



**The Meeting of the  
Audit and Risk Committee will be  
held on Tuesday 2 February 2021  
in the Council Chamber  
commencing at 1.00pm**

**AGENDA**

## **AUDIT AND RISK COMMITTEE**

His Worship the Mayor - Malcolm Campbell

Councillor C J Ion

Councillor A Rangihika

Councillor F K N Tunui

Councillor D Sparks

Philip Jones – Consultant - P J Associates (Chair)

**Kawerau District Council Minutes of an  
Audit & Risk Committee Meeting held on 17 November 2020  
In the Council Chamber commencing at 1.01pm**

**Present:** Philip Jones – P J Associates (Chair)  
His Worship the Mayor M J Campbell (Deputy Chair)  
Councillor F K N Tunui  
Councillor C J Ion  
Councillor A Rangihika  
Councillor D Sparks

**In attendance:** Chief Executive Officer (R George)  
Manager, Finance & Corporate Services (P Christophers)  
Manager, Compliance and Capability (C Jensen)  
Health and Safety Officer (P Snook)  
Office Administrator (T Barnett)

**Apologies**

No apologies.

**Declarations of Conflict of Interest**

No conflicts of interest were received.

**1 Confirmation of the Audit & Risk Committee Meeting Minutes dated 14 September 2020**

The Committee considered the Minutes of the Audit & Risk Meeting on 14 September 2020.

**Resolved**

**Councillors Sparks / Rangihika**

*That the Minutes of the Audit & Risk Committee meeting held on 14 September 2020 is confirmed as a true and accurate record.*

**2 Occupational Health and Safety Management System Status (Health and Safety Officer) (509500)**

The Health and Safety Officer provided an overview of his report.

**Action Item**

Health and Safety Officer to give an update at the next meeting on the outstanding recommendations for Firmin Lodge Facility – Health and Safety Observations.

**Resolved**

**Councillors Sparks / Ion**

*That the report "Occupational Health and Safety Management System Status" is received.*

**3 Treasury Report to 31 October 2020 (Manager, Finance and Corporate Services) (110551)**

The Manager, Finance & Corporate Services explained that the Treasury report expanded on his monthly report to the Regulatory & Services Committee.

**Action Item**

The Manager, Finance and Corporate Services to give an update at the next meeting on Council's Treasury Policy.

**Resolved** **His Worship the Mayor / Deputy Mayor Tunui**

*That the report "Treasury Report to 31 October 2020" is received.*

**4 Residential Development – Progress and Risk Analysis Update (Manager, Finance and Corporate Services) (206700)**

The Committee discussed the Residential Developments – Progress and Risk Analysis Update.

**Resolved** **Chair Jones / Sparks**

*That the report "Residential Developments (Bowen Street, Te Ariki Place and River Road) - Progress and Risk Analysis Update" is received.*

**5 Proposed Insurance Policies for 202/21 (Manager, Finance and Corporate Services) (201000)**

The Committee discussed the report Proposed Insurance Policies for 2020/21.

**Resolved** **Councillor Ion / Deputy Mayor**

*1. That the report "Proposed Insurance Policies for 2020/21" is received.*

*2. That a further report go to Council which highlights:*

- The re-insurance process.*
- If the excesses are appropriate.*
- If there are other policies (insurance), that should be added.*
- Assessment of benefit of using brokers and if there were cheaper options.*

**The meeting closed at 1.45pm**

P Jones  
**P J Associates**

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**Meeting:** Audit and Risk Committee

**Meeting Date:** 02 February 2021

**Subject:** Occupational Health and Safety Management System Status

**File No:** 509500

## 1 Executive Summary

The data captured is for the period 1 November 2020 to 31 December 2020.

Kawerau District Council's Top 5 Hazards identified by workers					
Hazard	Raw Risk Score	Residual Risk Score	Status	Comment	
<b>Public/People/Customers</b>	15 High	10 Moderate	<b>Underway</b>	Target is: 20 Control Measures Completed	
				Control Measures	
				Completed	19
				Underway	1
				Not Started	0
<b>Stress</b>	15 High	10 Moderate	<b>Completed</b>	Target is: 25 Control Measures Completed	
				Control Measures	
				Completed	25
				Underway	0
				Not Started	0
<b>Slips, Trips and Falls</b>	15 High	10 Moderate	<b>Completed</b>	Target is: 24 Control Measures Completed	
				Control Measures	
				Completed	24
				Underway	0
				Not Started	0
<b>Lone Working</b>	15 High	10 Moderate	<b>Underway</b>	Target is: 22 Control Measures Completed	
				Control Measures	
				Completed	21
				Underway	1
				Not Started	0
<b>Manual Handling</b>	15 High	12 Moderate	<b>Completed</b>	Target is: 27 Control Measures Completed	
				Control Measures	
				Completed	27
				Underway	0
				Not Started	0

The top five hazards table has been amended based on the results of the staff response in the October survey.

The COVID – 19 pandemic response is currently at Alert Level 1 and the organisation is following the Government guidelines accordingly.

Staff have been informed and encouraged to use the contact tracing Quick Reader (QR) codes and activate the blue tooth technology on their cell phones.

The organisation remains vigilant and prepared to react as required.

The new retirement policy has been reviewed by the Leadership team and due to be reviewed the Human Resources Advisor (HRA).

No contractors were audited in November or December.

Training relevant to the organisation's needs continues as usual.

The Drug and Alcohol pre-employment and random testing is ongoing.

The Chief Executive Officer (CEO) attended two Health and Safety tours of various worksites with the Health and Safety Officer (HSO) in November and December.

The CEO also attended the Health and Safety Committee (HSC) meeting in December and the HSC site tour.

The HSC is currently reviewing the Health and Safety Policy and the 2 new hazards identified as part of the organisation's top 5.

Staff Health Monitoring and Wellness checks were completed in December.

Workstation Assessments and Ergonomics training is ongoing as are Health and Safety Inductions and site specific safety inductions.

## **2 Background**

This report provides a general overview of the current status of the Occupational Health & Safety Management System (OHSMS).

Source data is identified and accessed from VAULT.

## **3 Lead and Lag Indicators**

Lead Indicators identify activities aimed at preventing accidents and maintaining health and safety like induction, training, hazard management, monitoring and prompt event investigation.

Near Miss events are considered as leading indicators because workers demonstrate awareness and understanding that a near miss represents the potential for harm, loss or damage should there be a repetition of the same or similar event.

Near Miss events when reviewed will identify learning and continuous improvement opportunities potentially adding to the preventative approach in Health and Safety management.

Lag Indicators identify data that has resulted from a work related injury or illness.

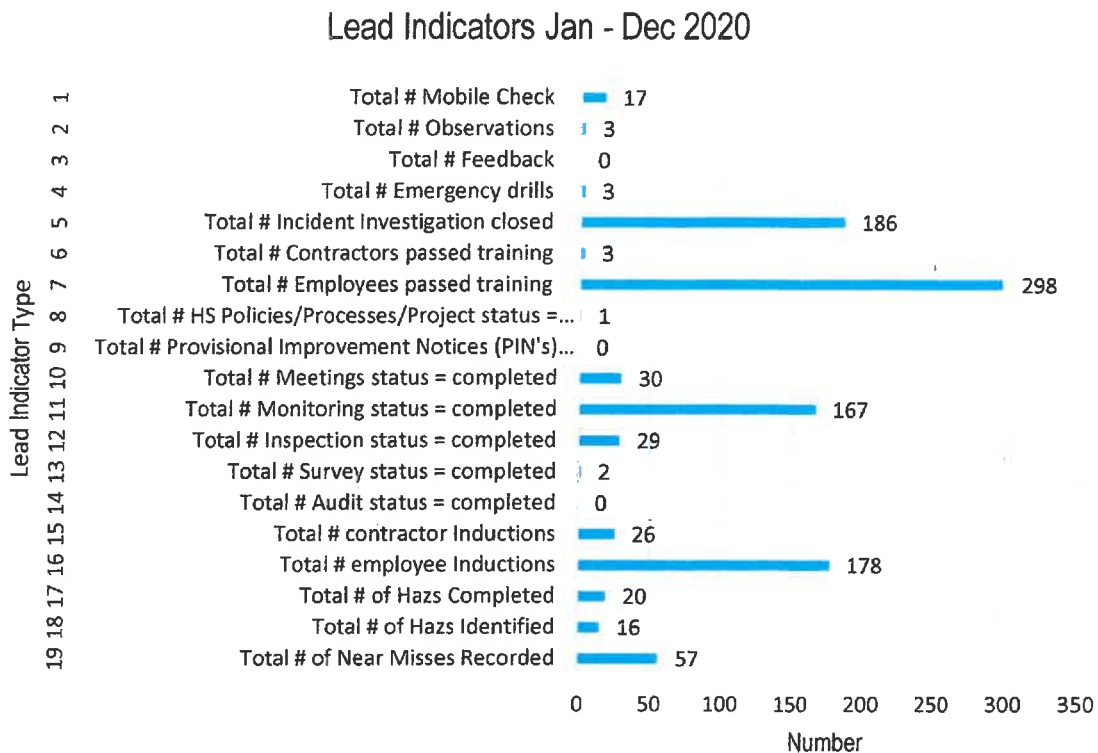
Areas measured are first aid events, medical events and lost working time.

The bar graphs below identify lead and lag indicators for January 2020 to December 2020.

A system data error showed 85 near misses last report – should have read 36.

The correction completed and updated with current data for this report period and is now 57.

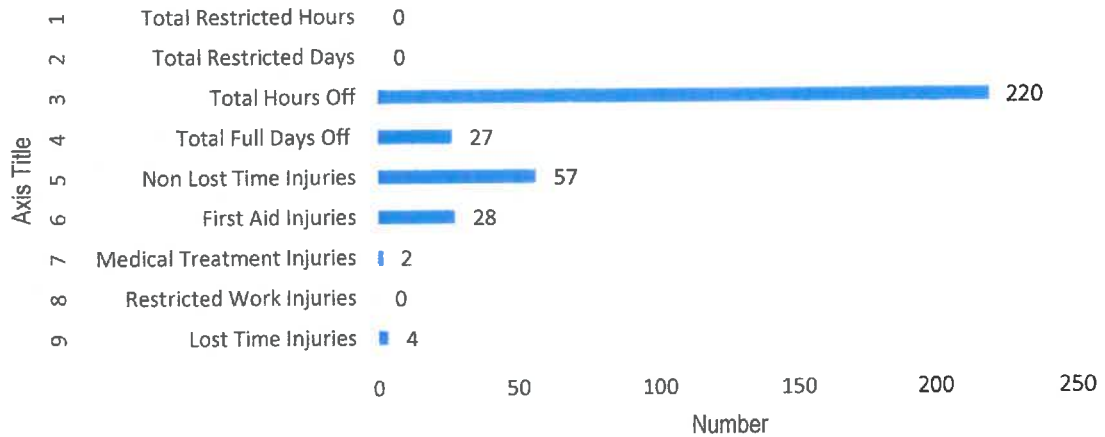
Regarding the lag data - the 21 days lost relate to one accident involving a worker from the Parks and Reserves team earlier this year (February).



Key for Lead Indicators	
1	Audit/Check Template Mobile Application e.g. Tablet Device used for – Contractor Audit, Site Audits or Workstation Assessment
2	Positive Observation Records e.g. Comments by staff - <i>Workers observed wearing appropriate PPE or Traffic Management site well managed...</i>
3	Positive comments to H & S team e.g. New mower much quieter than older model or new agrichemical much safer to use than the previous one...
4	Number of Emergency Drills – includes false alarms and evacuations.
5	Event Investigations – Designated Investigators have completed and closed the investigation into an event e.g. accident, near miss, incident, illness and pain or discomfort etc.
6	Contractors that have undergone training arranged by KDC.
7	Number of workers completing Health and Safety Related Training
8	Polices, Processes newly implemented or that have been reviewed
9	A record of PIN's (Provisional Improvement Notices) – where a specific health and safety improvement is legally required within a reasonable timeframe.
10	Health and Safety Meetings e.g. Committee meetings, toolbox, hazard reviews
11	Monitoring e.g. Panic Duress alarm test, Smartrak testing, Individuals or teams monitoring an issue – also records of Officer Due Diligence duties
12	Site Inspections – formal or informal e.g. Management by Walking About
13	Staff Health and Safety Surveys e.g. Safe Plus+ or Ask your Team
14	Audit e.g. Audit by internal or external auditors
15	Contractors inducted e.g. General and/or Site Specific Safety Inductions

16	Workers inducted e.g. General - and Site Specific Safety Inductions
17	Total number of Hazards/Risks completed all types e.g. site, task, plant, biological, environmental, psycho - social, ergonomic, substance, asbestos and physical
18	Total number of new Hazards/Risks identified all types (not previously listed)
19	Near Misses Recorded - To Identify potential weaknesses in the safety management system enabling learning opportunities to implement improvements to eliminate or further minimise harm, damage or loss in the future regarding the same or similar events.

### 2020 Lag Indicators Jan - Dec 2020



Key for Lag Indicators	
1	Restricted hours worked as part of a return to work rehabilitation plan
2	Restricted days worked as part of a return to work rehabilitation plan
3	Number of hours lost resulting from a workplace injury event
4	Number of full days lost resulting from a workplace injury event
5	Injury events resulting in no work time lost
6	Injury events resulting in a First Aid Response
7	Injury events resulting in medical treatment e.g. doctor or practice nurse
8	Injury events resulting in a worker doing restricted or alternative work (Rehabilitation)
9	Number of days lost resulting from a workplace injury event

## 4 Employer Commitment to Safety Management Practices

Commitment to health and safety management in the workplace is recorded in VAULT.

Policies are written and reviewed by the Health and Safety Committee (HSC), Health and Safety Representatives (HSR's) and their workgroups.

The leadership team complete a final review and approval.

Policies are reviewed at least triennially, unless an opportunity for improvement is identified earlier.

### Organisational Policies/Documents

The table below identifies status of Policy/Document reviews.



Organisational Policy/Document	Status
Health and Safety Policy	Review 12/12/2020 HSC Annual. Included on the HSC December Agenda
Rehabilitation Policy	Review 01/03/2022 HSC
Drug and Alcohol Policy	Review 01/08/2022 HSC
Cash Handling Policy	Review MFCS and Accountant (Underway)
CCTV Policy	Review MFCS (Underway)
Worker Engagement, Participation and Representation Agreement	Review 30/11/2022 HSC
Safe Driving Policy	Review 01/07/2022 HSC
Staff Induction Safety Policies and Manual	Review 09/09/2022 HSC
Trespass Policy & Processes	Review 29/10/2022 HSC
Visitor Management Policy	Review 01/02/2022 HSC
Working Alone Policy	Review 05/06/2022 HSC
Bomb threat, Lock down & Suspicious mail policy	Review 18/06/2021 HSC
VDU Management Policy	Review 03/09/2021 HSC
HSR Position Description	Review 01/04/2022 HSC
Stress Policy	Review 30/08/2022 HSC
Retirement Planning Policy	Review - Leadership Team completed HRA to review 2021

## 5 Planning, Review and Evaluation

VAULT provides source data for review and evaluation of the Occupational Health and Safety Management System (OHSMS).

VAULT Health and Safety Management reports are scheduled electronically to managers.

The table below identifies one report that currently has outstanding recommendations for review.

Health and Safety Reports (Significant)	Date written	To	From	Status	Date	
Firmin Lodge Facility – Health & Safety Observations	19/08/2016	CEO, MOS, EDM	MPCC, EVM &	HSO	Recommendations entered in VAULT as Corrective Actions Underway	Oct 2020

The only recommendation outstanding is for installation of a Speed Hump aimed at physically causing vehicles to reduce speed entering the car parking area.

The Engineering Manager is currently monitoring vehicle speeds.

### Contractor Monitoring Key Performance Indicator (KPI)

There is a KPI global target of ten contractor audits for 2020.

Five were completed.

COVID-19 lockdown has affected the ability to achieve the target for 2020.

## **6 Hazard Identification, Assessment and Management**

Some of the work associated with managing the top 5 hazards is identified below:

1. Public/People
2. Stress
3. Slips, Trips and Falls
4. Lone Working
5. Manual Handling

### **1. Public/People**

The risk of violence or abuse to workers remains a high priority.

Customer facing staff at service counters have retained their Perspex screens for hygiene purposes for staff and public safety.

Contact Tracing QR (Quick Reader) posters for use with the Ministry of Health Contact Tracing App are displayed at all Council owned sites and facilities.

Staff core training and support is ongoing.

A review of the Staff Cash handling policy is underway.

The organisation is working to COVID – 19 alert level 1.

### **2. Stress**

KDC maintains a policy for the management of Workplace Stress and Fatigue.

Core training and refresher training for staff on Bullying and Harassment is ongoing.

Core training for Mental Health Awareness is ongoing.

The Employee Assistance Programme (EAP) remains as a confidential and readily available 24/7 resource to staff.

### **3. Slips, Trips and Falls**

Regarded as slipping, tripping and falling on the same level - not being confused with falls from height above - or below ground.

The second highest accident type recorded by WorkSafe NZ resulting in more than one week away from work between May 2019 and April 2020 totalling 4,581 cases. (Source - WorkSafe NZ Data Centre - website)

The risk of death, harm from slipping tripping or falling is recorded in risk assessment.

Some general examples of how the organisation mitigates this risk are:

- Information, awareness, training and supervision
- Site safety rules and good housekeeping
- Physical measures e.g. highlighting changes in level or surface texture
- Monitoring and maintenance of floors and floor coverings
- Monitoring natural hazards e.g. ice, moss and algae

- Appropriate lighting
- All Slip/Trip accidents are reported as soon as possible
- A Slip or trip that has not resulted in harm, loss or damage is reported as soon as possible as a Near Miss
- A “see it – sort it” approach to spills or tripping hazards – staff are encouraged to take ownership of the situation – make it safe in the short term then report to their supervisor
- Appropriate Personal Protective Equipment (PPE) provided

This risk assessment is on the February Agenda for the HSC for review.

#### 4. Lone Working

KDC maintains a policy and process for Lone Working Management.

Additional resources on top of provision of communication include an electronic tracking system.

Where practicable – managers aim to eliminate lone working by staff working in pairs or teams.

#### 5. Manual Handling

This is defined as any activity requiring a person to interact with their environment and use any part of their muscles or skeletal system to - lift, lower, push, pull, carry, throw, move, restrain or hold any animate, or inanimate, object.

Manual handling related injuries are the most common accident type in New Zealand according to WorkSafe NZ.

There were 6,600 muscular stress injuries in New Zealand workplaces resulting in more than one week off work between May 2019 and April 2020.  
(Source - WorkSafe NZ Data Centre - website)

All staff are involved in a range of manual handling activities including moving loads which are animate e.g. Animal Control staff handling pets and livestock and Pool Lifeguards handling people in emergency or rescue situations.

Acute or chronic injuries can result from manual handling - including mental health effects – especially in long-term injury or rehabilitation situations.

The organisation manages this hazard by raising awareness of the hazard and providing information, instruction, training and supervision.

In house training refers to LITE principles – Load, Individual, Task and Environment.

Early pain, discomfort and injury reporting is required.

The risk assessment for manual handling is on the February Agenda for the HSC to review.

#### Top 5 Hazards as per risk assessment and staff perception

The staff evaluation method is based on personal perception, knowledge and experience, which is valued by the organisation.

The organisation engages with the workforce to understand their perceptions of danger.

Learning from this has resulted in commitment to invest in resources like site improvements, technology, equipment, training, policies and processes.

Learning and opportunities to improve are ongoing.

### Health Monitoring

The table below identifies health assessments, monitoring and vaccinations for workers.

Monitoring/Vaccination	Status
<b>Audiometry (Hearing monitoring)</b>	Completed November/December 2020
<b>Immunisations/vaccinations (Tetanus, Hep A, B &amp; Diphtheria)</b>	Ongoing/Underway
<b>Work station assessments</b>	Ongoing/Underway
<b>Spirometry (Lung Function Monitoring)</b>	Completed November/December 2020
<b>Full Asbestos Medical (Workers doing Asbestos Related/Removal Work)</b>	Completed November/December 2020
<b>Pre-Employment-Medicals (PEM's)</b>	Ongoing/Underway
<b>Face Fit Assessment &amp; Monitoring (RPE)</b>	Ongoing/Underway
<b>Pre-Employment Drug &amp; Alcohol Test</b>	Ongoing/Underway
<b>Random Drug &amp; Alcohol Test</b>	Ongoing/Underway
<b>Reasonable Grounds Drug &amp; Alcohol Test</b>	Ongoing/Underway
<b>Post Event Drug &amp; Alcohol Test</b>	Ongoing/Underway
<b>Eye Health and Vision Check</b>	Ongoing/Underway for staff spending over 50% of their worktime on a Visual Display Unit (VDU)

### Health & Wellbeing

The table below identifies opportunities for workers to find support and consider offers that could help maintain - or improve their health and wellbeing – including mental wellbeing.

Opportunity on Offer to Workers	Status
<b>Employee Assistance Programme (EAP)</b>	Available 24/7
<b>Annual Flu vaccine</b>	Completed for 2020
<b>Health Assessment (Heart, BP, Cholesterol, Glucose, BMI &amp; Waist Circumference etc.)</b>	Completed November 2020
<b>Skin Checks (Melanoma/Skin Cancer)</b>	Completed. Next Due August 2021
<b>Yoga Class</b>	Available weekly
<b>Zumba Dance Class</b>	Available weekly
<b>Domestic Violence Victims Protection Standard Operating Procedure</b>	Available on the KDC Intranet

### Drug & Alcohol Policy

Drugs tested for - include any listed in the Misuse of Drugs Act 1975 and AS/NZS 4308:2008

Council's alcohol tolerance limit is zero.

Tests identified in the policy are:

- Pre-Employment
- Random (5% of staff per month)
- Reasonable Grounds
- Post Incident testing

Random testing continues on a monthly basis.

#### Workplace Monitoring

Methane and Hydrogen Sulphide gas levels are continually monitored at designated premises.

#### Information, Training and Supervision

Investment in Health and Safety training remains relevant to the organisation's needs.

First Aid Training for new staff continues and the refresher cycle is ongoing for existing staff.

9 Health and Safety Representatives (HSR) completed their stage 2 training and relevant NZQA Unit Standards for Risk Assessment and Workplace Health and Safety Culture and Practices.

#### COVID – 19 Staff Information update

Staff received an informative email from the Communications Manager (CM) reinforcing the Government's approach encouraging downloading of the contact tracing application and activating the blue tooth technology.

## **7 Incident and Injury Reporting, Recording and Investigation**

Events recorded include Accidents, Incidents, Near Misses and Illness.

- 2018 averaged 15 events per month
- 2019 averaged 18 events per month
- 2020 averaged 16 events per month (COVID – 19 lock-down affected this result)

An event occurred during this reporting period regarding a Police Operation and Council staff needing to evacuate from the area – which tested the organisation's response systems.

#### **ID: 2183 Standard Investigation.**

Category: Public or Customer

Subject: Police Pursuit

Date: 27 11 20

Time: 12.01 hours

Event Status: Completed

At 11:49am, Police advised the Communications Manager (CM) by telephone of a Police operation in town.

A specific area was cordoned off by Police and Council staff were required to vacate the area.

The Police were seeking a person of interest known to carry a weapon.

Staff and media communications were sent out and maintained throughout the event.

The CM maintained communication with the Police during the event.

The all clear was received from the Police at 2:49pm and communicated to staff.

The public were updated via the usual media streams.

Communication systems worked effectively and staff were unharmed and no Council assets were lost or damaged.

Some further communication improvements were implemented following what was learnt from this event.

#### Notifiable Events to WorkSafe NZ

(The death of a person, a notifiable injury, illness - or a notifiable incident that must be reported to WorkSafe NZ).

No events were notified to WorkSafe NZ during this reporting period.

#### Event Statistics

Some new graphics have been included in this report taken directly from VAULT.

*Appendix 1* is a set of pyramid graphs identifying the type of event, injury treatment, and person type.

- Near Miss events contributed to 18% of the total events for 2018.
- Near miss events contributed to 23% of the total events for 2019.
- Near miss events contributed to 30% of the total events for 2020.

The public and workers are the highest contributors identified in events.

*Appendix 2* - column graphs identifying 2018, 2019 and 2020 Near Miss Events.

*Appendix 3* identifies the number of events recorded at each site.

## **8 Employee Participation in Health and Safety Management**

The Health and Safety Committee (HSC) continues to meet monthly.

An HSC site tour was completed as part of the December meeting.

All HSR's have completed stage 1 training.

HSR stage 2 training was completed in December 2020.

HSR stage 3 training will be arranged later in 2021.

The next HSC meeting is in February 2021.

## **9 Emergency Planning and Readiness**

Certain Council premises are required to have Building Warrant of Fitness Certificates (BWoF) e.g. District Office/Library and Firmin Lodge because they are identified as having specified systems.

Specified Systems require scheduled inspection and maintenance for health and safety reasons annually.

Specified systems can include fire warning (alarm), sprinkler systems, emergency lighting, riser mains, automatic doors, mechanical ventilation and lifts etc.

Compliance checks for specified systems are done by an Independent Qualified Person (IQP) namely Cove Kinloch.

A Building not requiring a BWoF has emergency plans, emergency exits and assembly points maintained by Operations and Services.

### **First Aid**

Workplace First Aid training continues with new trainees attending training and recertification courses maintaining workers NZQA Unit Standards.

All First Aid Kits are replenished as required and also inspected and maintained on an annual schedule – ensuring the contents do not exceed their expiry dates and are of the correct type and quantity.

All KDC Buildings, Venues, Vehicles and Plant are equipped with an appropriate First Aid Kit e.g. the arborist first aid kit includes extra-large dressings.

Automatic External Defibrillators (AED's) are kept at the District Office first aid point and the Swimming Pool office.

There is an evacuation chair on the first floor of the district office and a wheel chair on the ground floor under the stair case.

Over 50 KDC staff are trained and qualified in Emergency First Aid.

### **Duress Alarms and Emergency Lock Down**

All Council counter services have duress alarms and emergency lockdown buttons.

## **10 Protection of Employees from On-site Work undertaken by Contractors and Sub-contractors**

Contractor management involves 4 steps and each step can be recorded in VAULT by the contract manager on the contractor file.

1. Contractor SHE Health and Safety Prequalification/Approval
2. Contractor Health and Safety Induction
3. Contractor Monitoring/Audit
4. Post Contract Review

## 11 Prioritisation of Tasks

The table below sets out steps and the priority level of tasks.

Critical Element	Priority	Actions Required	Started	By Whom	Target for Completion	Current Status
<b>Covid- 19 Pandemic</b>	High	Remain ready and prepared to respond to Managing Risks to Staff/Community Health based on Govt Guidelines Maintain preparedness to react to COVID -19 Alert level changes	23/01/2020	HSO	Unknown - Ongoing	Underway
<b>Hazard, Identification, Assessment and management</b>	High	Create and manage a register aligned with legal requirements current knowledge and thinking. All registered hazards to achieve completed status. Monitor and review hazards.	June 2016	HSO and Work Groups	Unknown - Ongoing	Underway
<b>Protection of employees from on-site work undertaken by contractors and sub-contractors (Contractor Management)</b>	High	SHE prequalification complete. Contractor induction document in place. Contractor Monitoring KPI in place. Contractor Post Contract review In place.	June 2016	HSO	June 2019	Complete
<b>Employee Participation in Health and Safety Management</b>	High	Health and Safety Representative Job Description complete.	June 2016	HSO	June 2019	Complete



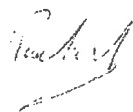
Critical Element	Priority	Actions Required	Started	By Whom	Target for Completion	Current Status
<b>Employer Commitment to Safety Management Practices</b>	Medium	Review H&S Policies. Identify and implement a performance based management system.	June 2016	HSO	Ongoing	Underway
<b>Emergency Planning and Readiness</b>	Medium	Monitor and review plans.	June 2016	HSO	Ongoing	Underway
<b>Planning, Review and evaluation</b>	Low	Monitor and review	June 2016	HSO	Ongoing	Underway
<b>Information, Training and Supervision</b>	Low	Monitor and review	June 2016	HSO	Ongoing	Underway
<b>Near Miss, Incident and Injury Reporting, Recording and Investigation</b>	Low	Monitor and review	June 2016	HSO	Ongoing	Underway

## 12 **Conclusion**

The Occupational Health and Safety Management system is in place and continues to be developed and improved.

## 13 **RECOMMENDATION**

That the report 'Occupational Health and Safety Management System Status' be received.



Paul Snook, Prof NZISM. MIIRSM. HASANZ

**Health & Safety Officer**

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**APPENDIX**

Appendix 1 below - Performance Indicators

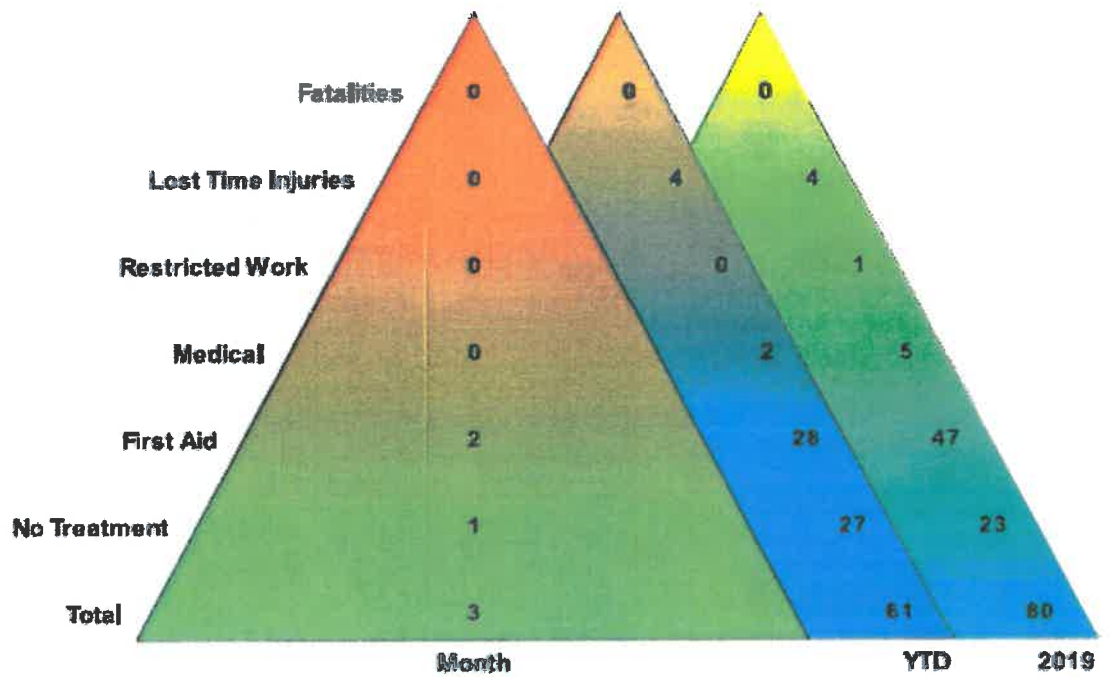
**Kawerau District Council  
Performance Indicators**

**Period to end of 31/12/2020 for Workers, Contractors, Third Party, Volunteers**

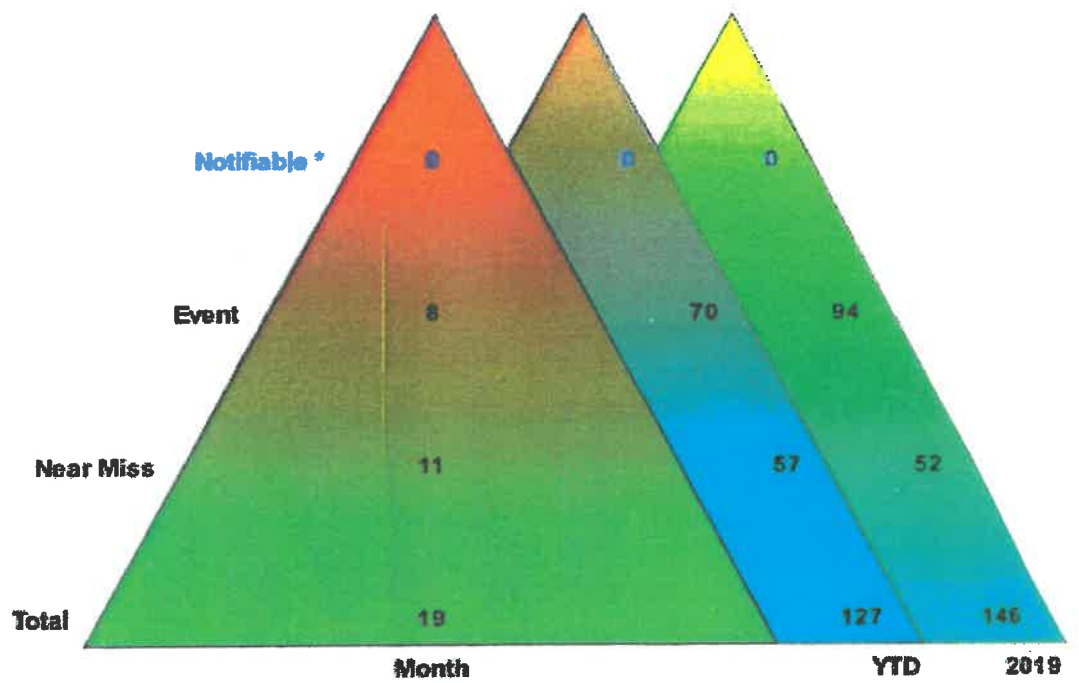


**Performance Indicators** \*Items in blue indicate a subset of data in the safety triangles

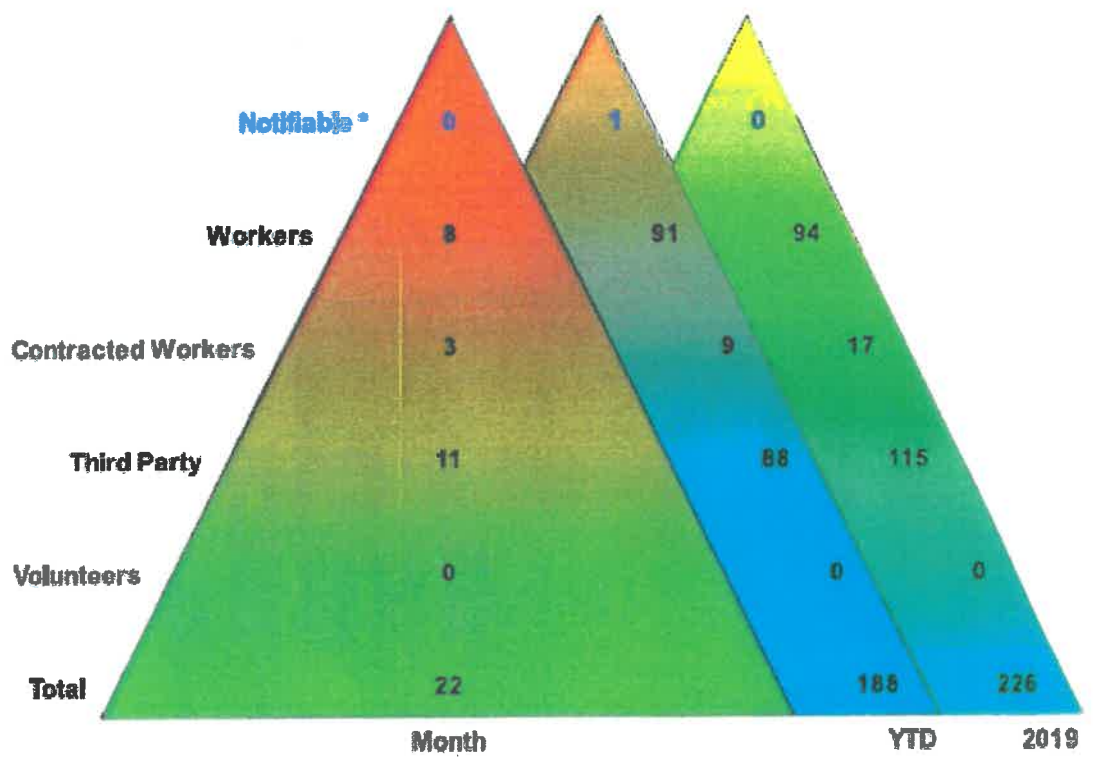
**Injuries/Illness**



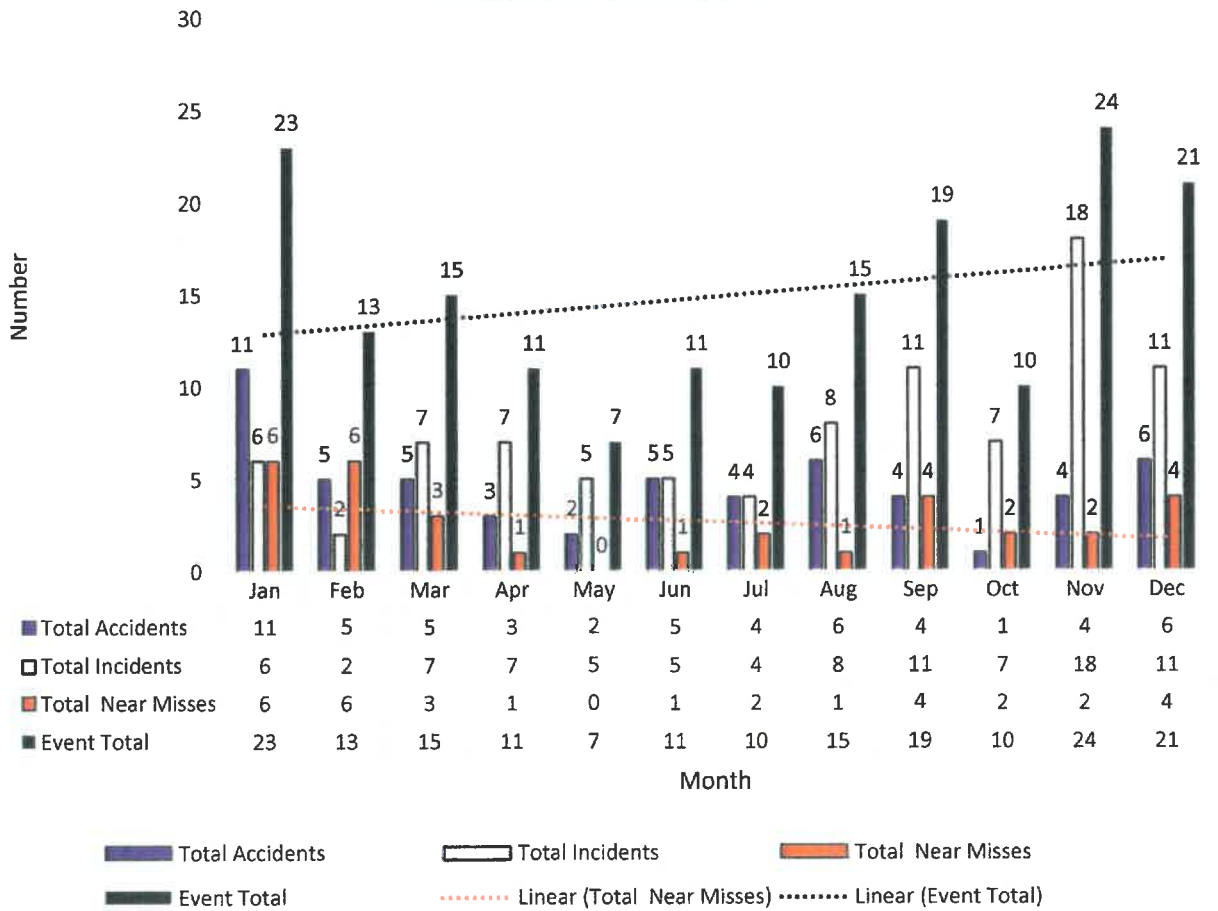
**Event/Near Miss**



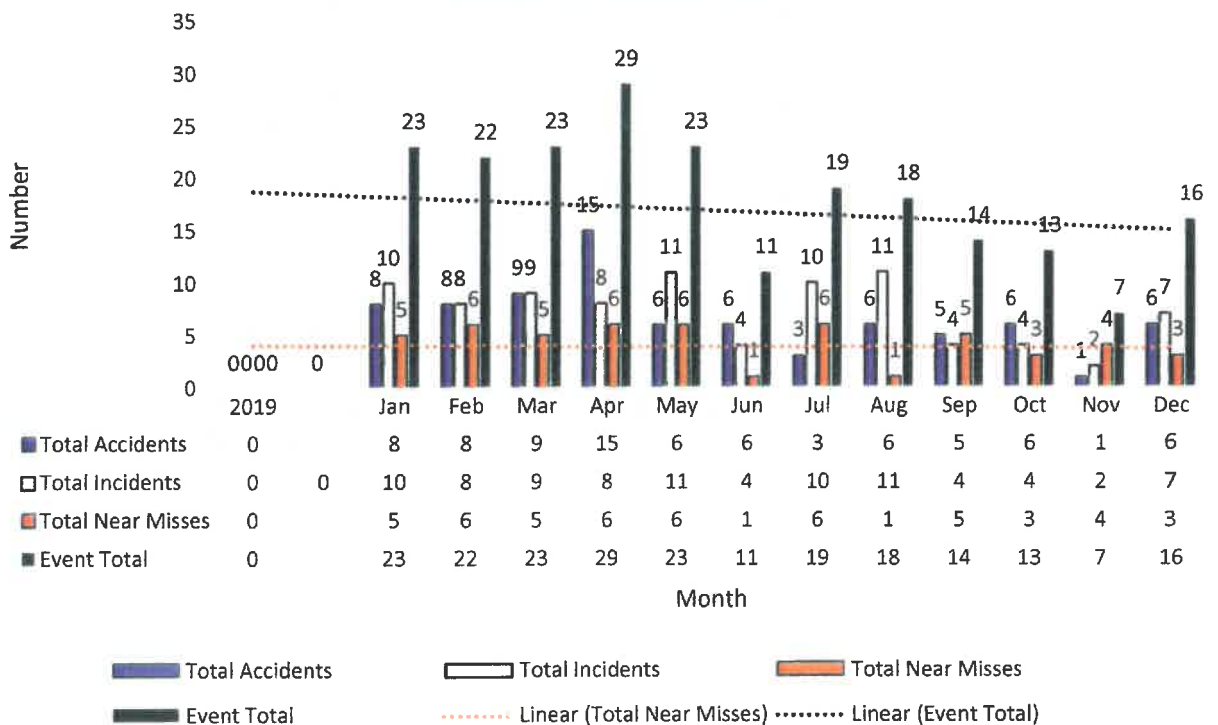
**All Incidents (Injuries/Illnesses/Event/Near Miss) By Person Type**



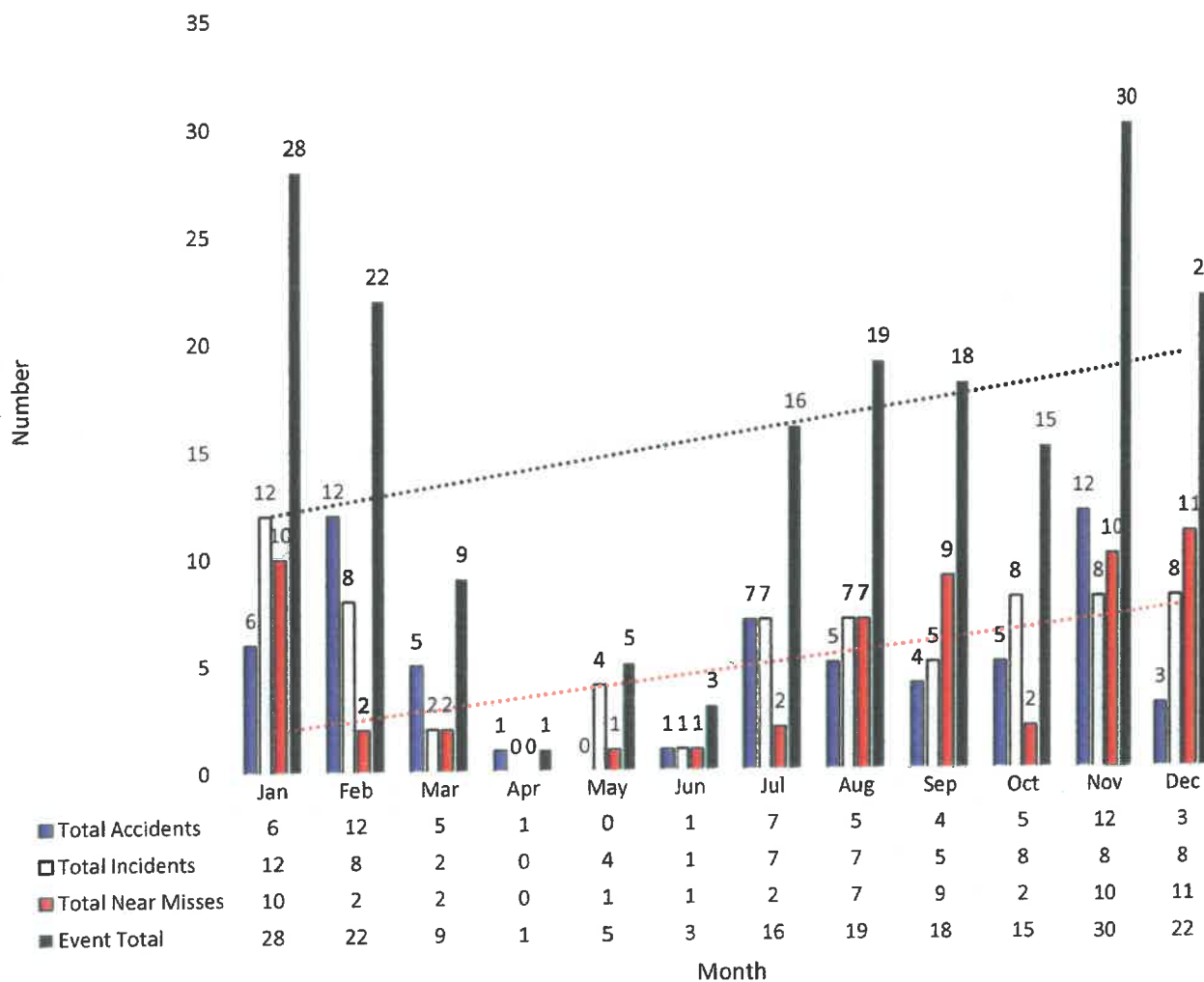
### 2018 Near Miss Events



### 2019 Near Miss Events



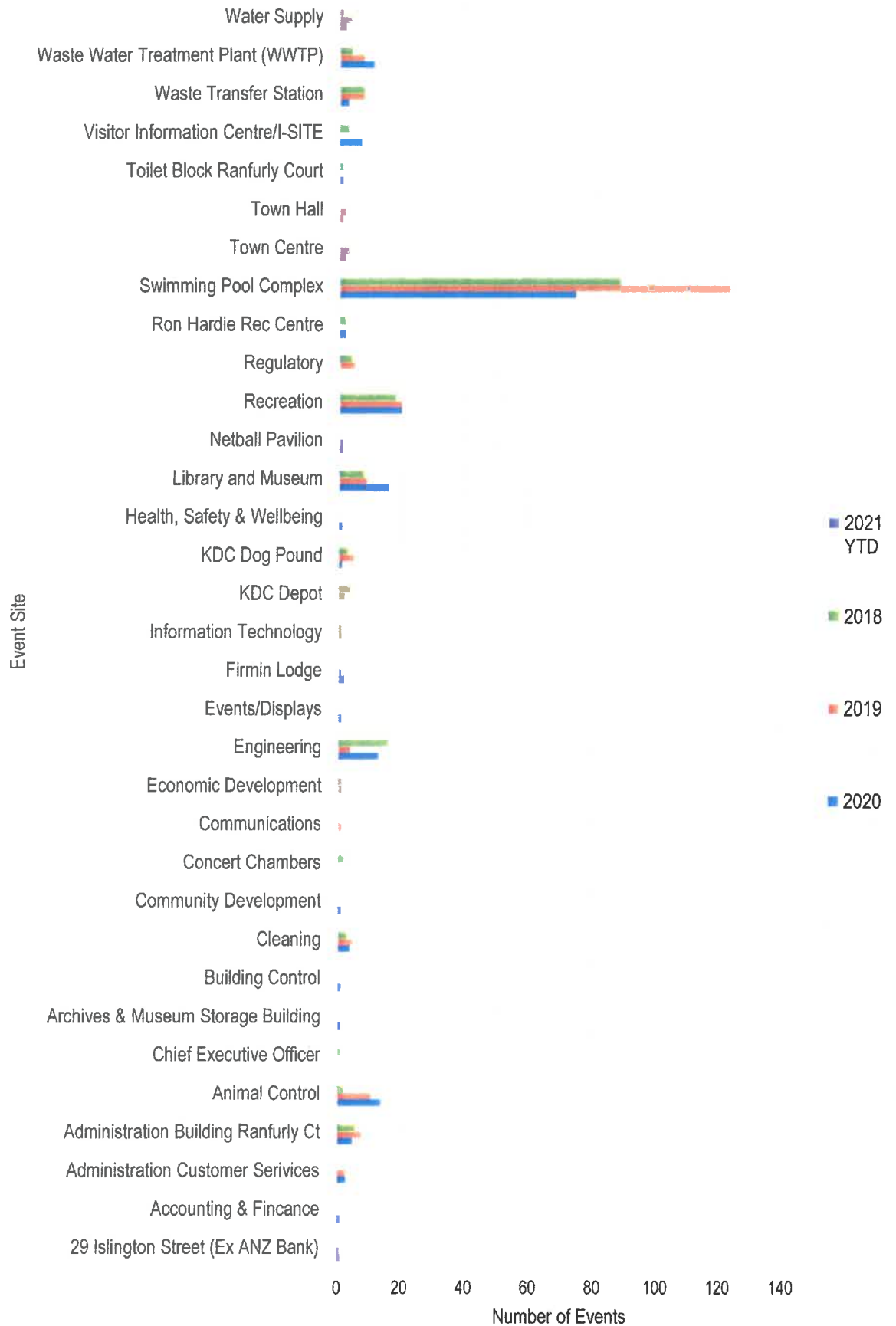
## 2020 Near Miss Events



■ Total Accidents     
  Total Incidents     
 ■ Total Near Misses  
 Event Total     
 ..... Linear (Total Near Misses)     
 ..... Linear (Event Total)

Appendix 3 bar Graph – Site Events

Site Event Records



**Meeting:** Audit and Risk Committee

**Meeting Date:** 2 February 2021

**Subject:** Treasury Report to 31 December 2020

**File No:** 110551

## 1 Purpose

The purpose of this report is to inform members of the funds held by Council as at 31 December 2020 and provide explanations for any significant variances from the previous year.

## 2 Background

This report will also go to the Regulatory and Services Committee, and shows the funds currently held and the banks where those funds are invested.

All investments were made in accordance with Council's Investment Policy, although the limit of 35% being invested with a single institution has been exceeded due to reduced funds being available for investment and interest rates being very low. This limit is being reviewed as part of the review of Council's investment and borrowing policies.

## 3 Funds Held

The following funds were held at 31 December 2020:

	<b>December - 2020</b>	<b>December - 2019</b>
<b>Special Funds</b>		
Depreciation Funds	\$6,896,607	\$6,366,356
Development Feasibility	\$11,000	\$11,000
<b>Total Special Funds</b>	<b>\$6,907,607</b>	<b>\$6,377,356</b>
General Funds	(\$857,194)	(\$713,230)
<b>Total – comprising cash &amp; internal loans</b>	<b>\$6,050,413</b>	<b>\$5,664,125</b>

### **General Funds:**

At the end of December 2020 the balance in the general funds is \$144k less than it was for the same period last year. This reduction has resulted from additional personnel, security and insurance costs during 2019/20. Also for 2020/21 Council budgeted to use \$500k from section sales to reduce general rates and keep rates affordable for residents. For 2020/21 Council has received \$110k from the sale of sections.

It is projected that general funds will be in deficit for the remainder of the 2020/21 year, apart from some timing differences.

### Depreciation Funds:

The balance in the depreciation reserves is approximately \$530.2k more than it was a year ago. The main reason for the increase in these funds is due to funds received from the sale of units (6) and sections (7). There will be additional expenditure to come with the construction of 6 more units and there will also be additional sales to offset these costs.

It is projected that Council will need to borrow funds during the latter part of the year as there are some significant infrastructure projects that are due to commence. Council is now a member of the Local Government Funding Agency and will undertake the necessary borrowing of funds when required.

The last graph in this report shows the cash-flow to date as well as the anticipated cash-flow to the end of June 2021 (prior to borrowing any funds).

Funds held @ 31 December 2020 are as follows:

Invested in	\$	Interest (Average) %	% External
ANZ – on call	\$895	0.05%	0.02%
ASB	\$505,154	1.91%	11.96%
BNZ – current & on-call	277,682	0.05%	6.58%
Rabobank (on-call)	\$3,438,883	0.35%	81.44%
<b>Total Funds (Cash)*</b>	<b>\$4,222,614</b>	<b>0.76%</b>	<b>100.00%</b>
Internal Loans	\$1,827,799		
<b>Total Investments</b>	<b>\$6,050,413</b>		

\*These figures include the accrued interest to 31 December 2020.

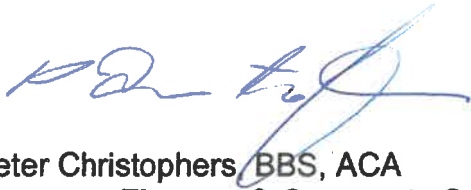
The funds were invested as follows:

Bank	Invested	Days	Interest	Amount (\$)
ASB	17-June-20	230	1.91%	500,000
ANZ - Call			0.05%	895
BNZ - Call			0.05%	195,694
Rabobank - Call			0.35%	3,438,883
BNZ - current				81,988
<b>Total</b>				<b>4,217,460</b>
Interest rates (includes on-call)	Average interest rate		0.59%	
	Weighted average interest rate		0.52%	



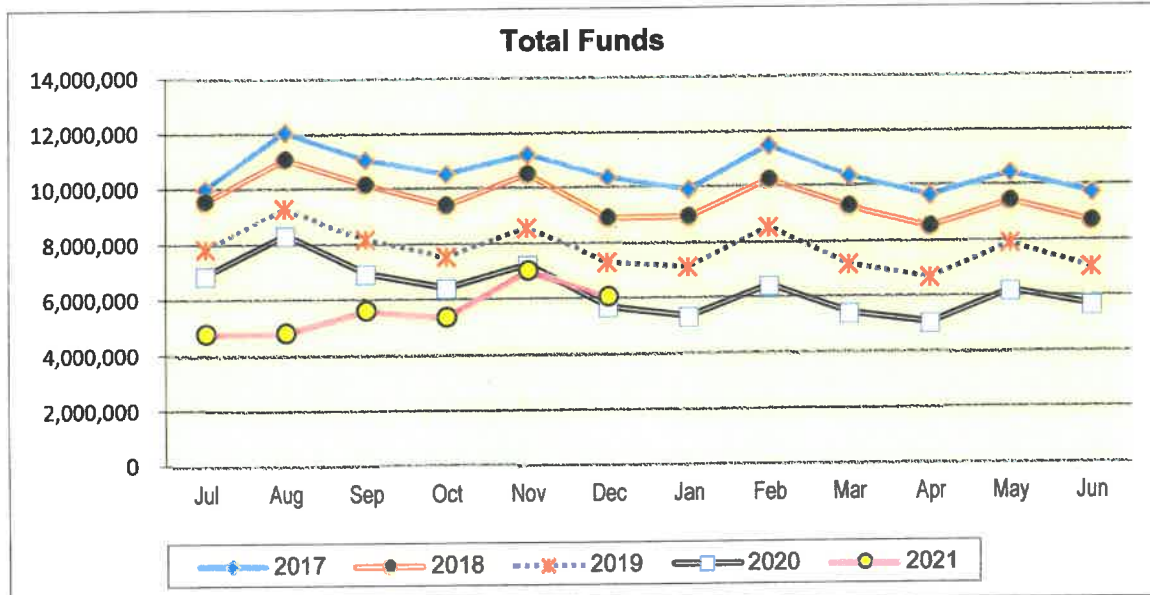
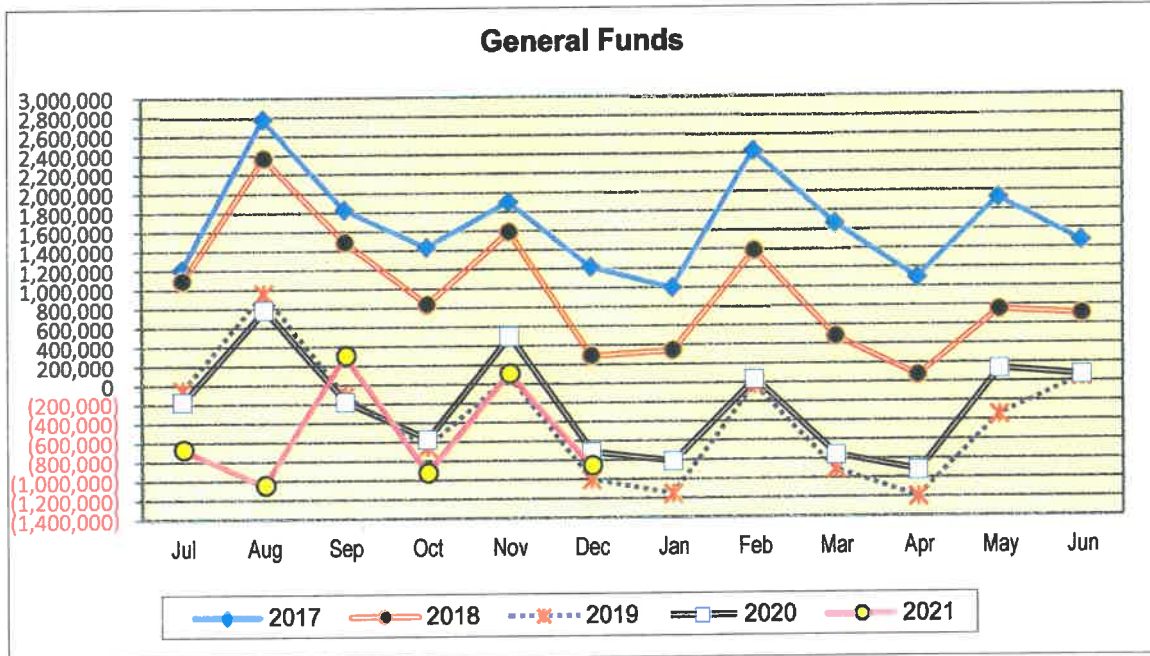
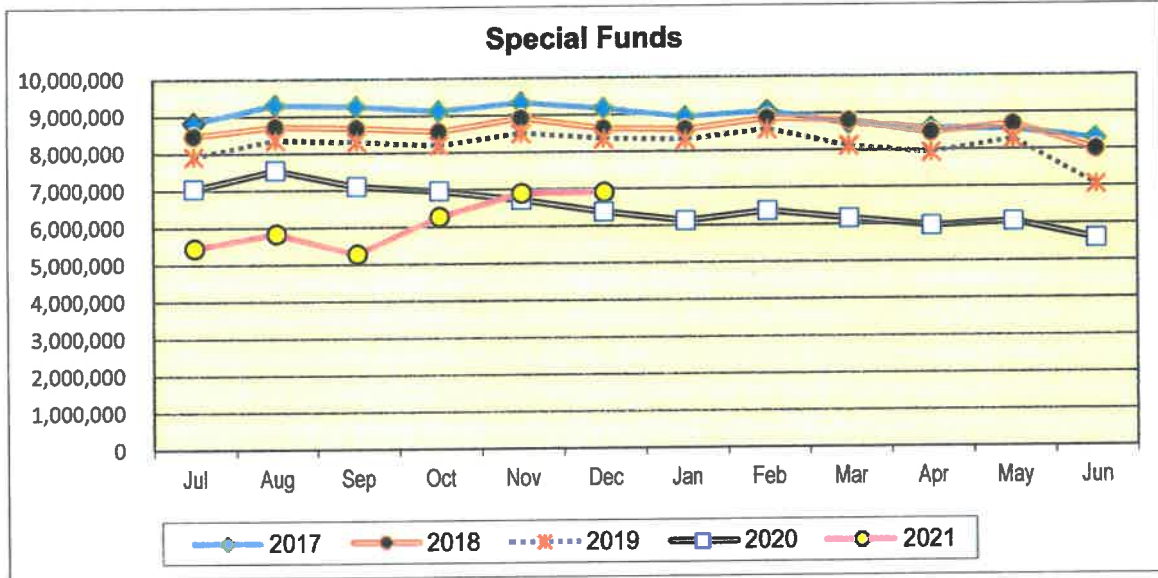
**4**      **RECOMMENDATION**

That the report "Treasury report to 31 December 2020" be received.

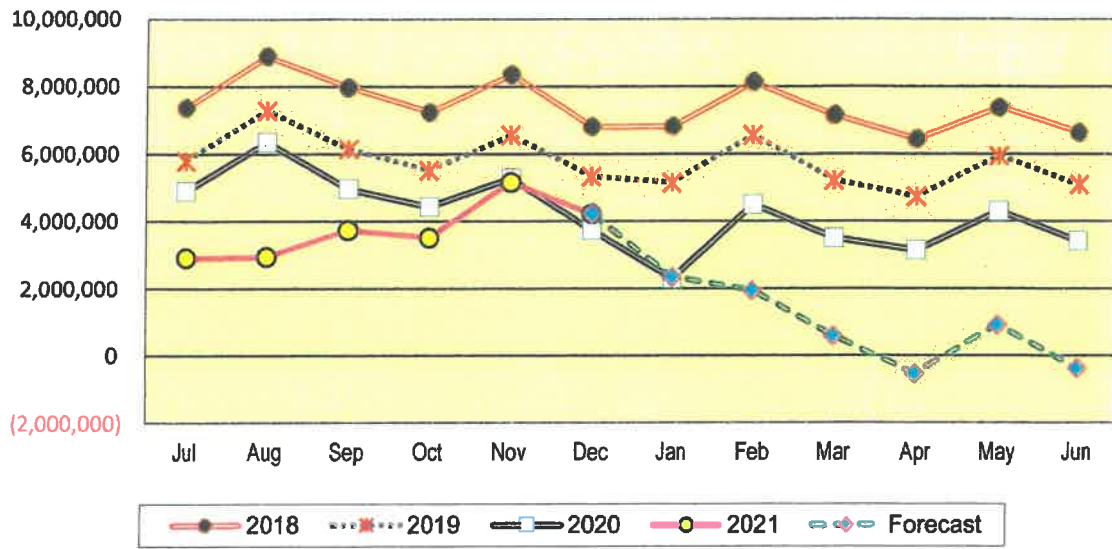
A handwritten signature in blue ink, appearing to read 'Peter Christophers', is written over the printed name.

Peter Christophers BBS, ACA  
**Manager, Finance & Corporate Services**  
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Funds Monitoring Graphs  
December 2020



### Cash Flow and Forecast





**Meeting:** Audit and Risk Committee  
**Meeting Date:** 2 February 2021  
**Subject:** Review of Revenue and Financing Policy  
**File No:** 408310

## **1 Purpose**

The purpose of this report is for the committee to review Council's Revenue and Financing Policy and recommend any changes

## **2 Background**

Council adopted a Revenue and Financing Policy as part of the 2018 – 28 Long Term Plan which is attached to this report.

Following the adoption of the revenue and financing policy, fees and charges were determined so that users contribute the private benefit share of the activity cost. For most activities the actual results are fairly consistent with the policy, however, the current fees and charges revenue for facilities do not meet the private benefit share identified, and therefore require an increased share to be funded from rates.

The main reason for less fees and charges in recent years is because they have been waived for a number of organisations.

Council has a fee discount for locals (70%) to encourage the use of the facility and also make the facility affordable. This discount is also subject to the event meeting at least one of the following criteria:

- It supports opportunities for entertainment and building a sense of community
- It encourages the use of the amenities
- Opportunities for education and betterment of residents are created
- Improves self-esteem and individuals feeling good about themselves
- Provides a place where individuals can participate in mental and physical exercise
- It specifically targets students, the unemployed, the elderly, those suffering poor health or injury and the impaired

Most of these criteria have also been the reasons why Council has historically waived fees to a number of organisations.

Generally, the revenue from facilities has been dropping in recent years while costs have been increasing.

Over the years, Council has granted the following organisations waivers from paying facility hire fees:

- Gymnastics Club (Recreation Centre)
- Tae Kwon Do Club (Recreation Centre)
- Boxing Club (Town Hall)
- Whanau Time (Netball Pavilion)
- Sweet Cheeks – reduced fee (Swimming Pool)
- Aqua Belles (Swimming Pool)
- Seniors Forum (Concert Chamber)
- Woodskills (Town hall)
- Schools - for swimming sports

The annual cost (forgone revenue) of waiving these fees is approximately \$14,000 pa, which does not include any additional costs for electricity, cleaning, opening and closing facilities. Council has received an increasing number of requests from local organisations to waive fees.

The following table shows the actual percentage of the total facility costs recovered from users in 2018/19 and 2019/20 compared to the percentage indicated in the revenue and financing policy.

Facility	User % of total cost - per policy	Actual (2019/20) % of total cost	Actual (2019/20) % of user costs
Swimming Pool	1.8%	1.8%	5.5%
Recreation Centre	11.2%	1.2%	6.6%
Town Hall	15.6%	0.5%	3.0%
Concert Chamber	23.9%	5.7%	15.9%
Bert Hamilton Hall	20.7%	17.6%	60.0%

### 3 Council Policy

Council's revenue and financing policy specifies the percentage of the facility costs that should be recovered from the users (for example 70% of the use costs for public halls).

The table below lists the hire fees set for 2020/21 for the respective facilities:

Facility	Fee	Fee for locals
Swimming Pool – admission fee	\$0	\$0
Swimming Pool – casual hire (after hours)	\$25.00 per hour	\$25.00 per hour
Swimming Pool – hire of lanes (schools)	\$6.50 per hour	\$6.50 per hour
Recreation Centre – casual hire	\$66.50 per hour	\$20.00 per hour
Recreation Centre – bulk hire	\$31.00 per hour	\$10.00 per hour
Town Hall – casual hire	\$44.00 per hour	\$13.20 per hour
Town Hall – bulk hire	\$22.00 per hour	\$6.40 per hour
Concert Chamber – casual hire	\$38.00 per hour	\$11.20 per hour
Concert Chamber – bulk hire	\$19.00 per hour	\$5.60 per hour

Council has generally waived hire fees for its facilities when requested by local groups.

The consequences when fees are waived, include:

- Any waiver of fees is an additional cost for ratepayers

- Some groups are still paying hire fees while others are not
- Groups that don't pay fees will generally use/book the facility more often
- The two main users of the Recreation Centre now don't pay fees so there will be very little revenue received for this facility
- Users usually generate additional costs for the facility (eg power, cleaning, security)
- Currently the duty supervisor will undertake to unlock and lock up the facilities for after-hours bookings up until 10:00pm. Council incurs a \$50.00 callout fee from the security firm to unlock or lockup a facility outside their hours.

At present, the fee revenue is not sufficient to recover the share of the facility costs identified in Council's Revenue and Financing policy, particularly as a number of users have been granted a waiver of the fees.

## **4 Options and Financial Consideration**

The amenity buildings which include the Netball pavilion, Kawerau Sports Clubrooms and Onepu Clubrooms have long term leases in place.

Essentially Council has the following options for its revenue and financing policy:

### **4.1 Status Quo**

Council could keep the facility hire fees the same as 2020/21, and continue with the current process of waiving hire fees as/when requested. The Revenue and Financing policy should then be amended to reflect the lower revenue from users of these facilities and consulted with the community

The current annual cost of this option is \$14,000 pa plus the cost of any additional waiver of fees.

### **4.2 Remove facility hire fees for all local groups**

Council could decide to not charge hire fees for its facilities for all local groups so they are treated consistently with those that currently have their fees waived. Council will also need to amend the Revenue and Financing policy to reflect the lower revenue for its facilities (no recovery from users), and the revenue shortfall will need to be added to rates.

The annual cost of this option (based on the fees received for 2018/19) is approximately \$28,100 pa as well as the cost of the fees that are currently being waived.

### **4.3 Review facility fees and charges as well as decision(s) to waive fees**

Council could review the decision to waive fees to the groups that are currently not paying hire fees or only getting a minimal charge, as Council is incurring additional costs for electricity, cleaning and security/lockup. Also, it could introduce a new increased fee for afterhours users that recognises the additional cost of unlocking and then locking up the facility.

This option would add another \$14,000 to Council's revenue along with the additional recovery for after-hours charges. This option would mean Council is closer to meeting the allocations (between users and ratepayers) as stated in the current revenue and financing policy.

## **5 Legal Considerations and Significance & Engagement**

The Local Government Act 2002 permits Council to set its fees and charges by resolution and there is no requirement to publically consult on the matter. However, if there is a significant change to what is presently being charged then it is recommended that Council consult the community on the matter, ensuring affected parties can make submissions and Council can consider these.

Also, a change to Council's current fees is not significant in terms of Council's Significance and Engagement Policy, however, for individual groups a change to their fees may be significant and therefore it is proposed that if Council changes the fees and charges, then this is undertaken as part of the consultation for the 2021 – 2031 Long Term Plan.

## **6 Risks**

There are risks with each of the options. If the current practice of remitting facility fees and charges to organisations continues, there is a risk that ratepayers will have to pick up the increasing cost associated with using a facility.

However, if Council was to charge all users, then it is likely that some of the current users may reduce their usage of the facility or stop using it altogether.

The discount (of 70%) for local organisations was a compromise to achieve some recovery of the usage cost, while making the facility affordable.

## **7 Appendix**

Revenue and Financing Policy (adopted 26 June 2018 as part of the 2018 – 28 long Term Plan).

## **8 RECOMMENDATIONS:**

1. That the report "Review of Revenue and Financing Policy" be received.
2. That the Committee review the Revenue and Financing Policy and recommend any amendments for inclusion in the draft 2021 – 2031 Long Term Plan for public consultation.



Peter Christophers BBS, ACA  
**Manager Finance and Corporate Service**

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# Revenue and Financing Policy

## Policy Objectives

The objectives of this policy are to explain who pays and why, to outline how Council's activities are funded and to meet the requirements of the Local Government Act 2002.

## Principles

This policy is based on the principles that:

- Council has a responsibility to exercise prudent financial management.
- The cost of providing Council services should be borne equitably by the community and those who use the service.
- Fees and charges should be fair.
- Council will consider affordability when determining the level of fees and charges.

## Definitions

### Community outcomes

The outcomes a local authority aims to achieve in order to promote the economic and cultural well-being of its district in the present and for the future. They define the desired future for the District. Kawerau's community outcomes are described in the Long Term Plan.

### Distribution of benefits

Identifying who benefits from an activity provided by Council is important when considering who should pay for the service. Generally, if only individuals receive the benefits of an activity (private benefits), a user-pays system should be considered. If the benefits of an activity are shared by a large group within the community then an appropriate funding option for that activity would be a targeted rate. Alternatively, if the benefits of an activity are shared by the whole community (public benefit) then an appropriate funding option for that activity would be the general rate.

### Industrial/Commercial

All properties other than those defined as "Residential".

### Residential Properties

situated in any zone used solely for residential purposes.

### Period of benefits

A statutorily required assessment of the period over which the benefits from each activity will flow. This aids in identifying the period over which the operating and capital expenditure should be funded.

For all activities, operating costs are directly related to providing benefits in the year of expenditure. As such, they are appropriately funded annually.

Assets provide benefits over more than one year and therefore benefits are derived over the useful life of each asset. Useful lives range from a few years in the case of computer equipment through to many decades for infrastructural assets such as the water supply network. This introduces the concept of intergenerational equity whereby costs of any expenditure should be recovered at the time the benefits of that expenditure accrue. This is particularly relevant for larger assets such as the wastewater, stormwater, roading and water supply networks.

To ensure that each generation of ratepayers pay for the benefits that are received, the depreciation charges for an asset are funded by that year's rates. This results in infrastructural costs being spread more evenly across the life of the asset and the different ratepayers who benefit from it.

### Funding of capital expenditure

Capital expenditure that needs to be funded relates predominantly to three things: the purchase of new assets, the replacement of existing assets and the repayment of loan principal on debt (both external and internal).

Depreciation reserves are used to fund capital expenditure in Council activities for which asset depreciation is funded. Internal borrowing is used when there are insufficient reserve funds for an activity.

It is estimated that Council will not need to borrow externally to fund infrastructural asset renewals during the current Long Term Plan. A table showing planned renewal expenditure is included in the financial statements of the Plan.

The Local Government Act requires that operating revenues in any one financial year should be set at a level sufficient to meet all projected operating expenses. The expenditure must include the cost of depreciation.

Depreciation on some assets is not fully funded (see financial strategy). Any capital expenditure on those assets is funded from general rates or internal loans.

#### **Contributors to the need for an activity (polluter pays)**

The 'polluter pays' principle is that if a person creates a problem which incurs costs for Council, that person should contribute some or all of the funds to meet those costs. For example, dog owners who allow their dogs to roam should pay a fine to cover the cost of impounding. However, this is not always practical, as identifying and charging the offender is not always possible. Similarly, people who do graffiti or dump rubbish illegally are not always caught. Council's policy is to recover these costs where practicable.

#### **Costs and benefits of funding the activity distinctly from other activities**

When selecting a particular funding mechanism Council is required to consider the costs and benefits. It is possible to establish specific charges or rates for each service, however this is not the best approach if the cost of establishing and administering a charging system outweighs the benefits or the revenue gained. This is assessed on a case-by-case basis. Council is also required to consider alternative funding mechanisms in terms of transparency and accountability. One which is targeted for specific cost items is more transparent to users of the activity than general or aggregated funding. However, if the targeted charging approach excessively increases administrative costs then an aggregated charging approach may be better.

#### **Overall impact of the method of funding**

In addition to all of the issues explained above, Council is required to consider the overall impact that any allocation of charges and costs may have on the current and future social, economic, environmental and cultural well-being of the Community.

## **Background**

Council has broken its business down to activity level. For some activities, it has divided costs into two components - availability of the service and use of the service. Activities have been separated in this way when they benefit different groups in the community. In general, Council has assessed the availability of an activity as a public benefit and the use of an activity as a private benefit.

'Availability' relates to the costs incurred to keep a service or asset in such a condition that it can become operational (e.g. keeping library items up to date). 'Use' relates to costs incurred as a result of the asset being used (e.g. staff costs of issuing library items).

#### **Legislative requirements**

The Local Government Act requires that the funding needs of Council must be met from those sources that are deemed to be appropriate, following the consideration of:

- The community outcomes to which the activity primarily contributes
- The distribution of benefits among the Community as a whole, any identifiable part of the Community, and individuals
- The period in or over which those benefits are expected to occur
- The extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity
- The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities

Then Council must assess the overall impact of allocating the liability for the revenue on the community, before determining the appropriate funding mechanisms.

## Policy Statement

### **Funding for Operating Expenses**

All operating expenses will be funded each year in accordance with the summary table which lists the following funding sources for each activity after Council determined:

- the beneficiaries of Council activities
- the ability of residents to pay for Council services
- whether there are any “exacerbators” for the particular activity; and
- the costs and benefits of using the selected funding source.

### **Funding for Capital Expenditure**

Capital expenditure is funded in accordance with the type of expenditure that is incurred.

- Renewals are funded from depreciation reserves
- Capital expenditure to improve the level of service is funded from an internal loan

Other sources for capital funding include:

- NZTA subsidy (Roading and Stormwater)
- Sale/Disposal of Assets
- Grants from various funding agencies

### **General rate**

Council charges general rates through both a Uniform Annual General Charge (UAGC) on each separately used or inhabited part of a rating unit and a rate in the dollar on capital value in accordance with Council's Differential Rating System.

The purpose of the UAGC is to ensure a minimum contribution to the general rate from all ratepayers and more even allocation of the general. The UAGC amount has been set by Council to produce the fairest and most equitable overall result for the community.

Council charges general rates on a differential basis in accordance with the Local Government (Rating) Act 2002. Council introduced differential rating in 1978. The objective of Council's system of differential rating is primarily to retain the ratio between commercial and industrial ratepayers on the one hand and residential ratepayers on the other. The general rate (including the UAGC)

is apportioned on a ratio of 55:45 Industrial/Commercial: Residential.

### **Targeted rates**

**Water** Council charges a uniform fixed amount for the provision of water supply.

The rate is charged to each separately used or inhabited part of a rating unit to which Council supplies water, except for properties on metered water supply.

**Wastewater** Council charges a uniform fixed amount for the collection and treatment of wastewater.

The rate is charged to each separately used or inhabited part of a rating unit that is connected to Council's wastewater disposal network.

**Refuse Collection** Council charges a uniform fixed amount for the collection of residual refuse. The rate is charged to each separately used or inhabited part of a rating from which Council is prepared to remove residual refuse.

### **Grants and subsidies**

A large part of Council expenditure on roads is subsidised by the New Zealand Transport Agency (NZTA). Subsidies contribute to the long term maintenance of carriageways and their associated drainage and lighting systems and partly fund street cleaning.

### **Interest and dividends**

Council has minimal equity investments and therefore receives no dividend income of any consequence.

Council receives interest from its financial investments. Significant replacement of infra-structural assets will not occur until the years 2027 to 2030. Until this time, Council will continue to have a cash surplus and depreciation reserves. These reserves are invested in accordance with Council's Investment Policy and will be retained for expenditure on asset replacement. Interest revenue from the investment of these reserves lowers the amount of depreciation funding that is required from general rates.

## ***Fees and charges***

Council has fees and charges on a wide range of its activities. A number of considerations are taken into account by Council when setting fees. These include:

- The cost of the service provided and the private benefits received
- The ability of users to pay and the possible exclusionary effects to people on low incomes
- The risk of people not using Council services if charges for those services are perceived to be too high
- In appropriate cases, whether the user lives in the district or outside the district

## ***Proceeds from asset sales***

Proceeds from asset sales will be used for the repayment of debt or the acquisition of new assets.

## ***Reserve funds***

Most Council reserve funds are associated with depreciation reserves, which will be used to finance the renewals of existing assets.

## ***Financial contributions***

Council has the ability to collect financial contributions as per its Financial Contributions Policy.

## ***Assessment of overall impact of allocation of revenue needs***

Council believes that its selection of funding tools leads to the most equitable funding of Council activities in terms of:

- The distribution of benefits amongst the community
- The period in, or over which those benefits are expected to occur
- The extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity
- Being affordable.

While some activities would normally be funded by user fees and charges due to the level of private benefit that they provide, Council wishes to enhance the well-being of Kawerau residents by encouraging them to use various Council services. It is felt that the inability to pay for various services should not stop or restrict access to those services.

Council has therefore determined that the following activities will be funded through general rates:

- Access to the Library/Museum for Kawerau residents and property owners
- Access to the Swimming Pool
- Partial waivers of rentals of the Town Hall, Concert Chambers, Recreation Centre and Passive Reserves for groups who achieve the outcomes desired by this policy
- Free access to the Town Centre Toilets
- Free access to the Refuse Disposal Site for people acting charitably

**Table: Allocation of costs**

Significant Activity	Funding Ratio	
	Public Benefit (%)	Private Benefit (%)
<b>Democracy</b>	100	0
<b>Economic and Community Development</b>		
Economic Development	100	0
Pensioner Housing	0	100
Community, Cultural and Social	100	0
Commercial Buildings/Residential Development	0	100
Firmin Lodge	55	45
Information Centre	25	75
<b>Environmental Services</b>		
Resource Management - Planning	Availability	100
Resource Management - Consents		30
Building and Inspection	Availability	100
Building and Inspection	Use	20
Environmental Health	Availability	100
Environmental Health	Use	50
Dog Control		90
Dog Registration		0
Civil Defence		100
<b>Roading</b>		100
<b>Stormwater</b>		100
<b>Water Supply</b>		
Water Supply	Availability	100
Water Supply	Use	0
<b>Wastewater</b>		
Wastewater	Availability	100
Wastewater	Use	0
<b>Solid Waste</b>		
Refuse Collection		10
Refuse Disposal	Availability	100
Refuse Disposal	Use	0
Zero Waste		100
<b>Leisure and Recreation</b>		
Library/Museum	Availability	100
Library/Museum	Use	95
Swimming Pools	Availability	100
Swimming Pools	Use	95
<b>Public Halls</b>		
Recreation Centre	Availability	100
Recreation Centre	Use	30
Town Hall	Availability	100
Town Hall	Use	30
Concert Chamber	Availability	100
Concert Chamber	Use	30
Bert Hamilton Hall	Availability & use	
<b>Public Toilets</b>		100
<b>Parks and Reserves</b>		
Sports Fields		100
Passive Reserves		100
Road Berms		100
Street Trees		100
Annual Bedding Displays		100
Playgrounds		100
<b>Cemetery</b>	Availability	100
<b>Cemetery</b>	Use	0

**Table: Mix of funding mechanisms for operating expenses**

Activity Group		Public Benefit	Private Benefit
<b>Democracy</b>		General Rates	
<b>Economic and Community Development</b>			
Economic Development		General Rates	User Fees and Charges
Commercial Rental Buildings			User Fees and Charges
Community, Cultural and Social	Availability	General Rates	
Pensioner Housing			User Fees and Charges
Commercial Rental Buildings			User Fees and Charges
Firmin Lodge		General Rates	User Fees and Charges
Information Centre		General Rates	User Fees and Charges
<b>Environmental Services</b>			
Resource Management - Planning	Availability	General Rates	
Resource Management - Consents		General Rates	User Fees and Charges
Building and Inspection	Availability	General Rates	
Building and Inspection	Use	General Rates	User Fees and Charges
Environmental Health	Availability	General Rates	
Environmental Health	Use	General Rates	User Fees and Charges
Dog Control		General Rates	
Dog Registration			User Fees and Charges
Civil Defence		General Rates	
<b>Roading</b>		General Rates	Subsidies, LA Fuel Tax
<b>Stormwater</b>		General Rates	Subsidies
<b>Water Supply</b>			
Water Supply	Availability	General Rates	
Water Supply	Use		Targeted Rate and User Fees and Charges
<b>Wastewater</b>			
Wastewater	Availability	General Rates	
Wastewater	Use		Targeted Rate and User Fees and Charges
<b>Solid Waste</b>			
Refuse Collection		General Rates	Targeted Rate and User Fees and Charges
Refuse Disposal	Availability	General Rates	
Refuse Disposal	Use	General Rates	User Fees and Charges
Zero Waste		General Rates	
<b>Leisure and Recreation</b>			
Library/Museum	Availability	General Rates	
Library/Museum	Use	General Rates	User Fees and Charges
Swimming Pools	Availability	General Rates	
Swimming Pools	Use	General Rates	User Fees and Charges
Public Halls			
Recreation Centre	Availability	General Rates	
Recreation Centre	Use	General Rates	User Fees and Charges
Town Hall	Availability	General Rates	
Town Hall	Use	General Rates	User Fees and Charges
Concert Chamber	Availability	General Rates	
Concert Chamber	Use	General Rates	User Fees and Charges
Town Centre Toilets	Availability	General Rates	
Town Centre Toilets	Use	General Rates	
Public Toilets		General Rates	
<b>Parks and Reserves</b>			
Sports Fields		General Rates	User Fees and Charges
Passive Reserves		General Rates	
Road Berms		General Rates	
Street Trees		General Rates	
Annual Bedding Displays		General Rates	
Playgrounds		General Rates	
Cemetery	Availability	General Rates	
Cemetery	Use		User Fees and Charges

**Meeting:** Audit & Risk Committee  
**Meeting Date:** 2 February 2021  
**Subject:** Review of Council’s Financial Contributions Policy  
**File No:** 110551

**1 Purpose**

The purpose of this report is obtain the committee’s feedback prior to the adoption of the financial contributions policy which is required for the 2021 - 31 Long Term Plan.

**2 Background**

The Local Government Act 2002 requires that Council adopts either a Financial Contributions Policy or Development Contributions Policy and the policy be reviewed at least every 3 years. The policy must be consulted.

Council has to date not wanted to adopt a Development Contributions Policy and therefore has a financial contribution policy which provisions are included in the district plan.

There has not been any financial contributions charged to developers for at least the last 15 years

Council last reviewed and adopted the Financial Contributions policy prior to the adoption of the 2018 – 2028 Long Term Plan.

**3. Financial Contributions Policy**

The current policy is attached and it is not proposed to make any changes.

Should there be any future development in the district, the policy permits Council to obtain a contribution towards the cost of additional infrastructure that results from any development.

**4. Legal and Policy Considerations**

The Local Government Act 2002 requires Council to adopt either a financial contributions policy or a development contributions policy. The review and adoption of the policy does require Council to use the special consultative procedure.

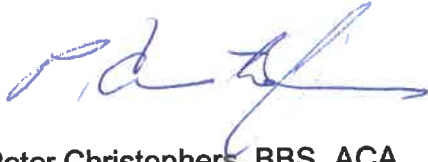
## 5. Options

The Committee has the following options concerning the financial contributions policy:

- Adopt the financial contribution policy as proposed
- Amend the current financial Contributions Policy
- Adopt a Development Contributions Policy

## 6. RECOMMENDATIONS

1. That the "Review of Council's Financial Contributions Policy" be received.
2. That the Audit and Risk Committee review and recommend any changes to the Financial Contributions Policy as proposed.



Peter Christophers, BBS, ACA

**Manager, Finance & Corporate Services**

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## APPENDIX

# FINANCIAL CONTRIBUTIONS POLICY

## Introduction

Section 102(1) of the Local Government Act 2002 requires local authorities to adopt a development contributions or financial contributions policy.

“Financial contributions” has the meaning given to it by s108(9) of the Resource Management Act 1991, i.e.

- a) Money; or
- b) Land, including an esplanade reserve or esplanade strip (other than in relation to a subdivision consent), but excluding Maori land within the meaning of the Maori Land Act 1993 unless that Act provides otherwise; or
- c) A combination of money and land.

Development contributions may take the same form as above, but they are only available to fund additional infrastructure costs that occur as a direct result of growth. They are a tool to allocate the cost of growth to those who cause the need for the additional infrastructure.

The Kawerau District does not have the pressure on infrastructure systems that is being experienced by some territorial authorities and therefore does not have a pressing need to extend existing infrastructure systems to cope with increasing demand. The spare capacity in Council’s infrastructure means it can cope with some growth without a resulting increase in demand for community facilities. Indeed, Council wishes to encourage development in the District to further the Community Outcomes.

Where new subdivisions or developments occur, extensions to infrastructure networks are necessary. These extensions add incrementally to the demand on Council owned and operated services such as water supply and wastewater disposal and treatment. The District Plan puts in place a mechanism which makes allowance for extensions to the infrastructure network to be funded by

those who cause the demand for such an upgrade. Physical construction of the additional network capacity may not take place for some time after the development occurs.

## Policy Objective

The objective of this policy is to require subdividers and developers to meet the full cost of, and to provide or contribute to providing any works and services necessary to meet, additional demands as a result of subdivision or development.

## Policy Statement

### Development Contributions

Council’s policy in relation to development contributions is to not assess development contributions under the Local Government Act 2002, but to retain the provisions of the District Plan which allow the assessment of financial contributions.

### Financial Contributions

Subdividers and developers are required to meet the full costs of the following:

- furnishing water supply or wastewater disposal infrastructure necessary to support their subdivision or development, and
- upgrading any road or street which provides direct frontage or gives access to the subdivision or development.

For the purposes of this policy, a fair share will be assessed along the general lines that the contribution should cover the cost of the additional works or services required as a direct result of the new subdivision or development.

Financial contributions contribute to Kawerau’s Community Outcomes:

The provisions relating to financial contributions in the Operative District Plan are summarised below:

**District Plan, Section B.2.3:  
Infrastructure contributions:  
*Explanation/reasons for adopting  
objective policies and methods***

The Resource Management Act allows a financial contribution to be made in the form of money or works and services as a condition of a resource consent.

The District is serviced by a water supply and wastewater disposal system which may require upgrading as a result of subdivision or development. Similarly, unoccupied land may not have been provided with developed footpaths, or berms, or have access to utility services across its frontage. Roads leading to, or within a development site may require geometric or structural improvement to accommodate the volume or type of vehicles using the road as a result of the subdivision or development.

It is reasonable that the subdivider or developer pays the costs of addressing these issues rather than the ratepayer generally.

The Act allows a financial contribution to be made in the form of cash, works and services or a combination of both as a condition of a resource consent.

It is recognised that development, facilitated by subdivision, adds incrementally to the demands on the infrastructure of the District. Existing infrastructure assets have been created by rating income, but where land being subdivided, or developed has not been so rated, there is no entitlement to a share of those assets. Purchasing into a system or providing for its expansion is considered to be a fair way of apportioning costs of an overall system.

**District Plan, Section C.7.2.8:  
*Subdivision and development:***

***works and services requirements***

The Act provides for a resource consent to include a condition requiring that a financial contribution be made in the form of works or services, including the planting, or replanting of any tree or other vegetation, or the restoration or enhancement of any natural or physical resource.

Council considers that developers and subdividers should provide, or contribute to the provision of, those works and services necessary to ensure the efficient functioning of their developments and subdivisions. A contribution may also include formation of an unformed road, upgrading of a formed road where additional traffic from the activity creates additional pressure beyond what the road can cater for, upgrading of an undersized sanitary sewer or stormwater drain, or a contribution toward any sewage treatment or water supply headworks or trunk sewer, water main or stormwater drain. A contribution toward the undergrounding of all reticulation, together with individual connections to each separate allotment, lease site or dwelling unit, should also be included.

The contribution amount will be limited to the works necessary to meet the additional loading on the infrastructure, or utility service caused by the subdivision and developments, as determined by Council. In determining the amount., Council shall consider any design and operational factors provided by the developer which may benefit the wider Community.

In the case of a subdivision consent, where services are not immediately available to serve land on an application plan, but are expected to be available within five years, Council may require the applicant to pay or enter into a bond to pay to Council, such amounts as Council considers fair and reasonable toward the cost of providing such services.

**Meeting:** Audit & Risk Committee

**Meeting Date:** 2 February 2021

**Subject:** Review of Council's Investment Policy and Liability Management Policy

**File No:** 110551

## **1 Purpose**

The purpose of this report is obtain the committee's feedback prior to the adoption of the investment policy and liability management policy which is required for the 2021 - 31 Long Term Plan.

## **2 Background**

The Local Government Act 2002 requires that Council adopts an Investment Policy which specifies:

- The mix of investments and
- The acquisition of new investments and
- The procedures by which investments are managed and reported to Council and
- How risks associated with investments are assessed and managed

The Local Government Act 2002 also requires Council adopts a Liability Management Policy which specifies Council's policies in relation to:

- Interest rate exposure and
- Liquidity and
- Credit exposure and
- Debt repayment

### **2.1 Investment Policy**

Council reviewed and adopted the current investment policy in 2018 as part of the preparation of the 2018 – 2028 Long Term Plan.

The main elements of this policy are:

- (i) Council may make treasury investments with the following (credit worthy) financial institutions:
  - BNZ
  - ANZ

- ASB
  - TSB
  - Kiwibank
  - Westpac
  - Rabobank
  - Local Authority Stock
  - Government Stock
- (ii) All investments must be capable of being liquidated on demand
- (iii) No more than 50% (was 35%) of the total investments can be placed with any one institution apart from Council's principal bank (BNZ)
- (iv) Council does not adopt the use of hedging instruments for interest rate risk management on its investments.

Council has not invested in either Government or Local Authority stock to date. Principally because the returns are generally lower than investments in the bank, and also these investments are not as "liquid" as term deposits with banks.

There have been a number of occasions recently when investments in a single institution have exceeded the limit of 35%. This is as a result of Council having less funds to invest with the various banks, which has made it very difficult to comply with this condition.

## **2.2 Liability Management Policy**

Council adopted the current Liability Management Policy when it adopted the 2018 - 2028 Long Term Plan.

The policy permits Council to borrow money to finance:

- Specific projects
- Purchase or construction of assets
- General operating expenses
- Any combination of the above

The policy covers finance leases or hire purchase arrangements for acquiring assets.

The policy specifies that Council will not have less than 60% of its borrowing at fixed rates. The policy also excludes Council from using hedging instruments without a specific resolution of Council.

Council may borrow from any registered bank, local authority and anyone by the issue of registered local authority stock including Local Government Funding Agency. The maximum period for the repayment of debt is 50 years or the life of the asset (whichever is the lesser).

Council's limit for borrowing is that gross interest expense of all borrowings will not exceed 10% of total revenue (\$1.5 mil for 2020/21).

The policy specifies that security over loans will be a charge over Council's rates.

When the 2018 – 2028 Long Term Plan was adopted, it was anticipated that Council would not need to borrow funds for the next ten years as minimal expenditure was programmed for asset renewals and more sales from the residential developments was anticipated. However, Council has over the last 3 years carried out some significant expenditure and the sales of residential sections has been a little slower than initially thought.

Therefore, it is projected that Council will need to borrow funds in the later part of this financial year, and Council has recently become a member of the Local Government Funding Agency to ensure the best interest rates are achieved.

#### **4 Legal and Policy Considerations**

The Local Government Act 2002 requires Council to adopt an investment policy and a Liability Management Policy. The adoption of these policies does not require Council to use the special consultative procedure.

The Investment and Liability Management policies were last reviewed in 2018, and overall they are still considered to be robust and sound policies with minimal risk to Council and ratepayers.

#### **5 Options**

The Committee has the following options concerning its investment and borrowing policies:

- Recommend the adoption of the Investment and Borrowing Management policies as proposed
- Recommend amendments to the Investment Policy and Borrowing Management Policy

#### **6 RECOMMENDATIONS**

1. That the report "Adoption of Council's Investment Policy and Liability Management Policy" be received.
2. That the Audit and Risk Committee recommend the adoption of the Investment Policy as proposed.

3. That the Audit and Risk Committee recommend the adoption of the Liability Management Policy as proposed.



Peter Christophers, BBS, ACA  
**Manager, Finance & Corporate Services**

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## APPENDIX

# Investment Policy

## General Policy

Council's broad objectives in relation to investing are as follows:

- Compliance with the Local Government Act and other relevant legislation
- Development and maintenance of professional relationships with the financial markets
- Investment of surplus cash in liquid and credit worthy investments
- Ownership of property investments for strategic and business needs
- Management of the overall cash position of Council's operations

When engaged in the investing activity, Council may:

- Use external advice, where there is a particular risk or where it is prudent to the management of a particular investment
- Consider the value of its investments against the size of its debt burden

Council is a risk averse entity. The "Prudent Person" rule from the Trustees Act applies to all investing activity engaged in by Council.<sup>1</sup> Activity which may be construed as speculative in nature is expressly forbidden.

Council maintains investments in the following assets:

- **Equity investments** including shareholdings and loan advances to natural persons, trading and service enterprises, charitable trusts and incorporated societies (e.g. sporting and Community organisations)
- **Property investments**, including land and buildings purchased as an investment and excluding property assets owned in the course of delivering a service or those that Council has already on the market for sale
- **Treasury investments** including liquidity and longer-term investments

<sup>1</sup> The "Prudent Person" rule means that Council must "use such diligence and care in the management of" investments "as men of ordinary prudence and vigilance would use in the management of their own affairs".

<sup>2</sup> Council shall be taken to mean full Council or any of its Committees or Sub-Committees acting under delegation.

## Mix of Investments

The mix of investments will not be determined, or influenced by the funding needs of any particular function, but must have regard to the overall funding needs of Council. Investment mix is also influenced by risk management considerations. Council may set up, alter or dissolve a fund for a particular purpose by ordinary resolution.

Treasury investments must be invested with a number of financial institutions.

## Acquisition of New Investments

Equity and property investments may be acquired by resolution of Council and funded from Council's general funds, or whatever other source Council has available to it.<sup>2</sup> Monies from Funds Set Aside for Particular Purposes will not be used to fund equity or property investments that are inconsistent with the particular purposes of those funds.

When acquiring equity and property investments, Council seeks to:

- Improve business effectiveness and efficiency
- Improve its strategic position to face a perceived future need
- Further a social goal by providing loan assistance

Treasury investments may be acquired under delegated authority to the Chief Executive Officer.<sup>3</sup>

When acquiring treasury investments, Council seeks to:

- Optimise investment return
- Ensure investments are secure
- Ensure investments are liquid
- Manage potential losses due to interest rate movements if investments need to be liquidated before maturity

<sup>3</sup> Chief Executive Officer – wherever this term is used it shall be taken to mean the Chief Executive Officer and whichever staff to whom the Chief Executive Officer may delegate.

## Investment Policy (cont'd)

### Disposition of Revenue from Investments

All dividend, interest, rentals and other income from Council's investments will be available for Council's general use except in the following cases:

- Where Council has resolved that interest earned on the funds invested in an account shall be reinvested in that account

### Disposition of Proceeds of Sale of Investments

Equity and property investments may be disposed of by resolution of Council and the proceeds will be available for Council's general use, unless it resolves otherwise.

Treasury investments may mature or be sold under delegated authority by the Chief Executive Officer and the proceeds will either be used to fund a purpose authorised by Council (e.g. as outlined in Council's Long Term Plan or Annual Plan) or be reinvested. Funds from Council's Depreciation Funds account may only be spent on renewing assets or repaying debt.

### Procedures

Equity and property investments will be reviewed by Council before the end of December in each year.

Treasury investments will be managed under delegated authority by the Chief Executive Officer.

Whenever acquiring a new treasury investment, excluding maturities that rollover and transfers between accounts at Council's bank, the acquisition proposal must be certified that the acquisition complies with this policy and takes sufficient account of predicted interest rate movements and demands for cash. This procedure could include:

- Using an investment model that assesses the risk of the investment in relation to its return
- Obtaining external advice

The certified proposal must then be reviewed by the Chief Executive Officer, or the Manager, Finance and Corporate Services.

Overdraft facilities are used as little as is practical.

All investing activity must be approved by the Chief Executive Officer, or Manager, Finance and Corporate Services pursuant to this policy.

Council will receive a schedule of treasury investments regularly throughout the year.

### Investment Risk Assessment and Management

Equity investments are subject to the risk of default. Risks are taken into account when these investments are reviewed. Property investments are subject to the risk of vacancy and devaluation. Risks are taken into account when these investments are reviewed.

Treasury investments are subject to the following risks:

- Credit risk – Council's primary objective when investing is the protection of its investment. Accordingly, only credit worthy counter parties, eg banks, financial institutions or other organisations that Council invests in, are acceptable (list below). Council may approve alteration to the list of credit worthy counter parties by ordinary resolution
- Where total treasury investments exceed \$250,000, no more than 50% of the total investments can be placed with any one institution (other than Council's banker) at the time of making the investment.
- Liquidity risk is minimised by ensuring that all investments, must be capable of being liquidated on demand
- Interest rate risk is managed by the treasury investments review process above
- Council does not adopt the use of hedging instruments for interest rate risk management on its investments. Maturity dates of treasury investments will be staggered to mitigate the effect of one-off market fluctuations

### Creditworthy Counter Parties

Council may make treasury investments with the following banks, financial institutions, which are deemed to be sufficiently creditworthy:

- Bank of New Zealand (Council's Banker)
- ANZ Banking Group (New Zealand) Limited
- ASB Bank Limited
- Kiwibank
- Rabobank
- Taranaki Savings Bank
- Westpac Trust
- Local Body Stock
- NZ Government Stock



# Liability Management Policy

## General Policy

Council's broad objectives in relation to liability management are as follows:

- Compliance with the Local Government Act 2002 and other relevant legislation.
- Develop and maintain professional relationships with the financial markets.
- Raise appropriate finance, in terms of both loan maturity and interest rate.
- Manage the overall cash position of Council's operations.

When engaged in the borrowing activity, Council may:

- Use external advice, where there is a particular risk, or where it is prudent for the management of a particular borrowing.
- Consider the value of its investments against the size of its debt burden.

Council may borrow to finance:

- Specific projects
- The purchase or construction of assets
- Finance leases or hire purchases of assets<sup>1</sup>
- General operating expenses
- Any combination of the above

Council is a risk averse entity. Council intends to borrow prudently and maintain debt at a prudent level. Activity which may be construed as speculative in nature is expressly forbidden.

## Interest Rate Exposure

Council's borrowing gives rise to direct exposure to interest rate movements. Given the long term nature of Council's assets, projects and intergenerational factors, Council's general tendency is to have a high percentage of fixed rate<sup>2</sup> borrowing. Council aims for no less than 60% of its borrowings outstanding at any given time to be at a fixed rate.

Interest rate risk is managed by adjusting the maturity of borrowings in line with interest rate predictions.

<sup>1</sup> All matters that can be lawfully delegated concerning borrowings are delegated to the Chief Executive Officer and must be reported back to Council as they occur.

The use of hedging instruments for interest rate risk management on Council's borrowing is not possible, as these instruments are priced for larger denominations than Council is likely to borrow. Should hedging instruments be required, an ordinary resolution approving use of these instruments will be adopted by Council.

## Liquidity

To ensure funds are available for operational needs and the repayment of debt, maturities of investments and borrowings are matched through cash-flow forecasts and investments are maintained in liquid assets. Council aims for a liquidity ratio of not less than 1.5:1 at each month end<sup>3</sup>.

## Credit Exposure

Council's ability to readily attract cost effective borrowing is largely driven by its:

- Ability to maintain a strong balance sheet
- Ability to rate
- Image in the market
- Successful communications with bankers

Council may borrow from itself, Local Government Funding Agency, any registered bank, local authority or anyone else, by the issue of registered local authority stock or in any other manner that it considers appropriate.

## Debt Repayment

Council repays borrowings from its general funds.

Council must consider and record how it intends to effect repayment at the time of borrowing.

The term of repayment of any borrowing will be determined after considering:

- The intergenerational benefit of the assets being financed.
- The cost of finance.

The maximum period over which borrowings are repaid is the lesser of: 50 years or the expected life of the asset financed.

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<sup>1</sup> This policy only applies to finance leases or hire purchase where the amount borrowed in any instance exceeds \$50,000.

<sup>2</sup> Fixed rate borrowing is generally taken to mean that borrowing where the interest rate does not vary more often than yearly. The interest rate on floating rate borrowing may alter every 90 days.

<sup>3</sup> This ratio measures Council's ability to generate cash from assets in order to meet its obligations. The liquidity or acid test ratio consists of the sum of cash, marketable securities, short-term notes and receivables divided by current liabilities (excluding the current portion of term debt).



**KAWERAU DISTRICT COUNCIL**

**The Meeting of the Audit and Risk Committee will be held on  
Tuesday 2 February 2021 in the Council Chamber  
commencing at 1.00pm**

**AGENDA**

**Apologies**

**Declarations of Conflict of Interest**

Any member having a “conflict of interest” with an item on the Agenda should declare it, and when that item is being considered abstain from any discussion or voting. The member may wish to remove themselves from the meeting while the item is being considered.

**1 Confirmation of the Audit & Risk Committee Meeting Minutes dated 17 November 2020**

**Pgs. 1 - 2**

**Recommendation**

*That the Minutes of the Audit & Risk Committee meeting held on 17 November 2020 be confirmed as a true and accurate record.*

**2 Occupational Health and Safety Management System Status (Health and Safety Officer) (509500)**

**Pgs. 3 - 20**

Attached is the report for the Health and Safety Manager covering The OSH Management System.

**Recommendation**

*That the report “Occupational Health and Safety Management System Status” be received.*

**3 Treasury Report to 31 December 2020 (Manager, Finance and Corporate Services) (110551)**

**Pgs. 21 - 25**

Attached is the Treasury Report for the month of December 2020.

**Recommendation**

*That the report “Treasury report to 31 December 2020” be received.*

**4 Review of Council Revenue and Financing Policy (Manager, Finance and Corporate Services) (408310)**

**Pgs. 27 - 36**

Attached is a copy of Councils Revenue and Financing Policy for review by the Committee.

## **Recommendation**

- 1. That the report "Review of Council Revenue and Financing Policy" be received.*
- 2. That the Committee review the Revenue and Financing Policy and recommend any amendments for inclusion in the draft 2021 – 2031 Long Term Plan for public consultation.*

## **5 Review of Councils Financial Contributions Policy (Manager, Finance and Corporate Services) (110551)**

**Pgs. 37 - 40**

Attached is Councils Financial Contributions Policy for the Committee to review.

## **Recommendation**

- 1. That the report "Review of Councils Financial Contributions Policy" be received.*
- 2. That the Audit and Risk Committee review and recommend any changes to the Financial Contributions Policy as proposed.*

## **6 Review of Councils Investment and Liability Management Policies (Manager, Finance and Corporate Services) (110551)**

**Pgs. 41 - 47**

Attached is a report requesting the Committee review Councils Liability Management and Investment Policies.

## **Recommendation**

- 1. That the report "Review of Councils Investment and Liability Management Policies" be received.*
- 2. That the Audit and Risk Committee recommend the adoption of the Investment Policy as proposed.*
- 3. That the Audit and Risk Committee recommend the adoption of the Liability Management Policy as proposed.*

**R B George**  
**Chief Executive Officer**

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