

**The Meeting of the
Audit and Risk Committee will be
held on Monday 2 October 2023
commencing at 1.00pm**

A G E N D A

AUDIT AND RISK COMMITTEE

Her Worship the Mayor – F K N Tunui

Councillor C J Ion

Councillor A Rangihika

Councillor B J Julian

Philip Jones – Consultant - P J Associates (Chair)

KAWERAU DISTRICT COUNCIL

The Meeting of the Audit and Risk Committee will be held on
Monday 2 October 2023
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 AUDIT AND RISK COMMITTEE MINUTES

1.1 Audit and Risk Committee – 7 August 2023

Pgs. 1 - 2

Recommendation

That the minutes of the Audit and Risk Committee Meeting held on 7 August 2023 be confirmed as a true and accurate record.

2 Health, Safety and Wellbeing Report for Period 1 July 2023 – 31 August 2023
(Group Manager, Regulatory and Planning (509500))

Pgs. 3 - 10

Attached is the report from the Group Manager, Regulatory and Planning covering Health, Safety and Wellbeing report for period 1 July 2023 – 31 August 2023.

Recommendation

That the report “Health, Safety and Wellbeing report for period 1 June 2023 – 31 August 2023” be received.

3 Treasury Report to 31 August 2023 (Group Manager, Finance and Corporate Services)
(110551)

Pgs. 11 - 14

Attached is a Treasury report from the Group Manager, Finance and Corporate Services covering the period to 31 August 2023.

Recommendation

That the report “Treasury report to 31 August 2023” be received.

4 Annual Plan Performance for the Twelve Months Ended 30 June 2023 (Group Manager, Finance and Corporate Services) (110400)

Pgs. 15 - 22

Attached is a report on the Annual Plan Performance for the 12 months ended 30 June 2023

Recommendation

That the report “Annual Plan Performance for the 12 months ended 30 June 2023” be received.

5 Three Waters Risk Monitoring Report (Group Manager, Finance and Corporate Services) (201000)

Pgs. 23 - 31

Attached is the Three Waters Risk Monitoring Report.

Recommendation

- 1. That the report “Three Waters Risk Monitoring Report” be received.*
- 2. That the Audit and Risk Committee consider and recommend any further actions that should be considered to mitigate the risks.*

R B George

Chief Executive Officer

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**Kawerau District Council Minutes of an
Audit and Risk Committee held on 7 August 2023
commencing at 1.00pm**

Present: Philip Jones – P J Associates (Chair)
Her Worship the Mayor – F K N Tunui
Councillor C J Ion
Councillor B J Julian

In Attendance: Chief Executive Officer (R George)
Group Manager, Finance and Corporate Services (L Butler)
Group Manager, Regulatory and Planning (M Glaspey)
Group Manager, Operations and Services (H van der Merwe)
Administration Officer (T Barnett)
Renē van Zyl (Audit New Zealand)
Kataraina Macown (Audit New Zealand)

Apologies

Resolved **Councillor Ion / Her Worship the Mayor**

Apologies from Deputy Mayor Rangihika were received.

Declarations of Conflict of Interest

No conflicts of interest were received.

1 CONFIRMATION OF AUDIT AND RISK COMMITTEE MINUTES

1.1 Audit and Risk Committee – 12 June 2023

Resolved **Chair Jones / Her Worship the Mayor**

That the minutes of the Audit and Risk Committee Meeting held on 12 June 2023 be confirmed as a true and accurate record.

2 Health, Safety and Wellbeing Report for Period 1 July 2023 – 31 August 2023 (Group Manager, Regulatory and Planning (509500))

Attached is the report from the Group Manager, Regulatory and Planning covering Health, Safety and Wellbeing report for period 1 July 2023 - 31 August 2023.

Resolved **Her Worship the Mayor / Councillor Julian**

That the report “Health, Safety and Wellbeing report for period 1 July 2023 – 31 August 2023” be received.

3 Treasury Report to 30 June 2023 (Group Manager, Finance and Corporate Services) (110551)

The Committee received a Treasury report from the Group Manager, Finance and Corporate Services covering the period to 30 June 2023.

Resolved **Chair Jones / Councillor Ion**

That the report "Treasury report to 30 June 2023" be received.

4 Audit Management Report for Year Ended 30 June 2022 (Group Manager, Finance and Corporate Services) (201000)

The Committee received the Audit Management Report for year ended 30 June 2022.

Resolved

Councillor Ion / Chair Jones

That the report "Audit Management Report for Year Ended 30 June 2022" be received.

5 Audit New Zealand – Audit Plan and Audit Proposal Letter for the Annual Report to 30 June 2023 (Group Manager, Finance and Corporate Services) (201300)

Attached for the Committee is the report Audit New Zealand – Audit Plan and Audit Proposal Letter for the Annual Report to 30 June 2023.

Resolved

Chair Jones / Councillor Ion

1. *That the report "Audit New Zealand – Audit Plan and Audit Proposal Letter for the Annual Report to 30 June 2023" be received.*
2. *The Committee endorses the Mayor to sign the audit proposal.*

6 Review of Councils Fraud Policy and Corruption Policy (Group Manager, Finance and Corporate Services) (201300)

The Committee received the report on the Review of Councils Fraud and Corruption Policy.

Resolved

Her Worship the Mayor / Councillor Julian

That the report "Review of Councils Fraud Policy and Corruption Policy" be received.

7 Long-Term Plan 2024 – 2034 Timetable (Group Manager, Finance and Corporate Services) (110555)

The Committee received the report on the Long-Term Plan 2024 – 2034 Timetable.

Resolved

Chair Jones / Her Worship the Mayor

That the report "Long-Term Plan 2024 – 2034 Timetable" be received.

Meeting closed 2.16pm

P Jones

Chairperson

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Meeting: Audit and Risk Committee

Meeting Date: 2 October 2023

Subject: **Health, Safety and Wellbeing Report for period – 1 July 2023 – 31 August 2023**

File No: 509500

1 Purpose

This report provides a summary of the activities Kawerau District Council undertakes to meet the requirements of the Health and Safety at Work Act 2015 and our efforts to ensure everyone goes home healthy and safe.

2 Executive Summary

The core systems and controls in place to manage Council's health, safety and wellbeing risks include:

- Ensuring Elected Members and all Council Staff are aware of their specific and general duties under current Health and safety legislation, through inductions and training.
- Development of a health and safety culture that encourages the identification, reporting and mitigation of new and existing health, safety and wellbeing risks, with ongoing risk monitoring and reviews.
- Dedicated Health and Safety Officer engaged to monitor compliance with health and safety legislation, driving continuous improvement and continual learning.
- Maintaining an effective Health and Safety Committee by engaging with staff, which enables participation and provides leadership, guidance and support across the organisation to better inform health and safety decisions and policies for Council staff, contractors and visitors.
- Implementation of health, safety, and wellbeing software (BWARE) to enable reporting, investigation and ongoing monitoring of identified risks.

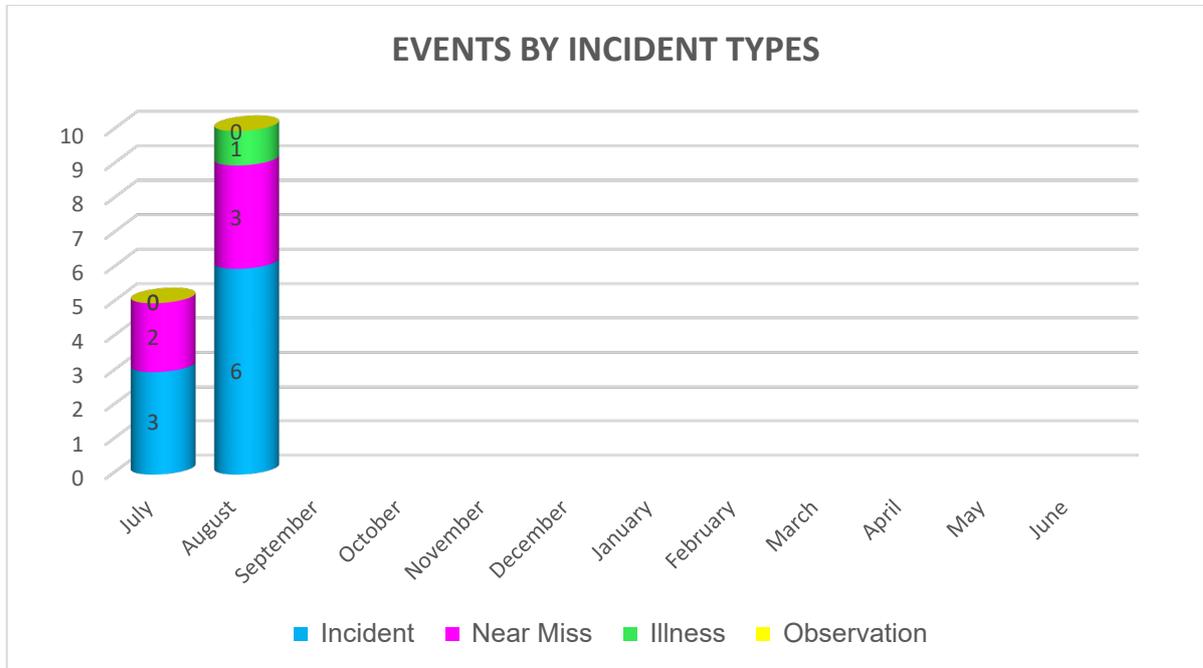
The key items which elected members should note from this report are:

- A total of 15 incidents reported for the period 1 July 2023 to 31 August 2023.
- No notifiable events.
- Contractor Site Safety Monitoring is on track to meet this year's key performance indicators.
- Council's employee assistance programme is offer by Vitae (sole provider).

3 Incident and Injury Reporting

Incidents for period - 1 July 2023 – 31 August 2023 (Brackets – Year to Date)

Incidents 9 (9)	Near Miss 5 (5)	Illness 1 (1)	Observations 0 (0)
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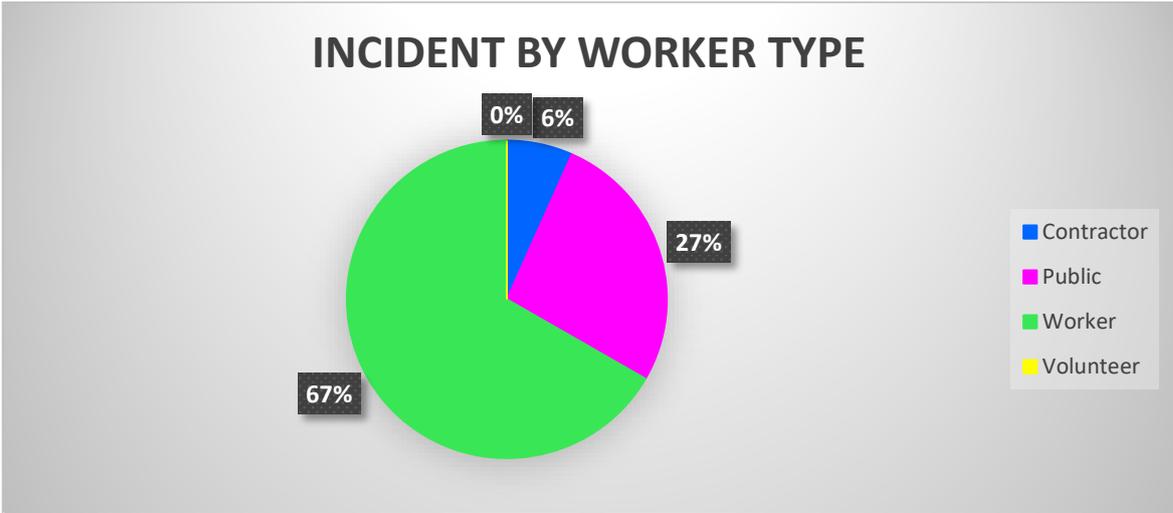
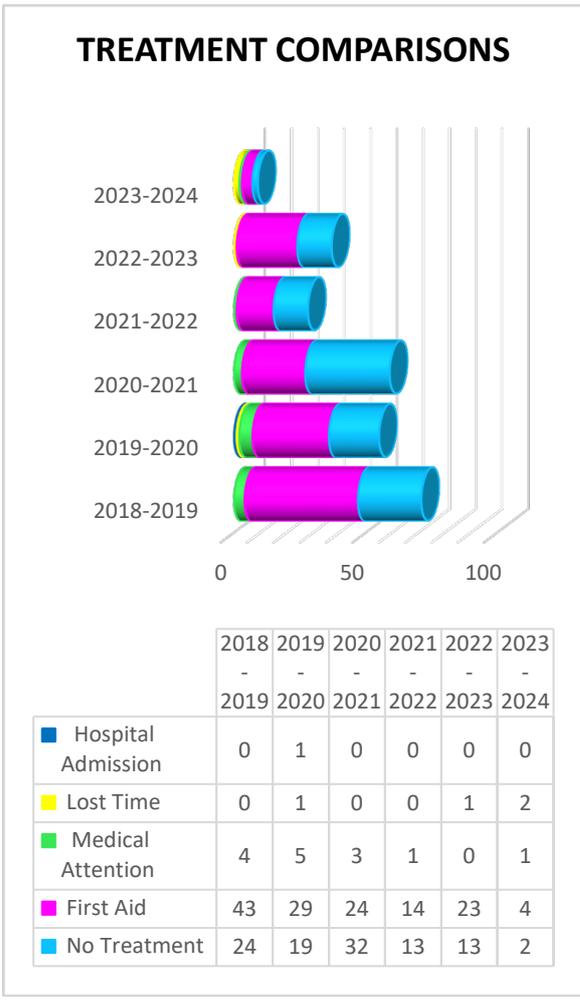
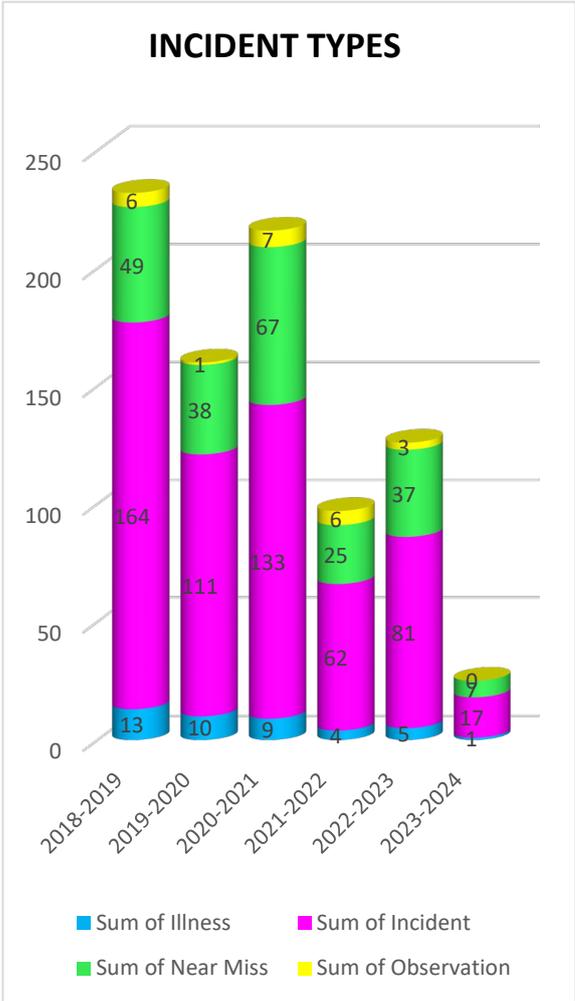
Note: Illness does not include Covid - 19 cases, these are sicknesses such as breathing issues, heat exhaustion, dehydration

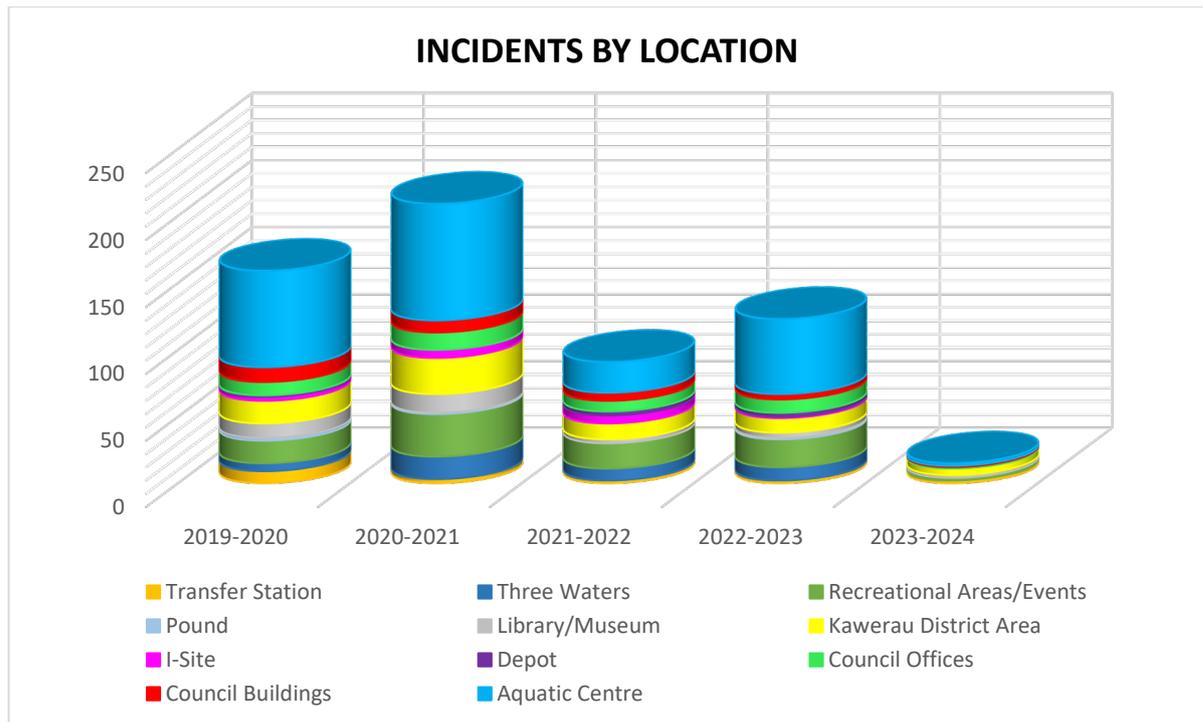
Incidents Risk Type and Treatment for Period 1 July 2023 – 31 August 2023

Events by Critical Risk		Outcome of Incidents	
Public/People/ Customers	3	No Treatment	8
Stress	0	First Aid	4
Slips, Trips and Falls	4	Medical Treatment	1
Lone Working	0	Lost Time	2
Manual Handling	1	Hospital	0
Other *	7	Investigations Required	
		Formal Investigation	0
		Work Safe Investigation	0

* Other – Driving Vehicle, Signage x2, Illness, Shape Objects x 3

Incidents and Treatment Comparisons





**Potentially Critical Events/Critical Events
1 July 2023 - 31 August 2023**

Event	Critical Risk	Potential Consequence	Actual Consequence	Controls and Status
Rolled Ankle stepping off back of recycle truck	Slips, Trips and Falls on the same level	High	Medium	<ul style="list-style-type: none"> • Good Housekeeping. • Operator training Induction process being completed. Three points of contact reminder provided.
Porritt Glade – Resident fell and hit head while going to open gate	Slips, Trips and Falls on the same level	High	Medium	<ul style="list-style-type: none"> • Good Housekeeping. • Mechanical gate repaired. • Lighting reviewed, no identified improvements.
Staff threatened and nearly physically assaulted by member of public	Violence, Aggression and/or Assault	High	Low	<ul style="list-style-type: none"> • Customer Conflict Training • Dealing with Abusive Customers Process • Statement made to police. • Process discussed with staff. • Team Leader followed up on staff wellbeing.
Staff threatened by member of public for not removing large drum of recycling.	Violence, Aggression and/or Assault	High	Low	<ul style="list-style-type: none"> • Customer Conflict Training • Dealing with Abusive Customers Process • Discussion with staff and team members around options. Letter sent to customer advising of reasoning for requirements for use of small bins. • Team Leader followed up on staff wellbeing.

Minor Low Speed Vehicle Crash – damage to tyre – no injury	Driving/ Vehicle	High	High	<ul style="list-style-type: none"> • Safe Driving Policy Staff reminded to watch surroundings when entering and exiting car parks. Review safe driving policy – incorporate recommendation only to reverse into parking where possible.
Syringe located with other drug paraphernalia during clean up	Needles/ Syringes/ Sharp Objects	High	Low	<ul style="list-style-type: none"> • Wear gloves • Wash hands Site clean and advised to dispose of in sharps container as per process. Reminder to staff around the risks of syringes and needle stick injuries.

4 Health, Safety and Wellbeing Risk Related Activities

Health, Safety and Wellbeing Related Activities		
Risk	Key Activity	Planned Activity
General Health and Safety Risk Management Programme	<ul style="list-style-type: none"> BWARE went live on 1 July 2023 and work has been ongoing to ensure all data is included into the system and reviewed. New Staff inducted - 8 New Health and Safe Rep elected for the Aquatic Centre with all roles now full and monthly meetings ongoing. CEO/ Health and Safety site inspection – Maurie Kjar Aquatic Centre Reviewed Induction Refresher timeline – Committee confirmed the need to continue 3 yearly refreshers for key information. 	<ul style="list-style-type: none"> BWARE – Work on development of monthly reports (Leadership Team) and dashboards for easy access to key information. Arrange for a SafePlus audit (a performance improvement initiative) to be completed late 2023. This audit will help identify areas of weakness and provide ideas for ongoing improvement. Review top 5 critical risks, with the idea of extending to the top 10 – Ongoing - currently with teams to name 5 top risks within their respective work areas, to identify the main risks across the organisation.
Contractor Management	<ul style="list-style-type: none"> Two contractor audits completed -<u>Building Contractor</u> – Site inspection completed, generally secure and tidy. No significant concerns identified. -<u>Building Contractor</u> – Site inspection completed. No significant concerns identified. 	<ul style="list-style-type: none"> One contractor audit to be completed each month.
Training	<ul style="list-style-type: none"> Safe Chainsaw Operations Training Completed (4) Chemical Safety, Foundation, Handling & Storage Training – Completed (8) First Aid Training – (4) 	<ul style="list-style-type: none"> Customer Conflict Training Booked - September Mental Health Training Booked – October Bullying and Harassment training Booked Drug and Alcohol Awareness Training Booked

		<ul style="list-style-type: none"> Organise Dangerous Dog Training for Outdoors Staff 		
Policy Reviews	<ul style="list-style-type: none"> Trespass Policy – Health and Safety Committee agreed with incorporating the temporary exclusions under the “Dealing with Abusive Customers Process” into the Trespass Policy to provide a well-rounded policy. Documents to be blended and reviewed by the Leadership Team for approval. 	<ul style="list-style-type: none"> Workplace Stress & Fatigue Policy – ongoing - rewrite required to modernise and incorporate staff wellbeing Drug and Alcohol Policy – Reviewed and Updated, awaiting feedback from The Drug Detection Agency (TTDA) prior to sending out for staff review. Emergency Response Team – Amendments requested by Leadership Team have been incorporated. Awaiting final review of Leadership Team. Implement a risk review programme to ensure all risks are reviewed regularly. 		
Risk Reviews				
Risk	Potential Score	Activity	Planned Activity	Desired Risk level outcome (as per risk matrix)
Vehicles/Transport	Medium	<ul style="list-style-type: none"> Review Car Park for Improvements Health and Safety Committee discussion identified possible amendment to Safe Driving Policy. 	<ul style="list-style-type: none"> Update Self Driving Policy to include a recommendation to reverse into carparks where possible to improve visibility. Relocate portable skip bin 	Medium

5 Health and Wellbeing

Health and Wellbeing

Emergency Readiness

Automatic External Defibrillators (AED's) available at Aquatic Centre and District Office
Emergency Response Team being developed and trained

General Health

Skin Checks available for Staff (reminders to be sent out October)
Vaccination programme includes vaccinations for influenza and other role specific vaccines such as Hep A, B & tetanus
Covid-19 protocols updated in line with Government Guidance

Wellbeing initiatives

Employment assistance programme provide by Vitae
Since July, My Everyday Wellbeing web platform has recorded 45 users, 30 active accounts, 500 pages viewed and 165 sessions.
Rugby World Cup, Maori Language Week activities run across the organisation.

Health Monitoring

Health monitoring commenced in June 2023, (audiometry and spirometry) and nearly completed for 2023.
Ongoing random drug testing and pre-employment drug testing

6 RECOMMENDATION

That the report "Health, Safety and Wellbeing Report for period - 1 July 2023 – 31 August 2023" be received.



Michaela Glaspey

Group Manager Regulatory and Planning

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Meeting: Audit and Risk Committee

Meeting Date: 2 October 2023

Subject: **Treasury Report to 31 August 2023**

File No: 110551

1 **Purpose**

The purpose of this report is to inform members of the funds held by Council as at 31 August 2023 and provide explanations for any significant variances from the previous year.

2 **Background**

This report also went to the Regulatory and Services Committee on 16 August 2023, 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.

Council's investment policy allows up to 50% of total funds to be invested with any one bank but up to a limit of \$1.5 million. The exception is Council's principal bank where funds can exceed 50% and/or \$1.5 million.

Council now has less surplus funds than in previous years making it more difficult to spread investments but it is still required to act prudently.

Council raised a loan of \$2.0 million in December, which was used to fund the water reticulation renewal project. The interest rate for this loan is 5.75% (fixed) and the maturity date is April 2025. Staff recommended a relatively short-term loan due to the increasing interest rates and the uncertainty around the 3 waters and other reforms that are currently being undertaken.

3 **Funds Held**

The following table shows Council's reserve and general funds balances as at 31 August 2023:

	August 2023	August 2022
Reserve Funds		
Depreciation Funds	\$2,593,843	\$4,849,000
Loan	\$2,000,000	\$0
Total Special Funds	\$4,593,843	\$4,849,000
General Funds	\$759,642	\$1,015,000
Total – comprising cash & internal loans	\$5,353,486	\$5,864,000

The figures show that overall Council has \$510k less funds at the end of August than this time last year, however the August 2023 balance includes funds from the \$2m loan that was uplifted in December 2022 to pay for the water asset renewals.

Overall Council's cashflows for the last year have continued to be lower than previous years, as Council has short term cash funds invested in the Central Cove sections and Porritt Glade units that will become realised cash funds once they are sold and have occupation agreements, respectively.

The following funds were held at 31 August 2023:

Invested in	\$	Mean Interest	% External
ANZ – on call	784	3.35%	0.02%
BNZ – current & on-call	3,221,443	3.0%	86.06%
Rabobank (on-call)	520,890	4.3%	13.92%
Total Funds (Cash)	3,743,117		100.0%
Internal Loans	1,610,369		
Total Investments	5,353,486		

*These figures include the accrued interest to 31 August 2023

4 RECOMMENDATION

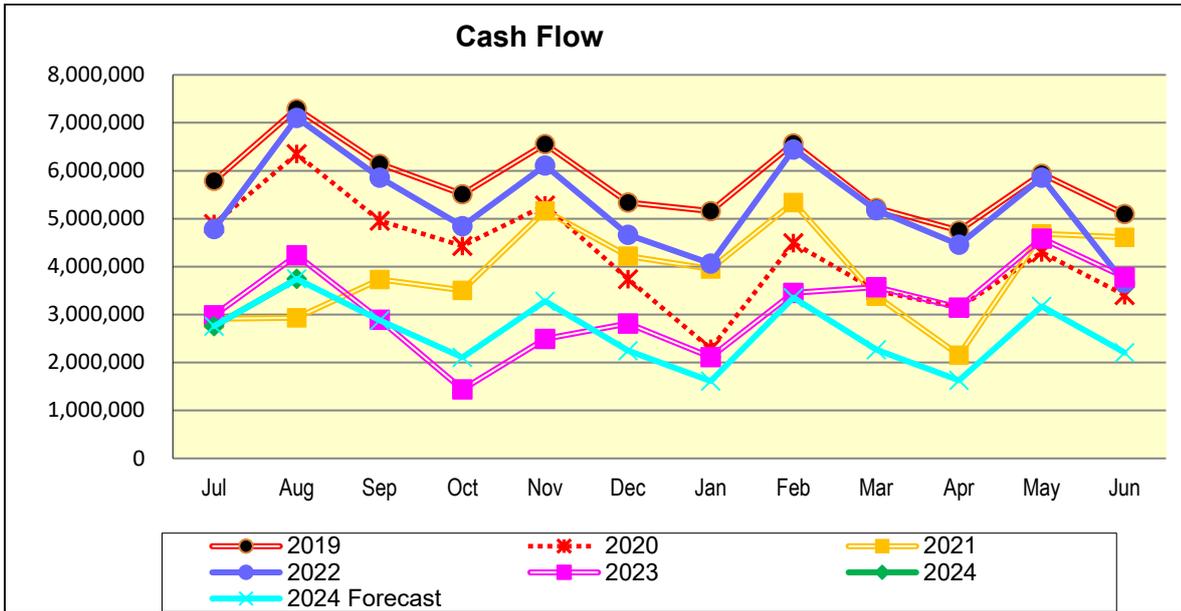
That the report "Treasury Report to 31 August 2023" be received.



Lee-Anne Butler, CA, BMS

Group Manager, Finance & Corporate Services

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Please note that the 2023 actual cashflow is the same as the forecast cashflow for the months year to date.

Meeting: Audit and Risk Committee

Meeting Date: 2 October 2023

Subject: Annual Plan Performance for the twelve months ended 30 June 2023

File No.: 110400

1 Purpose

The purpose of this report is to review and compare Council's actual financial and non-financial performance for the year to 30 June 2023 with the Annual Plan for 2022/23.

Comments are provided where expenditure/revenue has varied from the budget, and the performance target is not achieved for the year.

The final results, following review by Council's auditors, are likely to differ from these results.

2 Financial Performance

2.1 Statement of Comprehensive Revenue and Expense

The following table shows Council's financial performance for the year compared to the adopted annual budget. The capital budget for 2022/23 has been amended to include the carried forward figures as well as any budget amendments approved by Council.

	Adopted Budget	Actual 30-06-2023	Comments
Revenue:	\$	\$	
Rates	11,953,620	12,159,250	
Subsidies and Grants	1,075,800	1,624,238	
Interest Revenue	34,390	41,171	
Fees and Charges	3,610,500	2,225,280	Budget includes section sales
Other Revenue	70,000	66,367	Petrol Tax
Total Revenue	16,744,310	16,116,306	
Expenditure:			
Personnel Costs	6,111,890	6,059,952	
Depreciation	3,316,270	4,645,297	Significant increase due \$18m asset revaluation at 30 June 2022
Finance Costs	110,000	62,950	
Other Expenses	6,017,200	6,936,277	Additional solid waste costs
Section Developments	950,000	0	Actual costs are below in capital expenses as must be recognised as inventory.
Total Expenditure	16,505,360	17,704,476	
Surplus (Deficit)	238,950	(\$1,588,170)	
	Revised Budget	Actual 30-06-23	
Capital Expenditure	12,101,253	8,127,124	Includes section inventory costs of \$655,089

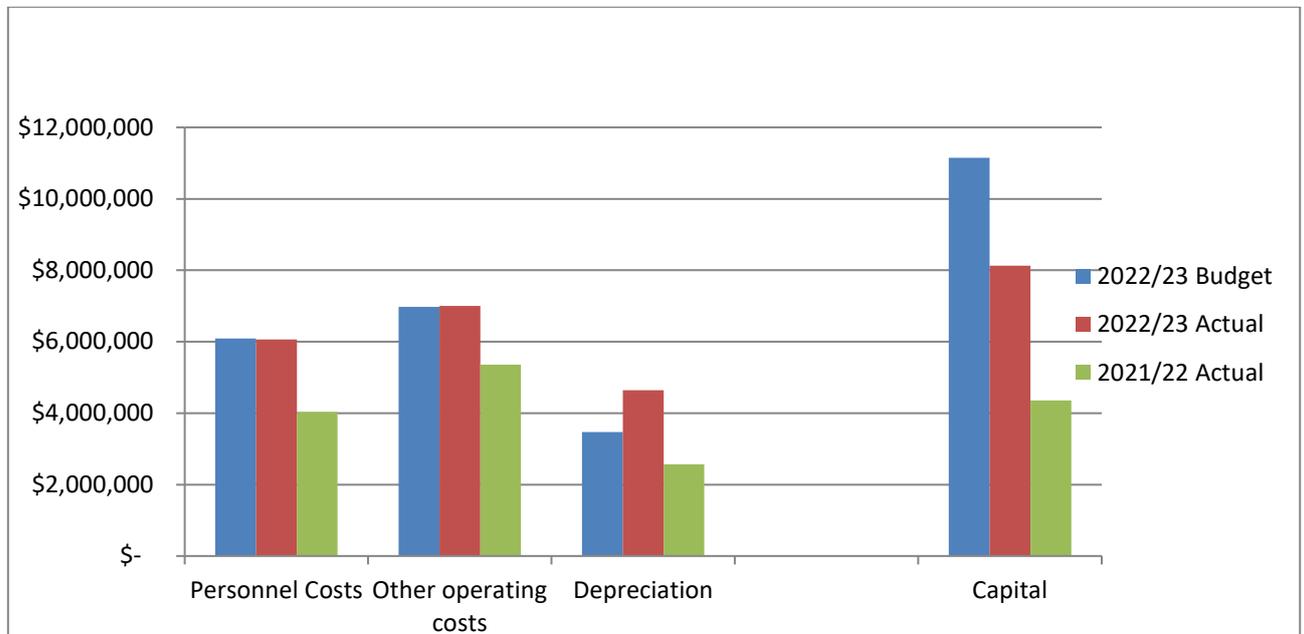
The significant variance (\$1.8m) between the budget and actual Statement of Performance is due to the following:

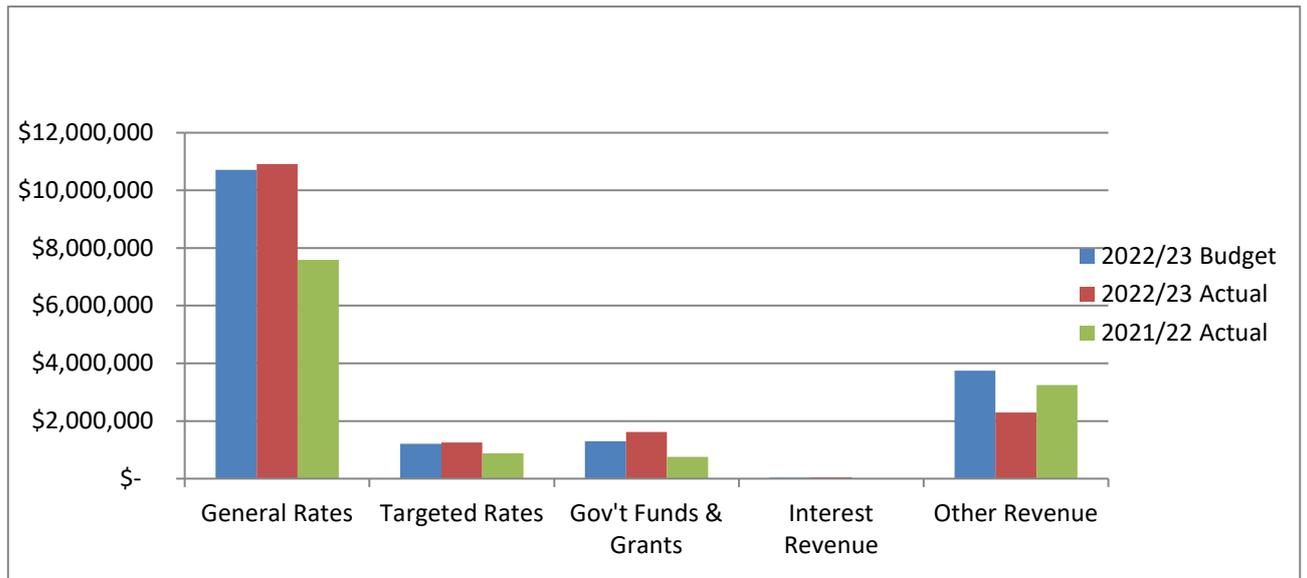
- The 2022/23 budget included \$1.7m income from the sale of sections at Central Cove, which has impacted on Council's cashflows throughout 2022/23. While this income has not been realised in 2022/23, Council still has an investment in these sections, that will be recognised income once sold.
- There was additional Grants funding of \$548k for Mayors Task Force for Jobs and first tranche of Better off Funding.
- Depreciation is \$1.3m higher than budgeted which is due to the significant \$18.8m increase in Council's assets at 30 June 2022, following the triennial asset revaluation. At the time of preparing the budget for the 2022/23 year, Council did not know the extent to which Council's assets would increase, which would impact on depreciation.
- For other expenses this is overspent against the budget by \$919k, which is mainly due to the significantly increased costs for Solid Waste (\$685k) due to increased cartage and disposal costs. The overall cost of the Solid Waste activity is offset by the additional \$276k refuse fees income Council received.

The other expenses also include \$346k for Mayors Task Force for Jobs, however this expense is fully offset by the Government grant included in Subsidies and Grants income.

Council's expenditure and revenue for the year to date are shown in the graphs below, compared to the budget and expenditure/revenue for last year 2021/22.

Expenditure to 30 June 2023



Revenue to 30 June 2023**2.2 Statement of Financial Position**

The following table shows Council's financial position at 30 June 2023 compared to the budget. The significant increase compared to budget is for Council's assets following the revaluation of assets as at 30 June 2022.

The financial position does include final accruals for receivables and payables, but may be subject to audit changes.

	Budget @ 30/6/2023	Actual at 30 June 2023	Comments
Assets:			
Current assets:			
Cash & cash equivalents	\$5,074,310	\$3,779,501	
Receivables	\$1,720,340	\$1,797,865	
Inventories	\$417,910	\$1,946,397	Includes sections
Non-current assets:			
Property, plant and equipment	\$96,502,730	\$109,482,747	
Intangible assets	\$60,240	\$99,379	
Other financial assets	\$36,250	\$86,252	
Total Assets	\$103,811,780	\$117,192,141	
Liabilities:			
Current liabilities:			
Payables, provisions & employee benefits	\$3,565,870	\$4,023,496	
Resident's Liability	0	\$7,609,752	Porritt Glade
Borrowing	\$16,500	\$0	
Non-current liabilities:			
Provisions & employee benefits	\$242,460	\$61,678	
Borrowing	\$2,034,000	\$2,000,000	
Deferred revenue	\$10,634,600	\$137,143	Budget is Porritt Glade Liability
Total Liabilities	\$16,493,430	\$13,832,069	
Ratepayers Equity	\$87,318,350	\$103,360,072	
Total liabilities & ratepayers equity	\$103,811,780	\$117,192,141	

2.3 Statement of Cashflow

The cashflow statement shows a decrease of \$1,294,809 in Council's cash position at 30 June 2023.

	Budget @ 30/6/2023	Actual to 30 June 2023	Comments
Cashflow from operating activities:			
Rates	\$11,970,010	\$11,955,544	
Subsidies	\$1,075,800	\$1,819,148	
Fees & Charges & Other Revenue	\$3,680,500	\$1,968,527	
Interest Received	\$34,390	\$41,427	
Payments to suppliers and employees	\$(12,497,310)	\$(12,320,154)	
Interest paid on debt	\$(110,000)	\$(62,950)	
Net cashflow from Operations	\$4,153,390	\$3,401,542	
Net cashflow from investing:			
Disposal of Assets/Contributions ORA	\$4,000,000	2,341,770	
Property, Plant & Equipment/Inventory	\$(8,850,360)	\$(7,625,491)	
Net cashflow from investing:	\$(4,850,360)	\$(5,283,721)	
Net cashflow from financing:			
Loans raised	2,020,000	\$2,000,000	Loan raised in December
Debt repayment	\$(11,500)	\$(5,044)	
Net cashflow from financing	\$2,008,500	\$1,994,956	
Total Net cash inflow/(outflow)	\$1,311,530	\$112,777	
Opening balance (1/7)	\$3,762,780	\$3,666,724	
Closing cash balance	\$5,074,310	\$3,779,501	

3 Capital Expenditure

The following is Council's capital budget (including carry forwards and amendments) and expenditure for the year to 30 June 2023.

Capital expenditure is underspent due to the delay in some of the capital works projects, such as Rangī Delamere Pavilion, roading reseals, WWTP upgrade and reticulation replacement works. A separate report was prepared for Council to request the carry-forward of these capital projects to the 2023/24 financial year.

Activity	2022/23 Budget	Actual	Comments
Economic & Community Development	\$3,311,600	\$3,619,485	Residential developments – Porritt Glade, Firmin Lodge
Section development - Inventory	\$950,000	\$655,089	Section development – Bell Street, Hine Te Ariki Place & Stoneham Park
Roading	\$1,129,000	\$575,144	
Stormwater	\$390,000	\$67,348	
Water Supply	\$2,781,000	\$1,764,952	Pipe renewal
Wastewater	\$1,473,639	\$634,032	WW pipe renewals
Solid Waste	\$50,000	\$35,411	Recycle Bins

Activity	2022/23 Budget	Actual	Comments
Leisure & Recreation	\$1,583,894	\$525,154	Included Rangi Delamere Pavilion
Plant, Depot and Office	\$432,120	\$250,509	New plant/vehicles, PCs & office building renewals
Total	\$12,101,253	\$8,127,124	

4 **Non-Financial Performance**

For 2022/2023 an important target to assess performance was the triennial survey. A new service provider has completed Council's triennial survey to ensure a better set of results that represent a fairer and more accurate measure of residents' sentiments. Comparisons with previous targets are largely lower and these differences can be attributed to a mixed-mode of collection allowing different demographics to be heard in 2023.

In combination, this necessitates a 'reset' due to new methodology; 10-scale answer model (industry standard); mixed-mode of data collection; additional sampling methods and weightings based on age, gender and ethnicity population statistics in Kawerau.

It is also important to consider the impact of significant circumstances when evaluating satisfaction levels and the ability of Council to meet the needs of the community due to post-pandemic issues and sentiment; rising cost of living, and extreme weather events that have brought local issues to the fore.

Please see attached the Summary of Council's results for the survey compared with the national results and a full description of the changes to the triennial community survey.

During the 2022/23 year, Council achieved 44 (52%) of the non-financial targets for the year ended 30 June 2023, as follows below. Of note there were a total of 20 Performance targets related to the triennial survey, which has impacted Council's overall performance.

Activity	2022/23 No. of Targets	2022/23 Achieved	2021/22 Achievement Rate
Democracy	5	0	33%
Economic & Community Development	6	5	80%
Environmental Services (excludes N/As)	14	9	64%
Roading (including Footpaths)	9	0	57%
Stormwater	3	3	100%
Water Supply	14	12	83%
Wastewater	8	5	43%
Solid Waste Management	5	2	50%
Leisure and Recreation	22	8	58%
TOTAL	86	44	65%

5 RECOMMENDATION

That the report "Annual Plan Performance for the year ended 30 June 2023" be received.



Lee-Anne Butler, CA, BMS

Group Manager Finance & Corporate Services

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Triennial Survey Results

The community satisfaction survey has been completed every three years since the 1990s. For this triennial survey, Council engaged a new provider SIL Research to ensure a better set of results that represent a fairer and more accurate measure of residents' sentiments. Considerable effort was made to ensure the survey results were comparable with previous surveys. However, it was necessary to review and adjust the survey methodology to improve on previous sample limitations.

The changes of the survey provider and the methodology have impacted the survey results which make it difficult to accurately compare the 2023 results, with historical survey results.

Also, the targets set as part of the Long Term Plan 2021-2031, were set on the basis that the same survey and methodology would be carried out.

In combination, this necessitates a 'reset' due to multiple differences in methodology including:

- Industry standard 10-scale answer model: Moving to an industry-standard 1-10 rating scale from the previous 4-scale rating model provides an opportunity for residents to better quantify sentiments;
- Mixed-mode of data collection was utilised to ensure residents were well-represented (e.g., via telephone, postal forms and social media);
- Additional sampling methods and weightings based on age, gender and ethnicity population statistics in Kawerau.

With a number of the targets not achieved, the following is of particular note with regard to the drinking water supply. The 2023 survey was carried out during the peak levels of the brown / discoloured water issues that were experienced sporadically throughout the district in April and May 2023. The level of dissatisfaction with this service correlates with the high number of service requests received. Council investigations in May and June confirmed that the cause of the brown water was due to high levels of manganese in Te Wai o Marukaa | Pumphouse Spring which when combined with chlorine, oxidise and turn the water brown/rusty coloured. Testing and isolation of the source confirmed this and the water quality issues have since improved in July to a level where there were zero service requests raised by the community relating to brown water issues in the month following.

It is also important to consider the impact of significant circumstances when evaluating satisfaction levels and the ability of Council to meet the needs of the community due to post-pandemic issues and sentiment; rising cost of living and weather events that have brought local issues to the fore particularly due to the recent local body elections in October 2022.

Summary Survey Results Compared to National Benchmarks

 Kawerau cemetery KDC 2023: 91% NZB 2023: 79%	 District library KDC 2023: 90% NZB 2023: 87%	 Rubbish collection KDC 2023: 90% NZB 2023: 73%	 i-Site KDC 2023: 88% NZB 2023: n/a	 Safety KDC 2023: 84% NZB 2023: 58%	 Community attractiveness KDC 2023: 84% NZB 2023: n/a
 Kawerau Museum KDC 2023: 77% NZB 2023: n/a	 Council staff KDC 2023: 75% NZB 2023: 54%	 Community spirit KDC 2023: 75% NZB 2023: n/a	 Good quality of life KDC 2023: 72% NZB 2023: n/a	 Swimming pool KDC 2023: 72% NZB 2023: 69%	 Stormwater KDC 2023: 70% NZB 2023: 56%
 Emergency kit KDC 2023: 50% NZB 2023: n/a	 Water service ¹ KDC 2023: 40% NZB 2023: 73%	 Dog control KDC 2023: 34% NZB 2023: 63%	 Place to live (Better+Same) KDC 2023: 67% NZB 2023: n/a	 Overall performance KDC 2023: 70% NZB 2023: 58%	 - Good performance (70% and above)  - Services with positive performance (below 70% but equal to or above 50%)  - Services for improvement  - Overall performance indicators

¹ An average score between water delivery and water quality

Meeting: Audit and Risk Committee

Meeting Date: 2 October 2023

Subject: **3 Waters Risk Register Monitoring**

File No: 201000

1 Purpose

The purpose of this report is to bring to the Committee's attention to the issues and risks associated with the pending 3 Waters reforms that will impact Council and to determine any additional processes to mitigate the risks identified.

2 Background

The 3 Waters Reform legislation passed in December 2022 established four publicly owned water services entities to carry out responsibilities for the delivery of three waters services, through related assets and liabilities currently controlled by local authorities. Then on 13 April 2023, the Government announced further proposed amendments to the number of water services entities and staggering their establishment dates, with all the water services entities to be established by 1 July 2026.

At this stage Kawerau District Council is part of Entity C, which is to be established by October 2025.

High level guidance has been issued that outlines which assets would transfer to the new entity, however there is not yet enough clarity to be able to quantify the financial impacts on asset values, revenue and associated debt with any certainty. As at 30 June 2023, the total 3 Waters infrastructure assets are \$5.8m for Stormwater, \$14.3m for Water and \$13.7m for wastewater assets. Not all of these assets may transfer, particularly assets that are used by other parts of the Council and other non-infrastructure assets may also transfer. The value of the assets will change between now and October 2025.

As at 30 June 2023, Council has a loan of \$2m which was raised to fund all the water reticulation renewals that are currently underway. This is a significant project, with further loan funds to be raised to pay for these water reticulation renewals.

Council's risk register identifies the high-level risks, the mitigations, and the associated risk scoring both prior to mitigation, and then following the mitigation measures that are in place.

The 3 Waters Reforms have been identified as high risk in Council's risk register. The attached schedule details Council's current risk register with the risk for the 3 Waters

reforms. Further risks are also included that may be impacted and influenced as a result of the 3 Waters reforms, which include:

- Loss of institutional knowledge through loss of key staff.
- Organisational structure - inability to attract suitable staff to continue business as usual until reforms are effective.
- Service delivery through infrastructure planning not being adequate to ensure service delivery and management of capital projects.

3 3 Waters Uncertainties

There continues to be a significant amount of uncertainty regarding the 3 Waters Reforms, with the following areas where Council has no control over the outcome:

- Entity C: While Entity C is set as including the Councils in Kawerau, Whakatāne, Ōpōtiki, Rotorua, Tauranga and Western Bay, there is also further opportunity for Councils to combine with other Entities, this adds further uncertainty as Entity C is not finalised yet as to who will be in the entity.
- Timing: Currently the set timeframe for Entity C is October 2025. This is the latest timeframe, however there is uncertainty as to whether the timing for establishment may be earlier.
- Pending Election: The pending election does provide uncertainty regarding the 3 Waters Reforms. Should there potentially be a change in the Government this could bring further changes to the 3 Waters reforms and there are no details as to what these may entail.

4 3 Waters Risks

The following are the key risks areas and mitigation:

- Reforms: Council has no control over the reforms, as this is all driven by Central Government. Council being informed on what is happening and continuing to advocate for Kawerau is the best approach, until such time as there is more information which is likely to be after the Election.
- Loss of Staff: The 3 Waters Reforms does cast uncertainty over 3 Waters staffing positions and how these roles will transition to the new Entity C. Council cannot control this uncertainty but can continue to support staff in their current roles and providing security and certainty over their positions until there is more information and a change. Council can continue to provide an excellent work environment, competitive salary packages and maintain good employer reputation.

- Loss of knowledge: As with staff loss, it is important to ensure that there is good knowledge of the 3 waters processes of Council. Key is supporting staff but also documenting key processes and completing quality asset management plans.
- Infrastructure Projects: The water reticulation renewals programme and providing sustainable water sources are key water projects that will assist the Kawerau Community, in the future with the 3 Waters Reforms. Managing and ensuring all 3 Waters Projects are cost effective and completed is key to reducing the risks.
- Asset Management Plan: As part of the Long-Term Plan Council's Infrastructure Strategy and detailed Asset Management Plans are all being reviewed. This information is key to ensuring there are detailed plans in place to maintain quality 3 waters systems into the future.

5 RECOMMENDATIONS

1. That the report "3 Waters Risk Register Monitoring Report" be received.
2. That the Audit and Risk Committee consider and recommend any further actions that should be considered to mitigate the risks.



Lee-Anne Butler, CA, BMS

Group Manager, Finance & Corporate Services

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RISK REGISTER

Definitions:

The common definitions for terms used in risk management documents, include:

- **Risk:** Effect of uncertainty on objectives.
- **Risk Management Strategy:** A structured approach for the assessment, management and mitigation of risk
- **Risk Management Process:** Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing and evaluating, treating, monitoring and reviewing risk.
- **Risk Mitigation:** Those measures that manage the risk.
- **Risk Owner:** Person or entity with the accountability and authority to manage/monitor a particular risk.
- **Risk Register:** A record of identified risks.
- **Risk Appetite:** The amount and type of risk that the Council is prepared to pursue, retain or tolerate.

Risk Management Strategy

Council's risk management strategy is: *to identify, assess and mitigate known risks to the point that Council determines is acceptable after taking into account the possible outcomes should the event occur and the cost of further mitigation.*

Risk Appetite

Risk appetite is the level of risk Council is prepared to tolerate before it takes action to reduce (or further reduce) the risk. It is not always practical or feasible to totally eliminate risk and to attempt to do so would not be value for money.

Council has adopted the **ALARP** principle (**As Low As Reasonably Practical**) after taking into account the likelihood and consequence of the particular risk as well as the cost of further mitigation, for the management of its risks. Very few risks can be reduced to zero – there will always be some level of potential risk.

Description	Risk	Impact	Raw Risk			Current Mitigation	Residual Risk (total)	Future Mitigation	Costs of future mitigation	Is Residual Risk Acceptable? (ALARP)	Time-frame for further mitigation	Staff Responsible (monitoring & mitigation)
			Likelihood	Consequence	Total							
Human Resources												
Loss of institutional knowledge	Loss of key staff and with them institutional knowledge.	Inefficiencies and poor decision making in the absence of prior knowledge. Could be financial costs for fixing mistakes.	4	3	12	Business Improvement Teams documenting processes and making available on the Council intranet. Some succession planning being undertaken, but restricted by size of organisation and limited resources Significant work on AMPs during development of 2018-2028 LTP to provide asset information for the organisation.	4,2 8	Implement electronic document management system (EDMS) - Objective. On-going succession planning including management courses Ongoing improvements to asset data in AMPs.	Implementation of EDMS is likely to cost \$100k and management courses will be \$15k. There will be minimal additional costs to update and review Council's AMPs	Yes (mitigation will be on-going)	Ongoing	CEO
Organisational Structure	Inability to attract suitable staff.	Inability to effectively deliver services.	4	3	12	Ability to enter into service contracts and shared service arrangements. Competitive salary packages. Good work environment and reputation as good employer. Close proximity to larger towns with greater employee base.	3,3 9	Providing competitive salary packages by regularly obtaining market data. Continue providing excellent work environment Maintain good employer reputation	No additional cost	Yes	Ongoing	CEO

Description	Risk	Impact	Raw Risk			Current Mitigation	Residual Risk (total)	Future Mitigation	Costs of future mitigation	Is Residual Risk Acceptable? (ALARP)	Time-frame for further mitigation	Staff Responsible (monitoring & mitigation)
			Likelihood	Consequence	Total							

Fraud and Defalcation:

Service Delivery

Infrastructure planning not adequate	Unplanned asset failure. Assets not where thought to be. Insufficient capacity or over capacity Renewal of assets undertaken when not needed.	Essential services not able to be provided. Repairs and reconstruction costs prohibitive. Residents / businesses unable to function.	2	4	8	Updated Asset Management Plans (conforming with best practice) to ensure all assets are known, fit for purpose, adequately maintained and replaced when required in a most cost effective manner. AMPs were reviewed and updated to a level of at least "core requirement" as part of the 2018-28 LTP preparation. Council adopted an AMP policy which states that AMPs will at least meet the "core requirement" level. Asset managers and staff are appropriately qualified and trained.	1,4 4	Project management, business case and procurement practices are in place. On-going review of AMPs (living documents) and community's need for infrastructure	No additional costs except for on-going renewal of infrastructure (as identified in AMPs)	Yes	Ongoing	29 GMOS
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Description	Risk	Impact	Raw Risk			Current Mitigation	Residual Risk (total)	Future Mitigation	Costs of future mitigation	Is Residual Risk Acceptable? (ALARP)	Time-frame for further mitigation	Staff Responsible (monitoring & mitigation)
			Likelihood	Consequence	Total							
Capital projects	<p>Risk that completed project is not fit for purpose.</p> <p>Risk that capital projects are poorly managed and costs are not affordable.</p>	<p>Capital project costs going over budget Council's reputation is affected. Council doesn't adhere to Annual Plan/LTP commitments. Potential level of service may not be achieved.</p>	3	4	12	<p>The Council approval process for capital projects is required by legislation to be undertaken as part of the existing Annual Plan process and included in the Annual Plan budget setting.</p> <p>Monthly monitoring of capital projects</p> <p>Quarterly reporting of all significant capital projects to be reported to Council.</p> <p>Retention and contractual recourse to remedy.</p> <p>Critical Path Plans for all significant projects.</p> <p>Health and Safety completion audit. Implementation of project management policy and methodology.</p>	24 8	<p>On-going requirement for all new proposed capital projects are to be presented to Council as part of the Annual Plan / Long-Term Plan process.</p> <p>On-going staff training in project management.</p>	<p>Additional costs will be incurred as part of any business improvement process. These are not expected to be significant.</p>	Yes	Ongoing	GMOS 30

