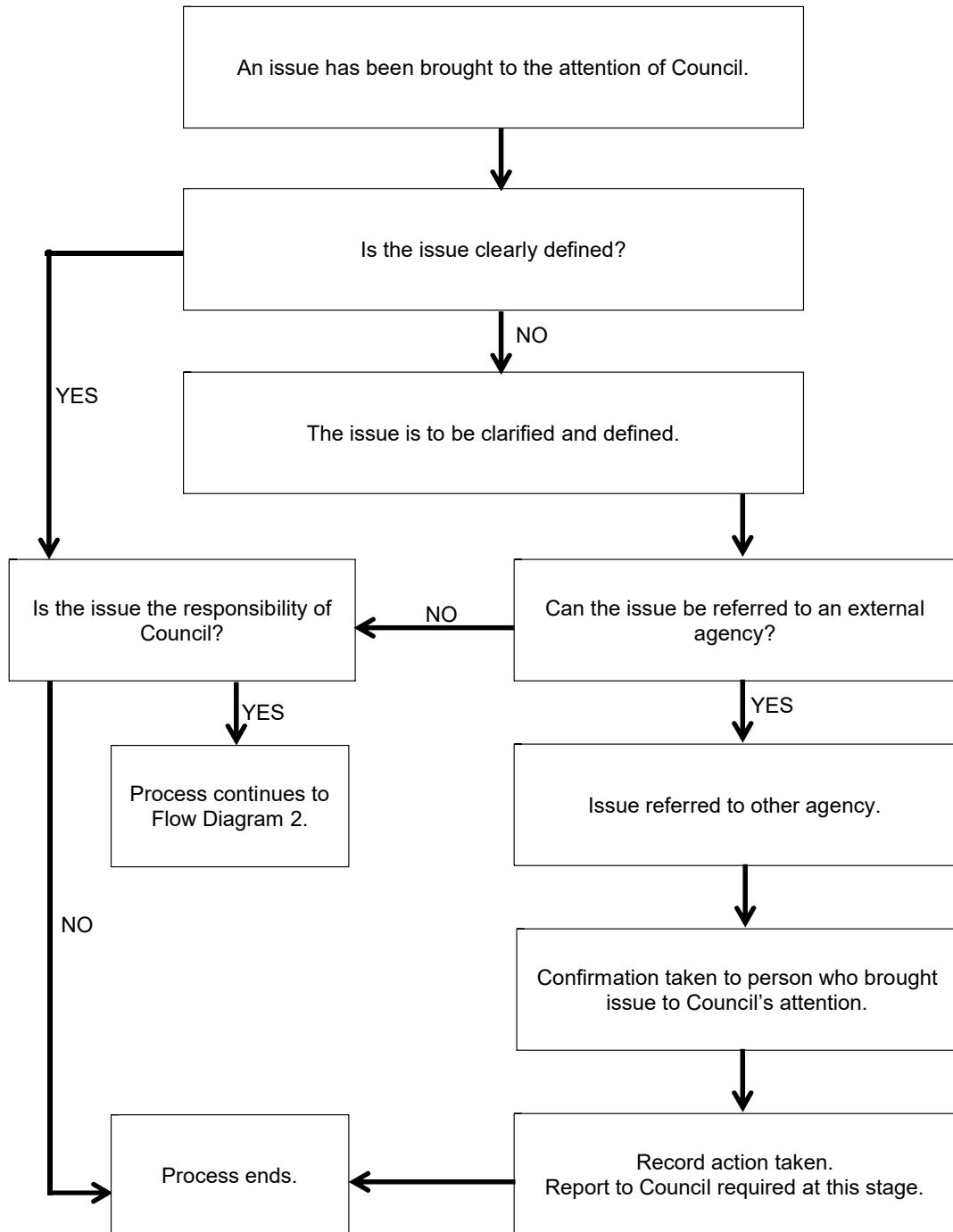
This procedures manual is to be used to support the Council when making bylaws. The development of all Invercargill City Council Bylaws must be undertaken in co-ordination with the Corporate Planning Department. Contact the Manager – Strategy and Policy if you believe investigation of a bylaw is required.

	<b>Identification of Issues</b>	<b>4</b>
	<b>Determining Scope and Scale of Issue</b>	<b>5</b>
	<b>Is There an Alternative Resolution?</b>	<b>6</b>
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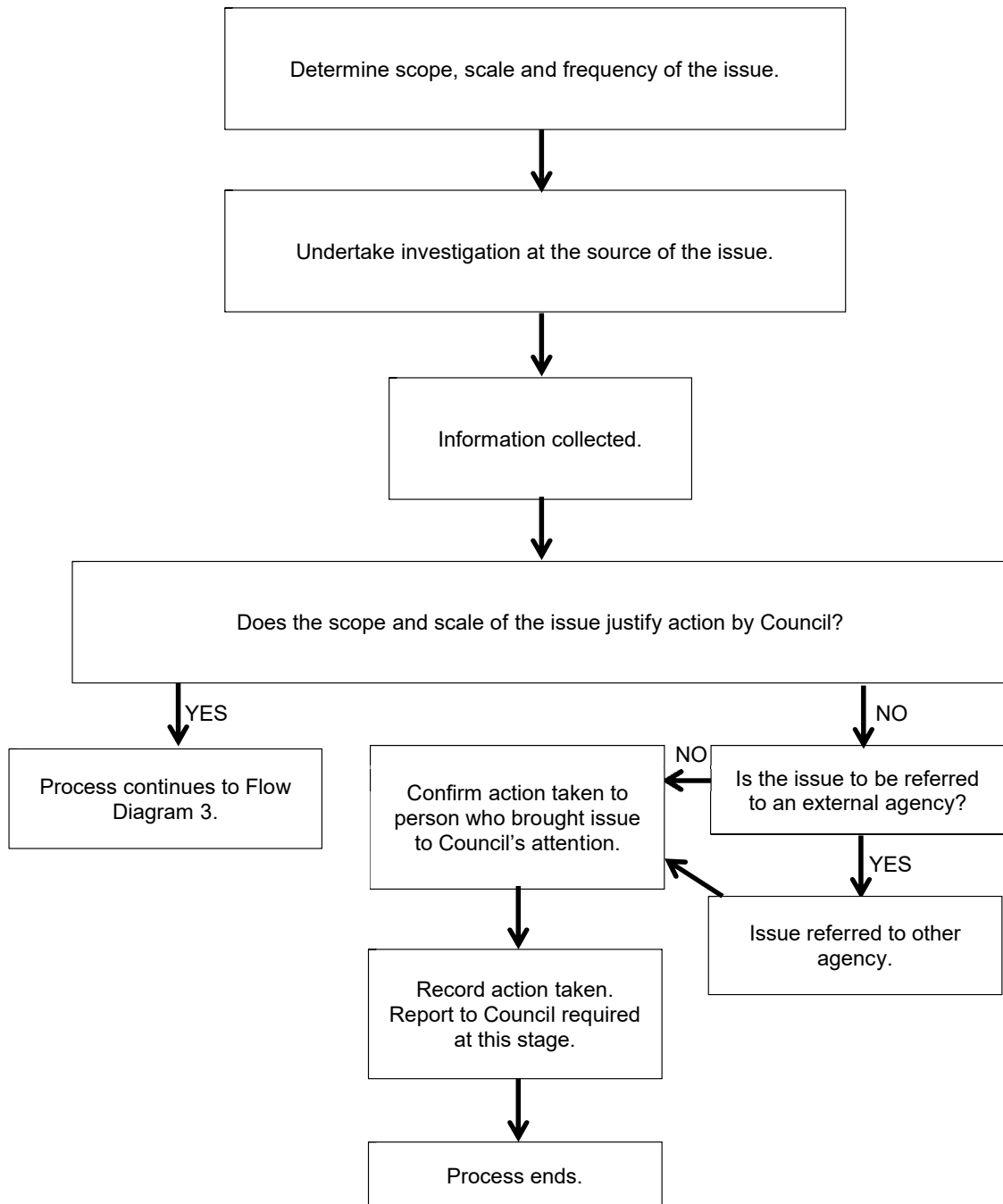
As staff work through the following flowcharts, a record should be kept of issues considered and actions taken to inform any report to Council or Consultation Document.



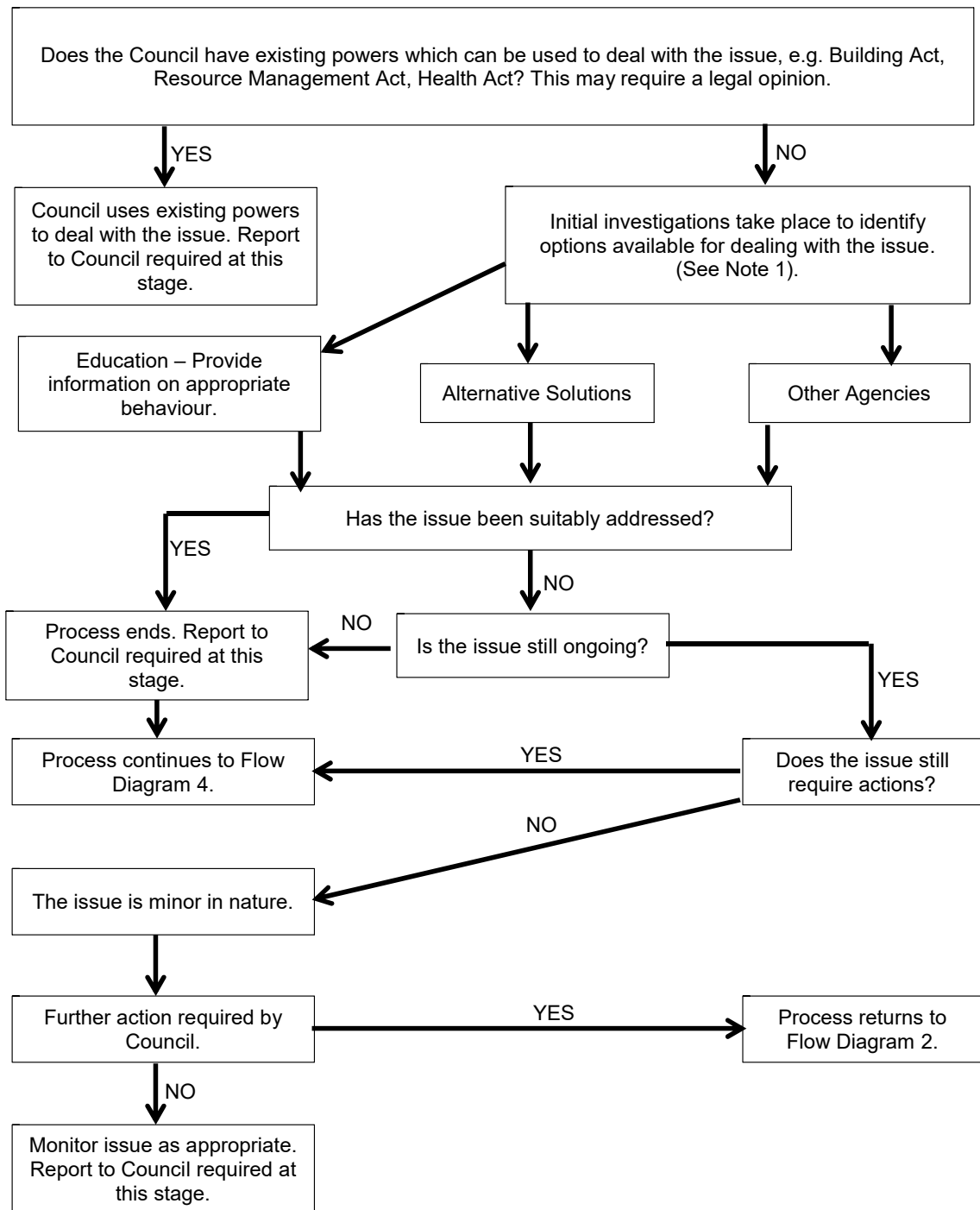
## Identification of Issues – Flow Diagram 1



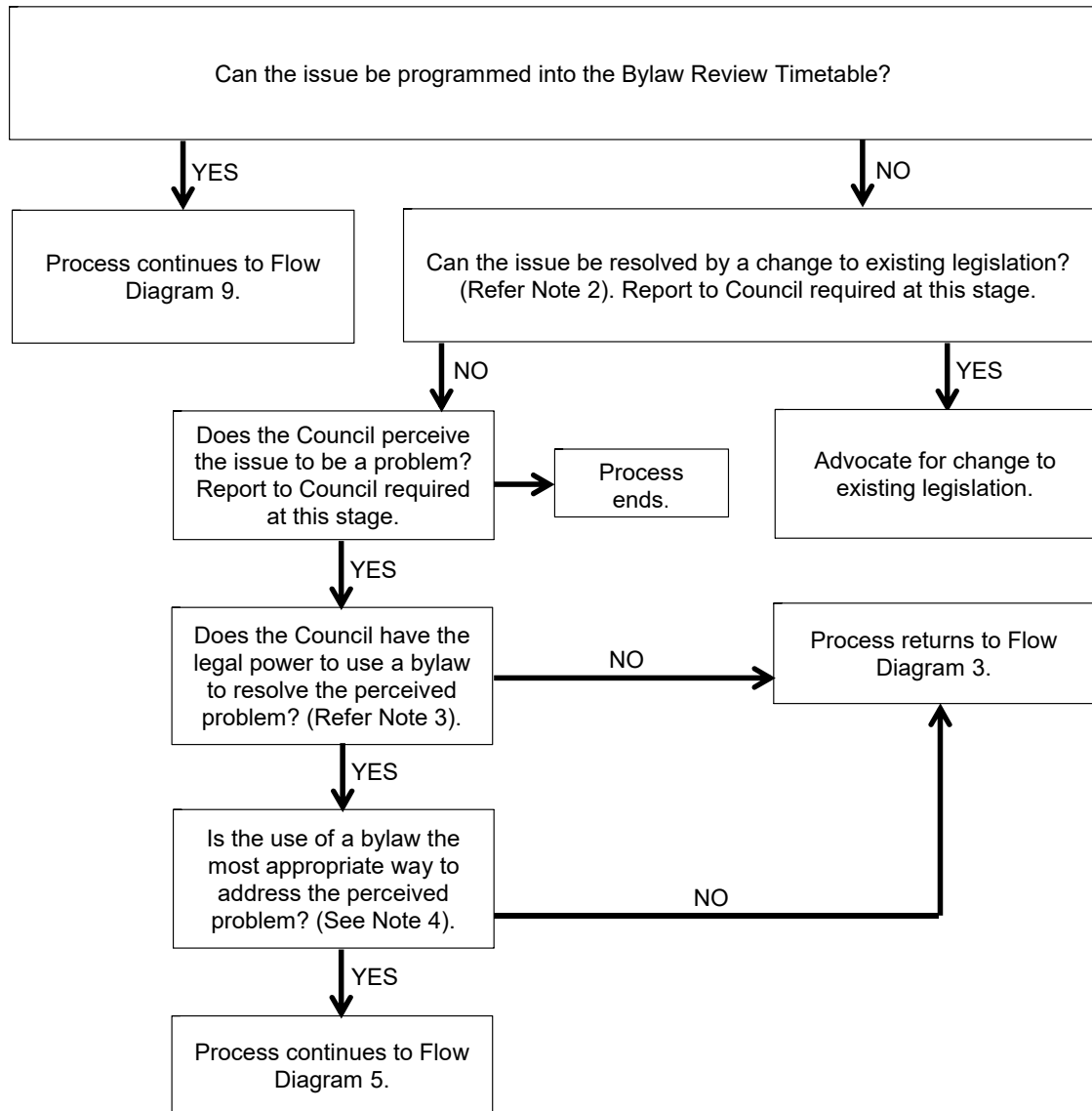
## Determining Scope and Scale of Issue – Flow Diagram 2



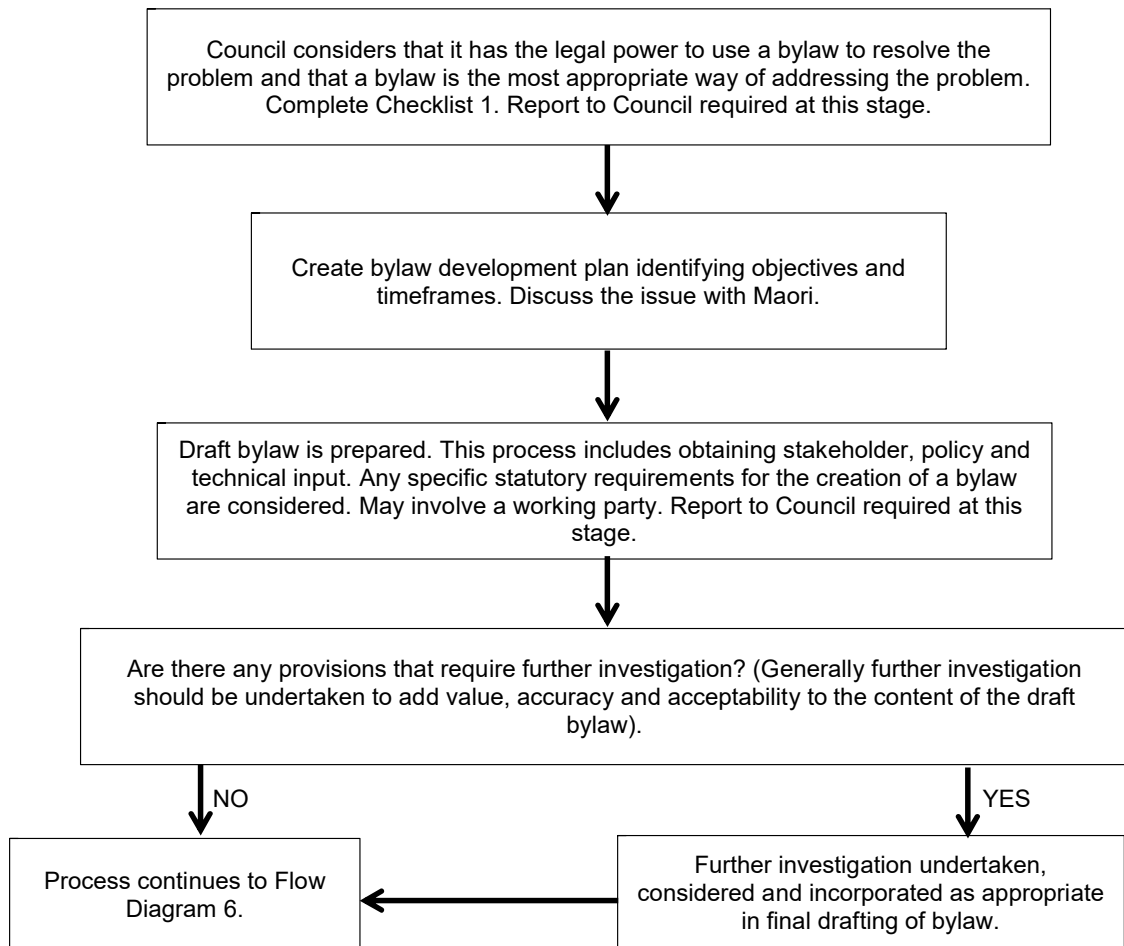
## Is There an Alternative Resolution? – Flow Diagram 3



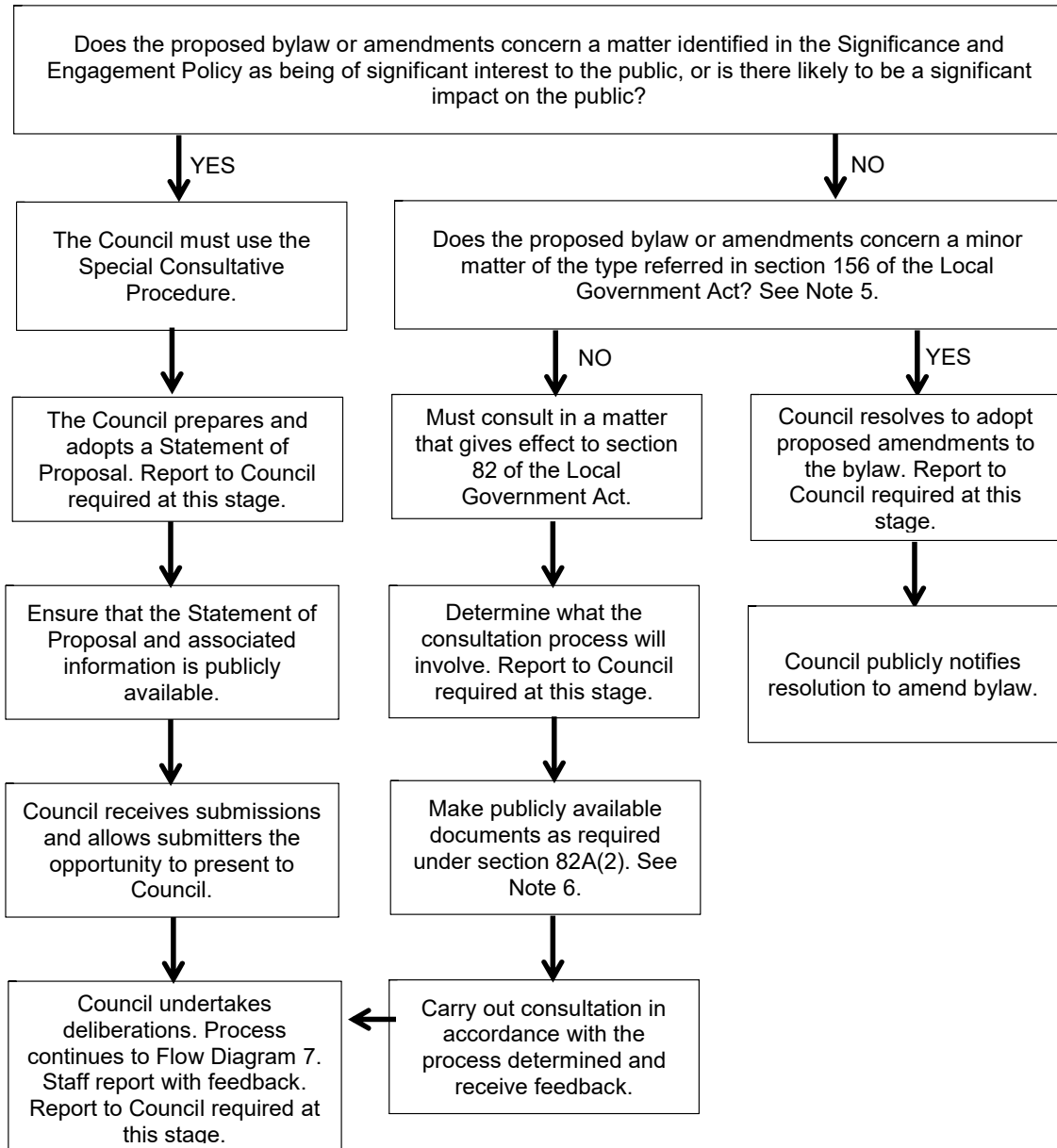
## Change to Existing Legislation – Flow Diagram 4



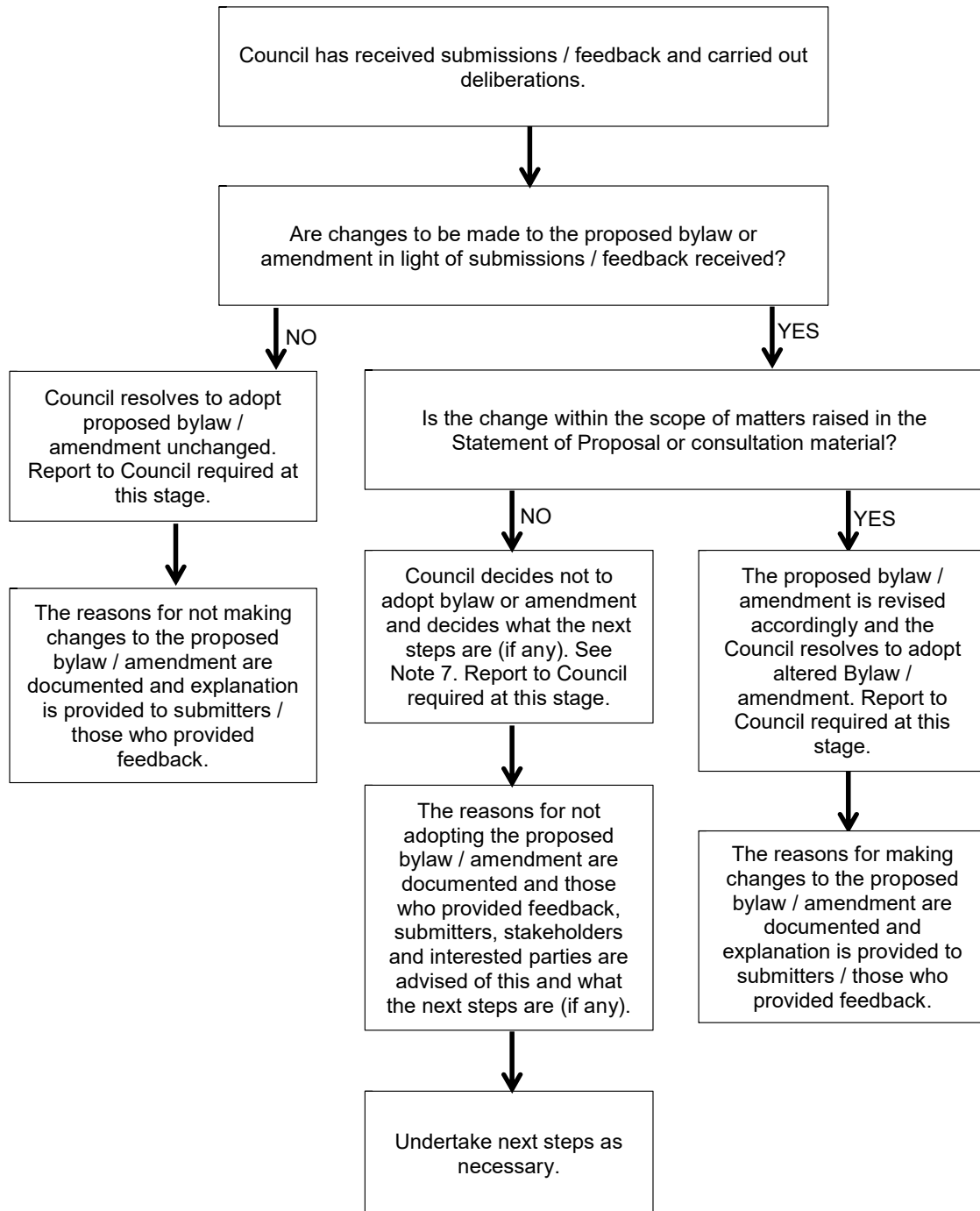
## Creation of Draft Bylaw – Flow Diagram 5



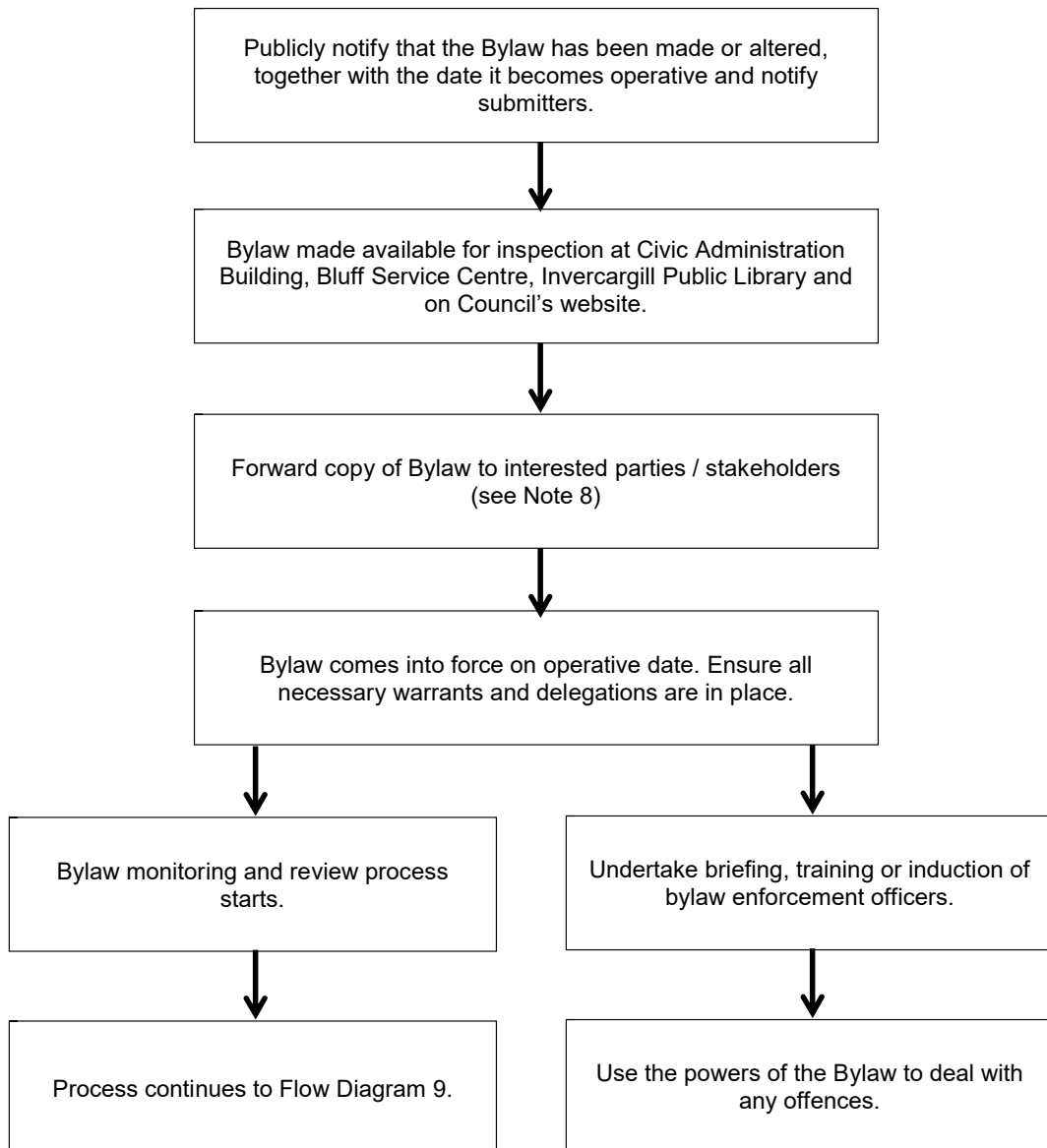
## Consultation – Flow Diagram 6



## Consideration of Submissions – Flow Diagram 7

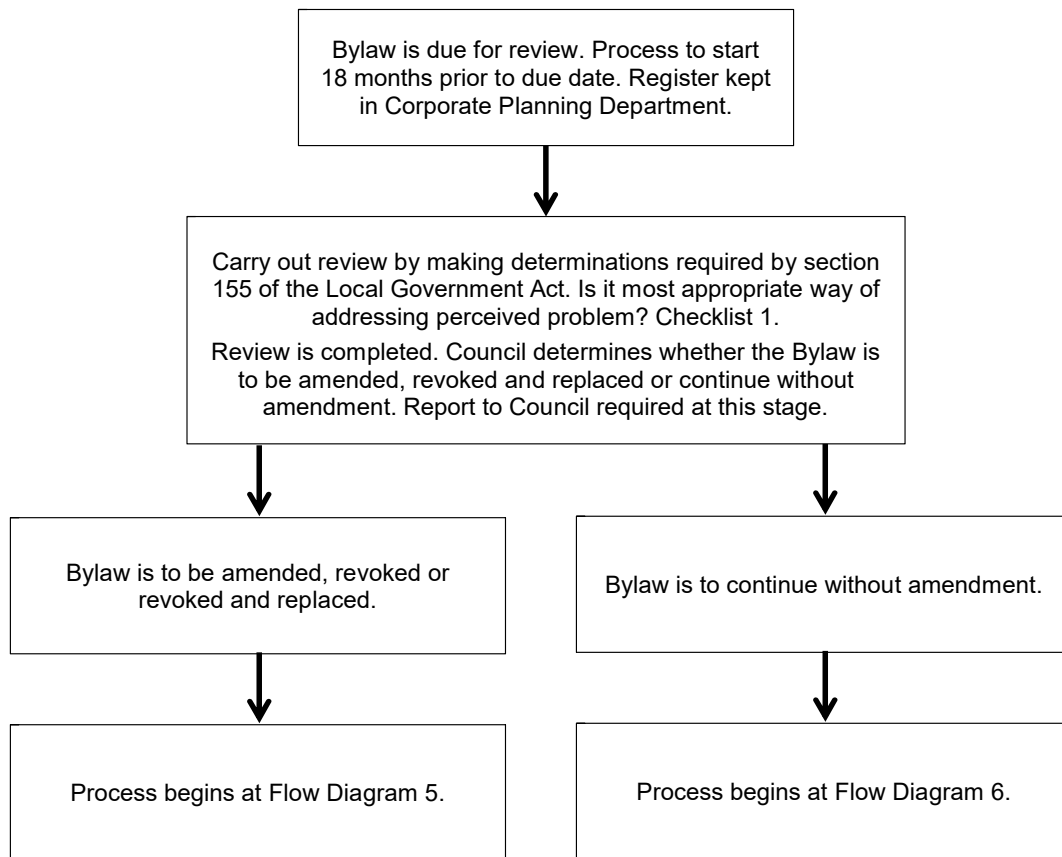


## Notice of Bylaw – Flow Diagram 8





## Bylaw Reviews – Flow Diagram 9



## Notes

### Note 1

Initial investigations may involve discussion with stakeholders and interested parties, who are affected by, or have an interest in the issue that is to be dealt with.

Initial investigations can assist consultation and bylaw drafting processes.

Consider creating a list of all stakeholders and interested parties against which all contact made and outcomes achieved can be recorded. Even if a stakeholder or interested party has confirmed no interest in the issue, this should also be recorded. Maori must be included in any list of interested parties.

Stakeholders and interested parties that have been identified by the Council but are unable to participate in the initial investigation process should be informed of the outcome of the initial investigations together with any action taken to address the issue.

Initial investigations can be carried out formally or informally.

Initial investigations involving stakeholders and interested parties may identify action options which have not been previously considered.

A timeframe and programme should be established within which the initial investigation is to be undertaken.

Council reports must maintain a balanced view during the initial investigations (be aware that the stakeholders and interested parties assisting with the initial investigations may have one specific view that they wish to see reflected when considering the issue).

Document any reasons for not taking action following the initial investigations.

### Note 2

Council will seek legal advice in deciding if a change to existing legislation will resolve the issue.

The issue may be identified as nationally significant. In such cases a sector-wide approach may be appropriate to encourage and secure legislative change.

Resolution of an issue by way of a change to existing legislation may be a process which takes a lengthy time to complete.

### Note 3

Ensure that the council has the statutory authority to make a bylaw on the matter relating to the perceived problem / issue. If Council doesn't have the authority it will be acting ultra vires. Check all relevant empowering provisions, including but not limited to:

- Local Government Act 2002 – Sections 145 to 149
- Other Acts, e.g. Health Act 1956, Land Transport Act 1998.

### Note 4

A bylaw is a localised form of legislation and cannot replace or supersede an Act of Parliament or Regulation.

Determining whether or not a bylaw is the most appropriate way to address the perceived problem is a requirement under Section 155(1) of the Local Government Act 2002.

In following any analysis process it is important to create a working record of all works undertaken and of all steps followed. It is essential to the whole analysis process that the perceived

problem / issue, relevant public policy issue(s) and outcomes are clearly identified and properly explained along with adequate evidence to support them. If this is done well it makes the remainder of the bylaw making process easier to complete and provides the 'paper trail' necessary to successfully prepare the consultation documentation for making the bylaw and later defend the bylaw in court, should it be challenged.

**Note 5**

Under Section 156(2)(a) of the Local Government Act 2002 a council may, by resolution that is publicly notified make minor changes to, or correct errors in, a bylaw, but only if the changes or corrections do not affect:

- an existing right, interest, title, immunity, or duty of any person to whom the bylaw applies; or
- an existing status or capacity of any person to whom the bylaw applies.

Under Section 156(2)(b), a council may also amend a bylaw by a publicly notified resolution if the amendment converts an imperial weight or measure specified in a bylaw into its metric equivalent or near metric equivalent.

**Note 6**

Section 82A(2) outlines that a council must make the following publicly available:

- the proposal and the reasons for the proposal; and
- an analysis of the reasonably practicable options, including the proposal, identified under section 77(1) - Requirements in relation to decisions; and
- if a plan or policy or similar document is proposed to be adopted, a draft of the proposed plan, policy, or other document; and

- if a plan or policy or similar document is proposed to be amended, details of the proposed changes to the plan.

**Note 7**

Section 86(2) outlines that a Statement of Proposal must contain a draft of the proposed bylaw or amendments, the reasons for the proposal and a report on the determinations made by council under Section 155.

There may be risk of legal challenge to the Council's decision if it proceeds to make any changes to the proposed bylaw or amendments that fall outside the scope/intent of the matters raised for consultation in the documentation prepared for the public. In such cases it may not be appropriate to immediately proceed to make changes to the bylaw.

There are likely to be four possible options (although this will depend on the particular circumstances):

1. Retain the Status Quo and make no changes to the bylaw;
2. Undertake further consultation on the new direction of the proposed bylaw or amendments;
3. Undertake further work/research which might lead to further consultation (i.e. reconsidering the determination under Section 155); or
4. Accept that legal risks exist, and proceed to make changes to the bylaw. Council will usually obtain legal advice before selecting this option.

**Note 8**

Consider forwarding a copy of the bylaw to:

- Government Agencies (e.g. police)
- Minister for the Environment (trade waste bylaws)
- Minister of Local Government

There are circumstances where bylaws of a particular type must be forwarded to government agencies:

- Waste Management to the Minister of Health
- Transport / Navigation to the Minister of Transport

Advise submitters how they can access a copy of the bylaw.

Consider informing the submitters if their submissions resulted in any changes to the draft bylaw. This can be an overall statement covering the collective outcome of all submitters or individual statements to each submitter relating specifically to their own submission.

## Checklist

Under Section 155 of the Local Government Act 2002:

*No bylaw may be made which is inconsistent with the New Zealand Bill of Rights Act.*

After determining that a Bylaw is appropriate, Council must consider that the proposed bylaw:

A report discussing these matters should be prepared for Council.

- Is the most appropriate form of bylaw, and
- Does not give rise to any implications under the New Zealand Bill of Rights Act 1990.

## LONG-TERM PLAN ASSUMPTIONS

<b>To:</b>	Risk and Assurance Committee
<b>Meeting Date:</b>	Tuesday 21 May 2024
<b>From:</b>	Andrew Cameron – Chief Risk Officer
<b>Approved:</b>	Patricia Christie - Group Manager - Finance and Assurance
<b>Approved Date:</b>	Thursday 16 May 2024
<b>Open Agenda:</b>	Yes
<b>Public Excluded Agenda:</b>	No

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### Purpose and Summary

Council is in the process of completing its Long-term Plan.

This Committee has been periodically reviewing the process of developing the Long-term Plan and the assumptions which are used to support that Plan. Council has recently revised a number of the original assumptions and is nearing completion of the Long-term Plan development.

Council has also revised its risk framework to include modelling and management of strategic risks.

It is appropriate that this Committee consider the current status of those assumptions as part of its oversight of risk management and the achievement of strategic objectives generally.

### Recommendations

That the Risk and Assurance Committee:

1. Receives the report "Long-term Plan Assumptions".
2. Notes the changes to the Long-term Plan assumptions identified by Council.
3. Note that there is a risk relating to the audit of the Long-term Plan arising from the estimated value of larger projects, in particular waste water renewal contained within the Long-term Plan.
4. Confirm the current residual risk rating assigned to the Long-term Plan assumptions.

## Background

This Committee has previously discussed the Long-term Plan assumptions and Council's Long-term Plan development. The relevant objectives of risk management, as set out in the Council Risk Management Framework, to strategic development and execution are to:

- increase the likelihood of Council achieving its strategic and business objectives;
- improve performance and service delivery to maximise resource utilisation;
- provide a timely response to escalated risks and actual events when they occur;
- aid decision-making and encourage innovation; and
- maintain a flexible risk management framework which is aligned with AS/NZS ISO 31000:2009, ISO 31000:2018, and good practices generally.

The current Long-term Plan assumptions (Attachment A) have the following heat map.



One of the interesting things about the current risk assessment of the assumptions is that Council has not taken any action to mitigate the impact of those assumptions proving to be incorrect. That is shown in the heat map above by the commonality between the inherent and residual risks. As a general rule this may be appropriate as the control, for instance the use of an assumption sourced from third parties, may itself be the control that the assumption is proven to be incorrect.

The result of this however is that Council has a large number of uncontrolled risks in the event that those risks eventuate.

While many of these risks may be manageable on an individual risk basis Council is carrying significant risk across the organisation in the event that a number of the assumptions prove to be false. As these risks relate to the achievement of strategic outcomes Council will accept a reasonable amount of risk, balanced as per the Council risk appetite for planning and strategy. Council should however consider whether, given the significant number of assumptions noted as having a high residual risk to Council.

Where, for whatever reason, Council is unable to mitigate the risks the alternative is to ensure that Council is able to absorb/weather the consequences of the risks being realised.

The Financial Strategy and other financial management policies of Council serve to provide a level of capacity to manage the impact of multiple risks coming to pass at the same time. The key factors in the financial strategy are ensuring that there is a level of financial headroom (additional borrowing / cash reserves), and policy limits sets with Council's overall risk tolerance at front of mind.

This Committee should review, at least the higher residual rated risks, to assess whether the residual rating remains correct and/or whether it should consider further actions to reduce the residual risk rating where possible and/or the capacity of Council to absorb these risks.

Although not included as "assumptions" this Committee, and Council should also consider the impact of the estimates for other significant projects within the Long-term Plan. Council has taken steps to identify the cost of those projects, in particular wastewater renewal in a manner that is appropriate given the period until those projects will be commenced and or finally scoped. Audit have identified this as focus area for their audit and are seeking information that supports the cost included in the Long-term Plan in order to make an assessment as to whether they are reasonable.

## **Issues and Options**

### **Analysis**

Risks should be periodically reviewed to ensure that the risk held by Council is considered and understood.

### **Long-term Plan**

The Long-term Plan was designed to improve the future focus of Council.

The current risks should also be reviewed as to whether they appropriately identify all the issues that are required to be managed to achieve the outcomes set out in the Long-term Plan as well as to whether the management of those risks is appropriate.

The outcome of this review was that staff recommended in deliberations that a number of assumptions were amended as the risk that these were wrong was extremely high and would have consequences to Council's future performance such as the interest rate assumption on borrowing.

### **Council**

There are a number of other risks which might be described as internal but go to the heart of the ability of Council to deliver the Long-term Plan.

### **Significance**

The changes themselves are not significant. As noted in the risk consequence table, if some of the higher rated risks eventuate then they would have significant consequences in terms of the Council policy on Significance and Engagement.



## **Options**

Council needs to continue with the risk maturity improvements. Continued monitoring and management of these risks is part of that process.

## **Community Views**

The Community has an interest in ensuring risks are appropriately managed.

## **Implications and Risks**

### **Strategic Consistency**

Management of risk is consistent with the achievement of ICC's strategic objectives.

### **Financial Implications**

There is limited additional cost in recognising and recording the controls in place to manage the identified risks where they exist. Where there are controls missing and/or failures there may be increased costs to manage the risk to within Council appetite.

### **Legal Implications**

There are no legal implications from risk identification. Controls and/or other actions may have legal consequences.

### **Climate Change**

There are no climate change implications from this decision.

### **Risk**

The following risks were identified for Council during the deliberations paper considered by Council on 14 May 2024. The identified risks cover risks associated with the audit of the LTP process. They also reflect the importance of this Committee and Council more generally understanding and monitoring the impact of the assumptions on the risk profile of Council over the LTP.

*The risk highlighted at the time of adoption of the Consultation Document, related to audit remains. The time for the completion of the audit is compacted as the result of the process of the annual report audit having commenced and the audit of the consultation document not taking place. Supporting documentation and inputs to the consultation document were audited ahead of consultation, however it remains possible audit may highlight issues, including factors linked to the post-consultation changes outlined in this deliberations report and the new economic information which has become available. Council are taking appropriate steps to mitigate this risk through proactive engagement and response to questions from Audit New Zealand.*

*Reducing the depreciation assumptions increases the risk on Council. Officer advice is that the changes below remain within the risk appetite for Council but that it will make future*

*budget adjustments required to bring depreciation funding back up to 100% more significant. Not having fully funded depreciation also increases the risk to Council in the event that the assets require replacement sooner than expected. If any of these risks are realised then Council will be required to fund the replacement by borrowing.*

*There remain a number of risks related to decisions which are not yet finalised/ for which information is not yet available Council should be aware of:*

- *Confirmation of the final level of the NZTA - Waka Kotahi roading activity subsidy is not expected to be received until June at the earliest. There is no indication of a change at this point.*
- *The ICHL special dividend, forecast at \$4 million a year for ten years, is reliant on future sales.*
- *The revaluation of three waters assets has been forecast but not yet completed. If this is significantly different to expected, this could have significant budget implications in relation to the rates funding of depreciation*
- *The Total Mobility Scheme is significantly over budget for 2023/24. Central Government have indicated their review of disability services has commenced but there is no known outcome at present. Community engagement is likely to be required ahead of any proposed budget adjustment.*
- *The valuation of forecast land sales is expected to be completed ahead of June 2024. This could require a change to the value included land sale assumption.*
- *There is not yet a medium-term solution to housing of the team within Te Hīnaki – Civic Administration Building. If there are any major systems failures within the building, the allocated maintenance budget may not be sized adequately for a temporary relocation and renewal solution.*

*It is important that Council considers its overall risk when looking at the risks and opportunities associated with the Long-term Plan. At a project or individual activity level Council will be able to manage each of these risks. Council should consider however that at an organisational level, these risks, if all, or more than one, are realised, will have a cumulative impact on the ability of Council to absorb and manage those risks without potentially significant changes to forecast services and/or rates.*

*In addition, Council will continue to monitor the assumptions underpinning the development of the Long-term Plan more broadly. Changes to those assumptions may have impacts on the model and require Council to respond in ways not currently anticipated in the Long-term Plan.*

## **Next Steps**

Complete the revised risk schedule and commence the process of monitoring and reporting against those risks.

## **Attachments**

Attachment A – LTP Assumptions (A5359172)

Appendix B – Sources of Risk

Appendix C – Risk Likelihood and Consequence

## Appendix B: Sources of risk and their consequences

SOURCE OF RISK	CONSEQUENCE RATING				
	LOW	MINOR	MODERATE	MAJOR	CATASTROPHIC
Planning and strategy	Negligible impact on outcomes and handled within normal operations.	Temporary impact on long-term levels of service, with limited community interest and media attention.	Noticeable impact on long-term levels of service, being consistently below expectations in one or more outcome categories. Some community interest and media attention.	Levels of service significantly below expectations in one or more outcome categories, bringing significant negative community and media attention.	Levels of service in significant decline across all outcome categories. Widespread negative commentary attracts Central Government attention e.g. through an inquiry and/or appointment of a Commissioner.
Financial	Loss of less than \$100k.	Loss of between \$100k and \$1m.	Loss of between \$1m and \$5m.	Loss of between \$5m and \$10m.	Loss of over \$10m.
Operations and service delivery	Temporary disruption in servicing a small number of customers.	Disruption affecting some areas for less than a day.	Disruption to a community for more than two hours or some areas for more than a day.	Disruption to a community for more than a day or some areas for more than two weeks.	Disruption to a community for more than a week.
Project/quality management	Project overspend of less than 5%.  Quality is lower than planned but still meets the project's requirements or product specification.  Delay of 1-2 weeks.	Project overspend of between 5-10%.  Quality is lower than planned but still meets the project's mandatory requirements or product specification.  Delay of 2-4 weeks.	Project overspend of between 10-50%.  Quality and mandatory requirements compromised. Requirements can still be met by relaxing them or modifying scope.  Delay of 4-8 weeks.	Project overspend of between 50-100%.  Quality is compromised but requirements can be met with increases in cost, time, or scope. Quarantined product could be reworked.  Delay of 8-16 weeks.	Project overspend of over 100%.  Quality is compromised and unrecoverable. Requirements cannot be met within increased cost, time or scope, or product must be disposed of.  Delay of 16+ weeks.
Strategy	Individual significance or concern that can be managed as part of business as usual.	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.	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.	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.	Complete change to strategic plan for the Council – full reissue; and/or Loss of social licence; and/or Legal penalty

## Appendix C: Risk Likelihood and Consequence Rating

LIKELIHOOD RATING	PROBABILITY OF THE RISK OCCURRING
<b>Almost certain</b>	Expected to occur more than once in the next year. Likely to occur multiple times during a project. Over 90% probability.
<b>Likely</b>	Expected to occur once in the next year. Has occurred in similar projects. Between 75-90% probability.
<b>Moderate</b>	Could occur at least once in the next two years. Has occurred in a small number of similar projects. Between 25-75% probability.
<b>Possible</b>	Could occur at least once in the next three to five years. Could occur but has not in similar projects. Between 1-25% probability.
<b>Unlikely</b>	Unlikely to occur in the next five years or during the project. Less than 1% probability.



# Risk Register

Filter: Portfolio(s): LTP

<p>RESIDUAL <b>15.0</b> HIGH</p> <p>INHERENT <b>15.0</b></p>	<p>LTP, 5 - CULTURAL, PLANNING &amp; STRATEGY</p> <p><b>Project 1225</b> Te Unua Museum of Southland will be built by December 2025, and open to the public in the second half of 2026.</p> <p>OWNER Portfolio Managers: Andrew Cameron, Tash Anderson CREATED 13/11/2023 12:27:29 pm</p> <p>CONSEQUENCE Moderate LIKELIHOOD Almost Certain RESIDUAL CONSEQUENCE Moderate RESIDUAL LIKELIHOOD Almost Certain COUNCIL RISK High APPETITE/RISK CERTAINTY</p>	<p>CONTROL MC00753</p> <p>COUNCIL RESPONSE: The programme is on schedule and remains a primary focus of Council. The impact of delay on service delivery is low, however the reputational risk of late delivery is significant.</p> <p>Council continues to actively manage this project through the PMO.</p>	<p>SIGNOFF(S): DUE DATE: 01 Jul 2024 FREQUENCY: The first Tuesday of every 2 months</p>
<p>RESIDUAL <b>12.0</b> HIGH</p> <p>INHERENT <b>12.0</b></p>	<p>LTP, 6 - COUNCIL OPERATIONS, PLANNING &amp; STRATEGY</p> <p><b>NZTA Funding Assistance Rate</b> (as advised from Waka Kotahi) NZTA will continue at 51% funding assistance until 2026/27.</p> <p>It is assumed that it will then remain at 51% for the life of the plan.</p> <p>Awaiting confirmation</p> <p>OWNER Portfolio Managers: Andrew Cameron, Tash Anderson CREATED 13/11/2023 1:19:10 pm</p> <p>CONSEQUENCE Moderate LIKELIHOOD Likely RESIDUAL CONSEQUENCE Moderate RESIDUAL LIKELIHOOD Likely COUNCIL RISK High APPETITE/RISK CERTAINTY</p>	<p>CONTROL MC00758</p> <p>COUNCIL RESPONSE: Significant changes would have an impact on Council's ability to maintain levels of service and may require changes to budgets.</p> <p>Council continues to work closely in partnership with Waka Kotahi to manage this risk.</p>	<p>SIGNOFF(S): DUE DATE: 01 Jul 2024 FREQUENCY: The first Tuesday of every 2 months</p>

RESIDUAL  
**12.0**  
HIGH

INHERENT  
**12.0**

R00751

LTP, 7 - FINANCIAL, PLANNING & STRATEGY

**Rating Base Growth**

Rating base growth in line with population growth, household size changes and industry growth of 0.9%

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson

CREATED 13/11/2023 2:15:37 pm

CONSEQUENCE Moderate  
 LIKELIHOOD Likely  
 RESIDUAL CONSEQUENCE Moderate  
 RESIDUAL LIKELIHOOD Likely  
 COUNCIL RISK High  
 APPETITE/RISK CERTAINTY

CONTROL MC00763

COUNCIL RESPONSE:

The Rating base forecast is fundamental to the forecast revenue Council expects.

A lower-than-expected level of growth would require Council to adjust rates or expenditure through the Annual planning process.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The first Tuesday of every 2 months

RESIDUAL  
**12.0**  
HIGH

INHERENT  
**12.0**

R00752

LTP, 7 - FINANCIAL, PLANNING & STRATEGY

**Inflation - Operational**

Operational forecasts will increase by the accumulated Local Government Cost Index inflation forecast by BERL, being 2.9% in 2024/2025.

Review - May

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson

CREATED 13/11/2023 2:23:26 pm

CONSEQUENCE Moderate  
 LIKELIHOOD Likely  
 RESIDUAL CONSEQUENCE Moderate  
 RESIDUAL LIKELIHOOD Likely  
 COUNCIL RISK Medium  
 APPETITE/RISK CERTAINTY

CONTROL MC00764

COUNCIL RESPONSE:

Cost change factors are based on information developed for councils by BERL. Significant variations to inflation would have an impact on Council's financial management. The significant changes in recent years in relation to inflation mean that level of uncertainty has increased as to whether increased fluctuations in the BERL cost estimates can be expected.

Council will continue on the planned pathway for the Capital Works programme and review operational revenue and expenditure each year.

If inflation was 0.5% higher than forecast this would increase Council operational costs by \$0.5 - \$1.5 million per annum for the first 3 years of the plan. Council capital costs would increase by \$0.3 - \$1.5 million per annum for the first 3 years of the plan

Increases in operational costs would impact the expected rates increase in those future years.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The first Tuesday of every 2 months

RESIDUAL  
**12.0**  
HIGH

INHERENT  
**12.0**

R00753

LTP, 7 - FINANCIAL, PLANNING & STRATEGY

**Asset Revaluation**

Asset values will increase by the accumulated Local Government Cost Index inflation forecast by BERL on the last valuation value.

Revaluation occurs in 2024/25 and every third year thereafter.

OWNER Portfolio Managers: Andrew Cameron,Tash Anderson

CREATED 13/11/2023 2:25:09 pm

CONSEQUENCE Moderate

LIKELIHOOD Likely

RESIDUAL CONSEQUENCE Moderate

RESIDUAL LIKELIHOOD Likely

COUNCIL RISK High

APPETITE/RISK CERTAINTY

CONTROL MC00765

COUNCIL RESPONSE:

Changes in valuation (cost price) or life of Council assets have a significant impact on Council's financial management and capital programme. Council will continue on the planned pathway for the Capital Works programme and monitor after each revaluation cycle.

If revaluation values was 0.5% higher than forecast this would increase Council Property, plant and equipment revaluation gain / (loss) by \$0.5 million in 2024/2025.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The first Tuesday of every 2 months

RESIDUAL  
**12.0**  
HIGH

INHERENT  
**12.0**

R00760

LTP, 4 - ENVIRONMENTAL, PLANNING & STRATEGY

**Mean Sea Level is Expected to Rise**

By 2040: 0.2-0.3m

By 2090: 0.4-0.9m

OWNER Portfolio Managers: Andrew Cameron,Tash Anderson

CREATED 13/11/2023 2:37:39 pm

CONSEQUENCE Major

LIKELIHOOD Uncertain

RESIDUAL CONSEQUENCE Major

RESIDUAL LIKELIHOOD Uncertain

COUNCIL RISK High

APPETITE/RISK CERTAINTY

CONTROL MC00772

COUNCIL RESPONSE;

There remains significant modelling which must be completed at a regional level to attain an understanding of what sea level rise is likely and its potential impact. There are known risk areas including the Airport and Bluff which need further investigation. Council has invested in major infrastructure upgrades at Stead Street to increase protection for the city.

Further work will be required on associated flood banks to maximise this investment.

Environment Southland has responsibility for managing and maintaining the remainder of the city's flood bank network.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The second Monday of every 6 months

RESIDUAL  
**12.0**  
HIGH

INHERENT  
**12.0**

R00718

LTP, 6 - COUNCIL OPERATIONS, PLANNING & STRATEGY

**Water Reform**

The consultation document was drafted on the basis of the Council retaining three waters.

At present it is assumed that Council will retain three waters for the short term but that in the medium term a new structure such as a CCO is likely.

This will result in a structural change for Council in relation to the ownership of assets and associated debt capacity. Council will continue to operate in its current structure for three years following transition with the exception that water services will be delivered by the new entity.

The services will continue to be delivered, but these will be provided by another party. This will include increased regulatory requirements as required by the new regulatory authority.

There are a number of risks which may remain:

- some services which are a priority to the community (e.g. alternative water supply) may not be a priority to the new entity.
- Some assets which have multiple purposes and value to the community may be better held by Council – e.g. Water Tower
- Loss of key staff through the transition may result in loss of local knowledge and expertise
- Impact on Council budgets through loss of water revenue and transfer of debt which may not be appropriately met through the transfer.

**OWNER** Portfolio Managers: Andrew Cameron, Tash Anderson

**CREATED** 2/10/2023 3:57:55 pm

**CONSEQUENCE** Major  
**LIKELIHOOD** Uncertain  
**RESIDUAL CONSEQUENCE** Major  
**RESIDUAL LIKELIHOOD** Uncertain  
**COUNCIL RISK** Medium  
**APPETITE/RISK CERTAINTY**

CONTROL MC00762

**COUNCIL RESPONSE:**

Depending on the future structure the impact to Council operations is major but moderate for the city, as services will be maintained in any scenario. The Long-term Plan includes two years of three waters activity. Any policy change would require inclusion of the remainder of the programme and likely rescheduling and forecasting, with potential associated impact on consent renewals.

Water items are included within the Infrastructure Strategy

**SIGNOFF(S):**

**DUE DATE:**

**FREQUENCY:**

01 Jul 2024

The second Monday of every 6 months



RESIDUAL  
**12.0**  
HIGH

INHERENT  
**12.0**

LTP, 1 - POPULATION, PLANNING & STRATEGY

**Population Growth**

As at 30 June 2023, the estimated population of Invercargill is approximately 57,900 . The population is projected to increase over the next ten years but growth will depend significantly on whether the Tiwai Point smelter closes or remains open, and whether or not various industries are developed as envisaged in the Beyond 2025 Regional Long Term Plan.

CONTROL MC00733

COUNCIL RESPONSE:

Although population growth in excess of the assumptions will have a moderate to significant impact on the Council finances this will have significant lead time. Council will be able to monitor the applications for resource consents and use this as guidance for the population growth into the future. A population decline would be a more significant impact but is not expected.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The first Tuesday of every 2 months

R00721

OWNER Portfolio Managers: Andrew Cameron,Tash Anderson

CREATED 9/11/2023 3:28:17 pm

CONSEQUENCE Moderate

LIKELIHOOD Likely

RESIDUAL CONSEQUENCE Moderate

RESIDUAL LIKELIHOOD Likely

COUNCIL RISK Medium

APPETITE/RISK CERTAINTY

RESIDUAL  
**12.0**  
HIGH

INHERENT  
**12.0**

LTP, 1 - POPULATION, PLANNING & STRATEGY

**Ageing Population**

Those aged 65 and older will form 24% of the population in 2034, which is higher than the current aged population in 2023 (estimated as 10,790 of 57, 900 (19%)).

CONTROL MC00734

COUNCIL RESPONSE:

Demographic changes are clear and while future migration patterns may offset aging to some extent this is not expected to be of a high enough level to counter the known level of aging. Council is considering how to respond to changing housing needs for older people through provision of elderly housing, adjustment to the District Plan and potential partnership projects. Impacts on other services including public transport, libraries and pools (e.g. hydrotherapy pool) are being planned for.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The first Tuesday of every 2 months

R00722

OWNER Portfolio Managers: Andrew Cameron,Tash Anderson

CREATED 9/11/2023 3:57:23 pm

CONSEQUENCE Moderate

LIKELIHOOD Likely

RESIDUAL CONSEQUENCE Moderate

RESIDUAL LIKELIHOOD Likely

COUNCIL RISK High

APPETITE/RISK CERTAINTY

RESIDUAL  
**12.0**  
HIGH

INHERENT  
**12.0**

R00727

LTP, 2 - SOCIAL, PLANNING & STRATEGY

**Socio-economic**

Inflation will continue to squeeze household budgets and impact abilities to pay rates. Inflation is expected to stay above 3% until 2025/2026

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson  
CREATED 10/11/2023 3:05:45 pm

CONSEQUENCE Major  
LIKELIHOOD Moderate  
RESIDUAL CONSEQUENCE Major  
RESIDUAL LIKELIHOOD Moderate  
COUNCIL RISK Medium  
APPETITE/RISK CERTAINTY

CONTROL MC00735

COUNCIL RESPONSE:

Economic volatility remains high with economists urging caution on reliability of forecasting. Significant increases in inflation will impact not only Council's planned expenditure but the community's ability to pay. Higher than expected inflation may require review of services, capital investment and/or financial strategy. Lower inflation will improve Council's position and ability to deliver.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The first Tuesday of every 2 months

RESIDUAL  
**12.0**  
HIGH

INHERENT  
**12.0**

R00735

LTP, 3 - ECONOMIC, PLANNING & STRATEGY

**Central Business District**

The City Block development has been successfully completed and has attracted new development, including two new hotels in the city centre.

Council will continue to support initiatives to drive the success of a thriving CBD.

GDP will increase by \$14m annually as a result of the investment until 2030.

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson  
CREATED 13/11/2023 11:05:11 am

CONSEQUENCE Moderate  
LIKELIHOOD Likely  
RESIDUAL CONSEQUENCE Moderate  
RESIDUAL LIKELIHOOD Likely  
COUNCIL RISK High  
APPETITE/RISK CERTAINTY

CONTROL MC00743

COUNCIL RESPONSE:

Council remains strongly committed to its vision "Our City with Heart – He Ngākau Aroha." Any divergence from this vision could impact the financial viability of ICL but is not expected.

Further investment may be required either in the City Block or associated city streets improvements.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The first Tuesday of every 2 months

RESIDUAL  
**12.0**  
HIGH

INHERENT  
**12.0**

R00738

LTP, 3 - ECONOMIC, PLANNING & STRATEGY

**Climate Change Regulatory Change**

Legislative change is expected to increase requirements, reflected in the Emissions Reduction Plan and the National Adaptation Plan, on businesses and Council with an impact on economic growth as yet unknown.

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson

CREATED 13/11/2023 12:06:06 pm

CONSEQUENCE Moderate  
 LIKELIHOOD Likely  
 RESIDUAL CONSEQUENCE Moderate  
 RESIDUAL LIKELIHOOD Likely  
 COUNCIL RISK Medium  
 APPETITE/RISK CERTAINTY

CONTROL MC00750

COUNCIL RESPONSE:

Council is working with the regional Climate Change Working Group to set a strategy for the region and action plan for Council.

Further investment will be required in activities to reduce emissions and to better understand climate change risk to Council assets.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The first Tuesday of every 2 months

RESIDUAL  
**12.0**  
HIGH

INHERENT  
**12.0**

R00739

LTP, 4 - ENVIRONMENTAL, PLANNING & STRATEGY

**Environmental Renewal**

Council will invest to understand more about the levels of environmental damage at Ocean Beach and New River Estuary.

It is possible that further investment in renewal will be required within the life of the infrastructure Strategy.

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson

CREATED 13/11/2023 12:14:14 pm

CONSEQUENCE Moderate  
 LIKELIHOOD Likely  
 RESIDUAL CONSEQUENCE Moderate  
 RESIDUAL LIKELIHOOD Likely  
 COUNCIL RISK High  
 APPETITE/RISK CERTAINTY

CONTROL MC00751

COUNCIL RESPONSE:

There is potential significant investment required for contamination management.

The scale of this work is as yet unknown.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The first Tuesday of every 2 months

RESIDUAL  
**12.0**  
HIGH

INHERENT  
**12.0**

LTP, 7 - FINANCIAL, PLANNING & STRATEGY

**Inflation - Capital**

Capital work programmes will increase by the accumulated Local Government Cost Index inflation forecast by BERL, being 2.9% in 2024/2025.

Review - 3% for Capital

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson

CREATED 14/05/2024 3:30:06 pm

CONSEQUENCE Moderate  
 LIKELIHOOD Likely  
 RESIDUAL CONSEQUENCE Moderate  
 RESIDUAL LIKELIHOOD Likely  
 COUNCIL RISK Medium  
 APPETITE/RISK CERTAINTY

R00807

CONTROL MC00764

**COUNCIL RESPONSE:**

Cost change factors are based on information developed for councils by BERL. Significant variations to inflation would have an impact on Council's financial management. The significant changes in recent years in relation to inflation mean that level of uncertainty has increased as to whether increased fluctuations in the BERL cost estimates can be expected.

Council will continue on the planned pathway for the Capital Works programme and review operational revenue and expenditure each year.

If inflation was 0.5% higher than forecast this would increase Council operational costs by \$0.5 – \$1.5 million per annum for the first 3 years of the plan. Council capital costs would increase by \$0.3 - \$1.5 million per annum for the first 3 years of the plan

Increases in operational costs would impact the expected rates increase in those future years.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The first Tuesday of every 2 months

RESIDUAL  
**9.0**  
MEDIUM

INHERENT  
**9.0**

LTP, 3 - ECONOMIC, PLANNING & STRATEGY

**Economy**

Inflation will peak in June 2023 and stay above 3% until 2025/2026.

Employment is expected to weather any recessionary conditions fairly well, but unemployment is expected to increase nationally.

A short-term dip is forecast for the early years of the plan with stronger growth in professional and highly skilled occupations.

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson

CREATED 13/11/2023 9:50:00 am

CONSEQUENCE Moderate  
 LIKELIHOOD Moderate  
 RESIDUAL CONSEQUENCE Moderate  
 RESIDUAL LIKELIHOOD Moderate  
 COUNCIL RISK Medium  
 APPETITE/RISK CERTAINTY

R00732

CONTROL MC00744

**COUNCIL RESPONSE:**

Inflation increases would have significant impact on budgets. Council would need to consider changes to services and/or the financial strategy.

If inflation was 0.5% higher than forecast this would increase Council operational costs by \$0.5 – \$1.5 million per annum for the first 3 years of the plan. Council capital costs would increase by \$0.3 - \$1.5 million per annum for the first 3 years of the plan

Increases in operational costs would impact the expected rates increase in those future years.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The second Monday of every 6 months

RESIDUAL  
**9.0**  
MEDIUM

INHERENT  
**9.0**

R00726

LTP, 1 - POPULATION, PLANNING & STRATEGY

**Households**

Households will increase from 23,256 in 2022 to 26,087 in 2034. The number of households stagnated over 2020-2021 but is projected to show positive growth over the course of this LTP, with growth peaking at 1.1% in 2032.

The average size of households is expected to reduce from 2.39 to 2.34 by the end of this LTP.

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson

CREATED 10/11/2023 2:50:42 pm

CONSEQUENCE Moderate

LIKELIHOOD Moderate

RESIDUAL CONSEQUENCE Moderate

RESIDUAL LIKELIHOOD Moderate

COUNCIL RISK Medium

APPETITE/RISK CERTAINTY

CONTROL MC00736

COUNCIL RESPONSE:

The number of households underpins the rating base and Council revenue for activities.

A decline or slower growth in households would require Council to review services and/or financial strategy.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The second Monday of every 6 months

RESIDUAL  
**9.0**  
MEDIUM

INHERENT  
**9.0**

R00759

LTP, 4 - ENVIRONMENTAL, PLANNING & STRATEGY

**Annual Rainfall is Expected to Increase**

By 2040: +0-10%  
B 2090: +5-20%

Increased frequency of high rainfall days, i.e. Increase in intensity of rainfall.

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson

CREATED 13/11/2023 2:35:04 pm

CONSEQUENCE Moderate

LIKELIHOOD Moderate

RESIDUAL CONSEQUENCE Moderate

RESIDUAL LIKELIHOOD Moderate

COUNCIL RISK Medium

APPETITE/RISK CERTAINTY

CONTROL MC00771

COUNCIL RESPONSE:

Increased intensity of rainfall is expected to result in increased flooding.

Council has adjusted its stormwater asset profiles to plan for increased major flooding events but there remain significant areas of the network which have not yet been renewed.

There are also impacts on efficiency of the Sewerage treatment system as a result of overflow from the stormwater system during high rainfall events.

Dependent on the Affordable Water Reform and Council's ongoing areas of responsibility, adjustment may need to be made the renewal programme.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The second Monday of every 6 months

RESIDUAL  
**9.0**  
MEDIUM

INHERENT  
**9.0**

R00754

LTP, 7 - FINANCIAL, PLANNING & STRATEGY

**Interest Rates - Borrowing**

Expected interest rates on borrowing will be 4.0%

Review - 2024/25 - 4.25%  
2025/34 - 4.5%

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson

CREATED 13/11/2023 2:26:24 pm

CONSEQUENCE Moderate  
LIKELIHOOD Moderate  
RESIDUAL CONSEQUENCE Moderate  
RESIDUAL LIKELIHOOD Moderate  
COUNCIL RISK Medium  
APPETITE/RISK CERTAINTY

CONTROL MC00766

COUNCIL RESPONSE:

A significant change in interest rates and the cost of borrowing would have a significant impact on Council budgets. Changes to services or the Financial Strategy would need to be considered.

If interest rates were 0.5% higher than forecast this would increase Council finance expenses by \$0.8 – 1.1 million per annum for the first 3 years of the plan.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The second Monday of every 6 months

RESIDUAL  
**9.0**  
MEDIUM

INHERENT  
**9.0**

R00747

LTP, 6 - COUNCIL OPERATIONS, PLANNING & STRATEGY

**Asset Life**

Assets will remain useful until the end of their average useful life, noting this requires underlying assumptions regarding asset condition to be correct.

Infrastructure installed in the 1920s is nearing end of life and require renewal within the term of the Infrastructure Strategy.

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson

CREATED 13/11/2023 1:26:31 pm

CONSEQUENCE Moderate  
LIKELIHOOD Moderate  
RESIDUAL CONSEQUENCE Moderate  
RESIDUAL LIKELIHOOD Moderate  
COUNCIL RISK High  
APPETITE/RISK CERTAINTY

CONTROL MC00759

COUNCIL RESPONSE:

Assets may need to be renewed earlier if this underlying assumption is incorrect. This may also change the renewal profile or may allow delayed renewal in other cases.

Council will review the remaining asset life at each of the triennial asset revaluations and undertaken regular asset condition assessments.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The second Monday of every 6 months

RESIDUAL  
**9.0**  
MEDIUM

INHERENT  
**9.0**

LTP, 6 - COUNCIL OPERATIONS, PLANNING & STRATEGY

**Infrastructure Network Development**

It is anticipated that a 1% extension of the network (roading, three waters) will be required to service forecast growth needs of business and/or residential property.

Locations are not yet known so more accurate forecasts are not possible for growth.

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson  
CREATED 13/11/2023 1:30:22 pm

CONSEQUENCE Moderate  
LIKELIHOOD Uncertain  
RESIDUAL CONSEQUENCE Moderate  
RESIDUAL LIKELIHOOD Uncertain  
COUNCIL RISK Low  
APPETITE/RISK CERTAINTY

CONTROL MC00760

COUNCIL RESPONSE:

Invercargill has not operated under a growth assumption in the immediate past as the network was constructed to support a higher level of population. However, new potential industries are expected, if they eventuate, they are likely to create significant new demands on the network. As a result, Council is planning for this uncertainty by allowing for growth.

The additional cost would be met via contractual financial contributions, reprioritisation of the capital programme and if necessary, an increase in the budget provided for the capital programme. At present our capital programme is on average \$80 million per annum. We expect that this may increase the capital programme by approximately 5% per annum.

SIGNOFF(S):

DUE DATE:

FREQUENCY:

01 Jul 2024

The second Monday of every 6 months

R00748

RESIDUAL  
**8.0**  
MEDIUM

INHERENT  
**8.0**

LTP, 5 - CULTURAL, PLANNING & STRATEGY

**Civic Pride**

Resident pride in the city following the redevelopment has increased (in 2023 80% of people said they would speak more positively about the city) and will continue to increase as new projects including Project 1225 are completed.

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson  
CREATED 13/11/2023 12:32:39 pm

CONSEQUENCE Minor  
LIKELIHOOD Likely  
RESIDUAL CONSEQUENCE Minor  
RESIDUAL LIKELIHOOD Likely  
COUNCIL RISK High  
APPETITE/RISK CERTAINTY

CONTROL MC00754

COUNCIL RESPONSE:

Council sees both City Block and Project 1225 as major cornerstone projects to achieving of its vision – Our City with Heart – He Ngakau Aroha. The social and economic benefits are already being realised.

Continued commitment to the strategy will be required for full delivery.

SIGNOFF(S):

DUE DATE:

FREQUENCY:

01 Jul 2024

The second Monday of every 6 months

R00742

RESIDUAL  
**8.0**  
MEDIUM

INHERENT  
**8.0**

R00743

LTP, 5 - CULTURAL, PLANNING & STRATEGY

**Cultural Activation**

An increase in activities and events reflecting the diverse culture of Southland will take place following Council investment in activation and private uptake of new facilities available.

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson  
 CREATED 13/11/2023 12:48:29 pm

CONSEQUENCE Minor  
 LIKELIHOOD Likely  
 RESIDUAL CONSEQUENCE Minor  
 RESIDUAL LIKELIHOOD Likely  
 COUNCIL RISK High  
 APPETITE/RISK CERTAINTY

CONTROL MC00755

COUNCIL RESPONSE:

Activation is essential to leverage Council's capital investment in the city centre.

Council will continue to explore a range of mechanisms to support activation in the community.

SIGNOFF(S):

DUE DATE:

FREQUENCY:

01 Jul 2024

The second Monday of every 6 months

RESIDUAL  
**8.0**  
MEDIUM

INHERENT  
**8.0**

R00744

LTP, 6 - COUNCIL OPERATIONS, PLANNING & STRATEGY

**Legislative Changes**

There will be changes to legislation that have an impact on how Council will provide services.

These changes may affect Council organisational structure but not change the level of service received by the customer/ratepayer in the first three years of the plan.

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson  
 CREATED 13/11/2023 1:12:09 pm

CONSEQUENCE Minor  
 LIKELIHOOD Likely  
 RESIDUAL CONSEQUENCE Minor  
 RESIDUAL LIKELIHOOD Likely  
 COUNCIL RISK Medium  
 APPETITE/RISK CERTAINTY

CONTROL MC00756

COUNCIL RESPONSE:

Management will continue to engage with Central Government to ensure levels of service are maintained or improved and plan for changes in services in response to policy and regulation changes as they arise.

SIGNOFF(S):

DUE DATE:

FREQUENCY:

01 Jul 2024

The second Monday of every 6 months



RESIDUAL  
**8.0**  
MEDIUM

INHERENT  
**8.0**

R00745

LTP, 6 - COUNCIL OPERATIONS, PLANNING & STRATEGY

**Consents**

Council will continue to carry out legislation-directed ordinary functions while factoring in an increase to required quality for consent conditions.

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson  
 CREATED 13/11/2023 1:16:05 pm

CONSEQUENCE Minor  
 LIKELIHOOD Likely  
 RESIDUAL CONSEQUENCE Minor  
 RESIDUAL LIKELIHOOD Likely  
 COUNCIL RISK High  
 APPETITE/RISK CERTAINTY

CONTROL MC00757

COUNCIL RESPONSE:

Consent processes at Bluff and Clifton Water Treatment Plants have commenced, although under an increased level of uncertainty as a result of the reform programme.

Any impact on the consent process as a result of this uncertainty would be significant.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The second Monday of every 6 months

RESIDUAL  
**8.0**  
MEDIUM

INHERENT  
**8.0**

R00755

LTP, 7 - FINANCIAL, PLANNING & STRATEGY

**Interest Rates - Cash and Deposits**

Return on cash and term deposits are forecasted to be 5.0% in Year 1, 4.5% in Year 2, 4.0% in Year 3.

Review - 2024/25 - 5.5%  
 2025/26 - 5%  
 2026/27 - 4.5%  
 2027/2034 - 4%

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson  
 CREATED 13/11/2023 2:28:24 pm

CONSEQUENCE Minor  
 LIKELIHOOD Likely  
 RESIDUAL CONSEQUENCE Minor  
 RESIDUAL LIKELIHOOD Likely  
 COUNCIL RISK Medium  
 APPETITE/RISK CERTAINTY

CONTROL MC00767

COUNCIL RESPONSE:

Term deposit rates currently vary between providers, but most providers have a discount on rates from their prime lending rates.

If interest rates were 0.5% higher than forecast this would increase Council finance revenue by \$0.3 million per annum for each of the first 3 years of the plan.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The second Monday of every 6 months

RESIDUAL  
**8.0**  
MEDIUM

INHERENT  
**8.0**

R00756

LTP, 7 - FINANCIAL, PLANNING & STRATEGY

**Dividends from ICHL**

Dividends will be minimum \$5.2 million, plus an additional \$4 million special dividend for the ten years of the Long-term Plan, resulting in a combined dividend rate of \$9.2 million.

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson  
CREATED 13/11/2023 2:29:32 pm

CONSEQUENCE Minor  
LIKELIHOOD Likely  
RESIDUAL CONSEQUENCE Minor  
RESIDUAL LIKELIHOOD Likely  
COUNCIL RISK High  
APPETITE/RISK CERTAINTY

CONTROL MC00768

COUNCIL RESPONSE:

There would be a negative impact on Council's overall revenue and cash position if the dividend level was not maintained, which would increase the burden on ratepayers.

Council will consider strategic reliance on dividend noting increased levels of economic uncertainty and impact of Council future direction to ICHL regarding holding of non-financial strategic assets.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The second Monday of every 6 months

RESIDUAL  
**8.0**  
MEDIUM

INHERENT  
**8.0**

R00725

LTP, 1 - POPULATION, PLANNING & STRATEGY

**Population Diversity**

The population will continue to become more diverse.

The Māori population will grow from 19% to 25%.

The Asian population will grow from 8% to 13%.

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson  
CREATED 10/11/2023 2:19:03 pm

CONSEQUENCE Minor  
LIKELIHOOD Likely  
RESIDUAL CONSEQUENCE Minor  
RESIDUAL LIKELIHOOD Likely  
COUNCIL RISK High  
APPETITE/RISK CERTAINTY

CONTROL MC00738

COUNCIL RESPONSE:

Council will increase engagement opportunities for different parts of the community to help support all voices being heard.

Changes to Council services are expected to be able to be accommodated from within existing operational budgets through adjustment of focus.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The second Monday of every 6 months

RESIDUAL  
**8.0**  
MEDIUM

INHERENT  
**8.0**

R00728

LTP, 4 - ENVIRONMENTAL, PLANNING & STRATEGY

**Natural Disaster**

Extreme weather events are happening more frequently, and this trend is likely to continue due to climate change.

There is a 75% probability of the Alpine Fault rupturing within the next 50 years.

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson  
 CREATED 10/11/2023 3:43:40 pm  
 REVIEWED 29/04/2024 10:45:13 am  
 CONSEQUENCE Major  
 LIKELIHOOD Possible  
 RESIDUAL CONSEQUENCE Major  
 RESIDUAL LIKELIHOOD Possible  
 COUNCIL RISK Medium  
 APPETITE/RISK CERTAINTY

CONTROL MC00737

COUNCIL RESPONSE:

A major disaster which impacted Council's ability to operate at the same time that the community's need for disaster relief was required to be supported would require a major shift in strategy and operations.  
 Council supports Emergency Management Southland to coordinate the response in such a situation.

Council would fund response to a natural disaster primarily via debt.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The second Monday of every 6 months

RESIDUAL  
**8.0**  
MEDIUM

INHERENT  
**8.0**

R00733

LTP, 3 - ECONOMIC, PLANNING & STRATEGY

**Community Funding**

Despite recent economic challenges, Community Trust South and the Invercargill Licensing Trust Group have managed to return their funding levels to pre Covid-19 levels.

This is anticipated to take some pressure off Council's funding pool.

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson  
 CREATED 13/11/2023 9:56:32 am  
 CONSEQUENCE Minor  
 LIKELIHOOD Likely  
 RESIDUAL CONSEQUENCE Minor  
 RESIDUAL LIKELIHOOD Likely  
 COUNCIL RISK High  
 APPETITE/RISK CERTAINTY

CONTROL MC00746

COUNCIL RESPONSE:

Council will continue to liaise with other funding partners, including to monitor forecast security of investment, to assist control of this risk.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The second Monday of every 6 months

RESIDUAL  
**8.0**  
MEDIUM

INHERENT  
**8.0**

R00730

LTP, 2 - SOCIAL, PLANNING & STRATEGY

**Community Resilience - S.I.T Zero Fee Ends**

Although the Zero Fees scheme has been extended through 2024 for Southern Institute of Technology | Te Pūkenga, it is unlikely to continue throughout the life of the Long-term Plan. This will have an uncertain level of negative impact on Invercargill's population and economy.

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson

CREATED 13/11/2023 9:30:49 am

CONSEQUENCE Minor  
LIKELIHOOD Likely  
RESIDUAL CONSEQUENCE Minor  
RESIDUAL LIKELIHOOD Likely  
COUNCIL RISK Low  
APPETITE/RISK CERTAINTY

CONTROL MC00742

COUNCIL RESPONSE:

The Zero Fees Scheme has been an important tool in lifting the skill base of the local community as well as attracting new people live in the city.

Loss of Zero Fees will remove a competitive edge for the city which has potential unknown longer-term impacts.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The second Monday of every 6 months

RESIDUAL  
**8.0**  
MEDIUM

INHERENT  
**12.0**

R00808

LTP, 7 - FINANCIAL, PLANNING & STRATEGY

**Inflation - Salary & Wage**

Operational forecasts and capital work programmes will increase by the accumulated Local Government Cost Index inflation forecast by BERL, being 2.9% in 2024/2025.

Review - 3.5% Salary & Wages

Wage inflation has been higher than LGCI / CPI in last 12 months and this could continue. Pushing need for salary and wage levels to be higher than initial forecast to attract and retain staff.

Further increase in minimum wage which was unknown at time of LTP draft

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson

CREATED 14/05/2024 3:34:41 pm

CONSEQUENCE Moderate  
LIKELIHOOD Likely  
RESIDUAL CONSEQUENCE Minor  
RESIDUAL LIKELIHOOD Likely  
COUNCIL RISK Medium  
APPETITE/RISK CERTAINTY

CONTROL MC00764

COUNCIL RESPONSE:

Cost change factors are based on information developed for councils by BERL. Significant variations to inflation would have an impact on Council's financial management. The significant changes in recent years in relation to inflation mean that level of uncertainty has increased as to whether increased fluctuations in the BERL cost estimates can be expected.

Council will continue on the planned pathway for the Capital Works programme and review operational revenue and expenditure each year.

If inflation was 0.5% higher than forecast this would increase Council operational costs by \$0.5 - \$1.5 million per annum for the first 3 years of the plan. Council capital costs would increase by \$0.3 - \$1.5 million per annum for the first 3 years of the plan

Increases in operational costs would impact the expected rates increase in those future years.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The first Tuesday of every 2 months

RESIDUAL  
**6.0**  
MEDIUM

INHERENT  
**6.0**

R00731

LTP, 2 - SOCIAL, PLANNING & STRATEGY

**Housing Stock**

Urban Invercargill's housing supply rate will increase slightly from 0.5% a year to 0.7% a year based on Council's intended District Plan changes, known future developments and proposed partnership projects.

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson  
 CREATED 13/11/2023 9:38:32 am

CONSEQUENCE Moderate  
 LIKELIHOOD Possible  
 RESIDUAL CONSEQUENCE Moderate  
 RESIDUAL LIKELIHOOD Possible  
 COUNCIL RISK Medium  
 APPETITE/RISK CERTAINTY

CONTROL MC00745

COUNCIL RESPONSE:

Housing has been identified as a potential constraint to growth. Failure of responses to increase the supply could limit future population growth.

Council would need to consider alternative responses.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The second Monday of every 6 months

RESIDUAL  
**6.0**  
MEDIUM

INHERENT  
**6.0**

R00734

LTP, 3 - ECONOMIC, PLANNING & STRATEGY

**Economic Diversification**

Volatility in the global economy may affect one or more of Invercargill's key export industries. This will drive diversification but will slow growth.

Employment growth in new industries such as aquaculture and green hydrogen is not expected to offset any declines in agriculture.

There may be a delayed effect through the risk of impacted industries abandoning properties.

Growth in the forestry industry as a result of carbon farming has the potential to negatively impact Invercargill's economy.

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson  
 CREATED 13/11/2023 10:01:37 am

CONSEQUENCE Moderate  
 LIKELIHOOD Possible  
 RESIDUAL CONSEQUENCE Moderate  
 RESIDUAL LIKELIHOOD Possible  
 COUNCIL RISK Low  
 APPETITE/RISK CERTAINTY

CONTROL MC00747

COUNCIL RESPONSE:

Council will continue to work closely with the Regional Council, Great South, the Chamber of Commerce and other stakeholders to support economic diversification for the region. In the case of significant industry decline a targeted response may need to be developed.

The financial impact of this assumption is on the city's rating base, infrastructure network needs and the Community's rates affordability. Changes in this assumption are not expected to be sharp shocks and as a result we will be able to flex annual plans and future LTPs to take account of these changes. At this point in time, we do not expect this to have a significant effect on financial modelling for Years 1-3 of this Long-Term Plan.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The second Monday of every 6 months

RESIDUAL  
**6.0**  
MEDIUM

INHERENT  
**6.0**

LTP, 3 - ECONOMIC, PLANNING & STRATEGY

**Tourism**

Tourism in the Visit Southland area is expected to increase to between 160% - 165% of pre-Covid levels by 2029.

Invercargill is expected to proportionally benefit from this increase and demand for accommodation to increase and to be met from within existing stock.

R00736

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson  
CREATED 13/11/2023 11:09:45 am

CONSEQUENCE Minor  
LIKELIHOOD Moderate  
RESIDUAL CONSEQUENCE Minor  
RESIDUAL LIKELIHOOD Moderate  
COUNCIL RISK Medium  
APPETITE/RISK CERTAINTY

CONTROL MC00748

**COUNCIL RESPONSE:**

Tourism, while important, is not currently a major driver of the Invercargill economy, although it has great potential to grow.

Council may need to invest in further infrastructure if tourism grows faster than expected and manage any flow on impact on housing availability given housing constraints.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The second Monday of every 6 months

RESIDUAL  
**6.0**  
MEDIUM

INHERENT  
**6.0**

LTP, 3 - ECONOMIC, PLANNING & STRATEGY

**International Education**

The numbers of international students studying at Southern Institute of Technology (SIT) | Te Pūkenga are not expected to return to pre-Covid levels until 2028 at the earliest.

The decline as a result of Covid would be compounded if there was a change in policy at Te Pūkenga with reduced focus on recruiting international students, and by reduced domestic competitiveness as a result of the likely end of the Zero Fees policy.

R00737

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson  
CREATED 13/11/2023 11:51:39 am

CONSEQUENCE Minor  
LIKELIHOOD Moderate  
RESIDUAL CONSEQUENCE Minor  
RESIDUAL LIKELIHOOD Moderate  
COUNCIL RISK Medium  
APPETITE/RISK CERTAINTY

CONTROL MC00749

**COUNCIL RESPONSE:**

International students and their families create significant demand for certain categories of housing, including city centre housing. Lower numbers of international students are likely be a factor in the trend of an increasingly aged population.

Lower or higher than expected numbers of international students may require an adjustment in Council response to City centre strategy and/or other provisions/ partnerships impacting housing availability.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The second Monday of every 6 months

RESIDUAL  
**6.0**  
MEDIUM

INHERENT  
**6.0**

R00723

LTP, 1 - POPULATION, PLANNING & STRATEGY

**Population growth - Tiwai remains open**

If Tiwai Point remains open, it is projected that the population of Invercargill will increase by a little over 5,000 people over the course of the Long-term Plan.

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson  
 CREATED 10/11/2023 11:27:29 am

CONSEQUENCE Minor  
 LIKELIHOOD Moderate  
 RESIDUAL CONSEQUENCE Minor  
 RESIDUAL LIKELIHOOD Moderate  
 COUNCIL RISK Medium  
 APPETITE/RISK CERTAINTY

CONTROL MC00740

COUNCIL RESPONSE:

Tiwai remaining open may result in further investment in power to support new industries. Council will continue to advocate for this to Central Government.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The second Monday of every 6 months

RESIDUAL  
**6.0**  
MEDIUM

INHERENT  
**6.0**

R00758

LTP, 4 - ENVIRONMENTAL, PLANNING & STRATEGY

**Mean Annual and Extreme Temperature**

(days where temp. exceeds 25C) are expected to increase with time:

By 2040: mean annual temperature increase of 0.5-1.0C with 0-10 more hot days per annum.

By 2090: mean annual temperature increase of 0.7-3.0C, with 5-55 more hot days per annum.

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson  
 CREATED 13/11/2023 2:33:35 pm

CONSEQUENCE Minor  
 LIKELIHOOD Moderate  
 RESIDUAL CONSEQUENCE Minor  
 RESIDUAL LIKELIHOOD Moderate  
 COUNCIL RISK Medium  
 APPETITE/RISK CERTAINTY

CONTROL MC00774

COUNCIL RESPONSE:

Temperature increase while important has an indirect impact on Council operations, which are expected to be accommodated within Council plans.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The second Monday of every 6 months

RESIDUAL <b>6.0</b> MEDIUM	LTP, 6 - COUNCIL OPERATIONS, PLANNING & STRATEGY <b>Capital Programme Delivery</b> 100% of roadmap and strategic projects are expected to be delivered.	CONTROL MC00761 <b>COUNCIL RESPONSE:</b> Council continues to invest in enhanced project management capacity and supporting construction sector capacity through new ways of working.  The financials will be reforecast to reflect the delivery expectations each year.	SIGNOFF(S): DUE DATE: 01 Jul 2024 FREQUENCY: The second Monday of every 6 months
	INHERENT <b>6.0</b>	80% of the core capital programme will be delivered in Year 1 and 2, 85% in Year 3, and 90% thereafter, following implementation of the Affordable Water Reforms.  Pipe renewals are expected to be delivered at 70%.  OWNER Portfolio Managers: Andrew Cameron, Tash Anderson CREATED 13/11/2023 2:07:31 pm  CONSEQUENCE Moderate LIKELIHOOD Possible RESIDUAL CONSEQUENCE Moderate RESIDUAL LIKELIHOOD Possible COUNCIL RISK Medium APPETITE/RISK CERTAINTY	

R00749

RESIDUAL <b>4.0</b> LOW	LTP, 6 - COUNCIL OPERATIONS, PLANNING & STRATEGY <b>Investment Property</b> Investment Property Assets are valued on a yearly basis. They are expected to increase in value in line with inflation.	CONTROL MC00773 <b>COUNCIL RESPONSE:</b> Variations in valuations have no cash flow implications for Council.  Council will continue to value Investment Property and forestry assets on an annual basis.	SIGNOFF(S): DUE DATE: 01 Jul 2024 FREQUENCY: The second Monday of every 6 months
	INHERENT <b>4.0</b>	This is reflected in our Financial Strategy, and Accounting policies.  OWNER Portfolio Managers: Andrew Cameron, Tash Anderson CREATED 13/11/2023 2:11:54 pm  CONSEQUENCE Low LIKELIHOOD Likely RESIDUAL CONSEQUENCE Low RESIDUAL LIKELIHOOD Likely COUNCIL RISK High APPETITE/RISK CERTAINTY	

R00750



RESIDUAL  
**4.0**  
LOW

INHERENT  
**4.0**

LTP, 7 - FINANCIAL, PLANNING & STRATEGY

**Land Sale Revenue**

Revenue from the sale of land is forecast to amount to \$2.2 million in 2024/2025, \$1.6 million in 2025/2026, \$10.6 million in 2026/2027, and \$0.2 million in 2027/2028.

Review - Need close monitoring as markets may be contracting

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson

CREATED 8/02/2024 3:16:11 pm

CONSEQUENCE Minor

LIKELIHOOD Possible

RESIDUAL CONSEQUENCE Minor

RESIDUAL LIKELIHOOD Possible

COUNCIL RISK Medium

APPETITE/RISK CERTAINTY

CONTROL MC00770

COUNCIL RESPONSE:

Some or all land may not be sold or may be sold for a lower value.

Council expects to be in a position to meet any shortfall.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The second Monday of every 6 months

R00796

RESIDUAL  
**4.0**  
LOW

INHERENT  
**4.0**

LTP, 7 - FINANCIAL, PLANNING & STRATEGY

**External Funding**

It is assumed Council will achieve the level of external funding as estimated.

Review - Noted that given the change in the grants sector (including government grants) that it may be more difficult to secure all the funding required. This would increase Council's investment in these projects as funding underwriter.

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson

CREATED 13/11/2023 2:30:31 pm

CONSEQUENCE Minor

LIKELIHOOD Possible

RESIDUAL CONSEQUENCE Minor

RESIDUAL LIKELIHOOD Possible

COUNCIL RISK Medium

APPETITE/RISK CERTAINTY

CONTROL MC00769

COUNCIL RESPONSE:

Council is expecting external funding from Central Government, community and private investment into a number of strategic projects. While not all funding may be achieved, the estimates are based on expert analysis and are expected to be at least partially fulfilled.

Council expects to be in a position to meet any shortfall.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The second Monday of every 6 months

R00757

RESIDUAL  
**4.0**  
LOW

INHERENT  
**4.0**

R00740

LTP, 5 - CULTURAL, PLANNING & STRATEGY

**Māori Culture**  
Māori culture has become more visible in the city since the time of the last Long-term Plan and will continue to become more visible.

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson  
CREATED 13/11/2023 12:18:42 pm

CONSEQUENCE Low  
LIKELIHOOD Likely  
RESIDUAL CONSEQUENCE Low  
RESIDUAL LIKELIHOOD Likely  
COUNCIL RISK High  
APPETITE/RISK CERTAINTY

CONTROL MC00752

COUNCIL RESPONSE:  
Council is working closely in partnership with Mana whenua and would seek to manage impacts through this relationship.

SIGNOFF(S):  
DUE DATE: 01 Jul 2024  
FREQUENCY: The second Monday of every 6 months

RESIDUAL  
**4.0**  
LOW

INHERENT  
**4.0**

R00810

LTP, 7 - FINANCIAL

**Inflation - Insurance**  
Operational forecasts will increase by the accumulated Local Government Cost Index inflation forecast by BERL, being 2.9% in 2024/2025.

Review - May 12%

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson  
CREATED 16/05/2024 10:15:51 am

CONSEQUENCE Minor  
LIKELIHOOD Possible  
RESIDUAL CONSEQUENCE Minor  
RESIDUAL LIKELIHOOD Possible  
COUNCIL RISK Medium  
APPETITE/RISK CERTAINTY

CONTROL MC00764

COUNCIL RESPONSE:  
Cost change factors are based on information developed for councils by BERL. Significant variations to inflation would have an impact on Council's financial management. The significant changes in recent years in relation to inflation mean that level of uncertainty has increased as to whether increased fluctuations in the BERL cost estimates can be expected.

Council will continue on the planned pathway for the Capital Works programme and review operational revenue and expenditure each year.

If inflation was 0.5% higher than forecast this would increase Council operational costs by \$0.5 - \$1.5 million per annum for the first 3 years of the plan.  
Council capital costs would increase by \$0.3 - \$1.5 million per annum for the first 3 years of the plan

Increases in operational costs would impact the expected rates increase in those future years.

SIGNOFF(S):  
DUE DATE: 01 Jul 2024  
FREQUENCY: The first Tuesday of every 2 months

RESIDUAL  
**3.0**  
LOW

INHERENT  
**3.0**

R00724

LTP, 1 - POPULATION, PLANNING & STRATEGY

**Population Growth - Tiwai Closes**

With the closure of Tiwai Point growth in population of just over 4,000 people is expected.

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson  
 CREATED 10/11/2023 11:31:09 am

CONSEQUENCE Moderate  
 LIKELIHOOD Unlikely  
 RESIDUAL CONSEQUENCE Moderate  
 RESIDUAL LIKELIHOOD Unlikely  
 COUNCIL RISK Medium  
 APPETITE/RISK CERTAINTY

CONTROL MC00739

COUNCIL RESPONSE:

Council has participated in the Just Transitions programme to support transition in the case of Tiwai closure and will continue to liaise with the Enduring Oversight Committee to support the community.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The second Monday of every 6 months

RESIDUAL  
**3.0**  
LOW

INHERENT  
**3.0**

R00729

LTP, 2 - SOCIAL, PLANNING & STRATEGY

**Community Resilience - Tiwai Closure**

Tiwai Point Aluminium Smelter is expected to continue operating for the time of the Long-term Plan.

Should Tiwai close this is expected to have an impact on community resilience.

OWNER Portfolio Managers: Andrew Cameron, Tash Anderson  
 CREATED 13/11/2023 9:24:05 am

CONSEQUENCE Moderate  
 LIKELIHOOD Unlikely  
 RESIDUAL CONSEQUENCE Moderate  
 RESIDUAL LIKELIHOOD Unlikely  
 COUNCIL RISK High  
 APPETITE/RISK CERTAINTY

CONTROL MC00741

COUNCIL RESPONSE:

Council has plans in place, including community support for the Just Transitions Connected Murihiku programme and support for Great South to deliver economic diversification options.

Additional investment may be required on any announcement of closure.

SIGNOFF(S):

DUE DATE:

01 Jul 2024

FREQUENCY:

The second Monday of every 6 months