



**The Meeting of the
Audit and Risk Committee will be
held on Tuesday 5 October 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 and Risk Committee held on 24 August 2021
via Zoom commencing at 1.00pm**

Present: Phillip Jones – P J Associates (Chair)
His Worship the Mayor – M J Campbell
Councillor F K N Tunui
Councillor C J Ion
Councillor D Sparks
Councillor A Rangihika (left meeting at 1.49pm)

In Attendance: Chief Executive Officer (R George)
Manager, Finance & Corporate Services (P Christophers)
Manager, Operations & Services (H van der Merwe)
Health & Safety Officer (P Snook)
Administration Officer (T Barnett)
Jo Smaile (Audit New Zealand)
Kataraina Mcowen (Audit New Zealand)

Apologies

No apologies

Declarations of Conflict of Interest

No conflicts of interest were received.

Chair Jones brought forward items 3 and 4 on the agenda, as Jo Smaill and Kataraina Macown from Audit New Zealand had other meetings to attend.

1 Audit Management Report for the 2021 – 2031 Long Term Plan Consultation Document (Manager, Finance and Corporate Services) (201000)

The Committee reviewed the Audit Management Report for the 2021 – 2031 Long Term Plan Consultation Document.

Resolved

Councillors Rangihika / Ion

That the report "Audit Management Report for the 2021 – 2031 Long Term Plan Consultation Document" be received.

2 2020/21 Annual Report Timetable (Manager, Finance and Corporate Services) (110400)

The Committee reviewed the 2020/21 Annual Report Timetable.

Resolved

His Worship the Mayor / Deputy Mayor Tunui

That the report "2020/21 Annual Report Timetable" be received.

3 Occupational Health and Safety Management System Status (Health and Safety Officer) (509500)

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

Resolved

Deputy Mayor Tunui / Chair Jones

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

4 Treasury Report to 30 June 2021 (Manager, Finance and Corporate Services) (110551)

The Committee reviewed the Treasury Report to 30 June 2021.

Resolved

Councillor Ion / Chair Jones

That the report "Treasury report to 30 June 2021" be received.

5 Annual Plan Performance for the Year Ended 30 June 2021 (Manager, Finance and Corporate Services) (110400)

The Committee reviewed the Annual Plan Performance for the Year Ended 30 June 2021.

Resolved

His Worship the Mayor / Deputy Mayor Tunui

That the report "Annual Plan Performance for the Year Ended 30 June 2021" be received.

Meeting closed 1.58pm

P Jones

Chairperson

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Meeting: Audit and Risk Committee

Meeting Date: 05 October 2021

Subject: Occupational Health and Safety Management System Status

File No: 509500

1 **Executive Summary**

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

Above is the top five hazards table based on the results of the staff survey in October 2020.

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
Covid- 19 Pandemic	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
Hazard, Identification, Assessment and management	High	Create and manage a register aligned with legal/ organisational requirements, current knowledge and thinking. All registered hazards to achieve completed status. Monitor and review hazards.	June 2016	HSO and Work Groups and Managers	Unknown - Ongoing	Underway
Contractor/Contracted Worker Health and Safety Management	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
Worker Participation in Health and Safety Management	High	Health and Safety Representative Job Description complete.	June 2016	HSO	June 2019	Complete
Employer Commitment to Safety Management Practices	Medium	Review H&S Policies. Identify and implement a performance based management system.	June 2016	HSO	Ongoing	Underway
Emergency Planning and Readiness	Medium	Monitor and review plans.	June 2016	HSO	Ongoing	Underway

Critical Element	Priority	Actions Required	Started	By Whom	Target for Completion	Current Status
Planning, Review and evaluation	Low	Monitor and review	June 2016	HSO	Ongoing	Underway
Information, Training and Supervision	Low	Monitor and review	June 2016	HSO	Ongoing	Underway
Near Miss, Incident and Injury Reporting, Recording and Investigation	Low	Monitor and review	June 2016	HSO	Ongoing	Underway

Data in this report aligns with Council's Financial Year period to August 31 2021.

The COVID – 19 pandemic response has reduced from Alert Level 4 to Alert Level 3 due to move to Alert Level 2 at 11:59pm 31 August.

Essential frontline staff maintaining operations and services continue to work throughout the lock down in compliance with COVID – 19 requirements.

Council Offices and venues are closed and staff worked from home where practicable.

Contact is maintained with home working staff using phone and video call technology to minimise the risks to staff mental wellbeing due to isolation and to maintain operational effectiveness.

Daily Crisis Management Team (CMT) meetings involving key staff have been chaired by the CEO during this time.

Elected Member updates have been provided by the Leadership Team and key staff.

KDC Civil Defence continues in a monitoring role maintaining contact with the Group Emergency Coordination Centre (GECC).

Civil Defence Incident Management Team (IMT) meetings have been called to reconnect and maintain contact with Emergency Operation Centre (EOC) KDC function managers and key agencies.

KDC Civil Defence Welfare is on standby to support government agencies and the community if required.

Contact tracing Quick Reader (QR) codes are displayed at all Council sites, with physical distancing controls, contact tracing, and face covering requirements.

Supporting information signage is maintained and displayed.

Council Staff, Elected Members and immediate family members have been offered vaccination against COVID – 19 by Te Puna Ora O Mataatua on 1 September at Firmin Lodge, Kawerau.

The Retirement Policy has been approved by the Leadership Team.

The Drug and Alcohol Policy review is underway.

Hazard management and reviews continue with workgroups and managers.

Investment in appropriate health and safety training for staff has been postponed over the lock down period and will be rescheduled.

There have been no notifications to WorkSafe New Zealand during this report period.

The August Health and Safety Committee (HSC) meeting went ahead remotely via Zoom.

Skin cancer checks at KDC had to be cancelled but vouchers have been provided to staff to attend a local clinic at Alert Level 2.

Audiometry and Spirometry monitoring has been scheduled for November for relevant staff.

One Contractor site audit was completed in July.

The August Contractor auditing was cancelled due to Lockdown.

Contractor monitoring is generally included in the Lead Indicator *Mobile Check* statistics.

Further contractor monitoring detail is provided at the end of the report.

Some statistical data results will identify as lower than usual due to the Swimming Pool temporary closure and the effects of COVID – 19 Lockdown.

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/Damstra Health and Safety software.

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/thorough event investigation.

Near Miss events are considered 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.

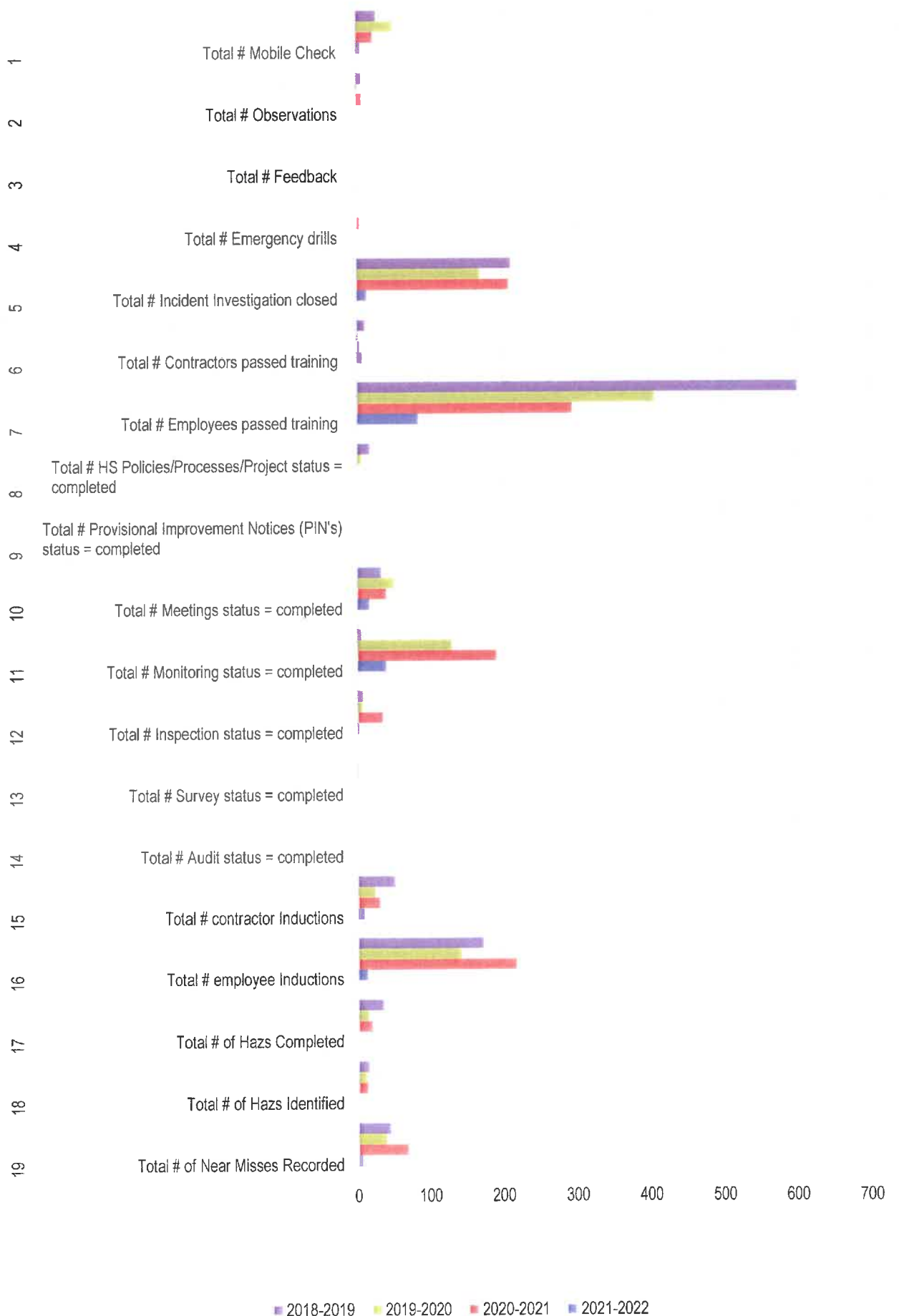
Near Miss events when reviewed will identify learning and continuous improvement opportunities potentially adding to the preventative approach in Health and Safety management.

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

First aid events, medical events and lost working time are identified.

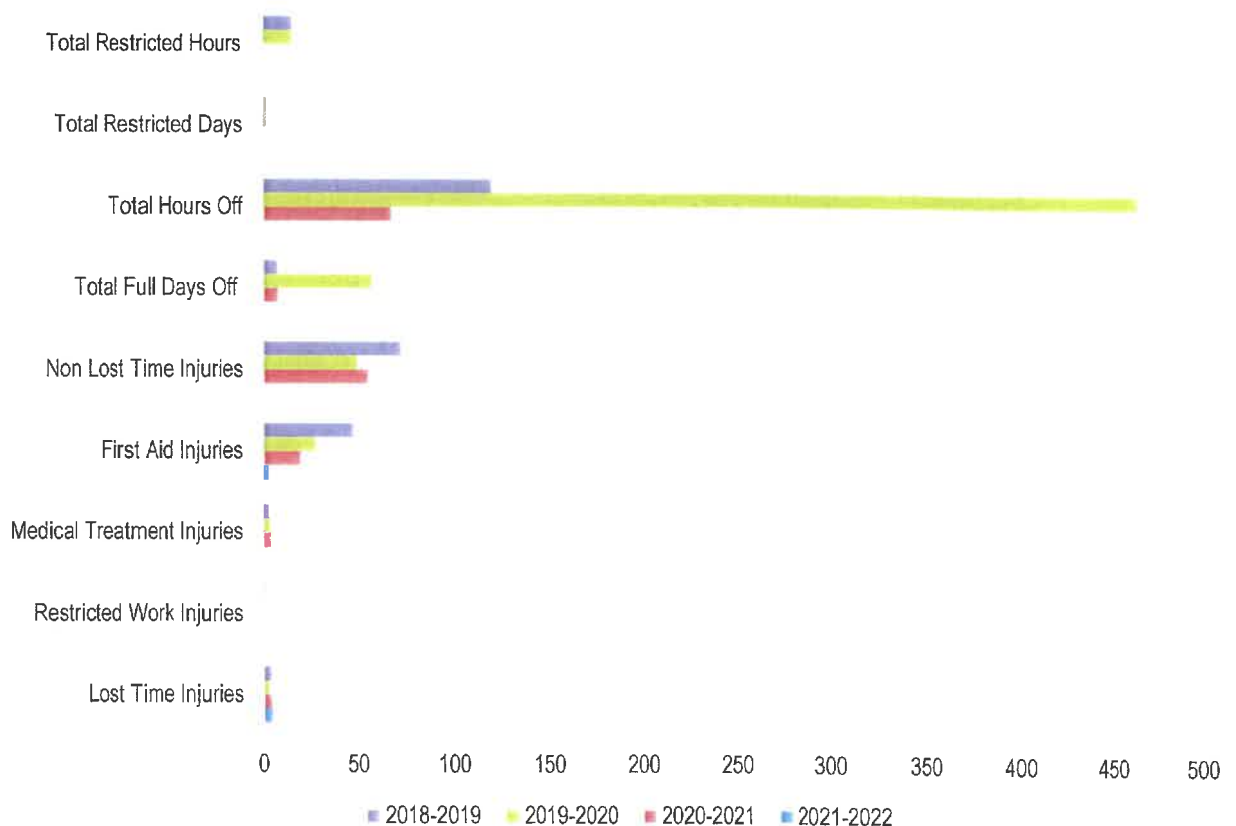
The bar graphs below identify lead and lag indicators by financial year.

Lead Indicators by Financial Year



Key for Lead Indicators	
1	Audit/Check Template Mobile Application e.g. Tablet Device used for – Contractor Audit, Site Audits or Workstation Assessment (Completed) Specific Contractor Audit data is identified in a bar graph near the end of this report.
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.

Lag Indicators by Financial Year



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 injuries resulting lost working time

The 2019 - 2020 total hours and days off results identify as higher than other years because of one notifiable worker accident.

Recovery/rehabilitation time was needed to ensure a healthy, safe and sustainable return to work identified in the data.

4 **Employer Commitment to Safety Management Practices**

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

Policies are 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.

The Health and Safety Policy remains on an annual review cycle.

Organisational Policies/Documents

The table below identifies status of Policy/Document reviews.

Organisational Policy/Document	Status
Health and Safety Policy	Review 01/12/2021 HSC
Rehabilitation Policy	Review 01/03/2022 HSC
Drug and Alcohol Policy	Review 01/08/2021 HSC (Underway)
Cash Handling Policy	Review 01/04/2024
CCTV Policy	Develop/Review MFCS almost finalised (Underway)
Worker Engagement, Participation and Representation Agreement	Review 30/11/2022 HSC
HSR Induction Manual	Develop/Review 29/08/2021 HSO (Not Started)
HSR Position Description	Review 01/04/2022 HSC
Safe Driving Policy	Review 06/04/2021- (Underway) Leadership team to sign document
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 (Underway)

Organisational Policy/Document	Status
VDU Management Policy	Review 03/09/2021 HSC (Underway) October HSC Agenda
Bullying and Harassment Policy	Review 01/10/2021 HSC
Workplace Stress & Fatigue Policy	Review 30/08/2022 HSC
Retirement Planning Policy	Completed – Review 01/09/2024

5 Planning, Review and Evaluation

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

VAULT/Damstra reports are scheduled electronically to managers.

6 Hazard Identification, Assessment and Management

Work associated with managing the top 5 hazards is outlined below:

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

1 Public/People

Customer Conflict Awareness training was completed July 2021 for new staff and refresher training for existing staff.

Development of staff guidelines is underway dealing with telephone abuse should it occur but has been delayed due to COVID – 19 alert level changes.

Customer bilingual messaging *Please be kind our staff are here to help you...* has been developed by the HSC and approved by the Leadership team.

Communications team to release via media and print copies for display at customer facing counters.

Some online chemical training and assessment was completed during August.

2 Stress

KDC maintains a policy for the management of Workplace Stress and Fatigue and the hazard is recorded in the register.

Core training and refresher training for staff around Bullying and Harassment and Mental Health Awareness will be rescheduled due to COVID – 19 alert level changes.

The organisation is aware of the potential negative mental health effects of COVID – 19 alert level changes to staff.

Managers encourage and maintain communication to their teams using the technological platforms available.

Also staff have been reminded to access Council's free and confidential professional support services.

3 Slips, Trips and Falls

The risk of death, injury, damage or loss from slipping tripping or falling is recorded with safety controls on the hazard register.

4 Lone Working

KDC maintains a policy and process for Lone Working Management and this is recorded in the KDC Hazard register.

Where practicable – managers aim to eliminate lone working by staff not working alone, especially in remote or isolated areas.

5 Manual Handling

The risks associated with manual handling and safety controls is recorded on the hazard register.

Training is ongoing.

Early pain, discomfort and injury reporting is encouraged.

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 staff 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
Audiometry (Hearing monitoring)	Completed 2020, Scheduled for November 2021
Immunisations/vaccinations (Tetanus, Hep A, B & Diphtheria)	Ongoing/Underway
Work station assessments	Ongoing/Underway
Spirometry (Lung Function Monitoring)	Completed 2020, Scheduled for November 2021
Full Asbestos Medical (Workers doing Asbestos Related/Removal Work)	Completed 2020, Scheduled for November 2021
Pre-Employment-Medicals (PEM's)	Ongoing/Underway
Monitoring/Vaccination	Status
Face Fit Assessment & Monitoring (RPE)	Ongoing/Underway
Drug & Alcohol Pre-Employment, Random, Reasonable Cause and Post Event testing	Ongoing/Underway
Eye Health and Vision Check	Ongoing/Underway for staff spending over 50% of their working day 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
Employee Assistance Programme (EAP Services)	Available 24/7
Employee Counselling Provider (VITAE)	Available 24/7
COVID – 19 Immunisation	KDC Emergency Operations Staff offered early vaccination. Staff and direct family also offered vaccination through Te Puna Ora O Mataatua
Annual Flu vaccine	2021 immunisations underway
Health Assessment (Heart, BP, Cholesterol, Glucose, BMI & Waist Circumference etc.)	Completed 2020, Planning underway for 2021
Skin Checks (Melanoma/Skin Cancer)	Scheduled September 2021
Yoga Class	Available weekly
Zumba Dance Class	Available weekly
Domestic Violence Victims Protection Standard Operating Procedure	Available on the KDC Intranet/SharePoint

Drug & Alcohol Policy

Tests identified in the policy are:

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

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.

Most training has been put on hold due to COVID – 19 alert level changes.

It will be rescheduled in due course.

7 Incident and Injury Reporting, Recording and Investigation

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 identified for this report.

Event Statistics

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

- Total 230 averaging 19 events per month for financial year 2018 - 2019
- Total 155 averaging 13 events per month for financial year 2019 - 2020
- Total 206 averaging 17 events per month for financial year 2020 - 2021
- Total 16 averaging 8 events per month for financial year 2021 - 2022
(As at the end of Aug 2021)

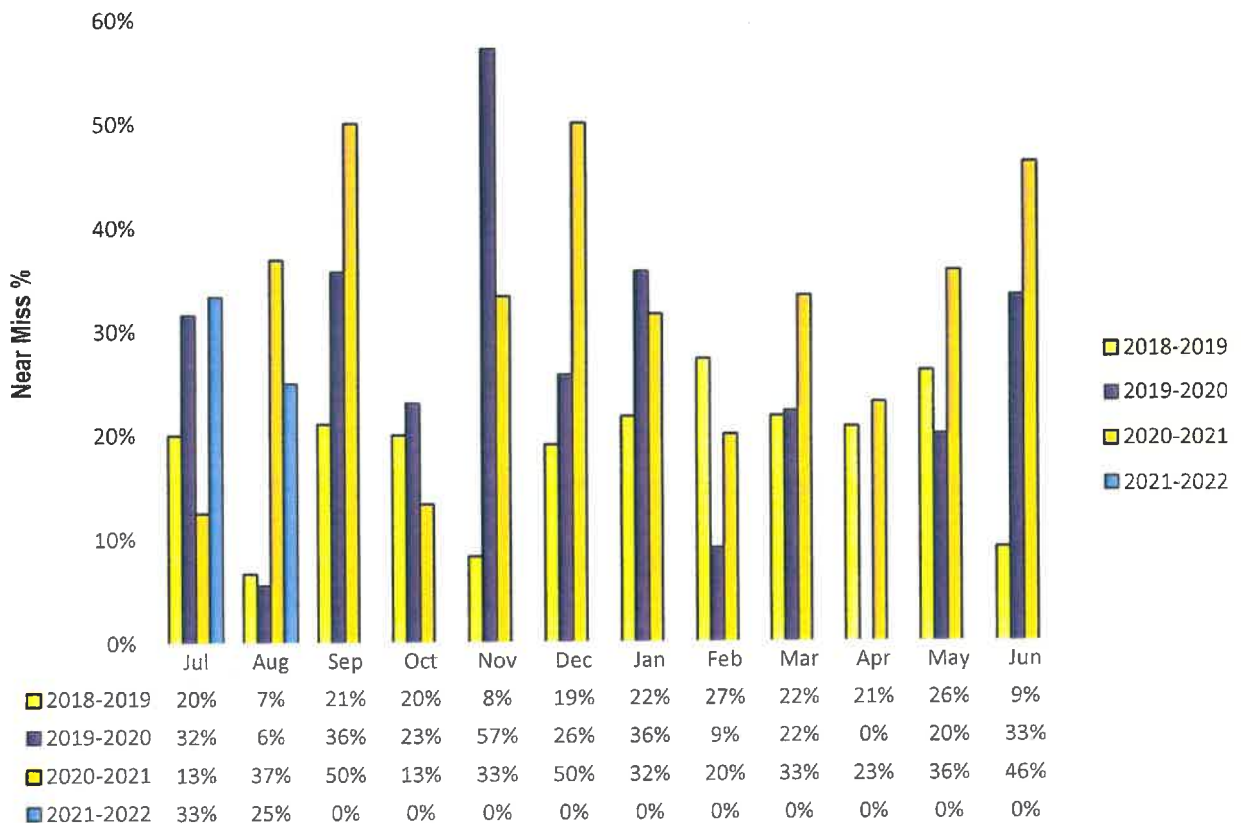
Event Statistics are lower than usual with COVID – 19 alert level changes likely to be a factor.

Near Miss events

The organisation values near miss events being reported understanding the learning potential and opportunity to improve health and safety preventative control measures.

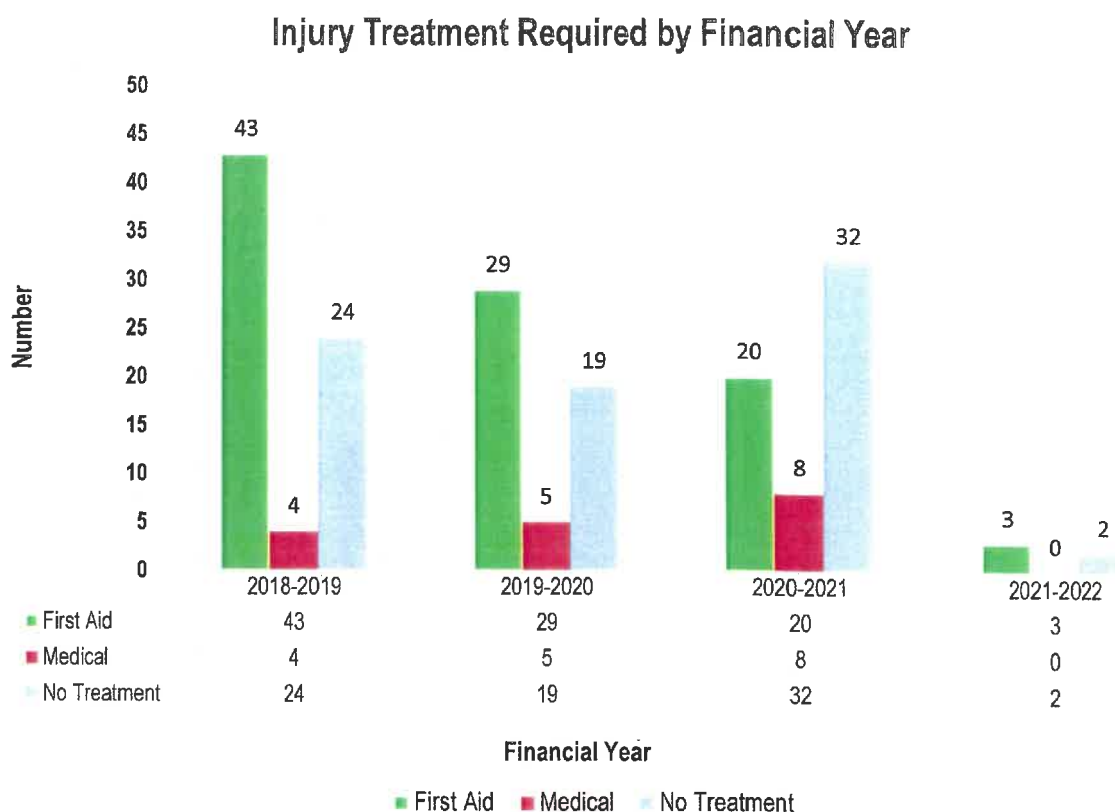
- Near miss events contributed to 18% of total events for financial year 2018-2019
- Near miss events contributed to 25% of total events for financial year 2019- 2020
- Near miss events contributed to 32% of total events for financial year 2020-2021
- Near miss events contributed to 29% of total events for financial year 2021-2022

Near Miss % of Events by Financial Year



The column combination graph above identifies the financial year focusing on the percentage of near misses recorded.

Accidents



The column combination graph above identifies injury/illness treatment outcomes by financial year.

All sites and all person types are included in the data.

- First Aid means attention given to reduce the effects of the injury or illness.
- Medical means professional medical attention has been required to manage the effects of an injury/illness e.g. General Practitioner, Registered Nurse, Paramedic or Physiotherapist.
- No treatment means the injury did not require first aid attention - or First Aid assistance was refused.

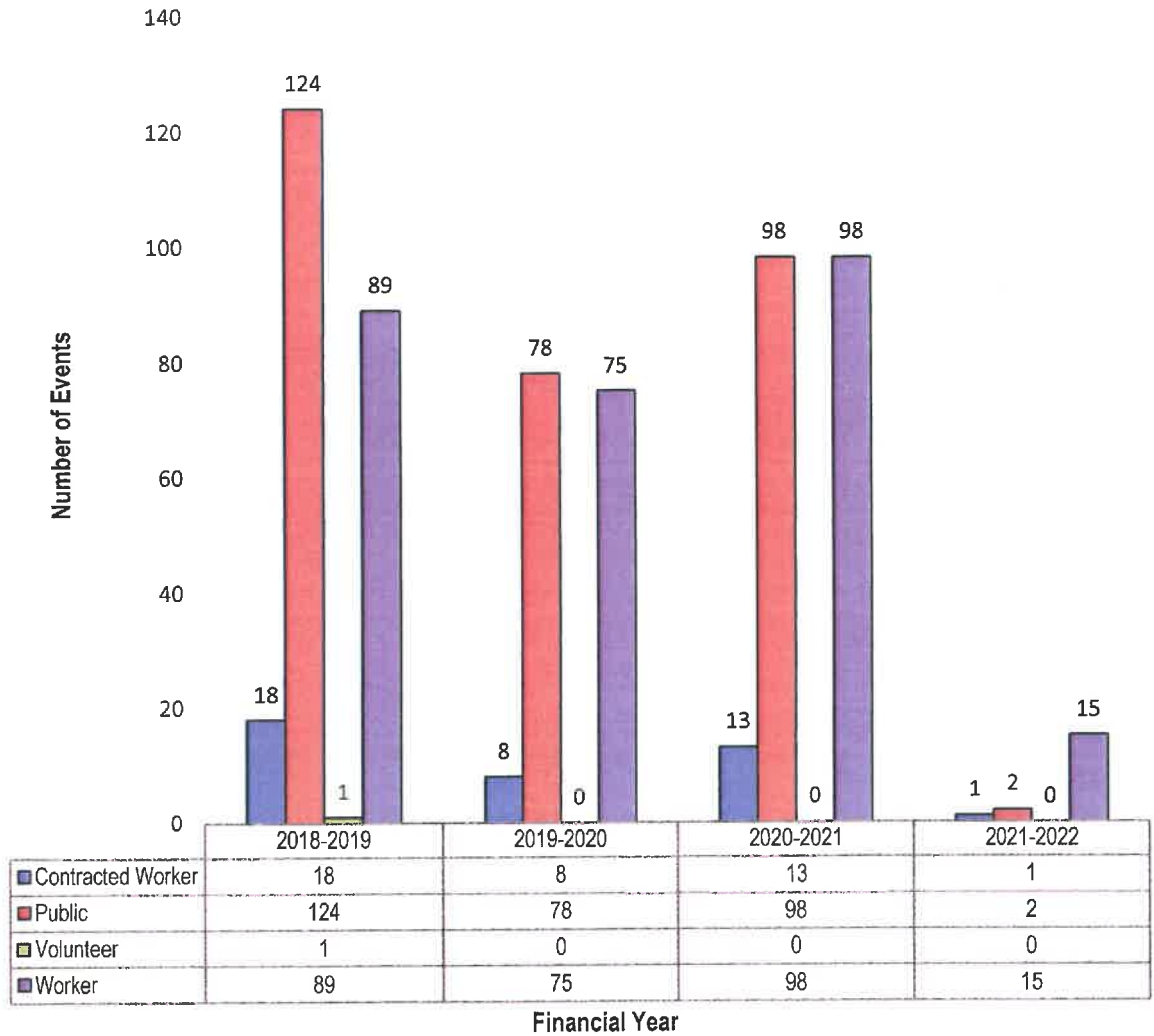
Types of Person Involved in Events

The organisation records the type of person involved in events.

The public and workers identify similar results.

The Swimming pool is a site where public identify as those mostly involved in events. The site has been closed for several weeks due to water temperature issues impacting the number of event reports.

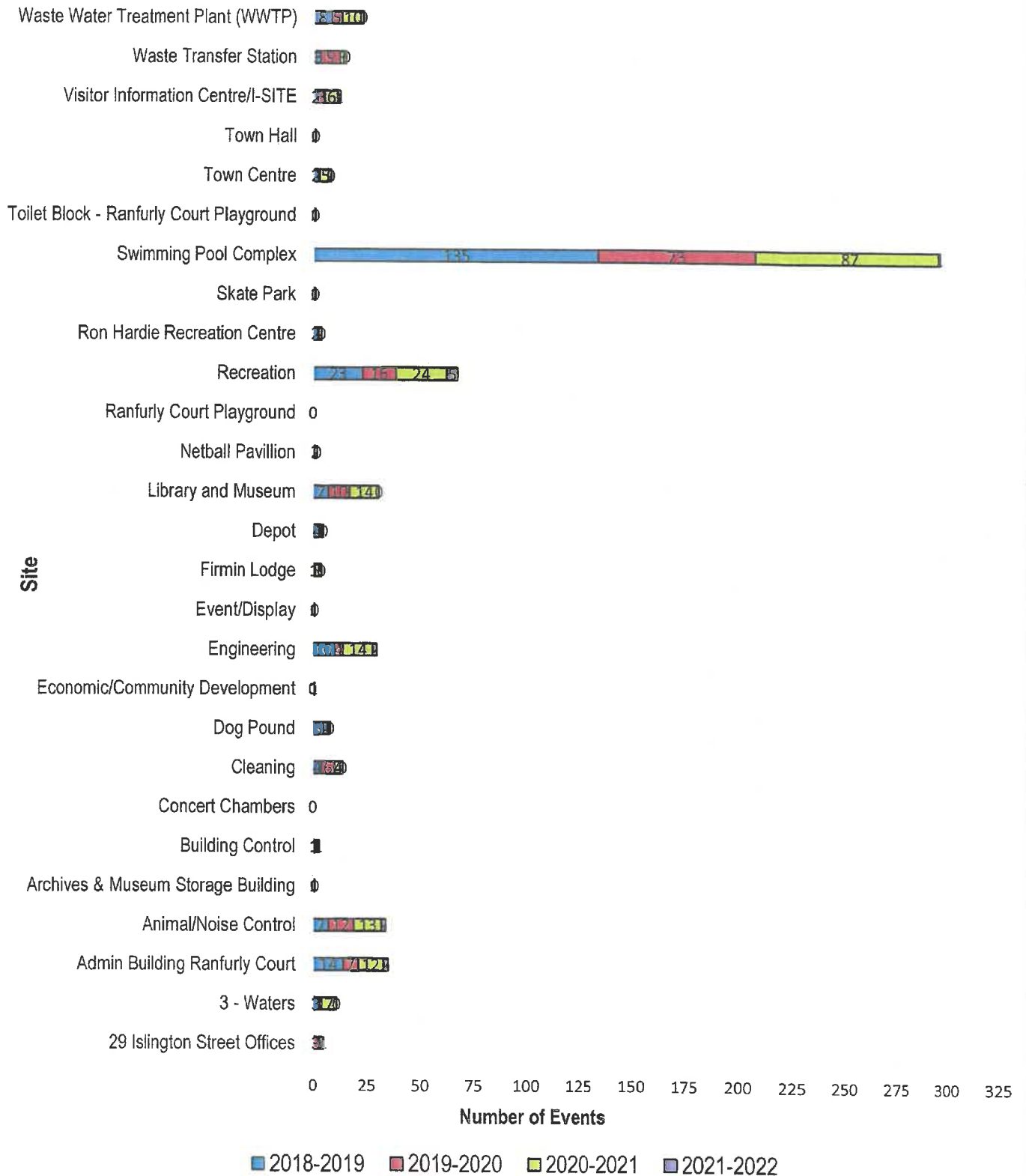
Types of Persons Involved in Events by Financial Year



The column combination graph above identifies the type of person involved in all events for the financial year.

- Contracted worker means a contractor or sub-contractor engaged by Council
- Public means the general public including customers or visitors
- Volunteer means a Volunteer worker engaged to work for Council unpaid
- Worker means any person employed by Council

Site Event Records by Financial Year



The stacked bar chart above identifies the sites where an event has been reported and recorded for financial years 2018-2019, 2019-2020, 2020-2021 and 2021-2022.

There is a significant reduction in event reports from the swimming pool site because it is temporarily closed due to water temperature issues.

8 Employee Participation in Health and Safety Management

The Health and Safety Committee (HSC) continues to meet monthly. Health and Safety is an agenda point for departmental business improvement meetings, management meetings and Leadership team meetings.

HSR's are leading toolbox meetings with Parks and Reserves team members.

2 newly elected HSR's will be scheduled to complete stage 1 training and assessment.

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 equipment, training and provision is maintained.

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 Monitoring Key Performance Indicator (KPI)

Contractors can be subject to site audits by the HSO and the relevant Kawerau District Council (KDC) contract manager.

Contractor auditing measurement uses a Key Performance Indicator (KPI) with a target set at one Audit per month – except during holiday periods when contractor activity is low.

SMART KPI methodology is applied to set the target.

- Specific
- Measurable
- Achievable
- Realistic
- Time bound

Individual or combined factors influence the KPI target being met - like; unplanned or reactive work taking priority, leave, availability of a variety of contractors, suitable projects to audit, pandemic alert level restrictions and weather.

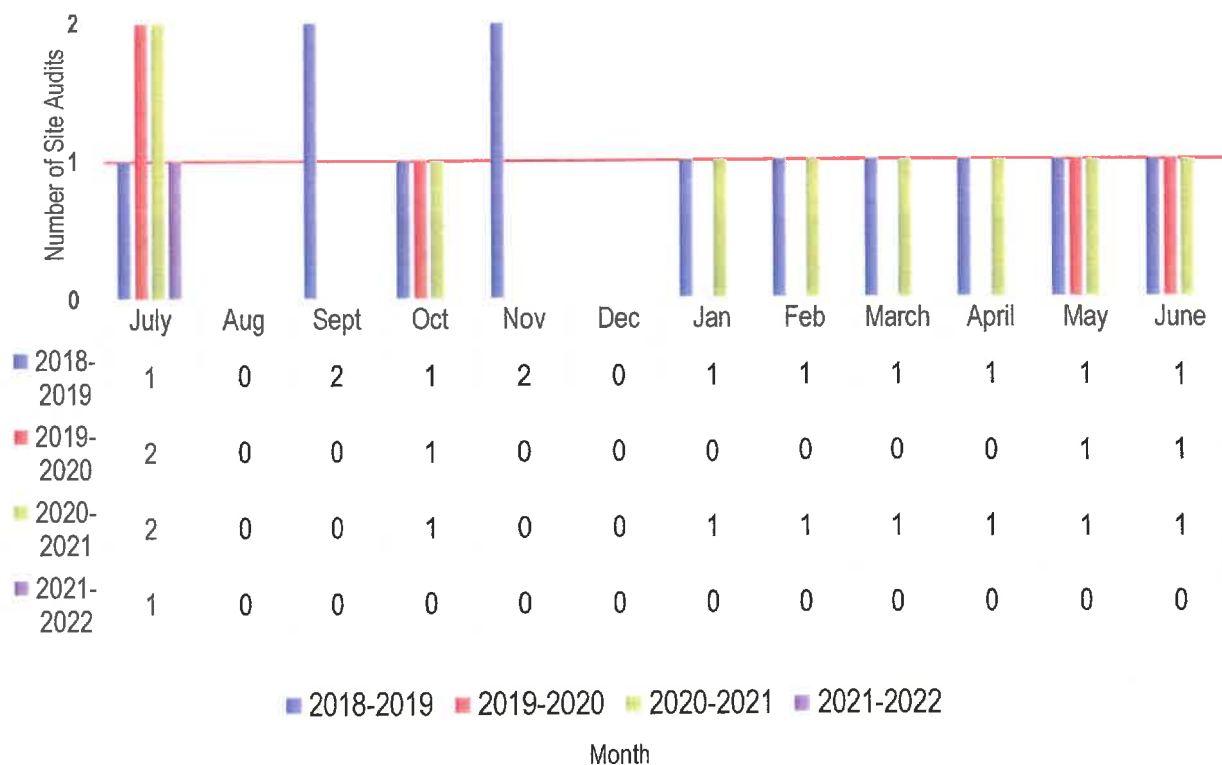
The KPI target was 10 for the financial year 2020 – 2021.

9 audits were completed.

Key Performance Indicator (KPI) Contractor Health and Safety Monthly Monitoring Financial Year 1 July 2020 – 30 June 2021				
Month	Monthly Site Inspections Required	Monthly Site Inspections Completed	Monthly KPI Achieved	Comment
July 2021	1	1	Yes	<i>Poplar Tree removal – Tarawera High School</i>
Aug 2021	1	0	No	
Sept 2021	1	-	-	
Oct 2021	1	-	-	
Nov 202	1	-	-	
Dec 2021	0	-	-	<i>Contractor Activity Low</i>
Jan 2022	0	-	-	<i>Contractor Activity Low</i>
Feb 2022	1	-	-	
March 2022	1	-	-	
April 2022	1	-	-	
May 2022	1	-	-	
June 2022	1	-	-	
Totals	10	1		-
KPI: 1 Monthly Site Inspection			Assigned to: Health & Safety Officer (HSO)	
Review: as a minimum - Annually Next Review Date 31/09/22			Review team: Chief Executive Officer (CEO), Manager Economic & Community Development (MECD) & HSO.	
Review Objectives: Identify opportunities for improvement ensuring KPI remains Specific, Measurable, Achievable, Realistic and Time bound.			Method of Review: Team Meeting to review objectives identify and implement opportunities for improvement.	

The combination chart below identifies the number of contractor site audits for the financial years 2018-2019, 2019-2020, 2020-2021 and 2021-2022.

Contractor Monitoring by Financial Year



11 Conclusion

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

12 RECOMMENDATION

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

Paul Snook, ProfNZISM. MIIRSM. HASANZ

Health & Safety Officer

Z:\2021\04\AUDIT & RISK\21.10.05 R-ARC - Health Safety report 5 Oct 2021.docx

Meeting: Audit and Risk Committee

Meeting Date: 5 October 2021

Subject: Treasury Report to 31 August 2021

File No: 110551

1 **Purpose**

The purpose of this report is to inform members of the funds held by Council as at 31 August 2021 and provide explanations for any significant variances from the previous year.

2 **Background**

This report also went 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.

The investment policy was amended (during 2020/21) to increase the limit to 50% that can be invested with a single institution, and also a limit of \$1.5 million has been introduced. The exception is Council's principal bank where funds can exceed 50%.

The reason for the change is that with less funds it is more difficult to spread investments but Council still needs to act prudently.

3 **Funds Held**

The following funds were held at 31 August 2021:

	August - 2021	August - 2020
Special Funds		
Depreciation Funds	\$6,613,990	\$5,825,798
Development Feasibility	\$11,000	\$11,000
Total Special Funds	\$6,624,990	\$5,836,798
General Funds	\$2,253,262	(\$1,045,594)
Total – comprising cash & internal loans	\$8,878,252	\$4,791,204

The figures show that overall Council has close to \$4.1 million more funds than this time last year. This is as a result of the due date for the first rate instalment in 2020 being delayed until September due to the COVID-19 lockdowns. Also, additional funds have been received for: sale of sections \$875k (since August 2020), NZ Lotteries grants \$575k and Mayor's Taskforce for Jobs \$250k, water reform funds \$397k and sales of retirement units.

The projected cash-flow graph shows that Council is likely to continue to have a surplus at least until December 2021. However, once the significant projects such as the pipe replacement project are underway Council will then need to borrow funds. Staff will arrange loan funding prior to Council going into deficit.

Most of the capital projects for 2020/21 were carried out during the year, however, there are some that have been carried forward into 2021/22. These include:

- Dog Pound & Netball Pavilion (\$1,240k)
- Water renewals (\$50k)
- Wastewater renewals (\$90k)
- Pool Office/Entrance/Fence (\$805k)
- Town Centre (\$80k)
- Other projects (\$176k)

Funds held @ 31 August 2021 are as follows:

Invested in	\$	Interest (Average) %	% External
ANZ – on call	\$830	0.05%	0.02%
BNZ – current & on-call	\$4,398,420	0.05%	60.24%
Rabobank (on-call)	\$2,703,240	0.35%	39.74%
Total Funds (Cash)*	\$7,102,490		100.00%
Internal Loans	\$1,775,762		
Total Investments	\$8,878,252		

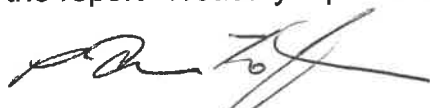
*These figures include the accrued interest to 30 June 2021

The funds were invested as follows:

Bank	Invested (\$)	Days	Interest
ANZ	830	On call	0.05%
BNZ	1,725,986	On call	0.05%
Rabobank - Call	2,703,240	On call	0.35%
BNZ - current	2,672,434		
Total	7,102,490		
Interest rates (includes on-call)	Average interest rate		0.15%
	Weighted average interest rate		0.18%

4 **RECOMMENDATION**

That the report "Treasury report to 31 August 2021" be received.

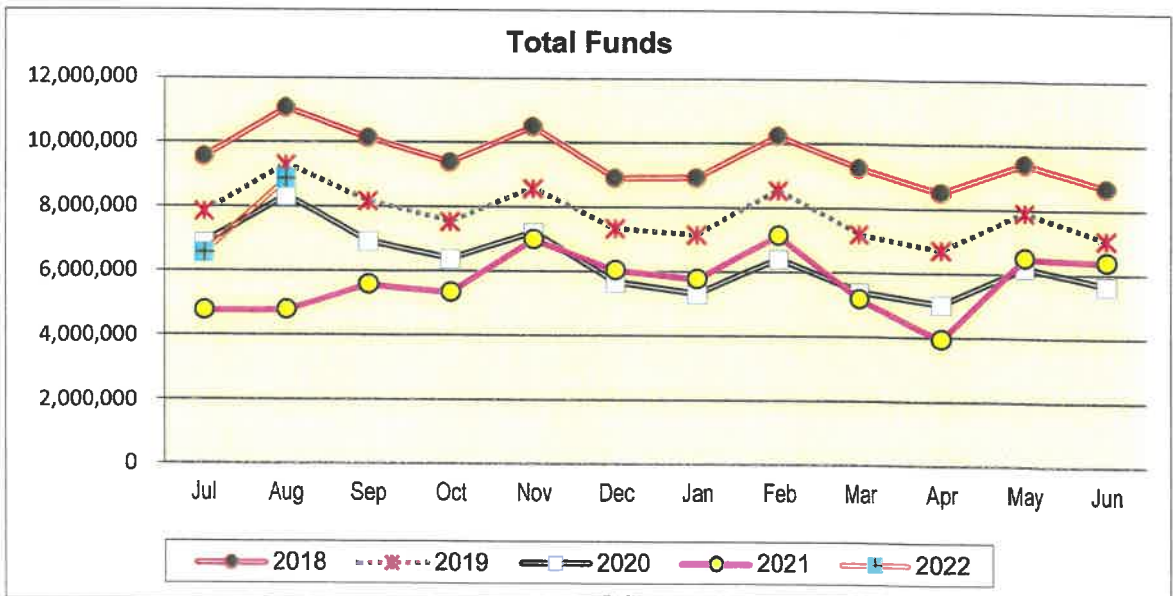
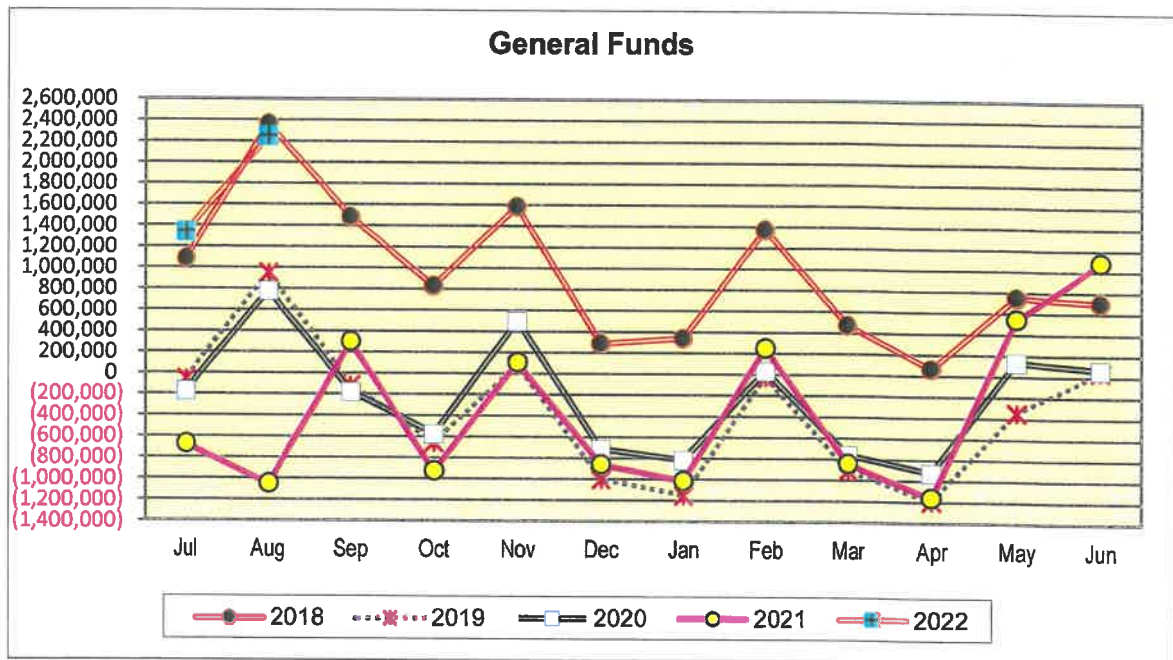
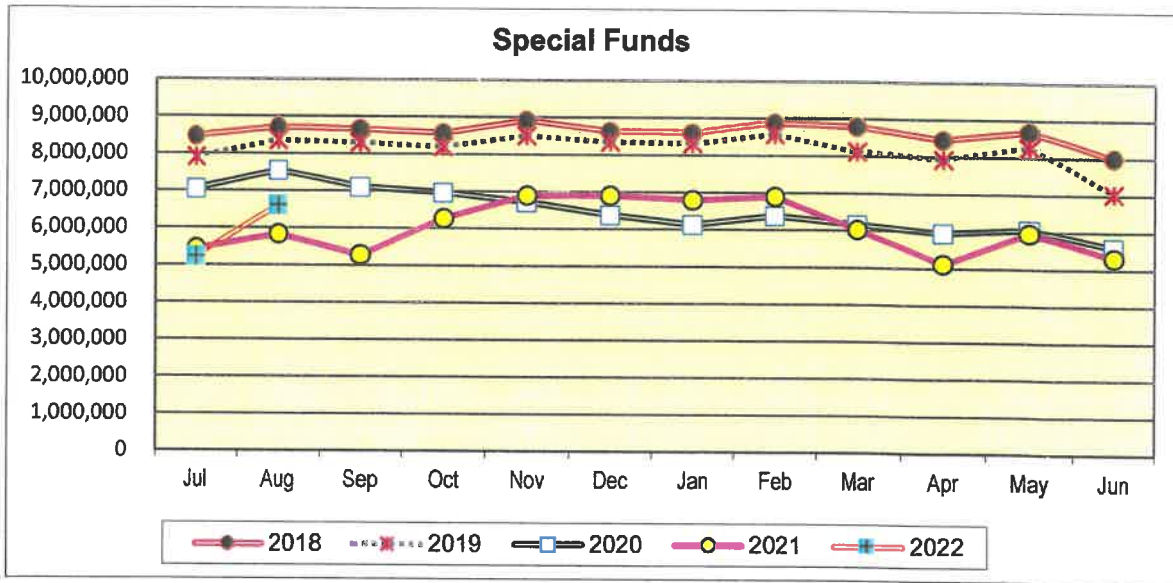


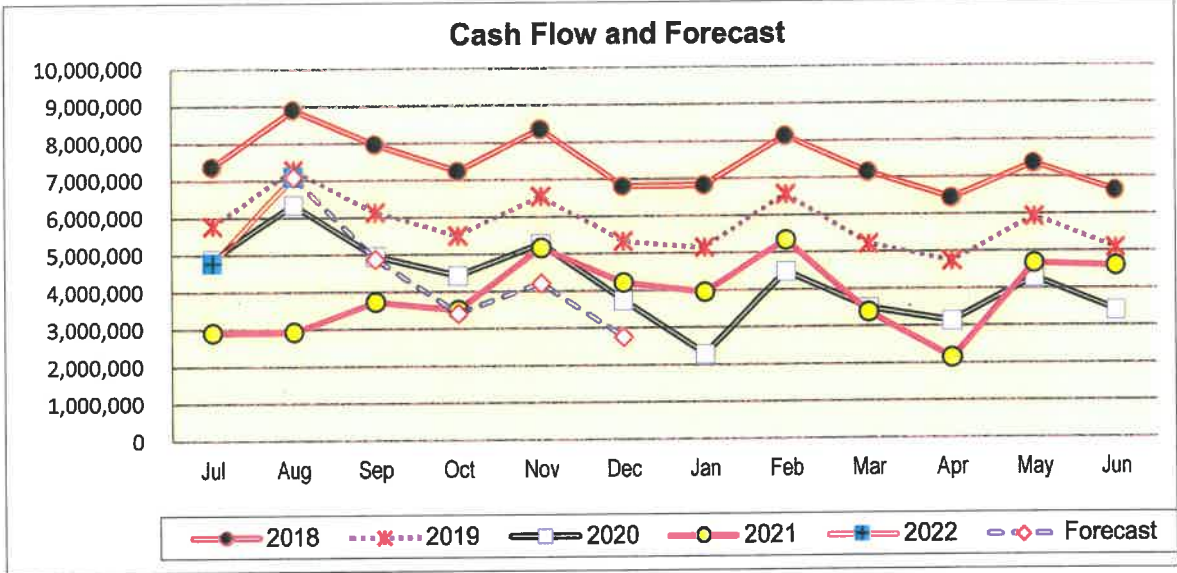
Peter Christophers, BBS, ACA
Group Manager, Finance & Corporate Services

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Funds Monitoring Graphs

August
2021





Meeting: Audit and Risk Committee
Meeting Date: 5 October 2021
Subject: Revised 2020/21 Annual Report Timetable
File No: 110400

1 Purpose

The purpose of this report is to inform the committee of the revised timetable for the 2020/21 Annual Report.

2 Background

The Local Government Act 2002 requires Council to prepare an annual report each year.

The Annual Report must be adopted within four months of the end of the financial year and be available to the public. However, due to the disruptions arising from COVID-19, Government has passed legislation to extend the period to adopt the 2020-21 Annual Report to 31 December 2021. Therefore, staff have revised the timetable to ensure that all the necessary tasks are undertaken so that it is adopted within the revised deadline.

The annual report will need to include the appropriate recognition of the residential developments and a separate set of audited accounts for the retirement village.

Also, there are new reporting standards (PBE IPSAS 34 – 38, 39 and 41) which relates to accounting treatment for: Council Controlled Organisations, employee benefits and financial instruments which will need to be incorporated into the annual report.

Audit New Zealand has produced a set of Local Government Model Financial Statements (Te Motu), which will assist with the necessary disclosures required for the Annual Report.

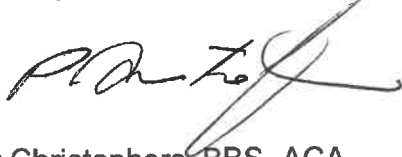
The auditors have again indicated that staff will need to ascertain whether there has been any material movements in the value of assets, so they can be assured that the amounts in the asset register and annual report are reasonable.

3 Proposed timetables

The appendix to this report contains the revised timetable for the completion of 2020/21 Annual Report.

4 RECOMMENDATIONS

1. That the report "Revised 2020/21 Annual Report Timetable" be received.
2. That the Audit and Risk Committee recommend any amendment(s) to the proposed timetable to ensure that Council meets its statutory requirements.



Peter Christophers, BBS, ACA
Group Manager, Finance & Corporate Services
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APPENDIX**Project Plan for 2020/21 Annual Report**

Non Financial Tasks:		
Performance Target results including supporting documents	Managers	15 August
Review/Update: <ul style="list-style-type: none"> Interest Register and "conflicts of interest" 	MFCS	30 June
Availability of Council minutes for 2020/21	MFCS	31 August
Schedule of authorised cheque signatories	Accountant	30 June
Preparation of "pro-forma" financial statements (including any changes arising from Financial Reporting Requirements)	MFCS	31 August
Financial Tasks:		
GL balances agreed to Annual Report @ 1 July 2020	MFCS	30 June
Reconciliations done (and authorised) for: <ul style="list-style-type: none"> Cash (deposits in transit) Accounts Payable EPO Payroll Other liabilities Debtors (Rates, Water & Sundry) Bonds/Suspense Accounts GST FBT Public Debt Internal Loans Stock 	Accountant	31 August
Accruals for (and schedules of): <ul style="list-style-type: none"> Prepayments Creditors Income in advance Employee entitlements Provisions (Doubtful debts, landfill aftercare) Interest 	Accountant	15 Sept
Inventories: <ul style="list-style-type: none"> Carrying out stock takes Reconciliation to GL 	Accountant	1 July 31 July
Schedule of journal entries for year	Accountant	15 Sept
List of investments and cash at bank (accounts) <ul style="list-style-type: none"> Shares Impairment consideration Split between "current" and "term" 	Accountant	31 July

Schedule of Debtors (Rates, water and sundry):		
<ul style="list-style-type: none"> • Aged Debtors • Doubtful debts calculation • Write-offs 	Finance Officer	31 July
Investment properties (& movements)	MFCS	30 Sept
Fixed Assets including: <ul style="list-style-type: none"> • Balancing of register to GL • Determine if material value changes for PP&E • Recognizing additions • Expensing depreciation • Recognising disposals • Determining if obsolete (write off) • Determine “deterioration” (vs dep) • Work in progress schedule 	MFCS	30 Sept
Allocation (final) of corporate overheads including: <ul style="list-style-type: none"> • List “drivers” for allocating costs • List any changes to drivers from 2019/20 	MFCS	31 August
Schedule of commitments and contingencies	MFCS	30 Sept
Annual Report Preparation:		
Preparation of: <ul style="list-style-type: none"> • Trial Balance – Management Book (2nd draft) • FIS (for activities) • Financial Statements (including notes) • Cashflow and supporting documents • Financial Prudence Reports • Mayor’s and CE’s report • Maori Contribution to Decision-Making 	Accountant MFCS MFCS MFCS MFCS Com Mgr Com Mgr	15 October 31 October 31 October 31 October 31 October 10 Nov 10 Nov
Draft Financial Statements prepared	MFCS	14 Nov
Preparation and audit of Retirement Village Annual Report	MFCS	30 November
Final draft Financial Statements (& Summary) – Audit changes	MFCS	1 Dec
Financial Statements available for adoption	MFCS	6 Dec
Financial Statements adopted	Council	14 Dec
Audit visits: <ul style="list-style-type: none"> • Interim – 10 May to 14 May 2021 • Final commences – 14 November 2021 		

- Completed
- Nearly complete

MFCS = Manager Finance and Corporate Services
Com Mgr = Communication Manager

Meeting: Audit and Risk Committee

Meeting Date: 5 October 2021

Subject: **Audit Management Report for the 2021 – 2031 Long Term Plan**

File No: 201000

1 Purpose

The purpose of this report is to update the committee with the issues raised in the audit management report for the 2021-2031 Long Term Plan.

2 Background

The Local Government Act 2002 requires that Council produce a Long Term Plan at least every three years which covers a period of ten years. Also the Long Term Plan must be consulted on with the community and as part of that consultation a formal Consultation Document must be prepared. Both the Consultation Document and the final Long Term Plan must be audited prior to adoption.

As part of the audit process, an audit management report is prepared by Council's auditors (both for the Consultation Document and the Long Term Plan), which identifies issues and areas that Council needs to address to ensure it is meeting the legal obligations.

The auditors issued an unmodified audit opinion with an emphasis of matter for the 2021 – 2031 Long Term Plan. The emphasis of matter concerned 3 matters: the uncertainty over the 3 waters reforms, the breach in the statutory deadline for adopting the Long Term Plan and the level of uncertainty around the condition of Council's critical assets (and the potential impact of this uncertainty).

The 2021 – 2031 Long Term Plan was finally adopted Tuesday 27 July 2021 with an unmodified audit opinion.

3 Issues raised following the audit of Council's Long Term Plan

Attached to this report is the audit management report issued for the Council's 2021 – 2031 Long Term Plan.

The issues raised in this report include:

- Council forecasting for 3 waters renewals based on assets minimum life span not condition information

- Uncertainty over the 3 waters reforms which could result in significant changes for Council and the Information included in the LTP.
- The Local Government Act 2002 requires Council to adopt the 2021 – 2031 Long Term Plan prior to 1 July 2021, but the document did not get adopted until 27 July 2021.
- There are immaterial variances between the underlying information in the Infrastructure Strategy and the Funding Impact Statement figures in the LTP. The reason for these variances is to agree the figures in the LTP to the Waka Kotahi approved roading programme.
- Recommended improvements for the Infrastructure Strategy, which staff will incorporate in the strategy for the 2024 – 34 LTP.

4 Issues raised following audit of LTP Consultation Document

The following issues were raised in the management report following the audit of the 2021 – 31 LTP Consultation Document:

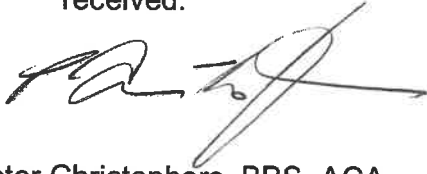
- No reference in accounting policies of reporting standards expected to be used in the future (PBE IPSAS 41) – this was rectified prior to the adoption of the 2021 – 31 LTP.
- Funding for stormwater activity – assumption that Waka Kotahi (NZTA) would continue to fund 75% of costs including renewals for next 10 years – qualified opinion – Waka Kotahi provided their approved programme and the figures were amended to agree to these figures.
- Uncertainty over 3 waters renewals forecasts – based on age of assets rather than condition – emphasis of matter – remains an issue.
- Uncertainty over the 3 water reforms – emphasis of matter – remains an issue
- Lack of clarity on what the Council was consulting on in Consultation Document
- Suggested improvements for the Infrastructure Strategy – staff to incorporate recommendations for future.
- Updating asset management plans to agree with Infrastructure Strategy – AMPs and Infrastructure Strategy updated to agree.
- Assessment of impact needed for pending closure of paper mill – a paragraph was added to the LTP document but at present Council is uncertain of revised valuation and therefore the impact of this closure.
- Suggested improvements for performance targets – all suggested improvements were made to the performance targets prior to adoption.

5 Appendix

Report to Council on the audit of Council's 2021 – 2031 Long Term Plan

6 RECOMMENDATION

That the report "Audit Management Report for the 2021 – 2031 Long Term Plan" be received.

A handwritten signature in black ink, appearing to read 'Peter Christophers', written over a horizontal line.

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

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**Report to the Council
on the audit of**

**Kawerau District Council's
Long-Term Plan**

For the period 1 July 2021 to 30 June 2031

Contents

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1 Our audit report.....	4
2 Matters raised in the Audit Engagement Letter	7
Appendix 1: Disclosures	10

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Key messages

We have completed the audit of the Kawerau District Council's (the Council) Long-Term Plan (LTP) for the period 1 July 2021 to 30 June 2031. This report sets out our findings from the audit and draws attention to areas where the Council is doing well and where we have made recommendations for improvement.

Audit report

We issued an unmodified audit opinion, with emphasis of matter paragraphs on 27 July 2021. We have included emphasis of matter paragraphs in the opinion to draw readers' attention to uncertainty over the three waters reform, the breach of the statutory deadline for adopting the LTP and the level of uncertainty surrounding the condition of the Council's critical assets and the potential impact of this on the delivery of the three waters renewals capital programme.

The opinion qualification on the consultation document relating to the uncertainty about the stormwater funding expected to be received was not included in the opinion on the LTP.

We are satisfied that the LTP provides a reasonable basis for long-term, integrated decision-making and coordination of the Council's resources, and provides a reasonable basis for accountability of the Council to the community.

Matters identified during the audit

The audit process for the LTP has gone well. Management have been open to feedback on the LTP and the underlying information and have demonstrated effective project management in delivering on the key milestones agreed on or renegotiating where required.

We reconfirmed our previous work completed in respect of Council's underlying information supporting the consultation document which was also used for the development of the LTP. Our work on the infrastructure strategy identified some areas that we think the Council should consider when developing its future LTPs.

Thank you

We would like to thank the Council, management and staff for the assistance received during the audit process.

JR Smaill
Appointed Auditor
Draft: 23 August 2021

1 Our audit report

1.1 We issued an unmodified audit report



We issued an unmodified audit opinion on the LTP on 27 July 2021. This means we were satisfied that the Council's LTP provides a reasonable basis for long-term, integrated decisions and coordination of the Council's resources, and provides a reasonable basis for accountability of the Council to the community.

We found the underlying information and assumptions used to prepare the LTP provided a reasonable and supportable basis for the preparation of the plan.

We also found that the disclosures on pages 150 to 153 represent a complete list of the disclosures required by Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations) and accurately reflect the information drawn from the plan.

We have included emphasis of matter paragraphs in the opinion to draw readers' attention to uncertainty over the three waters reform, the breach of the statutory deadline for adopting the LTP and the level of uncertainty surrounding the condition of the Council's critical assets and the potential impact of this on the delivery of the three waters renewals capital programme. These matters are further explained below.

1.1.1 Assumption related to external funding for renewals of the stormwater pipe network

For the consultation document, Council included an assumption that related to external funding for renewals of the stormwater pipe network. The Council assumed that 75% of the costs to renew the stormwater pipe network, over the next 10 years, would be funded by Waka Kotahi NZ Transport Agency (Waka Kotahi).

At the CD stage, Council was still in negotiations with Waka Kotahi as Waka Kotahi had indicated that they were not responsible for the stormwater pipe network and there was doubt about whether the pipe replacement would be subsidised. Due to high uncertainty of this funding, we issued a qualified audit opinion in the audit report on the CD.

On the 31 May 2021 Council received confirmation that they would receive 75% of funding from Waka Kotahi to fund the stormwater renewal capital expenditure projects. This funding is only available for the first three years of the 10-year plan, i.e. 2021 to 2024. Due to the change in funding Council has updated their financial forecasts in the LTP to reflect the reduction in funding.

As Council received confirmation from Waka Kotahi and the financial forecasts were updated to reflect the approved funding, the qualification within the audit opinion issued on the CD was removed and we were able to issue an unmodified audit opinion on the LTP.

1.1.2 Uncertainty over the three waters renewals forecasts

A significant portion of the District Council's operations relates to the management of its infrastructure: the roading network and the 'three waters'; being water supply, sewerage and stormwater drainage. These activities typically make up a significant percentage of the Council's operational and capital expenditure.

We found the asset management control environment is reliable for the purposes of supporting the LTP. This involved assessing the quality of asset management information and the accuracy, reliability, and supportability of the flow of information from asset management planning into the LTP. This is based on a high level assessment of the Council's asset management planning systems, review of asset management plans, infrastructure strategy, and discussions with staff involved in asset management planning for key infrastructure activities.

Our review also identified that the Council is forecasting for three waters asset renewals based on the assets' minimum lifespan. We note that using age-based information, rather than condition information, increases the risk that assets requiring renewal are not replaced at the best time. The Council plans to carry out an asset evaluation programme and to use this information to determine the actual renewals required.

Due to the level of uncertainty surrounding the condition of the Council's critical assets, we included an emphasis of matter paragraph in the audit opinion to draw attention to the Council's disclosures included in the LTP that highlights this risk.

1.1.3 Uncertainty over three waters reform

In line with sector guidance, the Council has assumed that there is currently insufficient detail regarding the possible changes to services which will result from the three-waters reform programme, and therefore it is prudent to plan on a business-as-usual approach to service delivery. The future decisions on the three-waters reform may result in significant changes, which would affect the information on which the LTP has been based.

An emphasis of matter paragraph was included in the audit opinion to draw attention to the uncertainties associated with the three-waters reform.

1.1.4 Breach of Local Government Act 2002

Section 93(3) of the Local Government Act 2002 requires Council to adopt an LTP before the start of the first financial year it covers. That means the Council needed to have adopted the audited 2021-31 LTP before 1 July 2021.

Due to a number of events impacting Council, this deadline was unable to be achieved. The Council adopted their LTP on the 27 July 2021.

As Council did not meet the statutory deadline, an emphasis of matter paragraph was included in the audit opinion to draw attention to the breach of the Local Government Act 2002.

1.2 Uncorrected misstatements

The LTP is free from material misstatements, including omissions. However, in the course of the audit, we found certain misstatements that are individually and collectively not material to the LTP.

We have discussed any misstatements that we found with management, other than those which were clearly trivial. The misstatements that have not been corrected are listed below along with management's reasons for not adjusting these. We are satisfied that these misstatements are individually and collectively immaterial.

Underlying information

The data underpinning the graph showing the expenditure on roading renewals over the life of the Infrastructure Strategy as presented on page 20 of the LTP is not 100% consistent with the roading renewals disclosed in the roading funding impact statement on page 74 of the LTP:

Year	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Per graph data	549,830	557,465	574,189	590,841	607,975	625,606	643,749	662,418	681,628	701,395
Per FIS	563,960	542,510	549,920	565,870	582,280	599,170	616,540	634,420	652,820	671,750
Difference	- 14,130	14,955	24,269	24,971	25,695	26,436	27,209	27,998	28,808	29,645

The data underpinning the graph showing stormwater pipe renewals over the life of the Infrastructure Strategy as presented on page 22 of the LTP is not 100% consistent with the stormwater renewals disclosed in the stormwater funding impact statement on page 80 of the LTP:

Year	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Per graph data	248,640	257,778	49,802	751,390	785,954	821,322	857,460	894,330	932,787	972,896
Per FIS	221,400	250,000	50,000	751,400	785,960	821,330	857,470	894,340	932,800	972,910
Difference	27,240	7,778	- 198	10	6	8	10	10	13	14

Management's explanation for uncorrected differences

Initially the wrong inflation factor was applied for stormwater renewals. The biggest variance is now for year 1 where Council has budget for pipe renewals to agree to the Waka Kotahi approved programme. The roading renewals are difficult to tie up exactly, as the budgets have been set in accordance with the Waka Kotahi approved programme while the renewals in the spreadsheet underpinning the graphs are based on current value and remaining life. We believe that this is immaterial for adjustment and the readers' interpretation of the LTP is not affected.

2 Matters raised in the Audit Engagement Letter



In our audit engagement letter dated 3 March 2021, we identified the following key risks and issues which were areas of emphasis during our audit.

2.1 The content of the consultation document

We reviewed the Council's LTP consultation document and are satisfied the LTP consultation document included appropriate information to enable consultation with the public on key issues. The impact on rates, debt and levels of service were clearly described for the options presented.

2.2 Control environment

Our approach to the audit was to identify, confirm and assess the Council's key processes and controls over the underlying information and ultimate production of both the CD and LTP. The purpose of this assessment was to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit opinions.

We found that the overall control environment is reliable for the purposes of supporting the LTP.

2.3 Financial strategy

We reviewed the Council's financial strategy and considered whether it is financially prudent and allows for the right debate with the community.

The Council's financial strategy has not significantly changed from the strategy used in the 2018-28 LTP. We reviewed the financial strategy and the links to the infrastructure strategy and are satisfied the financial strategy is financially prudent and is reflected in the forecast financial information.

Council has resolved to operate an unbalanced budget due to the decision not to fund depreciation on certain non-strategic assets (such as halls, Council's administration building, community pools and Waka Kotahi funded roads). We are satisfied the decision to operate an unbalanced budget has been appropriately discussed in the LTP.

2.4 Infrastructure Strategy

We reviewed the infrastructure strategy and are satisfied that it provides an overview of the Council's intentions regarding the management of its critical assets, including wastewater, storm water, water supply and roading, and significant works planned for the upcoming 30 years. The document explains the issues well and substantially meets the requirements of section 101B of the Local Government Act 2002.

In the Report to the Council on the audit of the LTP CD dated 22 June 2021, we communicated some opportunities for improvement or to further reflect good practice in the Council's infrastructure strategy. We identified two opportunities that haven't been taken up when completing the final infrastructure strategy that formed part of Council's LTP. They were:

- how the Council measures its levels of service in relation to its infrastructure assets; and
- include further information on what critical assets the Council has for each activity and what the condition and performance are for these assets. This should also summarise the outlined proposed improvements to the condition and performance of critical assets.

We continue to recommend the Council considers these improvements during the development of the next infrastructure strategy.

Management comment

2.5 Assumptions

We reviewed and assessed the appropriateness of assumptions that the Council has used as a basis for the development of the LTP. In particular, we tested the assumptions of the impact of Covid-19, climate change - changing weather patterns and natural hazards, capital do-ability, Waka Kōtahi subsidies, three waters reform, growth, inflation, useful lives of assets, projected number of rating units and borrowings. Our findings on key assumptions were reported in our Report to Council on the audit of the LTP CD dated 22 June 2021.

We also considered the impact the closure of the mill would have on the Council and the District. We are satisfied Council has included appropriate disclosure in the LTP to reflect what impact the mill closure will have on the Council.

We are satisfied that the assumptions are appropriate and that they have been applied consistently in the development of the underlying information of the LTP.

2.6 Performance management framework

We reviewed the Council's performance framework at the CD stage and made several recommendations to management for improvements to measures or targets. We followed up as part of our review of the LTP document and are satisfied the Council has addressed our recommendations.

Overall, we assessed the performance management system, processes and controls as adequate. We conclude that the levels of services and forecasts performance are reasonable and link to the forecast financial information. The forecast performance framework is adequate and will provide an appropriate framework for a meaningful assessment of actual levels of service provision delivered by the Council.

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Appendix 1: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the LTP and reporting that opinion to you. This responsibility arises from section 93C(4) of the Local Government Act 2002.</p> <p>The audit of the LTP does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter dated 3 March 2021 contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Local Authority in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to the LTP audit we have carried out engagements in the areas of annual audit and the debenture trust deed assurance engagement, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the Council or its subsidiaries.</p>
Fees	<p>The audit fee, covering both the CD and LTP audit for the year is \$80,900 as detailed in our Audit Engagement Letter.</p> <p>We will also charge an audit fee for the audit of the annual report for the year ended 30 June 2021 during this period.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Local Authority that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Local Authority during or since the end of the financial year.</p>



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Meeting: Audit and Risk Committee

Meeting Date: 5 October 2021

Subject: Residential Developments (Central Cove, Te Ariki Place and Porritt Glade) – Progress and Risk Analysis Update

File No: 206700

1 Purpose

The purpose of this report is to further update the committee on the progress to date for these residential developments, highlight what the risks are for Council and also determine the mitigations that are in place to reduce these risks.

2 Background

Central Cove

Council acquired the Bowen Street land, which was formerly Central School at the end of 2014 for \$70,000. Following an increased demand for both houses and sections in Kawerau and a substantial increase in house and land prices, Council decided that it would look at developing this land.

Registrations of interest were sought from developers and Council selected Generation Homes to sell a house and land package to prospective buyers. Council has undertaken the development of the land and purchasers acquire a house and land package through Generation Homes. Council receives the payment for the land once the sale has been made.

To date fifteen house and land packages have been acquired and Council has received payment of \$1,622,522 for these sections. The developer, Generation Homes, has a further eight sections that are in the process of being purchased and the remaining eight sections have been revalued, there was a 16% to 22% increase in value added to these sections at 1 August 2021.

Seven houses have been completed to date with three currently under construction and the remaining 5 to start shortly.

Te Ariki Place

Council also decided that the reserve at Te Ariki Place was surplus to the community's need and swapped the "reserve status" with freehold land near the skatepark. The land at Te Ariki Place has been subdivided into four sections and Council has developed the land. As with the Bowen Street development, Generation Homes will sell a house and land package. No sections have been sold to date.

Council has recently, with the approval of the property subcommittee, renewed the option agreement with Generation Homes for Te Ariki Place as the initial option agreement had not been exercised within a year of the titles being available. Also, the subcommittee and Generation Homes confirmed the same section values (for a further 12 months) as none of these sections have sold to date.

Porritt Glade – Retirement Village

Finally, Council had been asked by the Kawerau Social Services Trust to make available the land next to Mountain View Resthome for further housing for the aged. Council managed to acquire the land and have it designated local purpose reserve. However, Kawerau Social Services Trust subsequently informed Council (27 August 2017) that they could not proceed with their proposed development and therefore no longer wanted to lease the land. Council decided that it would develop 29 retirement units on the land and sell a “right to occupy”.

Council had initially proposed re-purchasing the retirement units from occupants at the end of the tenancy, however, as this would have created an ongoing liability and possible risk for Council, it was decided that the units would be sold directly to a new occupant at the end of each tenancy. This is how the Mountain View retirement units are operated.

Council contracted Generation Homes to construct the first 12 units with the last units being completed at the end of July 2021. All 12 units have been sold and are currently occupied. Council has further contracted Generation Homes to build another seven units, which are due to be completed in January and February of next year.

There has been strong interest in these units and six are under contract or deposits have been made.

Council consulted the community on these proposals as part of the 2018 – 2028 Long Term Plan, and there was a significant amount of support for the development.

The latest indicative costs for these developments, now that most costs have been received, are:

	Bowen Street	Te Arika Place	River Road (incl GST)
Number of sections	31	4	29
Development Cost – Land & Utilities	\$1,100,000	\$132,000	\$1,565,000
Development Costs - buildings			\$250,500 per unit – for first 12 units (\$253,250 for next 7 units)
Sales to date	15	0	12 units sold & occupied plus 6 units signed up for
Sales to break even	10	1	29

3 Risks associated with the Developments

There were a number of risks initially identified by Council when considering these developments. However, there were also risks identified with not proceeding with the developments, which Council took into consideration when deciding whether to proceed with these proposals. Evidence at the time was that there was a demand for residential housing in Kawerau including retirement village dwellings.

There continues to be a strong demand for housing, which is evidenced by the increase in house prices for the district and the short listing times for residential property.

The following table lists the high level risks and the mitigations for these developments:

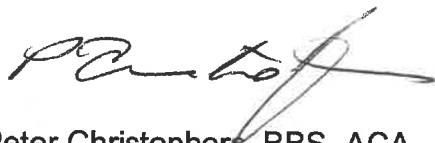
Description	Risk	Impact	Current Mitigation	Is risk acceptable? Y/N
Residential Developments (Te Ariki Place and Central Cove):				
Demand for housing	There is a risk that a lack of residential housing availability is (and would) restrict growth for the town	Council has contributed significant investment into economic development, however, there is not sufficient housing to meet a potential growth in the workforce. This may result in future developers being reluctant to invest in commercial enterprises. Also the lack residential housing will restrict any future growth.	Council has developed 35 residential home and land packages (in conjunction with a contractor) as well as providing for the construction of a 29 unit retirement village. 6 retirement units have been sold and a further six are due to start construction. Also 6 sections have been sold in Central Cove	No (Council acknowledges that demand is likely to exceed supply and is continuing to investigate future residential development options)
Selling residential sections to developer	Sections (if sold to a developer) could be land banked and there would continue to be a shortage of residential houses	There is an immediate demand for residential housing and an even greater demand once planned commercial developments begin. Therefore, it is important that residential sections/houses be made available as soon as possible. Also a developer would keep the potential returns from any development (not the community)	Council did not sell the land to a developer, but instead undertook the development, so it could retain control and determine the timing for each development. Also the returns on these investments will be used for the benefit of the community	Yes. (Council has proceeded with the developments)
Community response to developments	There was a risk that the community responds negatively to Council getting involved in residential developments	Community could have been unhappy with Council getting involved in residential developments and may feel that Council should stick to delivering its existing services as efficiently as possible.	Council consulted extensively on the proposed residential developments as part of the 2018-28 Long Term Plan. The community was overwhelmingly in favour of the proposed developments.	Yes
Potential financial loss The total outlay by Council (including 29 retirement units) is \$10.5 million	Financial risk. There is significant financial investment by Council in these developments and there is a potential risk that there will be a delay before Council sees a return on its investment.	Council will have less funds available for a period and may have to have to borrow funds. Council has spent \$5.5 mil to date on these developments and received \$967.5k from the sale of 9 sections in Bowen Street, and \$1.9 mil from the sale of 6 units in Porritt Glade	Council will regularly monitor its cash flow projections for these developments. Council had initially only constructed 6 retirement units which have been sold and therefore has built a further 6 units which are all under contract	Yes
	Financial risk. It is possible that these sections remain unsold	Council will not see a return on the investment in these sections	Council has not increased prices from the initial valuations, and is reviewing the marketing.	Yes. Other options are being considered

Description	Risk	Impact	Current Mitigation	Is risk acceptable? Y/N
Lack of expertise in residential developments	There is a risk Council will incur more costs and be less efficient as it is not in the business of developing residential property.	Council may take longer to do residential developments and also incur more costs, which may result in potentially less return for the community	Council has engaged experts (Generation Homes) as well as consulting with its lawyers, to assist with the development of the sections.	Yes
Change in economic outlook resulting from external influences such as COVID-19	There is a risk that the economic outlook and therefore "demand for housing" may be adversely affected by external factors such as COVID-19 and global recession	It may take considerably longer to sell the residential properties and retirement units. Therefore Council potentially could have a longer period before it recovers the investment in these developments	Council has consulted with the community on raising a loan to undertake the programmed capital work for 2021/22 if required. Council has become a member of LGFA, which will reduce the interest rate for any loans	Yes
Porritt Lodge (Retirement Units):				
Demand for this type of housing	There is a risk that there is only limited demand for this type of residence	Council may have units that are vacant and not receive the funds that have spent building the units	Council initially constructed 6 units which are sold and a further 6 are under construction – all are under contract. Also there are still a number of people that have registered an interest in other units	Yes
Lack of knowledge and expertise for managing retirement village	There is a potential risk that Council may not fulfil its legal obligations and also not provide sufficient resources to meet the day to day management of the retirement village	There are legal and operational demands when operating a retirement village. Council had considered the option of asking the Kawerau Social Services Trust to lease and manage the new retirement village.	Council has engaged its lawyers to advise the legal obligations for running a retirement village. Also Council has approached KSST about the possibility of managing these units once completed. Council has appointed a statutory supervisor to minimise any risks associated with legal obligations or operational matters	Yes
Inflation	There is a risk that construction costs may escalate during the construction period.	Costs rise and Council has to pay more for the construction of units, and owners have signed ORA for a fixed amount. Then Council will incur a loss.	Council signed a fixed price contracts with Generation Homes for the construction of 17 units This mitigates the risk of construction costs exceeding the revenue	Yes

The above list is not exhaustive but it does identify most of the significant risks and the mitigations that are in place.

4 **RECOMMENDATION**

That the report "Residential Developments (Bowen Street, Te Arika Place and River Road) –Progress and Risk Analysis Update" be received.



Peter Christophers, BBS, ACA

Group Manager - Finance & Corporate Services

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KAWERAU DISTRICT COUNCIL

**The Meeting of the Audit and Risk Committee will be held on
Tuesday 5 October 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 Occupational Health and Safety Management System Status (Health and Safety Officer) (509500)

Pgs. 1 - 18

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.

2 Treasury Report to 31 August 2021 (Manager, Finance and Corporate Services) (110551)

Pgs. 19 - 22

Attached is a report showing Councils cash position at 31 August 2021 and where the funds are invested.

Recommendation

That the report “Treasury report to 31 August 2021” be received.

3 Revised 2020/21 Annual Report Timetable (Manager, Finance and Corporate Services) (110400)

Pgs. 23 - 26

Attached is the revised timetable for the preparation of the Annual Report to 30 June 2021.

Recommendation

- 1. That the report “Revised 2020/21 Annual Report Timetable” be received.*
- 2. That the Audit and Risk Committee recommend any amendment(s) to the proposed timetable to ensure that Council meets its statutory requirements.*

4 **Audit Management Report for the 2021 – 2031 Long Term Plan (Manager, Finance and Corporate Services) (201000)**

Pgs. 27 - 41

Attached is the Audit Management Report for the 2021 – 2031 Long Term Plan including responses to issues raised.

Recommendation

That the report “Audit Management Report for the 2021 – 2031 Long Term Plan” be received.

5 **Residential Developments (Central Cove, Te Ariki Place and Porritt Glade – Progress and Risk Analysis Update (Manager, Finance and Corporate Services) (206700)**

Pgs. 43 - 47

Attached is a report informing members on the progress and consequential risks associated with Councils residential developments.

Recommendation

That the report “Residential Developments (Central Cove, Te Ariki Place and Porritt Glade) Progress and Risk Analysis Update” be received.

R B George

Chief Executive Officer

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