



NOTICE OF MEETING

**Notice is hereby given of the Meeting of the
Risk and Assurance Committee
to be held in the Council Chamber, Civic Theatre,
88 Tay Street, Invercargill on
Tuesday 17 December 2024 at 2.00 pm**

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

MICHAEL DAY
CHIEF EXECUTIVE

Risk and Assurance Committee - Public

17 December 2024 02:00 PM

| Agenda Topic | Page |
|--|-------------|
| 1. Apologies | |
| 2. Declaration of Interest | |
| a. Members are reminded of the need to stand aside from decision-making when a conflict arises between their role as an elected representative and any private or other external interest they might have. | |
| b. Elected members are reminded to update their register of interests as soon as practicable, including amending the register at this meeting if necessary. | |
| 3. Public Forum | |
| 4. Minutes of the Risk and Assurance Committee Meeting Held on 22 October 2024 (A5598256) | 6 |
| 5. Minutes of the Extraordinary Risk and Assurance Committee Meeting Held on 19 November 2024 (A5640981) | 11 |
| 6. Financial Risks Update (A5663813) | 13 |
| 6.1 Appendix 1 - Invercargill CC Treasury Report as at 30 November 2024 (A5678439) | 16 |
| 7. Internal Audit and Continuous Improvement Update (A5629905) | 23 |
| 7.1 Appendix 1 - Approved Internal Audit Plan – 2023 – 2025 (A5644399) | 30 |
| 8. Health, Safety and Wellbeing Update (A5656641) | 31 |
| 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 Meeting Held on 22 October 2024
- b) Minutes of the Public Excluded Session of the Extraordinary Risk and Assurance Committee Meeting Held on 19 November 2024
- c) Amendment to the Internal Audit Plan
- d) Our Council Programme Risks
- e) Council Litigation Update
- f) Ombudsman Investigations
- g) Verbal Risk 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:

| General subject of each matter to be considered | Reason for passing this resolution in relation to each matter | Ground(s) under Section 48(1) for the passing of this resolution |
|--|--|--|
| a) Minutes of the Public Excluded Session of the Risk and Assurance Committee Meeting Held on 15 August 2024 | <p>Section 7(2)(a) Protect the privacy of natural persons, including that of deceased natural persons</p> <p>Section 7(2)(b) (ii) Protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>Section 7(2)(g) Maintain legal professional privilege</p> <p>Section 7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p> | <p>Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7</p> |
| b) Minutes of the Public Excluded Session of the Extraordinary Risk and Assurance | <p>Section 7(2)(b) (ii) Protect information where the making available of the information would be</p> | <p>Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure</p> |

| | | |
|---|--|--|
| <p>Committee Meeting Held on 19 November 2024</p> | <p>likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> | <p>of information for which good reason for withholding would exist under Section 7</p> |
| <p>c) Amendment to the Internal Audit Plan</p> | <p>Section 7(2)(c)(ii) Protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest</p> <p>Section 7(2)(f)(ii) Maintain the effective conduct of public affairs through the protection of such members, officers, employees, and persons from improper pressure or harassment</p> | <p>Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7</p> |
| <p>d) Our Council Programme Risks</p> | <p>Section 7(2)(a) Protect the privacy of natural persons, including that of deceased natural persons</p> <p>Section 7(2)(h) Enable any local authority holding the information to carry on, without prejudice or disadvantage, commercial activities</p> <p>Section 7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p> | <p>Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7</p> |
| <p>e) Council Litigation Update</p> | <p>Section 7(2)(g) Maintain legal professional privilege</p> | <p>Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for</p> |

| | | |
|-----------------------------|--|--|
| | | withholding would exist under Section 7 |
| f) Ombudsman Investigations | Section 7(2)(g) Maintain legal professional privilege | Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7 |
| g) Verbal Risk Update | Section 7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) | Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7 |

**MINUTES OF RISK AND ASSURANCE COMMITTEE, HELD IN THE COUNCIL CHAMBERS,
FIRST FLOOR, CIVIC THEATRE, 88 TAY STREET, INVERCARGILL ON TUESDAY 22 OCTOBER
2024 AT 3.00 PM**

Present: Mr R Jackson (Chair)
Mayor W S Clark
Cr R I D Bond
Cr T Campbell
Cr G M Dermody
Cr D J Ludlow
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 M Morris – Manager – Governance and Legal
Mr M O'Connor – Bancorp (Zoom)
Mr J Botting – Manager - Financial Planning
Ms S Roberts – Manager Financial Services
Mr P Patton – Manager – Quality Assurance
Ms R Suter – Manager – Strategy and Policy
Ms E Wallace – Director – Te Unua Museum of Southland
Ms L Knight – Manager – Strategic Communications
Ms G Englert – Social Media Advisor
Mrs L Williams – Team Leader - Executive Support

1. Apologies

Cr Pottinger and Rev Cook

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

2. Declaration of Interest

Nil

3. Public Forum

Nil.

4. Minutes of the Risk and Assurance Committee Meeting held on Thursday 15 August 2024

A5501421

Moved Cr Soper, seconded Cr Campbell and **RESOLVED** that the Minutes of the Risk and Assurance Committee meeting held on Thursday 15 August 2024 be confirmed.

5. Financial Risks Update

A5584475

Mr Jaimee Botting and Mr Miles O'Connor, Manager – Corporate Services of Bancorp Treasury (via Zoom) spoke to the report and noted that core debt was \$114 million and \$37 million for other borrowings taken for advances and loans and Council had entered into some interest rate swaps and achieved very good interest rates for these.

Mr O'Connor noted that in May the Reserve Bank gave an indication of rates rising and projected that the first cut of OCR would be in the first quarter of 2025. The first 25 basis point cut was in August 2024, and now have had a total of 75 basis points cut in the OCR. It was noted that inflation had come down to 2.2%, noting that September was traditionally a large quarter for inflation, he added that GDP was back in the negative, could lead to a triple dip recession. He gave the Committee background on the economy in the US and the possible impact on the New Zealand economy. He noted that a 50 basis point cut in November was possible, as there would be no chance to cut for a further three months, given Christmas and the New Year.

A query was raised around the comment that would not go to a 75 basis point cut, it was noted that that would be a drastic action and considered an emergency and added that even 50 was considered high. It was added that the unemployment information would be out and that could also have an impact.

A query was raised around funding and interest rates and what would be a reasonable cost of funding for Council, it was noted that the swaps that Council had done and received low interest rates and they were for a total of \$40 million. It was noted that the cost of funds for Council were not predicted to go down and had the lowest cost of funding of any council in New Zealand which Bancorp advise, well below the next lowest as at 3.6%.

It was added that there had been an increase in interest rates in the last two weeks and had risen sharply.

A further query was raised around the US elections and the war in Ukraine and Korea possibly becoming involved and the impact, it was noted that the elections could have an initial impact on rates and that in the case of Korea being involved in the Ukraine would not impact, it would be more likely if someone like Iran were to get involved.

The Chair thanked Mr O'Connor for his report and attendance at the meeting.

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

1. Receives the report 'Financial Risks Update'.

- 2. Notes that officers have entered into two future swap arrangements during September 2024 to cover expected borrowings to be drawn down and to lock in interest rates below LTP forecast.

6. 2024 – 2034 Long-term Plan Delivery Process Review

A5539461

Ms Rhiannon Suter spoke to the report and noted that on balance it had been a successful process in terms of hitting milestones, receiving an unqualified audit and had identified some opportunities.

A query was raised around the challenges with TechOne. It was noted that the comment related to the transparency of the higher level detail and this was being developed for managers, the granular level was very detailed.

Moved Cr Ludlow, seconded Cr Soper that the Risk and Assurance Committee:

- 1. Receives the report "2024 – 2034 Long-term Plan Delivery Process Review".

The motion, now put, was **RESOLVED**.

7. Public Excluded Session

Moved Mr Jackson, seconded Cr Dermody 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 Meeting Held on 15 August 2024
- b. Draft 2024 Annual Report Update
- c. Council Litigation Update
- d. Verbal Risk Update
- e. Update Te Unua Museum of Southland 'Experience' Risks

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

| General subject of each matter to be considered | Reason for passing this resolution in relation to each matter | Ground(s) under Section 48(1) for the passing of this resolution |
|---|--|---|
| a. Minutes of the Public Excluded Session of the Risk and Assurance Committee Meeting | Section 7(2)(a) Protect the privacy of natural persons, including that of deceased natural persons | Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good |

Held on 15 August 2024

Section 7(2)(b) (ii)
 Protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information

reason for withholding would exist under Section 7

Section 7(2)(g)
 Maintain legal professional privilege

Section 7(2)(i)
 Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

b. Draft 2024 Annual Report Update

Section 7(2)(b) (ii)
 Protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information

Section 48(1)(a)
 That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7

c. Council Litigation Update

Section 7(2)(g)
 Maintain legal professional privilege

Section 48(1)(a)
 That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7

d. Verbal Risk Update

Section 7(2)(a)
 Protect the privacy of natural persons, including that of deceased natural persons

Section 48(1)(a)
 That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7

Section 7(2)(i)

Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

- e. Update Te Unua Museum of Southland 'Experience' Risks

Section 7(2)(a)

Protect the privacy of natural persons, including that of deceased natural persons

Section 48(1)(a)

That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7

There being no further business, the meeting finished at 5.55 pm.

MINUTES OF THE EXTRAORDINARY RISK AND ASSURANCE COMMITTEE, HELD IN THE COUNCIL CHAMBERS, FIRST FLOOR, CIVIC THEATRE, 88 TAY STREET, INVERCARGILL ON TUESDAY 19 NOVEMBER 2024 AT 8.30 AM

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

In Attendance: Cr P M Boyle
Mr M Day – Chief Executive
Ms E Moogan – Group Manager – Infrastructure
Mrs P Christie – Group Manager – Finance and Assurance
Mr R Capil – Group Manager – Community Spaces and Places
Mr J Shaw – Group Manager - Consenting and Environment
Mr C Genet – Audit New Zealand (via Zoom)
Mr M Morris – Manager – Governance and Legal
Mrs S Roberts – Manager – Financial Services
Miss K Braithwaite – Team Leader Communications
Ms M Sievwright – Senior Executive Support

1. Apologies

Nil.

2. Declaration of Interest

Nil.

3. Public Excluded Session

Moved Mr Jackson, seconded Cr Dermody and **RESOLVED** that the public be excluded from the following parts of the proceedings of this meeting, with the exception of Chris Genet from Audit New Zealand, namely:

- a. Draft 2024 Annual Report Adoption

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

| General subject of each matter to be considered | Reason for passing this resolution in relation to each matter | Ground(s) under Section 48(1) for the passing of this resolution |
|--|--|--|
| a. Draft 2024 Annual Report Adoption | Section 7(2)(b) (ii) Protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information | Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7 |

There being no further business, the meeting finished at 9.19 am.

FINANCIAL RISKS UPDATE

| | |
|-----------------------|---|
| To: | Risk and Assurance Committee |
| Meeting Date: | Tuesday 17 December 2024 |
| From: | Jaimee Botting – Manager Financial Planning |
| Approved: | Patricia Christie - Group Manager - Finance and Assurance |
| Approved Date: | Thursday 12 December 2024 |
| Open Agenda: | Yes |

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'.

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

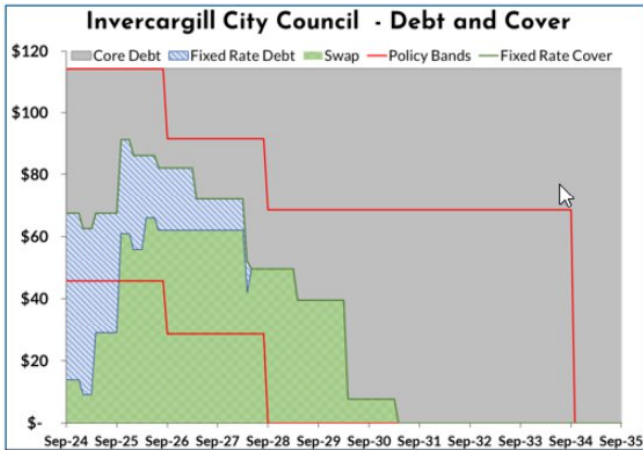
Attached as Attachment 1 is the November 2024 Treasury Report from Bancorp.

This report shows that at 30 November 2024 Council had core debt of \$125.7 million in place.

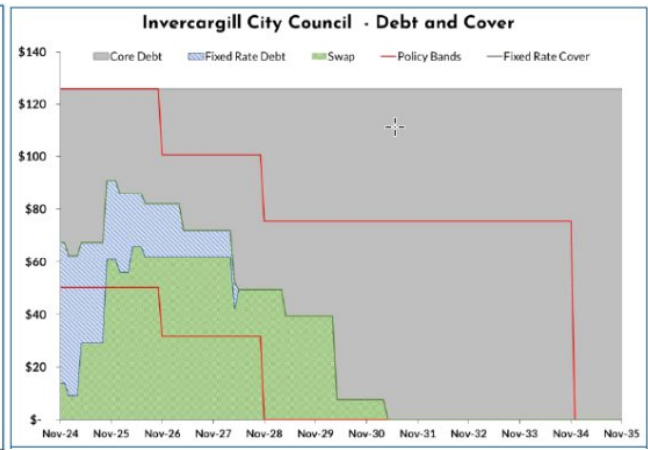
Council is in compliance with all policy measures:

- Transactions been transacted in compliance with policy
- Fixed interest rate cover is within policy control limits
- Funding maturity profile within policy control limits
- Liquidity within policy control limits
- Counterparty exposures within control limits

as at 30 September 2024 report



as at 28 November 2024 report

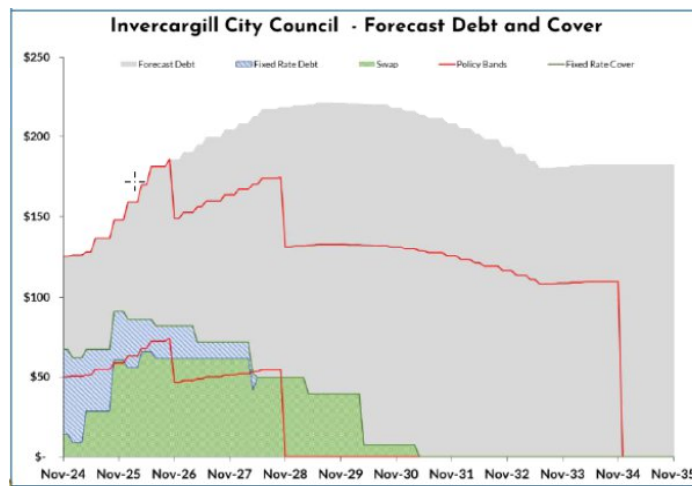


Council's policy bands are:

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

The below graph represents Council's projected debt compared to the policy bands.

Forecast debt represents 80% of the borrowings within LTP 2024-2034 less 3 waters debt.



It shows there is a potential future breach in 2028. We will monitor this over time along with future capital programme movements.

It is noted in the Treasury report that Council's average cost of funds is 3.49% a decrease on the 3.60% at September. 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.

At 30 November 2024 fixed rate borrowing from LGFA was between 4.25% and 5.33% depending on maturity for an AA rated Council.

Invercargill Central Limited loan advance

As at 30 November 2024, the balance of the loan to Invercargill Central Limited was \$17.4 million. This has decreased by \$1.7 million since 1 July 2024. The reduction is due to principal repayments.

Procurement

Since 1 June the procurement function has been involved with the procurement of 28 contracts to the value of \$13.4 million. In addition the function has worked on or is working on 35 different procurement exercises.

The function continues to monitor different aspects of the procurement framework, including spend without contract, local spend and adherence to the procurement policy.

Next Steps

Continue to monitor for any breaches of financial policies.

Continue to review current forecast capital spend to identify 2024/2025 funding needs given current market position.

Attachments

1. Invercargill CC Treasury Report as at 30 November 2024 (A5678439)



Treasury Dashboard Report

30 November 2024

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BANCORP
BANCORP TREASURY SERVICES LIMITED



Economic Commentary

2

As at 2 December

From a US perspective October and early November was all about positioning ahead of the US Presidential election with financial markets pricing in a Trump victory (stimulus from tax cuts and higher tariffs slowing inflation declines), which saw the US dollar index move higher and the US 10-year bond yield trade above 4.40% for the first time since July. While we saw some profit-taking on the eve of the election, financial markets went into election day still long 'Trump' trades.

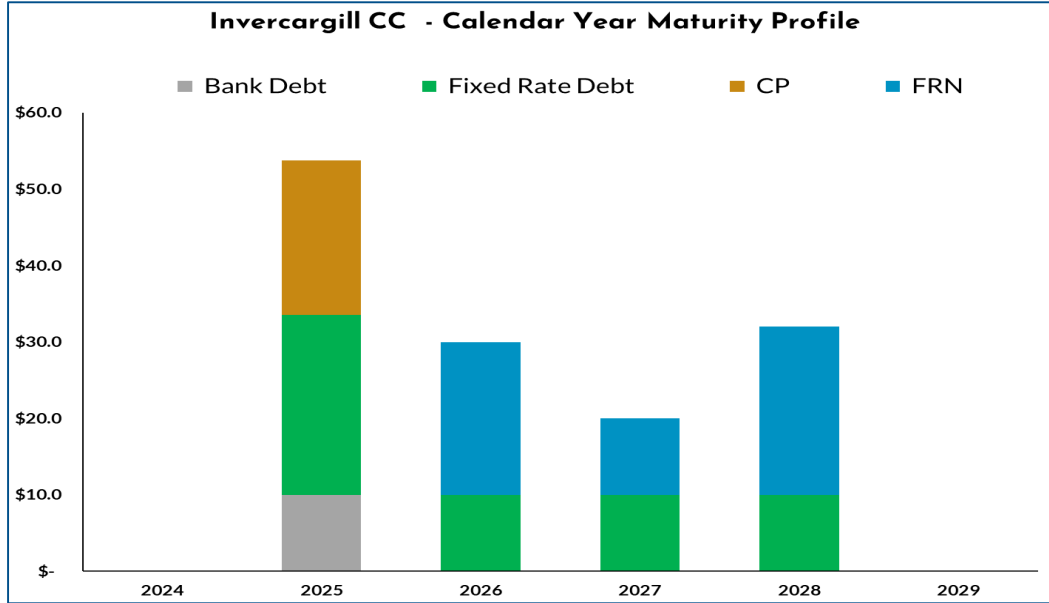
As pundits started to call the result it was clear that financial markets had got it 'right' with a surprisingly broad Trump victory seeing 'Trump' trades pay-off. Equity markets hit new all-time highs, and the US 10-year bond yield traded at 4.48%, this being 0.88% above the cycle lows of 3.60% seen in mid-September, currently it is at 4.27%. As expected, the US Federal Reserve ('Fed') cut the cash rate range by 0.25% to a range of 4.50% - 4.75% at its 8 November meeting, with Chairman Powell saying a cut in December will be driven by data, which he noted, has been weaker than expected over recent months. Financial markets have eased back expectations around further rate cuts from the Fed over 2025 with a 3.75% - 4.00% range priced by late 2025. The probability of a 0.25% cut in December is currently set by financial markets at ~70%. While the US 10-year bond yield has fallen back from its post-election highs around 4.48%, moves below 4.00% look unlikely any time soon. With Trump's inauguration on 20 January the next few months may see a nervous calm develop.

As widely expected, at its November meeting the Reserve Bank of New Zealand ("RBNZ") cut the OCR by a further 50bps, lowering it to 4.25% as "*Consumer price inflation is sustainably within the Monetary Policy Committee's 1.0% to 3.0% target range, and measures of core inflation are converging on the midpoint.*" and "*Economic activity in New Zealand remains subdued and output continues to be below its potential.*" The RBNZ has now delivered 125bps of cuts over the last three meetings as it seeks to rapidly remove monetary constraints to revive a fragile economy. RBNZ Governor, Adrian Orr, essentially cemented in a further 50bps cut at the next meeting on 19 February stating, "Its a misunderstanding that the RBNZ projections show a slower pace of rate cuts. The projections are consistent with 50bp cut in February ... depending on the economy." unsurprisingly, the bank also warned there was a greater risk to inflation volatility given the heightening in geo-political tensions.

The key driver of medium to longer dated New Zealand swap rates are global bond yields, while the RBNZ has been dictating the OCR and shorter dated swap rates. The US 10-year Treasury bond yield has experienced a substantial increase, at one point rallying 90bps from its September low of 3.60%, touching the psychologically significant 4.50% level, due to the Republican electoral clean sweep. But a sense of calm post the election while Trump's administration is established has seen the US 10-year Treasury bond yield fall back to 4.26%, with a strong market endorsement of the appointment of Scott Bessent as Treasury Secretary. Bessent has called for a gradual approach to tariffs and negotiations to determine the extent of them. Fiscally, Bessent is supportive of tax cut policies but wishes to prioritise spending cuts to reign in US debt.

This heightened volatility in the US Treasury market has had a spillover effect on New Zealand swap rates, however the increases were circa half the size seen in US markets and this reflects the ongoing weakness in the domestic economy and the more aggressive OCR cutting projections in New Zealand. Like the US, the local swap curve is now positive from the 3-year mark, and this means the significant forward start benefit seen over recent months has flipped with forward starting swaps from 2-years now at a premium. With the OCR thought to fall over 2025 this situation will continue, and a 'normal' positive yield curve may dominate for some time. The 3-year swap rate climbed from a low of 3.40% to a high of 3.80% post the US election but is back to 3.64%, while the 5-year swap rate climbed as high as 3.91% compared to the 3.50% cycle low but is also back down to 3.75%.

Liquidity and Funding



Core ICC Debt
\$125.7m
 External Council Drawn Debt

Total LGFA debt (includes on-lending)
\$125.7m
 Funds Drawn from LGFA

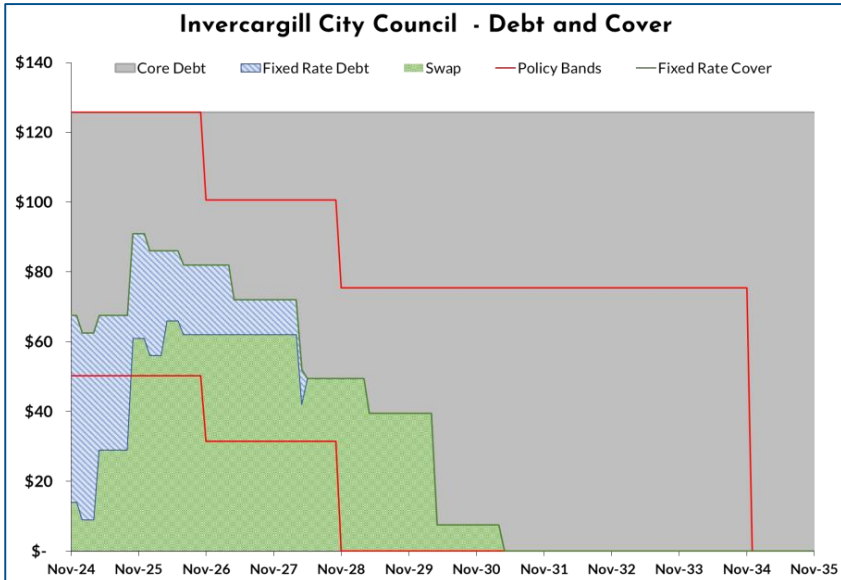
Liquidity = bank facility headroom +
 cash in bank + term deposits
\$57.69m

Liquidity Ratio (must be >110%)
138.15%
 Definition: (Term Deposits + cash in bank +
 Lines of Credit + Drawn Debt)/Drawn Debt
 which includes on lending

Cost of Funds at 30 November 2024
3.49%

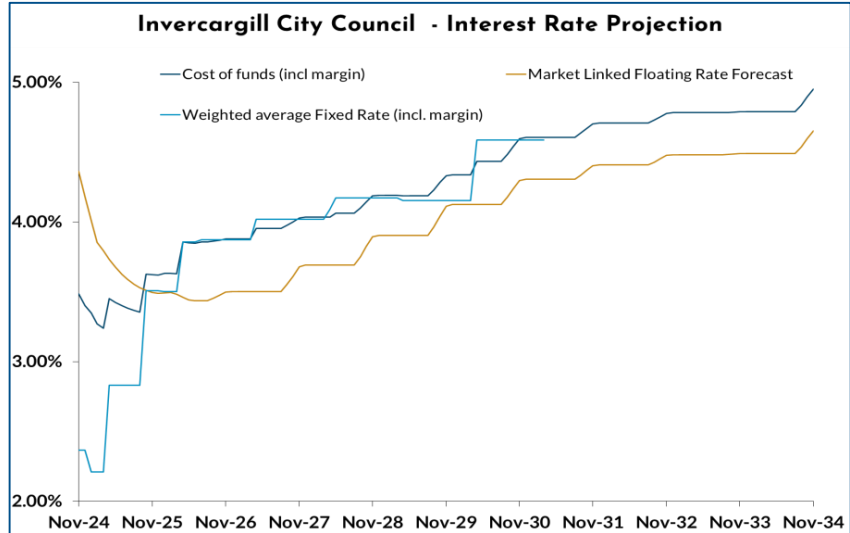
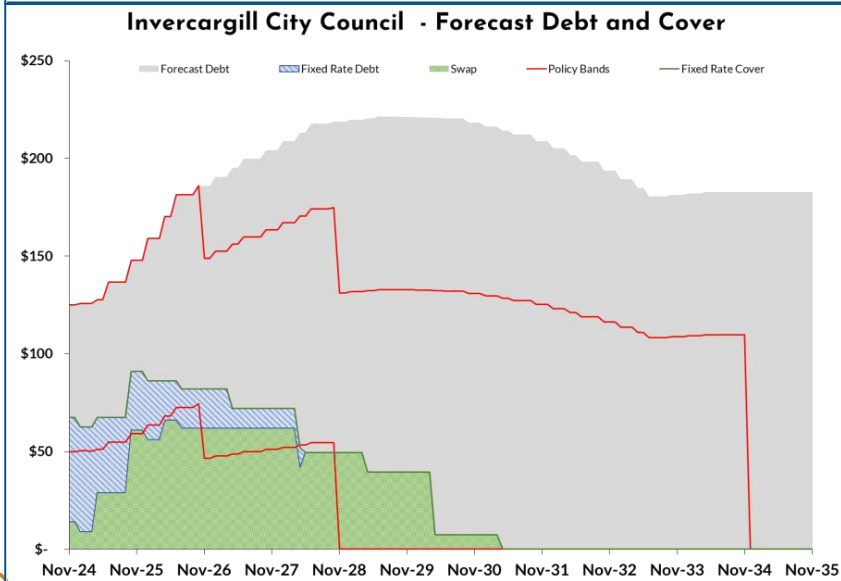
| Policy Compliance | Compliant |
|--|-----------|
| Have all transactions been transacted in compliance with policy? | Yes |
| Is fixed interest rate cover within policy control limits based on current debt? | Yes |
| Is the funding maturity profile within policy control limits? | Yes |
| Is liquidity within policy control limits? | Yes |
| Are counterparty exposures within policy control limits? | Yes |

Interest Rate Risk Management



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

| | |
|--|---------|
| Current % of Debt Fixed | 53.7% |
| Current % of Debt Floating | 46.3% |
| Value of Fixed Rate (m) | \$67.5 |
| Weighted Average Cost of Fixed Rate Instruments | 2.28% |
| Value of Forward Starting Cover | \$69.5 |
| Value of Floating Rate (m) | \$58.2 |
| Current Floating Rate | 4.36% |
| All Up Weighted Average Cost of Funds Including Margin | 3.49% |
| Total Facilities In Place | \$135.7 |



Invercargill City Council - Funding

5

As at 30 November 2024, ICC had \$125.7million 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-Jan-25 | 4.70% | 0.15% | \$20,236,932 |
| 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 FRB | 29-Apr-27 | 2.62% | N/A | \$10,000,000 |
| LGFA FRB | 15-May-28 | 4.06% | N/A | \$10,000,000 |
| LGFA FRN | 29-Apr-26 | 5.83% | 0.37% | \$10,000,000 |
| LGFA FRN | 29-Apr-26 | 5.90% | 0.44% | \$10,000,000 |
| LGFA FRN | 29-Apr-27 | 6.01% | 0.55% | \$10,000,000 |
| LGFA FRN | 29-Apr-28 | 5.65% | 0.56% | \$10,000,000 |
| LGFA FRN | 29-Apr-28 | 6.02% | 0.69% | \$12,000,000 |
| Total | | | | \$125,736,932 |

LGFA Funding Rates as at 25 November 2024

Listed below are the credit spreads and applicable interest rates as at 35 November 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% | 4.47% | N/A |
| 6 month CP | 0.15% | 4.24% | N/A |
| April 2025 | 0.36% | 4.68% | 4.57% |
| April 2026 | 0.36% | 4.68% | 4.15% |
| April 2027 | 0.53% | 4.85% | 4.23% |
| May 2028 | 0.67% | 4.99% | 4.40% |
| April 2029 | 0.80% | 5.12% | 4.59% |
| May 2030 | 0.91% | 5.23% | 4.78% |
| May 2031 | 0.97% | 5.29% | 4.94% |
| May 2032 | 1.00% | 5.32% | 5.04% |
| April 2033 | 1.03% | 5.35% | 5.14% |
| May 2035 | 1.06% | 5.38% | 5.28% |

Disclaimer

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.

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INTERNAL AUDIT AND CONTINUOUS IMPROVEMENT UPDATE

| | |
|--------------------------------|---|
| To: | Risk and Assurance Committee |
| Meeting Date: | Tuesday 17 December 2024 |
| From: | Peter Patton, Manager – Quality Assurance |
| Approved: | Patricia Christie - Group Manager - Finance and Assurance |
| Approved Date: | Tuesday 10 December 2024 |
| Open Agenda: | Yes |
| Public Excluded Agenda: | No |

Purpose and Summary

The purpose of this report is to provide an update on audits conducted as part of the approved internal audit plan, additional audits/reviews and the current status of recommended actions/recommendations tracked via the quality management system.

Recommendations

That the Risk and Assurance Committee:

1. Receive the report "Internal Audit and Continuous Improvement Update"
2. Note that Council has engaged Deloitte as its internal audit partner
3. Note the progress made against the approved internal audit plan
4. Note the continuous improvement update as per table 1.

Internal Audit Partner Selection

After the tender process and evaluation Deloitte have been selected as Council's internal audit partner for the period FY2024/2025 – FY2026/2027. Deloitte have commenced one audit on behalf of Council (Procure to Pay) and we are finalising the terms of reference for a second audit to be commence January 2025. These audits are outside the approved internal audit plan and a request to amend the plan has been submitted separately.

Internal Audit Plan

The internal audit plan for FY2024/2025 continues as scheduled and the internal audit function is jointly delivered by our internal audit partner and Council staff. The focus for July – November 2024 has included regular payroll auditing, Community Spaces and Places key performance indicator (KPI) audits and regulatory compliance.

Since August 2023 an additional long-term focus has been the Long-term Plan and Annual Plan KPI data audits. These audits include review of data collection, data integrity, documentation and compliance to Strategy, Policy and Engagements spreadsheet 'Annual Report KPI and Contents 2024-2025' for reporting of quarterly data. This review will audit all areas of Council that report KPI's to the Long-term Plan and Annual Plan.

Audits completed 13 July – 8 November 2024:

- Environmental Health – 2
- Payroll, including quarterly system access audit and system Masterfile – 14
- KPI data – 3 Waters – 2
- KPI data – Parks and Recreation – 1
- KPI data – Aquatic Services – 1
- Financial Services/Customer Services procedural audit (02 account) – 1

Upcoming audits for FY2024/2025 4th Quarter:

- KPI data – Library
- Financial Services/Customer Services procedural audit (03 account receipting)
- Payroll including quarterly system access audit and system Masterfile
- Environmental Health
- Internal KPI data – Parks and Recreation
- KPI data – Infrastructure Operation – Water RFSs and DIA KPIs

Building Consent Authority (BCA) Accreditation Assessment

International Accreditation New Zealand (IANZ) completed their assessment of Council's BCA over the period 27 June (remote) and 8 – 11 July 2024 (onsite). The outcome was that the BCA retains their accreditation to grant building consents on behalf of Council, they are considered low risk and the next assessment will be June 2026. The introduction, assessment summary, risk assessment and next accreditation assessment from IANZ final report are:

INTRODUCTION

This report relates to the routine accreditation assessment of the **Invercargill City Council Building Consent Authority (BCA)** which took place remotely on 27th June and then on site during **July 2024** to determine compliance with the requirements of the *Building (Accreditation of Building Consent Authorities) Regulations 2006* (the Regulations).

This report is based on the document review, witnessing of activities and interviews with the BCA's employees undertaken during the accreditation assessment.

The BCA provided additional information relating to GNC 2 on 16th August 2024. This information was reviewed by IANZ at the request of the BCA. Following the review, parts of GNC 2 have been removed, with Recommendation R12 and Recommendation R13 being added. This report has been amended to reflect this outcome.

A copy of this report, and subsequent information regarding progress towards clearance of non-compliances, will be provided to the Ministry of Business, Innovation and Employment (MBIE) in accordance with International Accreditation New Zealand's (IANZ) contractual obligations. This report may also be made publicly available by the BCA as long as this is not done in a way that misrepresents the content within. It may also be released under the Local Government Meetings and Official Information Act 1987 consistent with any ground for withholding that might be applicable. IANZ may also be required to release this report and assessment documentation if requested under the Official Information Act 1987.

ASSESSMENT SUMMARY

The Gazette Notice (Notice number 2017-go995) requires accreditation assessments to be completed every two years. This Routine Reassessment was originally planned to be conducted entirely on-site in June 2024; however, this was not possible due to unpredictable circumstances impacting on the availability of the assessment team. Therefore, in order to comply with the requirements of the Gazette Notice and the contractual obligations between IANZ and MBIE, this routine reassessment was split into two parts, with the assessment starting on the 27th of June remotely and then continuing on site from the 8th to 11th July.

The assessment identified that Invercargill City Council BCA had a well prepared team that was motivated towards achieving a good outcome for their 2024 Routine Reassessment.

It was observed on site that the BCA had created an open environment where questions and continuous learning were encouraged, with consistent mentoring to accommodate this. In particular, the observed inspections were seen to be conducted in a thorough and methodical manner, with good inspection records and labelling of photos.

At the time of the assessment, the BCA was contracting out their processing of building consents and the BCA was seen to have a good process relating to their monitoring and reviews of contractors. This ensured that the BCA maintained good quality standards and identified any potential issues as they arose.

The BCA had conducted frequent technical meetings (which included their contractors), monthly BCA meetings, quarterly leadership meetings and also weekly toolbox meetings. From the minutes sighted, the BCA appeared to structure discussions around providing useful commentary that was aimed at considering continuous improvement across all areas.

There were however, some outstanding issues, which are detailed below. The outstanding non-compliances must be addressed in order for accreditation to continue.

RISK ASSESSMENT

The BCA's risk, both to the Territorial Authority, as a BCA and also as an organisation accredited by IANZ was assessed using the following criteria:

| | | |
|-----------------------|---|---|
| High risk | A non-functioning BCA - depending on extent and type of risk and agreed management method. E.g. there is a pattern of failure to follow a policy, procedure or system (PPS) by a single or multiple employees, and/or that the PPS had not been consistently and effectively implemented. | Some form of monitoring within 6 months |
| Medium risk | The BCA is not currently compliant and is unlikely to demonstrate substantial compliance at the next assessment if significant actions are not taken to address the identified issues, especially where there was a failure to implement PPS over two or more assessment cycles. | 1 year |
| Low risk | "Normal" risk (the BCA is likely to remain substantially compliant over the next two years). | 2 years |
| Extra Low risk | The BCA is almost fully compliant and likely to remain that way. | Reduced monitoring at next 2 yearly assessment |

Consideration, as at the end of the on-site assessment phase of this assessment has determined that the BCA is considered to pose a **Low Risk**. The main reasons for considering this risk category were:

- Employees were seen to be highly engaged with the assessment process and were able to fully clear two non-compliances during the assessment, with parts of other non-compliances also being cleared.
- The BCA was seen to have sufficient resources and had discussed plans to address the identified findings.
- The BCA was seen to have a well-managed continuous improvement system, which was seen to be used effectively to manage identified issues.

NEXT ACCREDITATION ASSESSMENT

As part of the clearance process, IANZ will consider if the clearance material demonstrates full compliance with the accreditation requirements and the likelihood of the BCA to remain substantially compliant moving forward. Based on this, IANZ will undertake a further review of the Risk category of your BCA at the end of the clearance process. This further review will determine the timing of your next assessment.

Currently, if your BCA does not undergo a significant change, requiring some form of interim assessment, and if the BCA is able to clear the identified non-compliances within the agreed timeframe, the next assessment of the BCA is planned as a **Routine Reassessment for June 2026**.

You will be formally notified of your next assessment at least six weeks prior to its planned date.

Continuous Improvement Programme

An unintended benefit from the KPI audits has been the continued uptake from teams across council utilising the skills of the Quality Assurance team and the benefits the Quality Management System can provide them. Be this improved processes, time saving or a reduction in the duplication of effort for some. This can be seen in the creation of improvement portfolios for Aquatic Services, Parks and Recreation as well as portfolios for the areas that manage Requests for Service and Privacy Officers.

Table 1 – Continuous Improvement Update

| Improvement Area | Recommendations | | |
|--|-----------------|--------|-----------------------------|
| | Made | Closed | Open (Improvement Priority) |
| Audit NZ – Annual Report 2023 | 16 | 5 | 11 (10 mod, 1 low) |
| Building Services | 26 | 11 | 15 (14 mod, 1 low) |
| Building Administration | 6 | 2 | 4 (2 mod, 2 low) |
| Building Compliance | 3 | 0 | 3 (3 mod) |
| Environmental Compliance | 1 | 0 | 1 (1 mod) |
| Environmental Health Services (including JASANZ) | 1 | 0 | 1 (1 mod) |
| Information Management – Proactive Release | 2 | 0 | 2 (mod) |
| Information Management – Maturity Framework | 1 | 0 | 1 (1 mod) |
| Quality Assurance | 2 | 0 | 2 (1 mod, 1 low) |
| Strategic Asset Planning – Waka Kotahi (NZTA) | 5 | 4 | 1 (1mod) |
| LTP KPI – Roading | 1 | 0 | 1 (1 mod) |
| LTP KPI - Building | 10 | 5 | 5 (5 mod) |
| LTP KPI - Planning | 7 | 2 | 5 (2 mod, 3 low) |

Table 2 – External Audit Recommendations

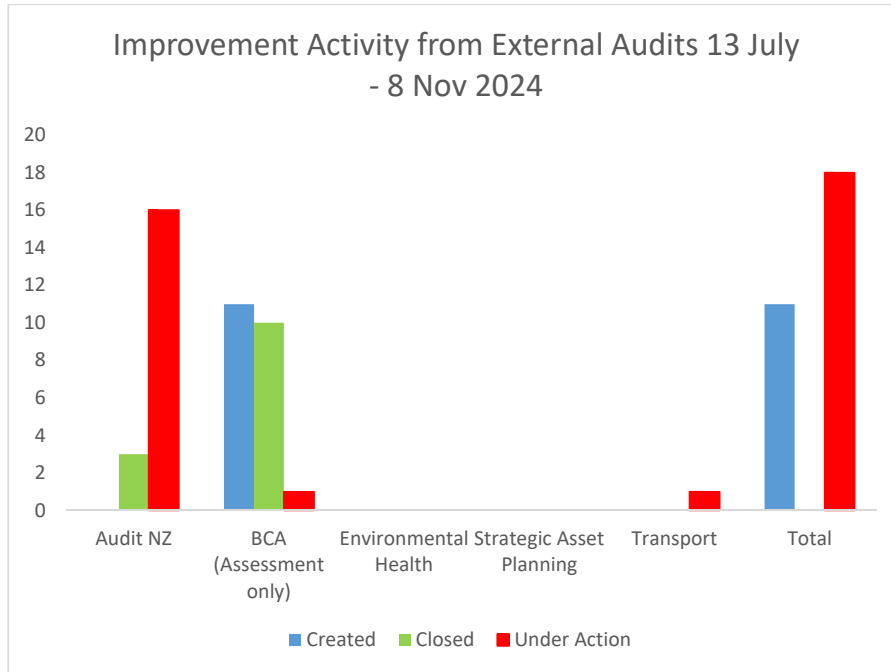


Table 3 – Internal Audit Recommendations

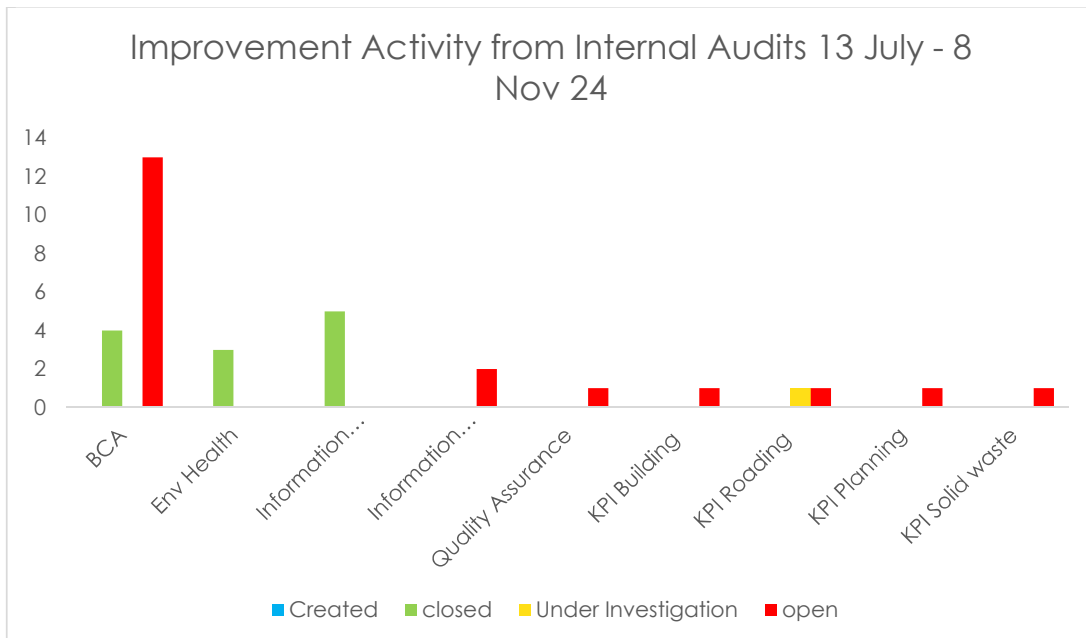
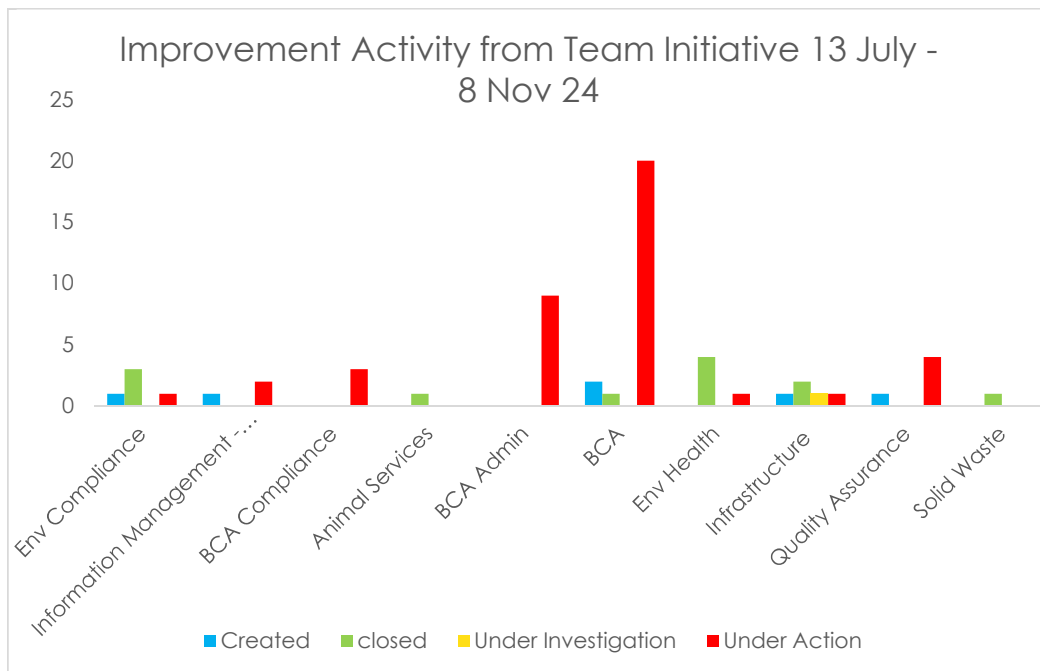


Table 4 – Internally Initiated Improvements



Next Steps

As part of on-boarding our internal audit partner a review of the current internal audit plan will be undertaken and any changes/recommendations brought to this Committee. The continuous improvement requests, recommendations and actions from audits/reviews will be monitored and reported using the Quality Management System.

Attachments

1. Approved Internal Audit Plan – 2023 – 2025 (A5644399)

Attachment 1 to:
Risk and Assurance Committee – Approved Internal Audit Plan 2023-2025 (A5644399)

The major audits / reviews approved to be undertaken over the period 2023 - 2025 are shown below.

| Review/Audit | FY23/24 | FY24/25 | FY25/26 |
|--|---------|---------|---------|
| Sensitive Expenditure Review | √ | | |
| Technical Building Services - Building Regulations 2006 | √ | | |
| Environmental Health – Food Regulations 2015 | √ | | |
| Payroll – Masterfile Changes – each pay cycle | √ | | |
| Payroll –Masterfile data – Quarterly | √ | | |
| Payroll –Access – Quarterly | √ | | |
| Annual Plan KPI data – bimonthly review of specific KPI data | √ | | |
| Asset Management Review | | √ | |
| Technical Building Services - Building Regulations 2006 | | √ | |
| Environmental Health – Food Regulations 2015 | | √ | |
| Payroll –Masterfile data – Quarterly | | √ | |
| Payroll –Access – Quarterly | | √ | |
| Annual Plan KPI data – bimonthly review of specific KPI data | | √ | |
| Cash Handling Review | | √ | |
| Treasury Management Review | | √ | |
| Complaints Handling Review | | √ | |
| Procurement Review | | √ | |
| Operational Spend Monitoring and Management | | √ | |
| LGOIMA Review | | √ | |
| Privacy Act | | √ | |
| Technical Building Services - Building Regulations 2006 | | | √ |
| Environmental Health – Food Regulations 2015 | | | √ |
| Payroll – Masterfile data – Quarterly | | | √ |
| Annual Plan KPI data – bimonthly review of specific KPI data | | | √ |
| Fraud Risk Management | | | √ |
| Rates Review | | | √ |
| Performance Management Review | | | √ |
| Contract Management Review | | | √ |
| Health, Safety and Wellbeing | | | √ |
| Conducted In House | | | |

HEALTH, SAFETY AND WELLBEING UPDATE

| | |
|--------------------------------|---|
| To: | Risk and Assurance Committee |
| Meeting Date: | Tuesday 17 December 2024 |
| From: | Tash Anderson – Health, Safety and Wellbeing Manager. |
| Approved: | Trudie Hurst - Group Manager Community Engagement and Corporate Services. |
| Approved Date: | Tuesday 10 December 2024 |
| Open Agenda: | Yes |
| Public Excluded Agenda: | No |

Purpose and Summary

The report details the current focus areas of Health, Safety and Wellbeing at the Invercargill City Council (Council), and includes future activities to achieve a desired outcome of an effective Health Safety and Wellbeing (HSW) system across all Council operations.

Recommendations

That the Risk and Assurance Committee:

1. Receives the report "Health, Safety and Wellbeing Update".

Recommends to Council:

2. Accepts the report as evidence of Invercargill City Council's management of workplace Health and Safety risks.

External Environment Scan – The importance of Health and Safety Risk Management

(Health Safety and Wellbeing Risk Picture - Relevant Officer Duties - Section 44 (a)(b) &(c) of the Health and Safety at Work Act 2015)

A5656641

Enforceable Undertakings

A legally binding arrangement, an enforceable undertaking is established through voluntary agreement between WorkSafe and a duty holder under the Health and Safety at Work Act 2015 (HSWA), triggered by a breach or alleged breach of HSWA. Serving as an alternative to prosecution, once established, it holds the duty holder accountable. There are also Court ordered enforceable undertakings.

Example A

On November 2024 WorkSafe accepted an enforceable undertaking from United Steel in Wigram.

In November 2020 33-year-old Francesco Krueger was sweeping underneath racking when nine tonnes of badly loaded steel fell and killed a Christchurch man, in what WorkSafe New Zealand says is a stark warning to any business that uses storage racks or shelving as part of its operations.

A WorkSafe investigation found glaring safety gaps, with the racking not cross-braced or bolted to the floor for stability. The business did not conduct regular and effective safety inspections, and investigators also found the rack design had no professional engineering input.

United Steel was sentenced and fined \$330,000, and ordered to pay \$100,000 in emotional harm reparation.

Relevance to Council

Given the widespread use of shelving systems across various Council departments, it is important to have a proactive approach to maintain asset safety. Regular inspections can help identify and address potential hazards such as damaged or improperly installed shelving. Furthermore, engaging a qualified engineer can provide expert advice on the suitability and maintenance of commercial or industrial racking systems.

Example B

On 14 May 2024 WorkSafe accepted an enforceable undertaking from S T L LINEHAUL LIMITED.

On 4 March 2021, Mr Lee-Broun's work day started at 9.45 am from Lower Hutt to travel around the Lower North Island, reaching Masterton at approximately 12.15 pm. He then began work the following day at just before seven and travelled around the North Island before delivering goods in Auckland, reaching the Otahuhu depot at just after half past five in the evening. The deceased was descending a hill and approached a 55 km an hour bend, the vehicle failed to take the corner. The vehicle tipped over, caught fire resulting in the fatality of Mr Lee-Broun. Mr Lee-Broun had on 31 January 2021 raised concerns about his work. He felt he was "going to run [himself into] the ground".

The company had systems to help drivers manage fatigue, but wasn't checking whether any of those systems were being carried out, it relied heavily on drivers looking out for themselves.

Taking required breaks was not enforced, and Mr Lee-Broun had not been properly briefed, and trained on the risks of fatigue while driving.

Relevance to Council

Council employs shift workers who may be exposed to the risks associated with fatigue. Council has a responsibility to mitigate the risks associated with fatigue. This includes implementing strategies to monitor worker fatigue, providing adequate rest periods, and offering training on fatigue management.

Internal Environment Scan

Good health and safety risk management practices require organisations to continually scan the changing landscape of their industry or sector, and remain ahead of the curve in terms of effectiveness of controls. This Committee and Council more generally have been apprised of the increases in the risks our staff are facing and the impacts of this on staff.

Following an external environment scan in which lessons can be learnt, Council should look at the above two examples, understand where we see similarities with the examples, and subsequently review how they manage critical risks and or risks that fall outside of Councils agreed appetite.

Both above examples highlight the importance of Risk Management and in particular, the result of not taking reasonably practicable steps to either eliminate, or minimise foreseeable safety risks to workers and others at Council workplaces.

In a Council reporting context, **Example A** would be defined as a Health and Safety Event, and categorised as a Notifiable Event. **Example B** would be defined as a Health and Safety Event, and categorised as a Notifiable Event.

Incident of Note: Contractor

A near-miss occurred when a member of the public drove through an active worksite in Layard Street, Invercargill. The driver had bypassed the Temporary Traffic Management (TTM) setup and drove between the safety cones and a crane vehicle, posing a significant risk to themselves and the workers. The driver ignored the traffic management signs and continued through the site without regard for safety measures. Fortunately, no injuries or damage occurred.

Vehicle incidents in or near worksites pose a serious risk not only to worker safety but to the safety of the public driving. Although no one was harmed in this incident, it highlights the vulnerability of worksites to members of the public who may not adhere to traffic management systems. Using stronger control measures can help prevent unauthorised access and mitigate future risks.

Outcomes

The contractor has investigated the incident, and has implemented new controls that they must take the time to check TTM setups and ensure they are effective at preventing any unauthorised access.

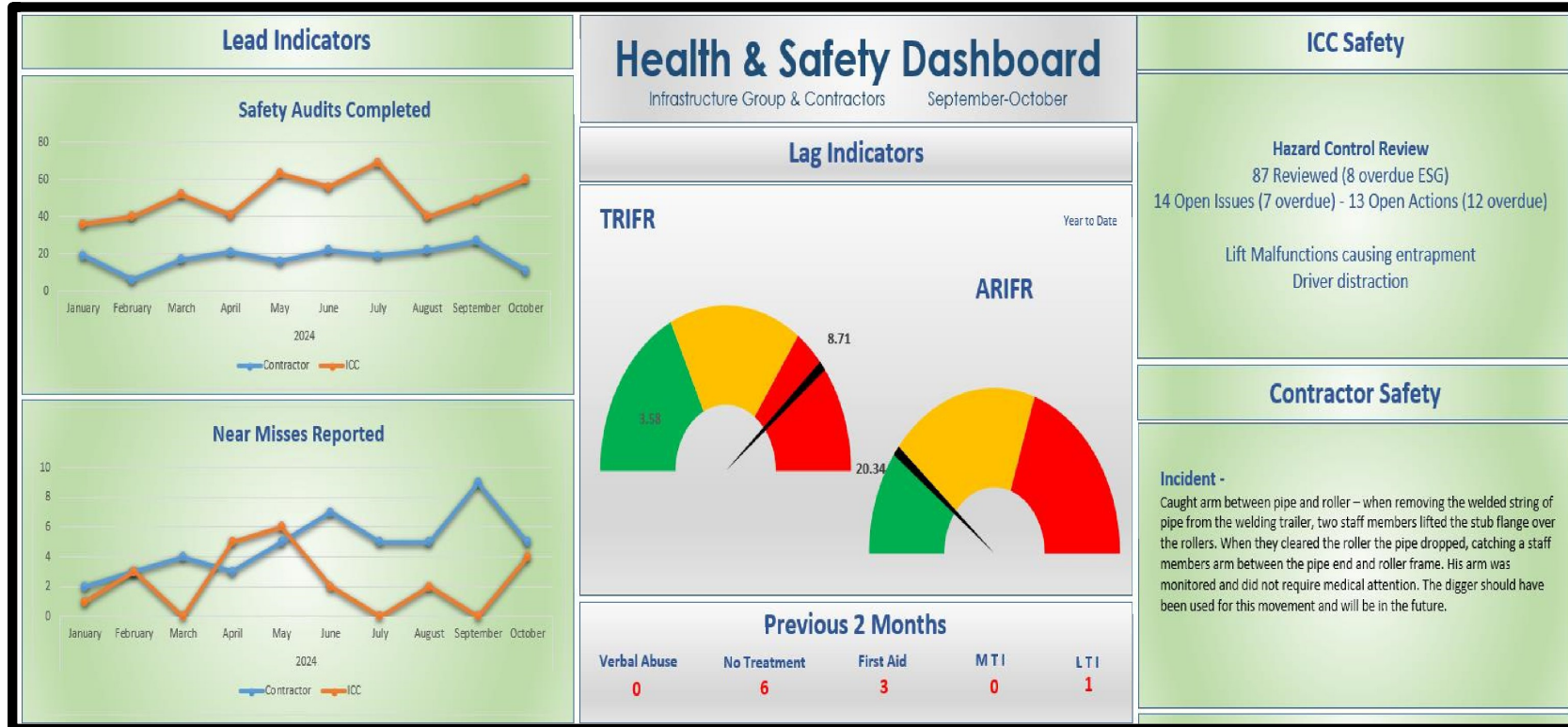
Joint PCBU Reporting – Contractor Management

Council has several areas where it contracts out much of its work. One of the areas that has been subject to significant ongoing improvements in the management of the joint person conducting business or undertaking (PCBU) responsibility is within infrastructure where there are a significant number of large contracts. In most cases the primary duty, as set out in the Health and Safety at Work Act (the Act) will lie with the contractor who will manage or control the workplace.

Council does however retain a duty for the employees of the contractors who are deemed workers under the Act. While Council cannot contract out of the duty, the primary duty will lie with the contractor and Council will manage its duty by monitoring the health and safety performance of the contractor.

The Total Recordable Injury Frequency Rate (TRIFR) is a Health and Safety Lag Indicator which can be used by a specific Industry within the organisation to measure its Health and Safety performance against equivalent Industry standards.

Sitting alongside the establishment of TRIFR recording tables for the Infrastructure Group, has been the development of a Health and Safety Dashboard, as shown in the below snip.



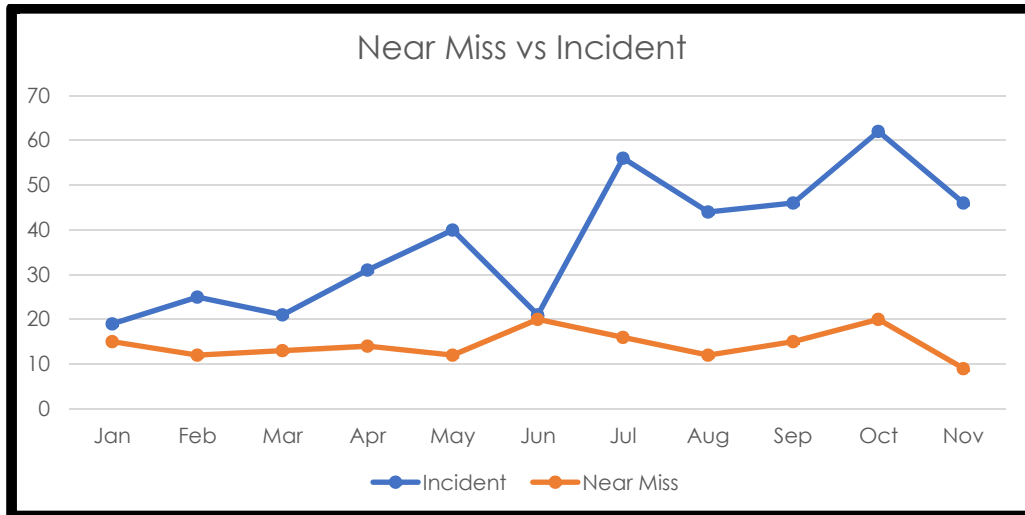


Verification/Monitoring of Health Safety and Wellbeing Systems

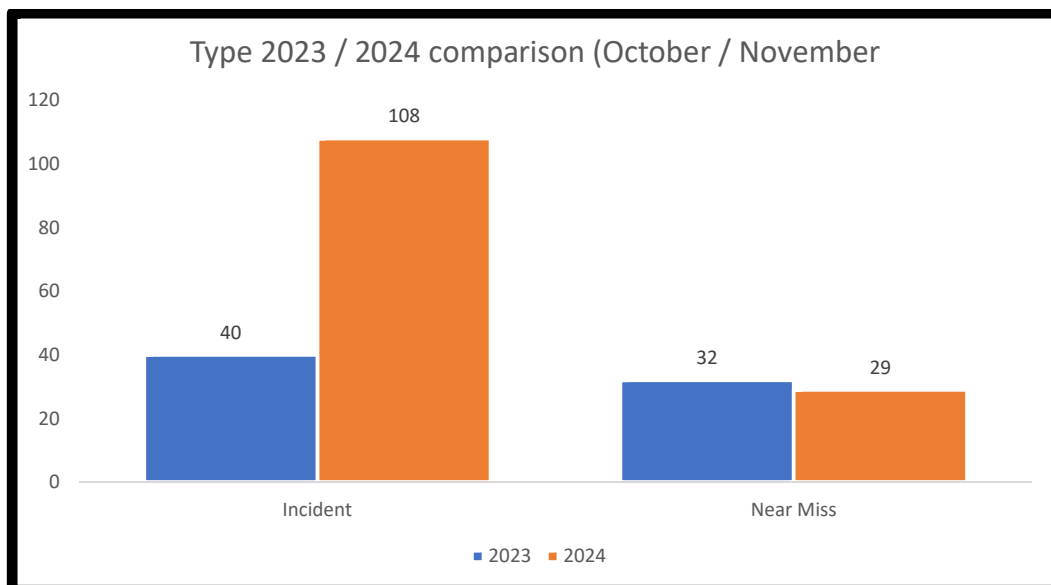
(Relevant Officer Duties - Section 44 (d)(e) & (f) of the Health and Safety at Work Act 2015)

Event Reporting

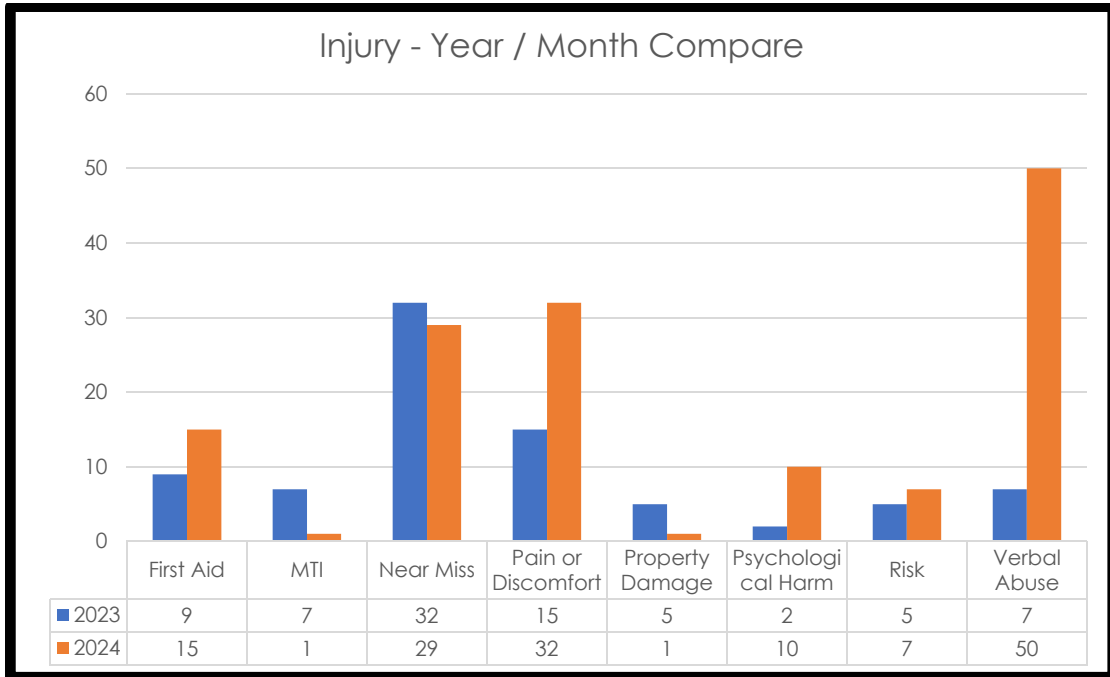
Health Safety and Wellbeing Events 2023 / 2024 YTD



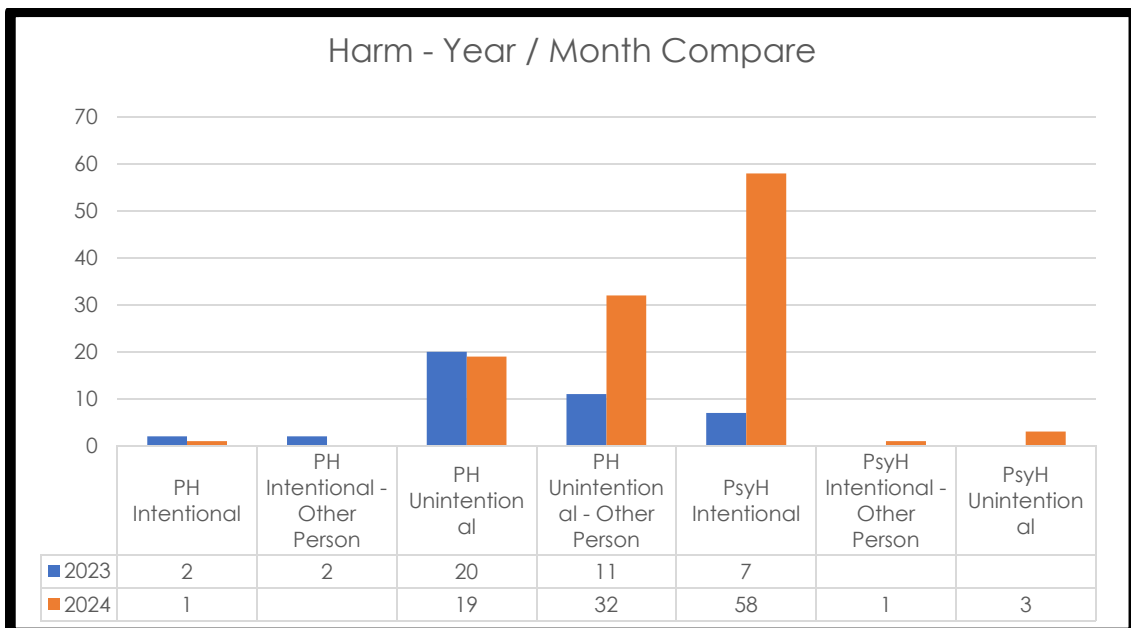
Events Broken Down By Incident Type 2023 / 2024 Comparison (October / November)



Incident Harm Type 2023 / 2024 Comparison (October / November)



Incident Harm Type 2023 / 2024 Comparison (October / November)



Summary of Data

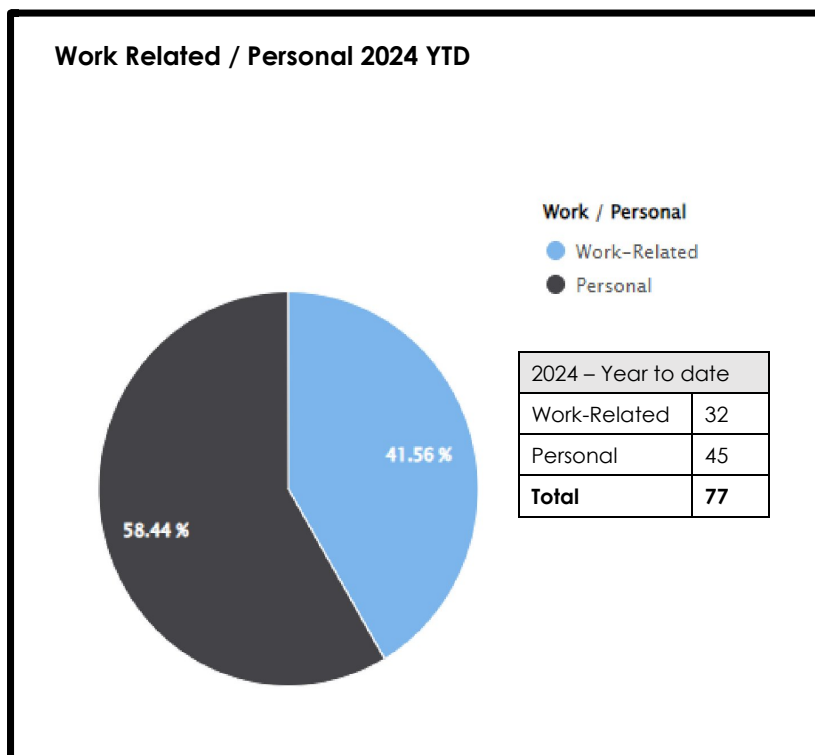
Reported events across the October / November period in comparison to 2023, have increased by 170 % Also notable is the slight decrease in near miss reporting missing Council set KPI of 2:1.

There has been a high increase in PsyH Intentional resulting from verbal abuse through in-person, email, and phone engagement. This can be attributed to the start of implementing a more efficient and user-friendly reporting system.

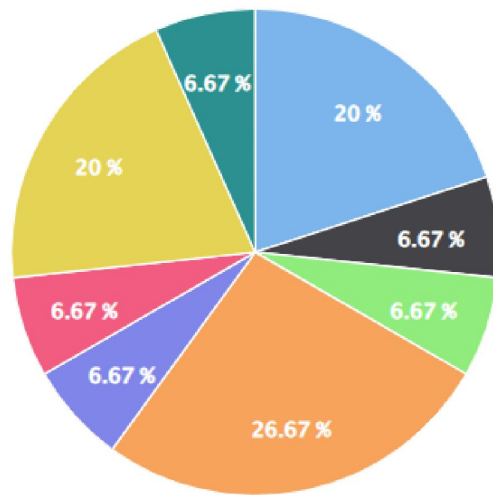
Most notable in terms of the harm type that 'workers' and 'others' are exposed to during Incidents is PsyH Intentional resulting from Verbal Abuse as the highest form of harm exposure. Important here to note is the majority of these are customer facing departments. A growing trend is 'high level' verbal abuse received through in-person engagement

EAP Service Access - RAISE

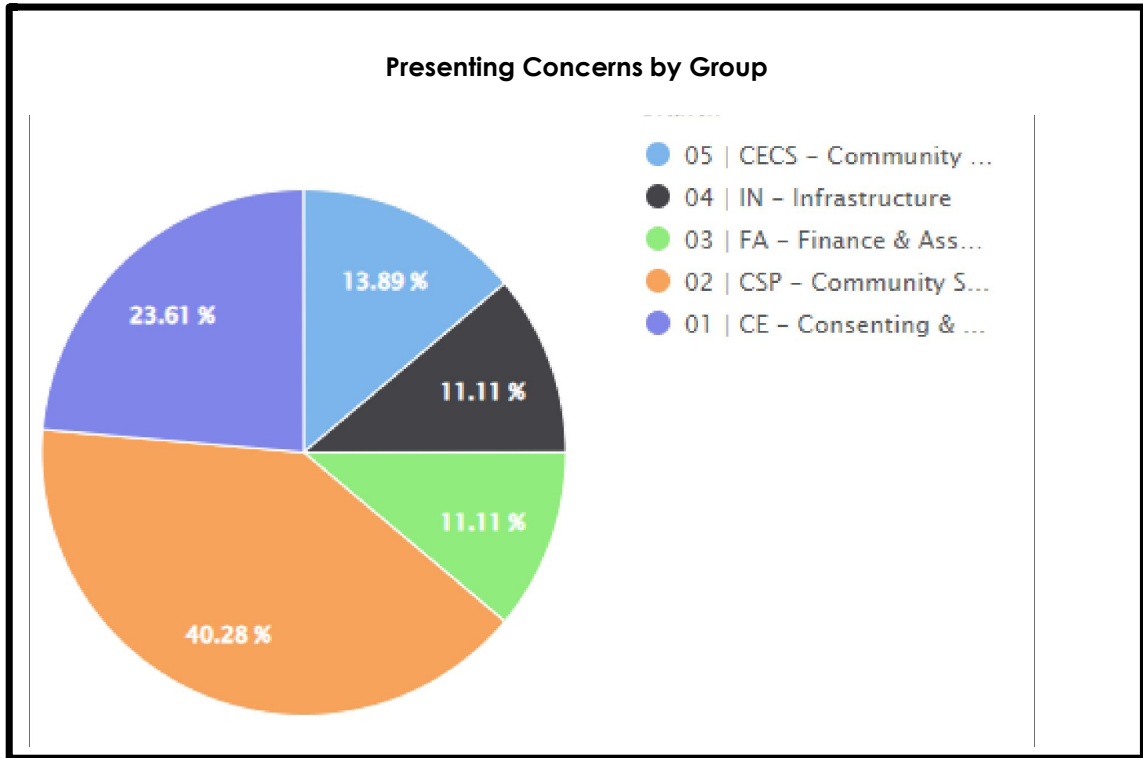
The average monthly usage for EAP service in the year to date is 7.0.



Presenting by Concern 2024



| Year to date | | |
|---------------------------|-----------|-----------|
| | 2023 | 2024 |
| Relatives / Family | 4 | 2 |
| Anxiety | 5 | 4 |
| Emotional / General | 7 | 19 |
| Alcohol / Drug | 2 | 3 |
| Emotional Distress | 1 | 4 |
| Relationships | 4 | 6 |
| Relationships Marriage | 5 | 8 |
| Pressure / Stress | 6 | 7 |
| Job Performance | 2 | 2 |
| Grief | 3 | 3 |
| Depression | 1 | 2 |
| Employment Conditions | 2 | 3 |
| Professional Development | 1 | 6 |
| Harassment | 1 | 1 |
| Workplace Change | 1 | |
| Critical Incident Debrief | | 2 |
| Management | | 2 |
| Financial Stress | | 1 |
| Gambling | | 1 |
| Health | | 1 |
| | 45 | 77 |



Next Steps

Regular HSW reporting to the Executive Leadership Team, and in summary to the Risk and Assurance Committee on the priorities that the HSW team either close off or add as part of their 'build' work programme will ensure a high level of accountability and monitoring of the plan as it remains ongoing.

Attachments

There are no attachments to this report.