



**SOUTH WAIRARAPA
DISTRICT COUNCIL**
Kia Reretahi Tātau

FINANCE, AUDIT AND RISK COMMITTEE

Agenda

NOTICE OF MEETING

An ordinary meeting will be held in the Council Chambers, 18 Kitchener Street, Martinborough on Wednesday 24 June 2020 at 9:00am. The meeting will be held in public (except for any items specifically noted in the agenda as being for public exclusion).

MEMBERSHIP OF THE COMMITTEE

Councillors Leigh Hay (Chair), Pam Colenso, Garrick Emms, Brian Jephson, Brenda West, Ross Vickery and Mayor Alex Beijen. Independent member: Kit Nixon

Open Section

Health and Safety Procedures

- A1.** Apologies
- A2.** Conflicts of interest
- A3.** Public participation
As per standing order 14.17 no debate or decisions will be made at the meeting on issues raised during the forum unless related to items already on the agenda.
- A4.** Actions from public participation
- A5.** Extraordinary business
- A6.** Minutes for Confirmation: Finance, Audit and Risk Committee
Minutes of 21 May 2020
Proposed Resolution: *That the minutes of the Finance, Audit and Risk Committee meeting held on 21 May 2020 are confirmed as a true and correct record.*
- A7.** Notices of motion

Pages 1-4

B. Decision Reports

B1. Financial Delegations Review Report Pages 5-41

C. Information and Verbal Reports from Chief Executive and Staff

C1. Insurance Proposal Report Pages 42-76

C2. Audit Plan Report Pages 77-91

C3. Financial Report Pages 92-109

C4. Action Items Report Pages 110-113

FINANCE, AUDIT AND RISK COMMITTEE

Minutes from 21 May 2020

Members Present:	Councillors Leigh Hay (Chair), Councillors Pam Colenso, Garrick Emms, Brian Jephson, Ross Vickery (until 12:15pm), Brenda West, for part only Mayor Alex Beijen (10:35am – 11:20am) and appointed member Kit Nixon.
In Attendance:	Katrina Neems (Finance Manager), Charly Clark (Finance Manager), Karen Yates (Policy and Governance Manager), Suzanne Clark (Committee Advisor) and for part only Harry Wilson (Chief Executive Officer) and Euan Stitt (Group Manager Partnerships and Operations).
Conduct of Business:	Due to current COVID-19 restrictions the Committee held this meeting via video conference as elected members and members of the public could not be physically present. This meeting was held in accordance with clause 25B of Schedule 7 to the Local Government Act 2002 and in accordance with clause 47A of the Local Government Official Information and Meetings Act 1987. The meeting was held between 10:00am and 12:50pm.

Open Section

A1. Health and Safety Procedures

Cr Hay outlined the COVID-19 restrictions for meeting in venue.

A2. Apologies

There were no apologies, but members noted that Mayor Alex Beijen and Chief Executive Harry Wilson had been delayed.

A3. Conflicts of Interest

There were no conflicts of interest declared.

A4. Public Participation

There was no public participation.

A5. Actions from Public Participation

There were no actions from public participation.

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Until confirmed as a true and correct record, at a subsequent meeting, the minutes of this meeting should not be relied on as to their correctness

A6. Extraordinary Business

There was no extraordinary business.

A7. Minutes for Receipt

FINANCE, AUDIT AND RISK RESOLVED (FAR2020/01) that the minutes of the Finance, Audit and Risk Committee meeting held 11 December 2019 are confirmed as a true and correct record.

(Moved Cr Colenso/Seconded Cr Jephson)

Carried

A8. Notices of Motion

There were no notices of motion.

B Decision Reports from Chief Executive and Staff

B1. Amendments to Financial Delegations Policy 0200

Mrs Neems advised that an amendment was required so that the Policy matched the reorganisation of office roles. Elected members discussed the unplanned expenditure delegation and agreed that a mechanism for approving this expenditure did need to be available. Elected members requested further clarity be provided in the wording of delegations for unplanned and unbudgeted expenditure and deferred a decision until the next meeting. Officers undertook to make Policy amendments as discussed.

FINANCE, AUDIT AND RISK RESOLVED (FAR2020/02):

1. To receive the Amendment to Financial Delegations Policy 0200 Report.

(Moved Cr West/Seconded Cr Vickery)

Carried

2. Action 186: Ensure the organisational roles in the Delegations Policy match the delegations descriptions and that all roles are described; K Neems
3. Action 187: Insert (Ruamāhanga) after Roothing Manager in the roles descriptions of the Delegations Policy; K Neems
4. Action 188: Review the Common Seal section of the Delegations Policy and consider whether additional wording or reference to the Common Seal Policy needs to be included for clarity of use; K Neems
5. Action 189: Review other Councils' delegation's policies wording and dollar amounts for unplanned and unbudgeted expenditure with a view to clarifying the meaning and practical application wording in SWDC's Delegation Policy; K Neems
6. Action 190: Review whether the delegation for unplanned expenditure is for an entire job or whether this could be split into smaller jobs; K Neems

B2. Grant Policy Review

Ms Yates outlined the nature of the proposed changes noting some urgency in making a recommendation to approve the Policy so the grant funding process could be started. Elected members discussed the change in process, provision for making

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an emergency funding application, permitting applicants to present their application to the subcommittee, membership of the subcommittee, and a future review of criteria.

The following changes were discussed and agreed:

Membership to be amended to 'selected from members of the Finance, Audit and Risk Committee in the first instance with other councillors appointed in order to achieve balance.'

Applicants would be invited to speak to their application at the Subcommittee meeting in person and could only be contacted before the meeting through Council officers.

FINANCE, AUDIT AND RISK RESOLVED (FAR2020/03):

1. To receive the Grant Policy Report.
(Moved Cr Jephson/Seconded Cr Vickery) Carried
2. To recommend to Council to endorse the amendments to the Grant Policy with changes as agreed by the Committee.
(Moved Cr West/Seconded Cr Jephson) Carried
3. To recommend to Council that the Grant Policy is reviewed and consultation is undertaken as part of the 2021/2031 Long Term Plan.
(Moved Cr West/Seconded Cr Jephson) Carried

B3. Customer Satisfaction Survey 2020

Elected members discussed the proposed customer satisfaction survey and agreed to recommend that it not proceed in the current format for the following reasons:

- The NRB methodology did not achieve target rates across younger age groups.
- Survey data could potentially be skewed due to COVID-19.
- The proposed survey questions were no longer considered meaningful, therefore data collected would not provide useful information.
- An alternate satisfaction survey solution was being recommended to Council.
- The Auditor General and Audit NZ were neutral.
- Due to the above, expenditure of \$18,000 was deemed unjustifiable.

FINANCE, AUDIT AND RISK RESOLVED (FAR2020/04):

1. To receive the tabled Customer Survey Report.
(Moved Cr Vickery/Seconded Cr Emms) Carried
2. To recommend to Council not to proceed with the proposed NRB survey in the current format for the current financial reporting year of June 2020.
(Moved Cr Vickery/Seconded Cr West) Carried
3. To recommend to Council to look at other market research companies with a view to completing a satisfaction survey by 31 December 2020.
(Moved Cr West/Seconded Cr Emms) Carried

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C Chairperson Report

C1. Finance, Audit and Risk Committee Meeting Frequency

FINANCE, AUDIT AND RISK RESOLVED (FAR2020/05):

1. To receive the Chairperson's Report.
(Moved Cr Colenso/Seconded Cr Jephson) Carried
2. To recommend to Council to change the frequency of meetings of the Finance, Audit and Risk Committee from quarterly to bi-monthly (six times per year).
3. To recommend to Council that members of the Finance, Audit and Risk Committee receive monthly financial statements for review and should the need arise to hold extraordinary meetings.
(Moved Cr Colenso/Seconded Cr Vickery) Carried

D Information and Verbal Reports from Chief Executive and Staff

D1. Finance Report

Ms Neems with support from Mr Stitt discussed areas where Council was over budget in operating expenditure, how over expenditure is funded, adequacy of the proposed water and wastewater budgets for 2021, rates payments via automatic payments, notes on restructure and alignment, processes for ensuring work undertaken but not billed at the end of a contract is accounted for, and levels of borrowing with elected members.

Members noted that the Wellington Water overruns were significant. The situation needed to be recognised as a risk, and required officers to put control and reporting processes in place to improve visibility.

Council requested additional information be provided in the financial accounts.

FINANCE, AUDIT AND RISK RESOLVED (FAR2020/06):

1. To receive the Finance Report.
(Moved Cr Jephson/Seconded Cr Emms) Carried
2. Action 191: Work towards revising the financial accounts to include a rolling forecast alongside the full year budget; K Neems

Confirmed as a true and correct record

.....(Chair)

.....(Date)

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FINANCE, AUDIT AND RISK COMMITTEE

24 JUNE 2020

AGENDA ITEM B1

AMENDMENTS TO FINANCIAL DELEGATIONS POLICY O200

Purpose of Report

To seek Finance Audit & Risk Committee (FA&R) approval of the proposed changes to Policy O200 Financial Delegations.

Recommendations

Officers recommend that the Committee:

1. *Receive the Amendment to Financial Delegations Policy O200 Report.*
2. *Recommend Council approve the changes to Policy O200 Financial Delegations.*

1. Executive Summary

Officers presented a revised O200 Financial Delegations Policy in May 2020. These covered structural/organisational changes which resulted in new positions. The Policy was not approved by the Committee who recommended further changes and clarity of various matters.

2. Background

Officers proposed changes to the Financial Delegations Policy at the May 2020 Committee meeting. Further amendments were sought by the Committee and are now being proposed to cover action items from the May 2020 Committee meeting:

1. Ensure the organisational roles in the Delegations Policy match the delegations descriptions and that all roles are described;
2. Insert (Ruamāhanga) after Rooding Manager in the roles descriptions of the Delegations Policy;
3. Review the Common Seal section of the Delegations Policy and consider whether additional wording or reference to the Common Seal Policy needs to be included for clarity of use;
4. Review other Councils' delegation's policies wording and dollar amounts for unplanned and unbudgeted expenditure with a view to clarifying the meaning and practical application of wording in SWDC's Delegation Policy;
5. Review whether the delegation for unplanned expenditure is for an entire job or whether this could be split into smaller jobs.

Note that officers intend to carry out a more comprehensive review of the Financial Delegations Policy as part of a broader review of Council's delegations later this year.

3. Discussion

Attached in Appendix 1 is the revised Financial Delegations Policy which shows the proposed amendments as tracked changes. Appendix 2 shows the proposed amendments in a clean (no mark-up) version for better readability.

Officers reviewed similar policies from a variety of other local authorities to inform the proposed changes. Changes have been made throughout the document to help clarify the intent of the delegations.

In addition to the amendments proposed in the May 2020 meeting changes have been made to include:

- Consistency of job titles within the Policy
- Rooding Manager title has been amended to Rooding Manager (Ruamahunga)
- Common Seal – amendments have been made to section 4 referring to the Common Seal Policy
- Clause 2.10 Variation of Budgets has been added. It clarifies the definition of budget and allows for the CEO to vary the constituent sums that make up any Department budget.
- Appendix 1 of the Delegations Policy which covers delegation limits has been updated to:
 - Clarify the financial limits being at a per transaction level within the delegations
 - Some financial limits have been amended
- Appendix 2 of the Delegations Policy which covers overspends/unbudgeted expenditure and use of reserves has been amended:
 - The wording “unplanned” has been removed and replaced with “overspends/unbudgeted”
 - Clarity of the limits being at a per transaction limit has been included
 - Financial limits have been amended to better reflect the balance of risk and operational efficiency
 - An annual cumulative cap on overspends/unbudgeted expenditure has been added
 - A requirement to report any significant over or underspends on a quarterly basis has been added
 - Use of reserves has been revised to better reflect risk.

The revised Financial Delegations Policy is now presented to the Committee for review and recommendation to Council for approval.

4. Appendices

Appendix 1 – O200 Financial Delegations Policy (tracked changes)

Appendix 2 – O200 Financial Delegations Policy (no mark-up)

Contact Officer: Katrina Neems, Chief Financial Officer

Appendix 1 – O200 Financial Delegations Policy (tracked changes)



Financial Delegations Policy

1. Introduction

The South Wairarapa District Council (SWDC) Financial Delegations Policy sets out the delegations to the Chief Executive and staff of SWDC.

2. Financial Delegations

2.1 Council's authority to delegate to Officers comes from Schedule 7 Clause 32 of the Local Government Act 2002.

2.2 The matters Council cannot delegate are also listed in Clause 32 as follows:

- a. the power to make a rate; or
- b. the power to make a bylaw; or
- c. the power to borrow money, or purchase or dispose of assets, other than in accordance with the long-term plan; or
- d. the power to adopt a long-term plan, annual plan, or annual report; or
- e. the power to appoint a chief executive; or
- f. the power to adopt policies required to be adopted and consulted on under the Act in association with the long-term plan or developed for the purpose of the local governance statement; or
- g. the power to adopt a remuneration and employment policy.

2.3 Schedule 7 Clause 32(7) also states:

To avoid doubt, no delegation relieves the local authority, member, or officer of the liability or legal responsibility to perform or ensure performance of any function or duty.

The following section outlines financial delegations for the Chief Executive and sub-delegations to staff to approve transactions in a financial capacity.

2.4 Delegation of authority and authority limits

SWDC has specific responsibilities with regard to financial delegations of authority and authority limits.

2.5 Expenditure Delegations

The schedule of expenditure delegations to staff can be found in Appendix 1 of this policy.

All delegations in [Appendix 1](#) are for expenditure that has been [budgeted and approved](#) by Council in the Annual Plan (AP) or the Long Term Plan (LTP).

Once every three years, Council prepares an LTP, in the other two years an AP is prepared. References to delegations for the LTP in this policy relate to expenditure that has been approved in the **first year of the Long Term Plan (LTP)**.

Delegations for ~~overspends/unbudgeted any unplanned~~ expenditure or use of Reserves in excess of approved Annual Plan or the Long Term Plan budgets- can be found in Appendix 2 of this policy.

All transactions must comply with the SWDC Procuring Goods & Services Policy (M500).

- 2.6 The Chief Executive sub-delegates the authority to raise purchase orders and authorise invoices for budgeted expenditure to the Executive Leadership Team (ELT):

- 2.6.1 for payment to a maximum of \$100,000 to
- Group Manager Planning and Environment (GMPE)
 - Group Manager Partnerships and Operations (GMPO) and
 - Chief Financial Officer (CFO)

- 2.6.2 for payment to a maximum of \$50,000 to:

- Policy and Governance Manager (PGM)
- Human Resources and Corporate Services Manager (HRCSM)
- Communications Manager (CM)

- 2.7 The Executive Leadership Team sub-delegates the authority to raise purchase orders and authorise invoices for payment as per the table in Appendix 1 to:

- Building Team Manager
- Environmental Services Manager
- Roothing Manager (Ruamahunga)
- ~~Amenities~~ and Solid Waste Manager
- ~~Asset & Operations Manager~~
- Senior Financial Accountant
- Planning Manager

- 2.8 The Amenities and Solid Waste Manager sub-delegates to the Branch Librarians at Featherston, Greytown and Martinborough Libraries, the authority to purchase books for their Library to the value of \$1,000 per transaction. These purchases are Capital Expenditure.

- 2.9 The ~~Chief Executive delegates Council approves annual operational budgets for to~~ the Featherston, Greytown and Martinborough Community Boards and the Maori Standing Committee ~~annual budgets for Operational expenditure for them~~ to use in accordance with their delegated authority and any relevant Council policies. The Council also approves capital budgets for the Community Boards ~~are also delegated Capital expenditure for them~~ to use in accordance with their delegated authority and any relevant Council policies. Purchase orders and ~~li~~invoices for Community Board ~~(CB)~~ and Maori Standing Committee ~~(MSC)~~ expenditure will be approved by the Policy and Governance Manager ~~(PGM)~~ or Chief Financial Officer ~~(CFO)~~ based on resolutions from Community Board and Maori Standing Committee meetings.

2.10 Variation of budgets

“Budget” means the sum represented by any stated item contained in relation to a significant activity in the Annual Plan or first year of the Long Term Plan budgets adopted by the Council for that financial year.

The Chief Executive may vary the constituent sums that make up a budget where:

- a. the relevant Manager Chief Financial Officer and the Chief Executive O confirm that the variation can be appropriately funded or will be funded from savings made on other sums with the same budget; and
- b. the variation will allow the Department concerned to better achieve the purpose or purposes for which the budget was adopted.

2.102.11 Delegation Form and Specimen Signatures

All new Managers commencing in roles with financial delegations will complete and sign a Delegation form. This form provides a specimen signature for the Finance team and auditors. Originals of these forms will be held by the Accounts Payable Officer.

Temporary delegation forms will be completed where a person has been asked to “act” in a role for a period of more than one week while the incumbent is on leave. If a delegation form has not been completed then all expenditure will need to be authorised by the Manager one up from the person who is absent. For example, the CEO will sign on behalf of the GM Planning & Environment, the GMPE will sign on behalf of the Building Team Manager etc.

The Delegation form is attached as Appendix 4 of this policy.

2.112.12 Financial Management

The Chief Executive has delegated authority ~~isation~~ to manage SWDC finances within the Council approved annual budget. This includes:

- Opening and operating accounts with the Council’s selected bankers as necessary for the conduct of Council business
- Reviewing the services provided by the selected banker, opening and operating accounts with, and accepting banking services from, other registered banks (if and when required)
- Investing Council funds in accordance with investment policies, strategies, limits and security requirements
- Monitoring the circumstances of approved institutions and reporting back to Council should they be, or appear likely to be required to be, excluded from use for investment purposes

The Chief Executive can sub-delegate any of these powers and functions to the Chief Financial Officer.

2.122.13 Contracts

The Chief Executive is delegated authority to enter, sign, go to market, and vary contracts for the supply of goods or services on behalf of the Council to the value of \$500,000 that have been ~~approved~~budgeted in the Annual Plan or Long Term Plan.

The Chief Executive has delegated authority to enter, sign, and go to market to vary programmed infrastructure renewal and maintenance contracts (\$500,000 or more) that have been ~~approved~~budgeted in the Annual Plan or Long Term Plan.

All transactions must comply with the Procuring Goods & Services Policy (M500).

~~2.12.12.13.1~~ 2.12.13.1 The Chief Executive sub-delegates the authority to enter, sign, go to market and vary contracts to a maximum of \$100,000 to:

- Group Manager Planning and Environment
- Group Manager Partnerships and Operations and
- Chief Financial Officer

~~2.12.22.13.2~~ 2.12.13.2 The Chief Executive sub-delegates the authority to enter, sign, go to market and vary contracts to a maximum of \$50,000 to:

- Policy and Governance Manager
- HR and Corporate Services Manager
- Communications Manager

See Appendix 1 for further detail on the financial delegation limits for various transactions.

~~2.13.2.14~~ 2.13.2.14 Ruamahanga Roads

On 1 July 2019, South Wairarapa District Council (SWDC) and Carterton District Council (CDC) entered into a joint contract to provide roading maintenance and capital works as part of a joint network covering the roads in both districts. The two roading teams will work as one to deliver this contract via the lead contractor Fulton Hogan. On a day to day basis, the SWDC Roding Manager may authorise roading works to occur within the Carterton District. Likewise, the CDC Senior Roding Officer may authorise roading works to be done in the South Wairarapa District. Delegated authority is given to these two positions up to \$75,000 for work covered by the joint contract. Anything over the delegated amount, or which is not covered by the joint contract, will be approved in line with normal delegation policies for each respective council. Records will be kept to ensure that expenditure on roading in one district is paid for by that district and that claims from NZTA for that district are received by that district. The purpose of this delegation is to ensure the smooth running of the roading shared service between SWDC and CDC known as Ruamahanga Roads.

~~2.14.2.15~~ 2.14.2.15 Wellington Water Limited

On 1 October 2019, SWDC became a shareholder of Wellington Water Limited (WWL). This means that WWL carries out the day to day operating of SWDC's three waters networks. As part of this relationship the Service Level Agreement (SLA) with WWL provides for the following statutory powers to be delegated to WWL to enable them to manage the three waters networks

Exercise of Statutory Powers

~~2.14.12.15.1~~ Council by this agreement appoints the Chief Executive Officer of Wellington Water (CEO) as its officer and gives the CEO the following powers to exercise on the Council's behalf:

~~2.14.22.15.2~~ the general powers of entry given to a local authority by section 171 of the LGA 2002;

~~2.14.32.15.3~~ the powers given to a local authority in an emergency or where there is danger, by section 173 of the LGA 2002, provided Wellington Water notifies Council of the event as soon as possible; and

~~2.14.42.15.4~~ the powers in relation to construction of works on private land given to a local authority by section 181 of the LGA 2002.

~~2.14.52.15.5~~ Council (acting through its Chief Executive) shall delegate to Wellington Water and Wellington Water Personnel such further Statutory Powers as are necessary to enable Wellington Water to provide the Management Services.

~~2.14.62.15.6~~ The CEO may, subject to the terms of any delegation, delegate any of the powers set out in clause ~~2.15.12.15.12.14.12.16.1~~ and ~~2.15.72.15.72.14.72.16.7~~ to Wellington Water Personnel, other than the power to further delegate the power.

~~2.14.72.15.7~~ Council may, by separate written delegation, delegate additional powers to the CEO.

~~2.14.82.15.8~~ Council may from time to time issue initial or additional sealed warrants to Wellington Water Personnel identified by Wellington Water as suitable to hold a warrant as are required to enable Wellington Water to provide the Management Services.

~~2.15~~**2.16 Payment Authorisation**

The Chief Executive or Manager responsible for an operational area may authorise payments for goods and services, provided these have been purchased in accordance with Council policy.

Any two of the following signatories must sign together to operate the Council's accounts, endorse cheques or other lodgements for credit or debit:

- Chief Executive
- Group Manager Planning and Environment
- Group Manager Partnerships and Operations and
- Chief Financial Officer
- Senior Financial Accountant
- Human Resources and Corporate Services Manager
- Governance and Policy Manager

All electronic funds transfers must be authorised by designated signatories, one of whom must include the Chief Financial Officer or the Senior Financial Accountant.

3. Chief Executive Delegations

Under section 42 (2) of the Local Government Act 2002, the Chief Executive has delegated authority and responsibility for:

- Implementing the decisions of the local authority;
- Providing advice to members of the local authority;
- Ensuring that all responsibilities, duties, and powers delegated to any person employed by SWDC, or imposed or conferred by an Act, regulation, or bylaw, are properly performed or exercised;
- Ensuring the effective and efficient management of the activities of SWDC;
- Maintaining systems to enable effective planning and accurate reporting of the financial and service performance of the local authority;
- Providing leadership for the staff of SWDC;
- Employing the staff of SWDC; and
- Negotiating the terms or employment of the staff of SWDC.

3.1 Staffing Matters

All SWDC staff are employed by the Chief Executive.

3.2 Planning Documents

The Chief Executive has delegated authority to implement any proposal or matter included in a Long-Term Plan or Annual Plan that has been adopted by Council.

3.3 Delegation to facilitate Council borrowing generally

The Chief Executive has delegated authority to facilitate Council borrowing with recognised banking institutions including the Local Government Funding Authority (LGFA).

3.4 Delegation to the Chief Executive under Local Government Official Information and Meetings Act 1987

The Chief Executive has authority under the Local Government Official Information and Meetings Act 1987, to determine:

- Whether a request for information is to be refused; and/or
- Whether a charge is to be imposed
- Whether a request for information should be transferred.

3.5 Civil Defence Emergency Management

The Chief Executive has delegated authority for undertaking planning, operational and co-ordination measures to ensure effective and efficient use of resources before and during a state of civil defence emergency, including an overview of the Council's participation in the civil Defence Emergency Management Group.

The GMPO is the Response Manager in the event of a declared emergency.

The HRCSM is the Recovery Manager in the event of a declared emergency.

The Mayor has the authority to declare a civil emergency for the district if necessary.

4. **Affixing the Common Seal**

In accordance with Clause 32, Schedule 7 of the Local Government Act 2002, and the Common Seal Policy, authority is delegated to the Mayor and Chief Executive to authorise, sign and affix the Common Seal of Council to documents requiring the same.

This delegation extends to the Deputy Mayor in the Mayor or Chief Executive's absence. Any two of the following are authorised to execute documents under seal:

The Mayor
Deputy Mayor
Chief Executive

5. **Finance Department Delegations**

The Finance function of SWDC is responsible for financial and accounting management, revenue and rates, and internal financial audits as well as internal IT systems.

5.1 **Fees and Charges**

The Chief Executive sub-delegates to the Group Manager Partnerships and Operations, the Group Manager Planning and Environment and the Chief Financial Officer authority to determine fees and charges for any of the Council's facilities and services and vary any of the fees and charges on reasonable grounds. Where fees for services are required to be consulted upon with ratepayers (e.g. Resource Management Act), the relevant Group Manager will make recommendations and approval will be granted by Council once the consultation process has been completed.

5.2 **Debts**

The Chief Executive sub-delegates to the Chief Financial Officer (CFO) authority to write-off bad debts as considered appropriate, subject to all reasonable steps having been taken to obtain recovery. The Chief Executive or CFO will report to the Finance Audit and Risk Committee any write-offs of rates debts and sundry debtor accounts over the value of \$5,000 for any one ratepayer or debtor.

5.3 **Rates**

Under Section 132 of the Local Government (Rating) Act (2002) the Council delegates the exercise of functions, powers or duties conferred by this Act, to the Chief Executive, the Chief Financial Officer the Senior Financial Accountant. This delegation is specific to the administration of rates collection, rates rebate eligibility, rates remissions, postponement and relief from paying rates.

Appendix 1

South Wairarapa District Council - Delegations Schedule for ~~planned/budgeted~~ approved expenditure

The dollar amount of financial delegations in respect to individuals is scheduled below. It applies to each item of expenditure (per transactions), excluding GST, at the time a liability is incurred.

Financial delegation	Council	CEO	ELT	Managers	Other	
Planned operating expenditure within a Contract for Service						
\$0 to \$10,000		✓	✓	✓	Senior Financial Accountant	
\$10,001 to \$20,000		✓	✓	✓	Amenities & Solid Waste Manager	
\$20,001 to \$50,000		✓	✓	✓	Communications Manager Human Resources & Corporate Services Manager Policy and Governance Manager	
\$20,001 to \$75,000		✓	✓	✓	Roading Manager with regard to Ruamahanga Roads contract	
\$75,001 to \$100,000		✓	✓		CFO, GMPO, GMPE	
\$100,001 to \$500,000		✓				
Over \$500,000	✓					
Other Planned/budgeted operating expenditure						
Up \$0 to \$100		✓	✓	✓	Branch Librarians	
\$101 to \$3,000		✓	✓	✓	All Managers	
Up \$3,001 to \$10,000		✓	✓	✓	Amenities & Solid Waste Manager Senior Financial Accountant Planning Manager Building Manager Environmental Services Manager Roading Manager (Ruamahunga)	
Up \$10,001 to \$50,000		✓	✓		PGM, HRCSM, CM	
\$50,001 to \$75,000		✓	✓	✓	Roading Manager with regard to Ruamahanga Roads contract	
Up \$75,001 to \$100,000		✓	✓		Chief Financial Officer Group Manager Partnerships & Operations Group Manager Planning and Environment FO, GMPO, GMPE	
Over \$100,000		✓				
Planned/budgeted capital expenditure and operating expenditure within maintenance contracts for service						
Up to \$1,000		✓	✓	✓	Branch Librarians	

Financial delegation	Council	CEO	ELT	Managers	Other	
\$1,001 to \$3,000		✓	✓	✓		
Up \$3,001 to \$10,000		✓	✓	✓	All Managers Senior Financial Accountant Planning Manager Building Manager Environmental Services Manager	
Up \$10,001 to \$50,000		✓	✓		Policy and Governance Manager HR and Corporate Services Manager Communications Manager GM, HRCSM, CM	
Up \$50,001 to \$75,000		✓	✓	✓	Roading Manager (Ruamahunga) with regard to Ruamahunga Roads contract Amenities and Solid Waste Manager	
Up \$75,001 to \$240,000		✓	✓		Chief Financial Officer Group Manager Partnerships & Operations Group Manager Planning and Environment CFO, GMPO, GMPE	
Up \$100,001 to \$500,000		✓				
Over \$500,000	✓					
Signing authority						
For payment of expenditure and payroll by cheque or electronic transfer. Two signatures, one must be a Group Manager, CFO, PGM or CEO.		✓	✓		Senior Financial Accountant Policy and Governance Manager HR and Corporate Services Manager Communications Manager	
Sale/disposal of obsolete, surplus or non-repairable fixed assets						
Land and buildings	✓					
Vehicles		✓				
Plant and equipment up to \$5,000 2,000 net book value		✓	✓			
Plant and equipment over \$2,000 net book value		✓				
Computer equipment		✓	✓			

Financial delegation	Council	CEO	ELT	Managers	Other	
Sale or disposal of library books				<u>v</u>	Branch Librarians, Amenities Manager	
Stock						
Sale of surplus/obsolete or damaged stock		v	v			
Write off stock			v In consultation with CFO	Senior Financial Accountant	Two to review and approve	
Transfer/Investment of Reserve Funds						
Transfer and payments – approved within the Annual Plan		v	Chief Financial Officer			
Transfer funds between Council's bank accounts		v	Chief Financial Officer		Senior Financial Accountant	
Invest surplus funds (within Policy)		v	Chief Financial Officer		Senior Financial Accountant	
Debtors						
Write off debts up to \$5,000		v	Chief Financial Officer			
Write off debts excluding rates \$5,001 to \$10,000		v				
Write off debts over \$10,000 <u>1 to \$25,000</u>					Finance, Audit & Risk	
<u>Write off debts over \$25,000</u>	<u>v</u>					
Write off additional water usage accounts (in line with water leaks policy)			Chief Financial Officer Group Manager Partnerships & Operations	Senior Financial Accountant	Two to review and approve	

Financial delegation	Council	CEO	ELT	Managers	Other	
Rates penalty remission within Policy			Chief Financial Officer	Senior Financial Accountant		
Rates penalty remission outside Policy		√	Chief Financial Officer			

Appendix 2
South Wairarapa District Council - Schedule of Delegations for
Overspends and Other Unbudgeted Operating and Capital Unapproved
Expenditure and Use of Reserves

The dollar amount of financial delegations in respect to individuals is scheduled below. It applies to each item of expenditure (per transactions), excluding GST, at the time a liability is incurred.

Financial delegation	Council	CEO	ELT	Managers	Other	
<u>Overspends and Other Unbudgeted</u> Unapproved expenditure						
Operational expenditure – emergency works up to \$20,000 100,000		✓				
Capital expenditure – emergency works up to \$50,000 100,000		✓				
Capital expenditure – emergency works over \$50,000	✓					
Other unbudgeted work up to \$20,000		✓				
Unplanned Other unbudgeted work from over \$250,000 100,000 to \$100,000	✓				On the recommendation of Council Committees and through the Finance Audit and Risk Committee on the recommendation of Committee's	
All unbudgeted work Over \$100,000	✓					
<u>Unplanned/unbudgeted</u> approved use of Reserves						
Unapproved use of reserves up to \$100,000 <u>Unplanned/unbudgeted use of Reserves up to \$20,000</u>		✓			Use of reserves in consultation with Mayor and after advising Councillors. If Reserve is in credit and will remain in credit after the transaction. If the Reserve will be in deficit Council approval is required.	
<u>Unplanned/unbudgeted use of Reserves from \$20,000 to \$75,000</u>	✓				Finance Audit and Risk on the recommendation of Committee's On the recommendation of Council	

Financial delegation	Council	CEO	ELT	Managers	Other	
					Committees and through the Finance Audit and Risk Committee Finance Audit and Risk will take into consideration if the use of the reserve will result in a credit balance after the transaction and how long this is likely to remain.	
Unplanned/Unbudgeted use of Reserves over \$75,000 Unapproved use of reserves over \$100,000	v				Council will take into consideration if use of the reserve will result in a credit balance after the transaction and how long this is likely to remain.	

Note:

1. There is a cumulative cap of \$100,000 for unbudgeted items across all significant activities of \$10075,000-per half year-with an aggregate total (whole of Council) of all unbudgeted items of \$200,000. This includes ,overspends and-for operational and capital expenditure but excludes emergency capital works and -Operating expenditure carried forward from previous years.
- 1.2. Any significant overspends or underspends will be recorded and reported to the Finance Audit and Risk Committee on a quarterly basis.

Appendix 3

South Wairarapa District Council - Schedule of Delegations by ~~Cost~~ centreDepartment

The following schedule indicates which Managers have the ability to authorise expenditure on which ~~cost-centres~~Departments (please see Key on following page for explanation of Roles). The Chief Executive can authorise expenditure for any cost centre.

Cost centreDepartment	Cost-centre Department Name	Roles that can sign for this Cost centreDepartment*
001	General	CFO, FA
002	Finance and Corporate Support	
	Finance	CFO, FA
	Communications	CM**
	Human Resources	HRCSM**
	Health and Safety	HRCSM**
	Corporate Serviceies	HRCSM **
003	Professional Services	GMPO
105	Elected Members	CFO, FA, PGM
106	Community Board Featherston	FCB, CFO, FA, PGM
107	Community Board Greytown	GCB,CFO, FA, PGM
108	Community Board Martinborough	MCB,CFO, FA, PGM
109	Maori Standing Committee	MSC,CFO, FA, PGM
211	Public Protection & Health	GMPE, ESM
212	Building & Construction	GMPE, BM
213	Animal Control	GMPE, ESM
215	Emergency Management	GMPO, HRCSM
319	Resource Management	GMPE,PM
425	Economic, Cultural & Community Development	CFO, FA Grants per Annual plan/LTP
426	Community Wellbeing	CFO, FA
530	Parks & Reserves	AM, GMPO
532	Campgrounds	AM, GMPO
536	Swimming Pools	AM, GMPO
540	Library Featherston	LF, AM, GMPO
541	Library Greytown	LG, AM, GMPO
542	Library Martinborough	LM, AM, GMPO
546	Community Buildings	AM, GMPO
547	Greytown Town Centre	AM, GMPO
548	Waihinga Centre	AM,GMPO
552	Cemeteries	AM, GMPO
554	Housing	AM, GMPO
557	Rental Properties	AM, GMPO
558	Pain Farm	AM, GMPO
559	Toilets	AM, GMPO
660	Land Transport	GMPO , RM
665	Unsubsidised Land Transport	GMPO , RM
770	Water Supply	GMPO
876	Solid Waste Management	GMPO, AM

977	Wastewater	GMPO
980	Stormwater	GMPO

* Key to Roles	
AM	Amenities & Solid Waste Manager
BM	Building Manager
CM	Communications Manager
FCB	Featherston Community Board
GCB	Greytown Community Board
MCB	Martinborough Community Board
CEO	Chief Executive Officer
ESM	Environmental Services Manager
FA	Senior Financial Accountant
CFO	Chief Financial Officer
GMPO	Group Manager Partnerships & Operations
GMPE	Group Manager Planning & Environment
HRCSM	Human Resources & Corporate Services Manager
PGM	Policy and Governance Manager
LF	Librarian – Featherston
LG	Librarian – Greytown
LM	Librarian – Martinborough
RM	Roading Manager
PM	Planning Manager

** The Communications Manager and Human Resources & Corporate Services Manager have delegation to approve appropriate costs in other cost centres. E.g. reprinting of new brochures (CM), advertising for new staff (HRCSM) as well as delegation for their own cost centre budgets.

Appendix 4

South Wairarapa District Council Delegation Form

To be completed when new Managers appointed at SWDC.

I agree to abide by all South Wairarapa District Council policies with regard to incurring expenditure and to stay within my delegation limit when exercising this delegation. I have read and understood the Financial Delegations Policy and agree to abide by the delegations appropriate to my role as outlined in Appendices 1,2, and 3 of the Financial Delegations Policy:

Name of employee: _____ whilst performing the Role of:

Date Delegation commences _____

Date Delegation ceases (for temporary delegations) _____

Signed by the Delegatee:

(Signature)

(Initials)

Name: _____

Title: _____

Date signed: _____

Witnessed by:

(Signature)

Name: _____

Title: _____

Date signed: _____

Appendix 1 – O200 Financial Delegations Policy (no mark-up)



Financial Delegations Policy

1. Introduction

The South Wairarapa District Council (SWDC) Financial Delegations Policy sets out the delegations to the Chief Executive and staff of SWDC.

2. Financial Delegations

2.1 Council's authority to delegate to Officers comes from Schedule 7 Clause 32 of the Local Government Act 2002.

2.2 The matters Council cannot delegate are also listed in Clause 32 as follows:

- a. the power to make a rate; or
- b. the power to make a bylaw; or
- c. the power to borrow money, or purchase or dispose of assets, other than in accordance with the long-term plan; or
- d. the power to adopt a long-term plan, annual plan, or annual report; or
- e. the power to appoint a chief executive; or
- f. the power to adopt policies required to be adopted and consulted on under the Act in association with the long-term plan or developed for the purpose of the local governance statement; or
- g. the power to adopt a remuneration and employment policy.

2.3 Schedule 7 Clause 32(7) also states:

To avoid doubt, no delegation relieves the local authority, member, or officer of the liability or legal responsibility to perform or ensure performance of any function or duty.

The following section outlines financial delegations for the Chief Executive and sub-delegations to staff to approve transactions in a financial capacity.

2.4 Delegation of authority and authority limits

SWDC has specific responsibilities with regard to financial delegations of authority and authority limits.

2.5 Expenditure Delegations

The schedule of expenditure delegations to staff can be found in Appendix 1 of this policy.

All delegations in Appendix 1 are for expenditure that has been budgeted by Council in the Annual Plan (AP) or the Long Term Plan (LTP).

Once every three years, Council prepares an LTP, in the other two years an AP is prepared. References to delegations for the LTP in this policy relate to expenditure that has been approved in the **first year of the Long Term Plan (LTP)**.

Delegations for overspends/unbudgeted expenditure or use of Reserves in excess of approved Annual Plan or the Long Term Plan budgets can be found in Appendix 2 of this policy.

All transactions must comply with the SWDC Procuring Goods & Services Policy (M500).

- 2.6 The Chief Executive sub-delegates the authority to raise purchase orders and authorise invoices for budgeted expenditure to the Executive Leadership Team (ELT):
- 2.6.1 for payment to a maximum of \$100,000 to
 - Group Manager Planning and Environment (GMPE)
 - Group Manager Partnerships and Operations (GMPO) and
 - Chief Financial Officer (CFO)
 - 2.6.2 for payment to a maximum of \$50,000 to:
 - Policy and Governance Manager (PGM)
 - Human Resources and Corporate Services Manager (HRCSM)
 - Communications Manager (CM)
- 2.7 The Executive Leadership Team sub-delegates the authority to raise purchase orders and authorise invoices for payment as per the table in Appendix 1 to:
- Building Team Manager
 - Environmental Services Manager
 - Rooding Manager (Ruamahunga)
 - Amenities and Solid Waste Manager
 - Senior Financial Accountant
 - Planning Manager
- 2.8 The Amenities and Solid Waste Manager sub-delegates to the Branch Librarians at Featherston, Greytown and Martinborough Libraries, the authority to purchase books for their Library to the value of \$1,000 per transaction. These purchases are Capital Expenditure.
- 2.9 The Council approves annual operational budgets for the Featherston, Greytown and Martinborough Community Boards and the Maori Standing Committee to use in accordance with their delegated authority and any relevant Council policies. The Council also approves capital budgets for the Community Boards to use in accordance with their delegated authority and any relevant Council policies. Purchase orders and invoices for Community Board and Maori Standing Committee expenditure will be approved by the Policy and Governance Manager or Chief Financial Officer based on resolutions from Community Board and Maori Standing Committee meetings.
- 2.10 **Variation of budgets**

“Budget” means the sum represented by any stated item in relation to a significant activity in the Annual Plan or first year of the Long Term Plan budget adopted by the Council for that financial year.

The Chief Executive may vary the constituent sums that make up a budget where:

- a. the Chief Financial Officer and the CEO confirm that the variation can be appropriately funded or will be funded from savings made on other sums with the same budget; and
- b. the variation will allow the Department concerned to better achieve the purpose or purposes for which the budget was adopted.

2.11 Delegation Form and Specimen Signatures

All new Managers commencing in roles with financial delegations will complete and sign a Delegation form. This form provides a specimen signature for the Finance team and auditors. Originals of these forms will be held by the Accounts Payable Officer.

Temporary delegation forms will be completed where a person has been asked to “act” in a role for a period of more than one week while the incumbent is on leave. If a delegation form has not been completed then all expenditure will need to be authorised by the Manager one up from the person who is absent. For example, the CEO will sign on behalf of the GM Planning & Environment, the GMPE will sign on behalf of the Building Team Manager etc.

The Delegation form is attached as Appendix 4 of this policy.

2.12 Financial Management

The Chief Executive has delegated authority to manage SWDC finances within the Council approved annual budget. This includes:

- Opening and operating accounts with the Council’s selected bankers as necessary for the conduct of Council business
- Reviewing the services provided by the selected banker, opening and operating accounts with, and accepting banking services from, other registered banks (if and when required)
- Investing Council funds in accordance with investment policies, strategies, limits and security requirements
- Monitoring the circumstances of approved institutions and reporting back to Council should they be, or appear likely to be required to be, excluded from use for investment purposes

The Chief Executive can sub-delegate any of these powers and functions to the Chief Financial Officer.

2.13 Contracts

The Chief Executive is delegated authority to enter, sign, go to market, and vary contracts for the supply of goods or services on behalf of the Council to the value of \$500,000 that have been budgeted in the Annual Plan or Long Term Plan.

The Chief Executive has delegated authority to enter, sign, and go to market to vary programmed infrastructure renewal and maintenance contracts (\$500,000 or more) that have been budgeted in the Annual Plan or Long Term Plan.

All transactions must comply with the Procuring Goods & Services Policy (M500).

2.13.1 The Chief Executive sub-delegates the authority to enter, sign, go to market and vary contracts to a maximum of \$100,000 to:

- Group Manager Planning and Environment
- Group Manager Partnerships and Operations and
- Chief Financial Officer

2.13.2 The Chief Executive sub-delegates the authority to enter, sign, go to market and vary contracts to a maximum of \$50,000 to:

- Policy and Governance Manager
- HR and Corporate Services Manager
- Communications Manager

See Appendix 1 for further detail on the financial delegation limits for various transactions.

2.14 **Ruamahanga Roads**

On 1 July 2019, South Wairarapa District Council (SWDC) and Carterton District Council (CDC) entered into a joint contract to provide roading maintenance and capital works as part of a joint network covering the roads in both districts. The two roading teams will work as one to deliver this contract via the lead contractor Fulton Hogan. On a day to day basis, the SWDC Roding Manager may authorise roading works to occur within the Carterton District. Likewise, the CDC Senior Roding Officer may authorise roading works to be done in the South Wairarapa District. Delegated authority is given to these two positions up to \$75,000 for work covered by the joint contract. Anything over the delegated amount, or which is not covered by the joint contract, will be approved in line with normal delegation policies for each respective council. Records will be kept to ensure that expenditure on roading in one district is paid for by that district and that claims from NZTA for that district are received by that district. The purpose of this delegation is to ensure the smooth running of the roading shared service between SWDC and CDC known as Ruamahanga Roads.

2.15 **Wellington Water Limited**

On 1 October 2019, SWDC became a shareholder of Wellington Water Limited (WWL). This means that WWL carries out the day to day operating of SWDC's three waters networks. As part of this relationship the Service Level Agreement (SLA) with WWL provides for the following statutory powers to be delegated to WWL to enable them to manage the three waters networks

Exercise of Statutory Powers

- 2.15.1 Council by this agreement appoints the Chief Executive Officer of Wellington Water (CEO) as its officer and gives the CEO the following powers to exercise on the Council's behalf:
- 2.15.2 the general powers of entry given to a local authority by section 171 of the LGA 2002;
- 2.15.3 the powers given to a local authority in an emergency or where there is danger, by section 173 of the LGA 2002, provided Wellington Water notifies Council of the event as soon as possible; and
- 2.15.4 the powers in relation to construction of works on private land given to a local authority by section 181 of the LGA 2002.
- 2.15.5 Council (acting through its Chief Executive) shall delegate to Wellington Water and Wellington Water Personnel such further Statutory Powers as are necessary to enable Wellington Water to provide the Management Services.
- 2.15.6 The CEO may, subject to the terms of any delegation, delegate any of the powers set out in clause 2.15.1 and 2.15.7 to Wellington Water Personnel, other than the power to further delegate the power.
- 2.15.7 Council may, by separate written delegation, delegate additional powers to the CEO.
- 2.15.8 Council may from time to time issue initial or additional sealed warrants to Wellington Water Personnel identified by Wellington Water as suitable to hold a warrant as are required to enable Wellington Water to provide the Management Services.

2.16 Payment Authorisation

The Chief Executive or Manager responsible for an operational area may authorise payments for goods and services, provided these have been purchased in accordance with Council policy.

Any two of the following signatories must sign together to operate the Council's accounts, endorse cheques or other lodgements for credit or debit:

- Chief Executive
- Group Manager Planning and Environment
- Group Manager Partnerships and Operations and
- Chief Financial Officer
- Senior Financial Accountant
- Human Resources and Corporate Services Manager
- Governance and Policy Manager

All electronic funds transfers must be authorised by designated signatories, one of whom must include the Chief Financial Officer or the Senior Financial Accountant.

3. **Chief Executive Delegations**

Under section 42 (2) of the Local Government Act 2002, the Chief Executive has delegated authority and responsibility for:

- Implementing the decisions of the local authority;
- Providing advice to members of the local authority;
- Ensuring that all responsibilities, duties, and powers delegated to any person employed by SWDC, or imposed or conferred by an Act, regulation, or bylaw, are properly performed or exercised;
- Ensuring the effective and efficient management of the activities of SWDC;
- Maintaining systems to enable effective planning and accurate reporting of the financial and service performance of the local authority;
- Providing leadership for the staff of SWDC;
- Employing the staff of SWDC; and
- Negotiating the terms or employment of the staff of SWDC.

3.1 **Staffing Matters**

All SWDC staff are employed by the Chief Executive.

3.2 **Planning Documents**

The Chief Executive has delegated authority to implement any proposal or matter included in a Long-Term Plan or Annual Plan that has been adopted by Council.

3.3 **Delegation to facilitate Council borrowing generally**

The Chief Executive has delegated authority to facilitate Council borrowing with recognised banking institutions including the Local Government Funding Authority (LGFA).

3.4 **Delegation to the Chief Executive under Local Government Official Information and Meetings Act 1987**

The Chief Executive has authority under the Local Government Official Information and Meetings Act 1987, to determine:

- Whether a request for information is to be refused; and/or
- Whether a charge is to be imposed
- Whether a request for information should be transferred.

3.5 **Civil Defence Emergency Management**

The Chief Executive has delegated authority for undertaking planning, operational and co-ordination measures to ensure effective and efficient use of resources before and during a state of civil defence emergency, including an overview of the Council's participation in the civil Defence Emergency Management Group.

The GMPO is the Response Manager in the event of a declared emergency.

The HRCSM is the Recovery Manager in the event of a declared emergency.

The Mayor has the authority to declare a civil emergency for the district if necessary.

4. **Affixing the Common Seal**

In accordance with Clause 32, Schedule 7 of the Local Government Act 2002, and the Common Seal Policy, authority is delegated to the Mayor and Chief Executive to authorise, sign and affix the Common Seal of Council to documents requiring the same.

This delegation extends to the Deputy Mayor in the Mayor or Chief Executive's absence.

5. **Finance Department Delegations**

The Finance function of SWDC is responsible for financial and accounting management, revenue and rates, and internal financial audits as well as internal IT systems.

5.1 **Fees and Charges**

The Chief Executive sub-delegates to the Group Manager Partnerships and Operations, the Group Manager Planning and Environment and the Chief Financial Officer authority to determine fees and charges for any of the Council's facilities and services and vary any of the fees and charges on reasonable grounds. Where fees for services are required to be consulted upon with ratepayers (e.g. Resource Management Act), the relevant Group Manager will make recommendations and approval will be granted by Council once the consultation process has been completed.

5.2 **Debts**

The Chief Executive sub-delegates to the Chief Financial Officer (CFO) authority to write-off bad debts as considered appropriate, subject to all reasonable steps having been taken to obtain recovery. The Chief Executive or CFO will report to the Finance Audit and Risk Committee any write-offs of rates debts and sundry debtor accounts over the value of \$5,000 for any one ratepayer or debtor.

5.3 **Rates**

Under Section 132 of the Local Government (Rating) Act (2002) the Council delegates the exercise of functions, powers or duties conferred by this Act, to the Chief Executive, the Chief Financial Officer the Senior Financial Accountant. This delegation is specific to the administration of rates collection, rates rebate eligibility, rates remissions, postponement and relief from paying rates.

Appendix 1

South Wairarapa District Council - Delegations Schedule for budgeted expenditure

The dollar amount of financial delegations in respect to individuals is scheduled below. It applies to each item of expenditure (per transaction), excluding GST, at the time a liability is incurred.

Financial delegation	Council	CEO	ELT	Managers	Other	
Budgeted operating expenditure						
Up to \$100		√	√	√	Branch Librarians	
Up to \$10,000		√	√	√	Amenities & Solid Waste Manager Senior Financial Accountant Planning Manager Building Manager Environmental Services Manager Roading Manager (Ruamahunga)	
Up to \$50,000		√	√		PGM, HRCSM, CM	
Up to \$100,000		√	√		Chief Financial Officer Group Manager Partnerships & Operations Group Manager Planning and Environmental	
Over \$100,000		√				
Budgeted capital expenditure and operating expenditure within contracts for service						
Up to \$1,000		√	√	√	Branch Librarians	
Up to \$10,000		√	√	√	Senior Financial Accountant Planning Manager Building Manager Environmental Services Manager	
Up to \$50,000		√	√		Policy and Governance Manager HR and Corporate Services Manager Communications Manager	
Up to \$75,000		√	√	√	Roading Manager (Ruamahunga) Amenities and Solid Waste Manager	
Up to \$200,000		√	√		Chief Financial Officer Group Manager Partnerships & Operations Group Manager Planning and Environment	
Up to \$500,000		√				
Over \$500,000	√					

Financial delegation	Council	CEO	ELT	Managers	Other	
Signing authority						
For payment of expenditure and payroll by cheque or electronic transfer. Two signatures, one must be a Group Manager, CFO, PGM or CEO.		√	√		Senior Financial Accountant Policy and Governance Manager HR and Corporate Services Manager Communications Manager	
Sale/disposal of obsolete, surplus or non-repairable fixed assets						
Land and buildings	√					
Vehicles		√				
Plant and equipment up to \$5,000 net book value		√	√			
Plant and equipment over \$2,000 net book value		√				
Computer equipment		√	√			
Sale or disposal of library books				√	Branch Librarians, Amenities Manager	
Stock						
Sale of surplus/obsolete or damaged stock		√	√			
Write off stock			√ In consultation with CFO	Senior Financial Accountant	Two to review and approve	
Transfer/Investment of Reserve Funds						
Transfer and payments – approved within the Annual Plan		√	Chief Financial Officer			
Transfer funds between Council's bank accounts		√	Chief Financial Officer		Senior Financial Accountant	
Invest surplus funds (within Policy)		√	Chief Financial Officer		Senior Financial Accountant	

Financial delegation	Council	CEO	ELT	Managers	Other	
Debtors						
Write off debts up to \$5,000		√	Chief Financial Officer			
Write off debts excluding rates \$5,001 to \$10,000		√				
Write off debts \$10,001 to \$25,000					Finance, Audit & Risk	
Write off debts over \$25,000	√					
Write off additional water usage accounts (in line with water leaks policy)			Chief Financial Officer Group Manager Partnerships & Operations	Senior Financial Accountant	Two to review and approve	
Rates penalty remission within Policy			Chief Financial Officer	Senior Financial Accountant		
Rates penalty remission outside Policy		√	Chief Financial Officer			

Appendix 2

South Wairarapa District Council - Schedule of Delegations for Overspends and Other Unbudgeted Operating and Capital Expenditure and Use of Reserves

The dollar amount of financial delegations in respect to individuals is scheduled below. It applies to each item of expenditure (per transaction), excluding GST, at the time a liability is incurred.

Financial delegation	Council	CEO	ELT	Managers	Other	
Overspends and Other Unbudgeted expenditure						
Capital expenditure – emergency works up to \$50,000		√				
Capital expenditure – emergency works over \$50,000	√					
Other unbudgeted work up to \$20,000		√				
Other unbudgeted work from \$20,000 to \$100,000	√				On the recommendation of Council Committees and through the Finance Audit and Risk Committee	
All unbudgeted work over \$100,000	√					
Unbudgeted use of Reserves						
Unbudgeted use of Reserves up to \$20,000		√				
Unbudgeted use of Reserves from \$20,000 to \$75,000	√				On the recommendation of Council Committees and through the Finance Audit and Risk Committee Finance Audit and Risk will take into consideration if the use of the reserve will result in a credit balance and how long this is likely to remain.	
Unbudgeted use of Reserves over \$75,000	√				Council will take into consideration if use of the reserve will result in a credit balance and how long this is likely to remain.	

Note:

1. There is a cumulative cap of \$100,000 for unbudgeted items across all significant activities per half year. This includes overspends for operational and capital expenditure but excludes emergency capital works and expenditure carried forward from previous years.
2. Any overspends or underspends will be recorded and reported to the Finance Audit and Risk Committee on a quarterly basis.

Appendix 3

South Wairarapa District Council - Schedule of Delegations by Department

The following schedule indicates which Managers have the ability to authorise expenditure on which Departments (please see Key on following page for explanation of Roles). The Chief Executive can authorise expenditure for any cost centre.

Department	Department Name	Roles that can sign for this Department*
001	General	CFO, FA
002	Finance and Corporate Support	
	Finance	CFO, FA
	Communications	CM**
	Human Resources	HRCSM**
	Health and Safety	HRCSM**
	Corporate Services	HRCSM **
003	Professional Services	GMPO
105	Elected Members	CFO, FA, PGM
106	Community Board Featherston	FCB, CFO, FA, PGM
107	Community Board Greytown	GCB,CFO, FA, PGM
108	Community Board Martinborough	MCB,CFO, FA, PGM
109	Maori Standing Committee	MSC,CFO, FA, PGM
211	Public Protection & Health	GMPE, ESM
212	Building & Construction	GMPE, BM
213	Animal Control	GMPE, ESM
215	Emergency Management	GMPO, HRCSM
319	Resource Management	GMPE,PM
425	Economic, Cultural & Community Development	CFO, FA Grants per Annual plan/LTP
426	Community Wellbeing	CFO, FA
530	Parks & Reserves	AM, GMPO
532	Campgrounds	AM, GMPO
536	Swimming Pools	AM, GMPO
540	Library Featherston	LF, AM, GMPO
541	Library Greytown	LG, AM, GMPO
542	Library Martinborough	LM, AM, GMPO
546	Community Buildings	AM, GMPO
547	Greytown Town Centre	AM, GMPO
548	Waihinga Centre	AM,GMPO
552	Cemeteries	AM, GMPO
554	Housing	AM, GMPO
557	Rental Properties	AM, GMPO
558	Pain Farm	AM, GMPO
559	Toilets	AM, GMPO
660	Land Transport	GMPO , RM
665	Unsubsidised Land Transport	GMPO , RM
770	Water Supply	GMPO
876	Solid Waste Management	GMPO, AM
977	Wastewater	GMPO
980	Stormwater	GMPO

* Key to Roles	
AM	Amenities & Solid Waste Manager
BM	Building Manager
CM	Communications Manager
FCB	Featherston Community Board
GCB	Greytown Community Board
MCB	Martinborough Community Board
CEO	Chief Executive Officer
ESM	Environmental Services Manager
FA	Senior Financial Accountant
CFO	Chief Financial Officer
GMPO	Group Manager Partnerships & Operations
GMPE	Group Manager Planning & Environment
HRCSM	Human Resources & Corporate Services Manager
PGM	Policy and Governance Manager
LF	Librarian – Featherston
LG	Librarian – Greytown
LM	Librarian – Martinborough
RM	Roading Manager
PM	Planning Manager

** The Communications Manager and Human Resources & Corporate Services Manager have delegation to approve appropriate costs in other cost centres. E.g. reprinting of new brochures (CM), advertising for new staff (HRCSM) as well as delegation for their own cost centre budgets.

Appendix 4

South Wairarapa District Council Delegation Form

To be completed when new Managers appointed at SWDC.

I agree to abide by all South Wairarapa District Council policies with regard to incurring expenditure and to stay within my delegation limit when exercising this delegation. I have read and understood the Financial Delegations Policy and agree to abide by the delegations appropriate to my role as outlined in Appendices 1,2, and 3 of the Financial Delegations Policy:

Name of employee: _____ whilst performing the Role of:

Date Delegation commences _____

Date Delegation ceases (for temporary delegations) _____

Signed by the Delegatee:

(Signature)

(Initials)

Name: _____

Title: _____

Date signed: _____

Witnessed by:

(Signature)

Name: _____

Title: _____

Date signed: _____

FINANCE, AUDIT AND RISK COMMITTEE

24 JUNE 2020

AGENDA ITEM C1

INSURANCE RENEWAL REPORT

Purpose of Report

To provide the Committee with the Marsh Insurance report for the 2020-21 financial year.

Recommendations

Officers recommend that the Committee:

1. *Receive the Insurance Report 2020-21.*

1. Executive Summary

Attached in Appendix 1 is the Marsh Insurance report for South Wairarapa District Council covering the period from 1st July 2020 to 30 June 2021.

2. Appendices

Appendix 1 – Marsh Insurance Report 2020-21.

Contact Officer: Katrina Neems, Chief Financial Officer

Appendix 1 – Marsh Insurance Proposal



INSURANCE RENEWAL REPORT 2020 SOUTH WAIRARAPA DISTRICT COUNCIL

JUNE 2020

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INTRODUCTION

Marsh confirm that the insurance programme for the South Wairarapa District Council and the Wairarapa Council Group including Carterton District Council and Masterton District Council (The Group) is due for renewal at 4.00pm on Wednesday 1 July 2020. This date applies for all policies other than Public Liability / Professional Indemnity coverage / Environmental Impairment Liability coverage, which expires 30 June.

This report summarises The Group's current insurance programme, including coverage, which is specific to South Wairarapa District Council (SWDC) only and sets out the matters to be considered to ensure a successful renewal.

There are important procedures to note for the ongoing operation of these policies, such as individual Council Duty of Disclosure. These and other important matters are set out in this report.

The report is therefore primarily intended as a discussion and review document to ensure all relevant matters have been considered, which in turn enable us to negotiate an insurance programme renewal that reflects your needs at the most favourable terms available.

Marsh approach to renewal including aspects, which have influenced this renewal.

Material Damage – Property Insurance

As discussed during our insurance review meeting in April, Property Insurance premium increases are acknowledged for the 2020 – 2021 insurance period, with rate increases from 2019 – 2020 limited to 5%, excluding Fire & Emergency Levy rates and Earthquake Commission Levies which where applicable are unchanged.

Liability – Public Liability / Professional Indemnity & Environmental Impairment Liability Insurance

Marsh's Insurance Review Report for 2020 and subsequent communication has presented the challenging landscape for Local Government Liability insurance and as the Premium Comparison Tables demonstrates, a premium increase of more than 42% is confirmed for 2020 – 2021.

Further details are referred to in the Public Liability / Professional Indemnity & Environmental Impairment Liability insurance section of this Insurance Renewal Report, including recognition of a change to Environmental Impairment Liability coverage, to be written as a separate policy for 2020 – 2021 for which a premium charge will apply if this coverage is to be continued by SWDC beyond 30 June 2020.

INSURANCE PRINCIPLES

Most insurance's are annual contracts that must be renewed on expiry. This means that a number of protocols must be observed to facilitate continued insurance protection. We strongly recommend that you read the following requirements and principles to assist in the review and renewal of your Insurance Programme.

THE NATURE OF INSURANCE

A contract of insurance contains special elements as follows:

UTMOST GOOD FAITH (uberrima fide) rather than caveat emptor (let the buyer beware) appropriate to other contracts, i.e. the applicant for insurance must disclose to the Insurer or prospective Insurer, all relevant information.

INDEMNITY Is the underlying principle that determines that, following insured loss or damage, the Insured shall be put back in the same position, no better nor no worse, as he was in immediately before the happening of the damage.

DUTY OF DISCLOSURE & FULL DISCLOSURE OF MATERIAL FACTS - the Insured's Duty of Disclosure.

The duty of disclosure is an important legal requirement which applies to insurance.

When you apply for insurance you have a legal duty of disclosure. This means you must tell your Insurer or any prospective Insurer all information you know (or could reasonably be expected to know) which would influence the judgement of a prudent underwriter in deciding:

- Whether or not to accept your application, and
- if it is accepted, on what terms, and at what cost.

You also have this duty each time your insurance renews and when you make any change to it.

Examples of information you may need to disclose include:

- Any change in circumstances or activities which could increase the risk of an insurance claim;
- any criminal offence or traffic offence;
- any cancellation, refusal to renew insurance, or imposing of special terms by another insurance company;
- any insurance claims you have made in the past.

Examples of information which need not be disclosed include:

- Anything you have already told us, or that we should be expected to know in the ordinary course of your business;
- anything that is common public knowledge;
- anything that reduces the risk of an insurance claim.

These examples are intended as a guide to help you understand your duty of disclosure. If you are not sure whether you need to disclose particular detail it is important to discuss this with your account manager.

If you fail to meet your duty of disclosure, the consequences can be serious. Policies may become null and void and unenforceable.

SUBROGATION is a right of the Insurer who, in the event of a loss, may take up the legal rights of the Insured and pursue recoveries from third parties at fault. Waiver by an Insured of its right to subrogate (recover) from another party may affect the Insured's ability to claim on its insurance policies. Waiver of subrogation and/or the requirement to hold harmless/indemnify other parties are frequently encountered in agreements or contracts. Such requirements must be referred to your Account Manager.

DUE DILIGENCE is expected of the Insured. They must act with care, and as if uninsured at all times

AVERAGE - Some policies are 'subject to average'. Such a provision will have effect only if the property is under-insured at the time of loss, e.g. property is worth \$100,000 but Council insure it for \$50,000. Council suffer a loss of \$25,000. If the policy is 'subject to average', the maximum Council may recover will be 50%, i.e. \$12,500.

CLAIMS MADE AND NOTIFIED – Certain categories of policy are provided on a 'claims made and notified' basis. This means any claim or circumstance known to the insured must be notified to Insurers as soon as possible and within the current insurance year. Failure to do so is likely to lead to declinature of that claim.

UNREPORTED CLAIMS – To obtain renewal terms or quotations for your insurance programme for the new period of insurance, the insurers must be advised of any claims or incidences that could lead to a claim. This is an important part of your Duty of Disclosure.

CHANGES IN YOUR OPERATION OR 'RISK' - Again this is a crucial part of your Duty of Disclosure. The insurer must be advised of any changes in your operation, new acquisitions, new activities or anything that may increase the risk insured. If there is any element of doubt it is always a good policy to declare it, this will avoid awkward situations when a claim is lodged.

PREMIUM COMPARISON

The following table provides premiums based on the South Wairarapa District Councils agreed insurance programme. Premiums may be subject to change once insurance values have been updated and other matters confirmed.

Policy	Sum Insured 2020 – 2021	2019 Premiums	2020 Premiums
Material Damage (\$43,707,368 - 2019/20)	\$43,707,368	\$142,358	\$149,094 (Note 1)
Material Damage – Fire & Emergency Levies		\$26,355	\$26,355
Business Interruption (\$3,300,000 – 2019/20)	Additional Costs of Working \$3m Claim Preparation Costs \$300K *Shared Limit all councils*	\$3,005	\$3,069 (Note 2)
Machinery Breakdown	\$1,952,531	\$6,248	\$6,561 (Note 3)
Motor Vehicle (\$266,000 – 2019/20)	Market Value \$254,000	\$5,267	Vero - \$4,064 NZI - \$3,744 (Note 4)
Motor Vehicle – Fire & Emergency Levies		\$431	\$414
Personal Accident	\$50,000 (14 persons)	\$635	\$667
Crime	\$3,000,000 aggregate *Shared Limit all councils* (\$1,000,000 SWDC)	\$6,231	\$6,237 (Note 5)
Employers Liability Statutory Liability	\$1,000,000 Employers Liability \$2,000,000 Statutory Liability *Shared Limits all councils*	\$5,245	\$5,400
Public Liability / Professional Indemnity & Environmental Impairment Liability	\$300,000,000	\$31,272	\$44,631 (Note 6)
Hall Hirers Liability	\$1,000,000 *Shared Limit all councils*	\$325	\$333

Total excluding GST and end of period adjustments where applicable and Marsh's Fee		\$227,371	To Be Confirmed
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NB 1 The figures shown are net of GST unless indicated within the Table.

NB 2 The terms provided are based upon claims advised to insurers at the date of quoting. Insurers may review terms if there is any significant deterioration in the claims out turn.

Note 1 Marsh has confirmed an option for SWDC to revise the current deductible for all perils other than Natural Disaster from \$5,000 to \$20,000, \$50,000 or \$100,000.

\$20,000 deductible - \$144,662 (\$37,837 all perils premium)

\$50,000 deductible - \$141,508 (\$34,684 all perils premium)

\$100,000 deductible - \$137,905 (\$31,081 all perils premium)

figures recorded above do not include Fire and Emergency Services Levies - \$26,355. EQC Levies remain unchanged and are included, total \$7,676

SWDC, MDC and CDC may agree to adopt a Natural Disaster coverage 'capacity (maximum) limit' of \$100m for which Natural Disaster premium for SWDC would revise from \$99,148 of the total premium of \$149,094 (excluding Fire and Emergency Service Levies) to \$89,233 and a total premium of \$139,179 (excluding Fire and Emergency Service Levies)

Please note a change to the deductible will change the cost of Business Interruption premium. This is not shown within this Report, yet Marsh will confirm Business Interruption premium if and as required and based on any confirmed change in the Material Damage deductible

Note 2 If SWDC, MDC and CDC agree to increase Additional Costs of Working coverage from \$3m to \$10m Business Interruption premium will revise for SWDC to \$9,580

Note 3 Machinery Breakdown premium stated is indicative only and yet to be confirmed by insurers for the 2020 – 2021 insurance period. Revising coverage to a \$5,000 deductible will reduce the indicative premium to \$5,945

Note 4 Options from Vero and NZI are presented within the Premium Comparison Table
all Councils must agree to continue with Vero or change to NZI

Note 5 Optional Extensions if added to Crime coverage – Contractual Penalties \$338, Extortion \$540
all Councils must agree to make this change

Note 6 Environmental Impairment Liability coverage if continued by SWDC for the 2020 – 2021 insurance period will attract a premium of \$1,518. There has been no previous charge for this coverage

INSURANCE PROGRAMME

Material Damage (MD)

QBE Insurance (Australia) Limited Lead Insurer	47.5%
NZI a division of IAG New Zealand Limited	17.5%
AIG Insurance New Zealand Ltd	15%
Berkshire Hathaway Specialty Insurance Company Limited	15%
AXA XL formerly XL Insurance Company SE	5%
AXA XL has reduced from 7.5% to 5% and NZI has increased from 15%	

Cover

Covers physical loss or damage to property belonging to the Insured or for which the Insured is legally responsible or has assumed responsibility prior to the occurrence of any damage.

Property Insured:

Any property that is to be insured must be listed in the "Statement of Property Insured" to be included under the Policy, the definitions are:

Buildings

- a) Buildings as listed in the Statement of Property Insured and/or the following property attached to and/or adjoining thereto or within 25 metres of the circumference of the Building but not extending beyond 200 metres of the circumference of the Building:

landlords fixtures and fittings, plant, fixtures, fittings, pipes, cables, fixed signs, lettering, tanks, poles, power poles, power lines and their supports, fences, walls, gates, landscaping, gardens, ornamental trees and shrubs, roads, paths and yards; and

- b) Water treatment and waste water treatment structures and plants including oxidation ponds, reservoirs, retention tanks, water supply in-takes, sewerage outfalls and/or pumping stations.

Contents

- a) contents of buildings, plant or machinery, tools of trade, equipment, glass, tenants improvements; and
- b) all other tangible property not more specifically described for buildings, stock and specified items which are separately described and listed in the Statement of Property Insured.

Stock meaning stock and materials in trade.

Excluded Property is property separately described and listed in the Statement of Property Insured which would otherwise be subject to Exclusion 1(f) (other than reticulation systems, mining property below ground, land, roads, tunnels, footpaths or storm-water or drainage systems which continue to be excluded.

Machine or Machinery

any contrivance for the conversion and direction of motion or energy, or for the performance of any electronic process, and includes any protective device in connection with that contrivance.

Basis of Settlement

Reinstatement value, Indemnity value with demolition and removal of debris or Indemnity value as noted.

Sub Limits of Indemnity

Property in the course of installation, construction etc	
- expected contract value/contract price not exceeding	\$2,000,000
Automatic Increase	5%
Buildings Unspecified, limit any one loss	\$250,000
Capital Additions (additional to total sum insured), limit at any one time	\$2,000,000
Collapse / Overheating of non-domestic boilers	\$25,000
Demolition & Removal of Debris (additional if not included in the sum insured)	\$100,000
Destruction of Undamaged Property (intentional damage preventing injury)	\$50,000
Gradual Damage, limit any one loss	\$10,000
Hazardous Substances, limit any one loss	\$100,000
Landslip	\$2,000,000
Mechanical Breakdown (combined limit Material Damage/Business Interruption)	\$25,000
Money Section A	\$250,000
Section B	\$10,000
'P' Laboratories, limit any one event	\$20,000
Property in or on Water, limit any one loss	\$500,000
Protection Costs, limit any one loss	\$500,000
Refrigerated Goods, limit any one loss	\$25,000
Stolen keys, limit any one loss	\$250,000
Subsidence	\$2,000,000
Transit (combined limit Material Damage/Business Interruption)	\$500,000
Works of Art (i) works not otherwise specified	\$250,000
(ii) diminution of value limit	\$500,000
Works of Art - Maori Artefacts & Taonga – additional cultural costs	\$10,000

Policy Deductibles

In respect of:

Any cause of loss, damage or destruction not more specifically detailed hereunder:	\$5,000
Landslip or Subsidence (combined Material Damage / Business Interruption)	\$50,000

Natural Disaster (*earthquake tsunami, volcanic activity, hydrothermal, activity geothermal activity, or subterranean fire and fire in consequence of any of these*):

<u>Property in</u>	<u>Deductible Amount</u>	<u>Minimum</u>
Northland and Auckland	2.5% of site sum insured	\$2,500
Northland and Auckland Pre-1935	5% of site sum insured	\$5,000
Rest of New Zealand	5% of site sum insured	\$5,000
Rest of NZ Pre-1935	10% of site sum insured	\$10,000
Earthquake prone buildings and contents located within such structures	10% of the site sum insured	\$10,000

Applies to the combined Material Damage and Business Interruption loss

It is hereby noted that South Wairarapa District Council's Natural Disaster Deductible is: -

- for Pre-1935 Risks

10% of the Site Sum Insured, min \$10,000

"Site" means a parcel of land owned or occupied by the Insured

“Site sum insured” means the total Material Damage sum insured for all property located at each site

Natural Disaster limitation

Natural Disaster Limitation
The sum insured is the maximum claimable for Natural Disaster

Coloimic Strengthening
The policy does not cover costs incurred in connection with the strengthening of property to a level greater than it was at the time of damage

- Aggregate limit applies

- Reinstatement of sum insured does not apply

As discussed during our insurance review meeting in April, Marsh has confirmed options to revise the 'all perils' deductible aside from Natural Disaster losses to \$20,000, \$50,000 and \$100,000 respectively. While an option to establish coverage for a Natural Disaster 'capacity limit of \$100m' between SWDC, MDC and CDC is also outlined.

While the 'all perils' deductible revision option is for SWDC to consider alone, if a Natural Disaster 'capacity limit' was adopted this would require agreement by all three Wairarapa Councils.

The Premium Comparison Table provides further detail for SWDC's review.

Business Interruption (BI)

QBE Insurance (Australia) Limited Lead Insurer	47.5%
NZI a division of IAG New Zealand Limited	17.5%
AIG Insurance New Zealand Ltd	15%
Berkshire Hathaway Specialty Insurance Company Limited	15%
AXA XL formerly XL Insurance Company SE	5%
AXA XL has reduced from 7.5% to 5% and NZI has increased from 15%	

Cover

Loss consequent upon interruption to the business as a result of damage to property insured by the Material Damage policy, resulting in losses or increased costs as below.

Sum Insured

- Additional Expenses (shared Limit) \$3,000,000
- Claims Preparation Costs (shared Limit) \$300,000

The above limits are shared between Masterton, Carterton & South Wairarapa District Councils.

Indemnity Periods

- 12 months

Deductibles

No deductible applies, except for those combined with Material Damage and those time deductibles shown in the Memoranda & Extensions below and on the next page.

Memoranda & Extensions

Refer to the policy document for a complete list. Some Policy extensions and memoranda are outlined as follows:

Acts of Civil Authorities - Covers losses following acts of destruction ordered by a Civil Authority to prevent or restrict loss or damage to Insured Property. Limit 10% of the BI Sum Insured and any one loss – Maximum \$1m. Time deductible 24 hours except Natural Disaster 14 days.

Compulsory Closure – Covers losses arising from the ordered closure of any property due to murder or suicide; vermin pests or defects in drains; injury traceable to injurious matter in food or drink. Limit 10% of the BI Sum Insured and any one loss – Maximum \$1m. Time deductible 24 hours except Natural Disaster 14 days.

Dependency – Provides cover for losses arising from damage to:

- (i) Property within 10 kilometres of the Insured property, which prevents/hinders access;
- (ii) Electricity supply, gas works or storage facilities, water works treatment or supply;
- (iii) Sewage works or treatment plants;
- (iv) Telecommunications lines/cable connected to property insured;
- (v) Port or Airport buildings or contents, railway warehouses;
- (vi) Direct suppliers or customers premises;

Limit 10% of the BI Sum Insured and any one loss – Maximum \$1m. Time deductible 24 hours (except (v) 7 days) except Natural Disaster 14 days.

Entanglement - Losses resulting from entanglement or entrapment of animals or person in machinery, plant or other insured property. Limit 10% of each item insured. Time deductible 24 hours except Natural Disaster 14 days.

Fumes Gases and Toxic Chemicals - Losses resulting from accidental discharge of fumes and gases. Limit 10% of each item insured. Time deductible 24 hours except Natural Disaster 14 days.

Sub Limits

Mechanical Breakdown - \$25,000

Combined limit any one loss for Material Damage and Business Interruption

Transit - \$500,000

Combined limit any one loss for Material Damage and Business Interruption

Important Policy Terms

Deferral of Indemnity Period

Insurers can accept subject to written notice within three months of the date of the Damage that Council has elected to defer the commencement of the Indemnity Period

Natural Disaster limitation

The sum insured is the maximum claimable for Natural Disaster

Material Damage & Business Interruption Natural Disaster Limitation

- Aggregate limit applies.

- Reinstatement of sum insured does not apply

Major Exclusions & Endorsements

Refer Material Damage section

Machinery Breakdown (MB)

QBE Insurance (Australia) Limited

Insures mechanical and electrical machinery against damage from internal causes, the actual breaking, seizing, or deformation of any part of the machinery.

Sums Insured

Greytown - Bore

- 1 x 55kw Caprari \$51,395

Greytown - UF Plant

- 1 x UV plant (2 x In Line 1,000 + DVGW) \$254,483
- Bore Pumps (3 x 22kW Lowara 6Z660 10L6C Submersible Pumps \$107,511
- 1 x Soda Ash Plant \$85,095

Greytown – Waste Water Treatment Plant

- 2 x Aerators, Reliant Lagoon Master \$77,668
- Reading Street Sewer Pump \$14,800
- Westwood Avenue Sewer Pump \$26,341
- Garrity Lane Sewer Pump \$24,200
- 2 x UV \$120,000
- UV pump system \$61,000
- Irrigation pump system \$92,000
- Irrigators \$300,000
- Filtration system \$166,000

Pirinoa WTP

- Bore Pump \$2,570
- Transfer Pump \$1,400
- Ozone \$4,500
- Town Feed Pump \$3,700

Lake Ferry WWTP

- 1 x Grundfos SEG 65 HH Sewer Pump \$20,000
- 1 s Grundfos SE180 Sewer Pump \$24,000
- UV \$10,800
- WWTP Recirculation Pump \$17,139

Martinborough - Water Supply

- 1 x Goulds ION 200 Submersible Pump + Franklin Motor \$23,465
- 1 x Goulds ION 200 Submersible Pump + Franklin Motor \$23,887
- 1 x Goulds ION 200 Submersible Pump + Franklin Motor \$23,887
- 2 x UV Plants \$120,000

Martinborough - Waste Water Treatment Plant

- 1 x 80AFP \$5,940
- 1 x 80AFP \$5,940
- 1 x F-05U \$810
- Irrigation Pump System \$58,000
- Irrigators \$123,000

Featherston – Water Treatment Plant

➤	1 x UVF	\$40,000
➤	1 x UVF controller	\$50,000
➤	2 x Donald Street Pump Station	\$13,000

South Wairarapa District Council **Total Sum Insured \$1,952,531**

Deductible	\$2,500
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Major Exclusions

- Perils insured by a Material Damage Policy
- Wasting or wearing away or wearing out of any part, gradual deterioration, erosion or corrosion
- Experiments, overload or similar tests requiring the imposition of abnormal conditions
- Gradually developing defects, cracks or failures
- Parts made of glass, rubber or textile
- Parts which by their use or nature suffer high rate of wear or depreciation
- Computer data recognition.

Comments

Marsh has not received confirmed insurance renewal terms from the current Machinery Breakdown down insurer QBE at this time. Accordingly terms quoted are in line with the expected increase in premium for 2020 – 2021; a premium increase of 5% from 2019 – 2020.

Premium for 2020 – 2021 will be confirmed as soon as plausible. No other changes to terms have been indicated for the upcoming insurance period.

Motor Vehicle (MV)

Vero Insurance New Zealand Limited current insurer
NZI a division of IAG New Zealand Limited

Cover

Indemnifies the insured against loss or damage arising from an insured peril to any insured motor vehicle occurring during the period of insurance. Also indemnifies the Insured for third party liability arising out of or in connection with use of any insured vehicle.

Basis of settlement:

Market value at time of loss (replacement for vehicles less than 12 months old)

Limits of Indemnity **Vero and NZI unless stated**

Own damage	Market value at time of loss
Third Party damage (Section 2)	\$10,000,000
- Airside Liability <i>*Vero*</i>	\$2,000,000
- Airside Liability <i>*NZI*</i>	\$1,000,000

Special Limits **Vero and NZI unless stated**

Additions and Deletions	\$300,000
Claim Preparation Costs	\$10,000
Cleaning up Costs	\$100,000
Death by Accident	\$10,000
Disability Modifications <i>Vero</i>	\$10,000
Disability Modifications <i>NZI</i>	\$5,000
Driver Legal Defence Costs	\$15,000
Emergency Service Charges	\$25,000
Exemplary Damages (limit any one claim)	\$500,000
Financial Charge	\$5,000
Fire Service Charges	\$50,000
Funeral Expenses	\$10,000
Goods in Transit – Fire, Collision, Overturning	\$5,000
Hoists	\$5,000
Keys & Locks (\$10,000 any one claim) <i>Vero</i>	\$50,000
Keys & Locks (\$10,000 any one claim) <i>NZI</i>	\$20,000
Removal of Debris and Load Recovery	\$50,000
Rental Vehicles	\$150,000
Rental Vehicles (consequential loss)	\$100,000
Repair Authorisation	\$1,500
Return Home – Journey Completion	\$10,000
Theft Costs, maximum hire cost	\$5,000
Uninsured Third Party Protection	\$5,000
Weight/Vibration damage (Sec. 2)	\$500,000
Windscreen/Window Glass Breakage	Included

Deductible.

Own damage (Section 1)	1% of Vehicle Value, min \$500
Plus Underage (Under 25 yrs drivers) if applicable	
- Under 21 years	additional \$1,000
- 21 to 25 years	additional \$500
Keys & Locks	\$250
Windscreens, Fire, Theft or Illegal Conversion	Nil
Vibration and Weight damage (Section 2)	\$2,000
Exemplary Damages (Section 2) 10% with a maximum of	\$2,000

Special Clauses

Machinery Plant and Equipment condition (Vero) in respect to any insured vehicle

1 – all persons operating such vehicles shall be fully trained and legally qualified to operate the vehicle

2 – all persons operating such vehicles must not use the vehicle beyond the manufacturer's operating specification or recommendation

3 – all cranes including lifting machinery attached to a vehicle must comply with the Health & Safety legislation and regulations (Pressure Equipment, Cranes and Passenger Ropeways)

Airside Liability and conditions (Vero and NZI) coverage is restricted to liability arising from incidents, which occur within designated vehicle areas only

Major Exclusions

For full details reference must be made to the policy wording. Main exclusions include:

- Racing, pacemaking, reliability trials, speed tests or testing in preparation for any of them;
- Carrying fare paying passengers (not applicable to vehicles licensed for carrying passengers);
- Drivers under the influence of alcohol or drugs;
- Unlicensed drivers (teaching a learner to drive is permitted providing the law is complied with);
- Use of vehicles in an unsafe condition where the condition causes or contributes to an accident;
- Use of vehicles loaded in excess of manufacturer's specifications or legal limits;
- Consequential losses/loss of use;
- Mechanical, electrical or electronic breakdown;
- Punctures, cuts or burst tyres or damage to tyres by application of brakes;
- Liability for death or bodily injury to employees or damage to your own property or to other property in your care custody or control (not applicable to disabled vehicles under tow);
- Liability for loss or damage to property being conveyed by or loaded into or loaded from an insured vehicle (not applicable to passengers baggage and clothing);

Comments

Vero Insurance (New Zealand) Limited 'Vero' and NZI Insurance as a division of IAG New Zealand Limited 'NZI' have quoted insurance options for SWDC, MDC, CDC and the 2020 – 2021 insurance period.

Marsh recognise both Vero and NZI will provide premium improvement options if an increased deductible is selected and/or windscreen/window glass breakage coverage is removed in favour of a policy deductible applying. Upon request premium options with these options presented can be made available for review.

As a point of distinction, NZI offers an advanced Fleet Fit Transport protection, which aims to improve driver behaviour and enable councils to gather useful data for improved risk management. Further details are outlined at <https://www.nzi.co.nz/en/what-we-cover/commercial-motor-cover/fleetfit.html> and please see the additional information provided including 'NZI re Wairarapa Council Group Claims Analysis' and as below (comments from NZI);

- ☐ *Novus CMS Information – this is where we try to keep the costs of glass as low as possible for the insured, where glass is not insured we allow them access to IAG buying power.*
- ☐ *NZI Fleet Fit – Stress & Fatigue Seminar brochure – we will include 3 Stress and Fatigue seminars with our offer*
- ☐ *NZI Fleet Fit – Safety & Awareness Seminar brochure – we will include 3 Safety & Awareness seminars with our offer*

While Vero do not offer the equivalent of 'Fleet Fit Transport protection' it should not be ignored that Vero's consistent quality underwriting leading to measured premium rate changes continues to be maintained at respectable levels from one insurance period to the next. Vero also provides a premium concession for laid up vehicles during the 'Covid-19 – lock down' Level 4 (March 26 – April 28, 2020) period.

Total Fleet Value (estimated market value) declared is \$2,059,921 made up from;

- SWDC	\$254,000
- MDC	\$912,054
- CDC	\$893,867

For the 2019 – 2020 insurance period, SWDC, MDC and CDC have presented motor vehicle claims of approximately \$15,360 (as at June 15, 2020) of which the majority of claims are for window screen or glass repair or replacement. Premium paid for the current insurance period exclusive of Fire and Emergency Levies and GST is recognised across the Wairarapa Council Group as \$39,590 approximately, which suggests a very good loss ratio (claims made v premium paid) of less than 40%.

Personal Accident (PA)

Chubb Insurance NZ Ltd

Provides death and scheduled benefits for nominated members worldwide 24 hours a day.

Level of Indemnity on the lives of:

- a) Elected members: –
- The Mayor and
 - 9 District Councillors

Capital Sum Insured \$50,000 (Worldwide – 24hours)

- b) Executive Staff – 3 Executive Positions: -
- The Chief Executive Officer
 - Group Manager Planning & Environment
 - Group Manager Infrastructure & Services
 - Group Manager Corporate Support

Capital Sum Insured \$50,000 (Worldwide – 24hours)

Dependent Children under 18 years - \$20,000 per person

Dependent Children under 10 years - \$2,000 per person

****Limited coverage for Children applies per the lump sum benefit noted above****

Aggregate limits any one loss \$1,000,000 for all claims any one period.

Nil relating to Air Travel in aircraft whose flights are not in accordance with fixed schedules

Deductible

Nil

Major Exclusions

- Flying in an aircraft or aerial device other than as a passenger in an aircraft licensed to carry passengers.
- Self-injury or attempt at, suicide or any illegal or criminal act.
- Pregnancy, childbirth, miscarriage or the complications of these conditions.
- Venereal disease, HIV, AIDS, ARC
- Professional sports
- Motor vehicle racing or racing preparation

Coverage restrictions apply to any insured person exceeding the age of 75 years.

Does the list of nominated Insured's need to be reviewed?

Do any insured people exceed the policy age limit restriction of 75 years. No coverage from 90 years of age

Comments

There are no changes to SWDC's Personal Accident insurance coverage for the 2020 - 2021 insurance period

Marsh recognise Chubb Insurance NZ Ltd 'Chubb' has confirmed renewal premium with a premium increase of approximately 5% from the premium payable for 2019 – 2020.

In addition to coverage for Death by Accident and Permanent Total Disablement, coverage extends to recognise a number of other events including Permanent Paraplegia or Quadriplegia, total loss of limbs, sight and hearing. The severity of the event is the catalyst for determining the proportion of the Capital Benefit payable by Chubb. For further details, please refer to the applicable Policy Wording.

Marsh remind SWDC - Chubb recognise coverage that is more limited for persons aged 75 years or older. Should Council have any person/s who require coverage over 75 years of age, please do qualify the person/s details (age, sex, occupation) in order for coverage to be discussed with the insurer.

If coverage is preferred by SWDC for any insured person to be insured while undertaking a 'non-scheduled' flight, Council is required to discuss with Marsh – as there is no coverage afforded by this policy for persons travelling via aircraft which are not recognised as subject to a commercial flight itinerary including commercial charters

Crime Insurance (CI)

QBE Insurance (Australia) Limited

Covering the Insured for direct financial loss resulting from fraudulent or dishonest acts committed by employees (acting alone or in collusion with others) or third parties, and other costs as provided for in the policy.

NB; Employee means any natural person who works under a contract of service with the insured, or who is undertaking work experience; whom the insured has the right to govern and direct in performance of such services; whom the insured compensates by salary, wages and/or commissions; and others as provided for in the policy.

Limit of Indemnity

Insuring Clause 1. Dishonesty by Employees in respect of any one Loss
and in the aggregate, costs inclusive \$3,000,000

Insurance Clause 2. Dishonesty by Third Parties Included in the Limit above

The Limit of Indemnity is \$1,000,000 any one Claim and in the annual aggregate (including legal costs) and any one Council within the Wairarapa Council Group

Sub Limits / Additional General Extensions

Care, Custody and Control

Costs of Fraud Investigator

Defence Costs

Disposal of Subsidiary

Employee Plans

Interest Receivable or Payable

10% of the Limit of Indemnity

Outsourcing

Physical Loss or Destruction of or Damage to Money or Securities

Pre-loss Consulting Firm (available if premium spend is \$10,000 or more)

Software Reconstitution Costs – 10% of the Limit of Indemnity up to \$250,000

Territorial Limit and Legal Jurisdiction

New Zealand only

Excess (*each and every claim*) \$25,000

Endorsements

QBE Sanctions Exclusion (CRI)

Major Exclusions

For full details reference must be made to the policy wording. Main exclusions include:

- Consequential Loss
- Credit Risks
- Extortion ***exclusion can be deleted by adding the optional extension for Extortion***
- Intellectual Property and Confidential Information
- Inventory Computation Losses
- Loss Sustained after Knowledge
- Non-Violent Crime
- Reckless Conduct
- Terrorism
- Voluntary Exchange or Purchase

Comments

SWDC, CDC and MDC may choose to add coverage for the Optional Extensions of ***Contractual Penalties*** and ***Extortion***, which are referred to below. Please refer to the Premium Summary on page for the additional cost to add one or both extensions to coverage

Contractual Penalties *claims for penalties for which Council is liable under written contract resulting directly from Loss covered by this Policy, provided QBE's liability for such loss shall be limited to 10% of the Limit of Indemnity*

Extortion *claims for Loss caused by Money or Securities being paid or surrendered by an Employee from Council as the direct result of Extortion, if before such payment or surrender occurs the person receiving the Extortion has made reasonable efforts to inform Council of the Extortion and Council has reported the Extortion to the Policy*

Employers Liability (EL)

QBE Insurance (Australia) Limited

Indemnifies the Insured for legal liability (common law) to pay damages as a result of an employee sustaining personal injury in the course of their employment, and to pay the costs and expenses in the investigation, defence or settlement of claims where such injury is not covered by Accident Insurance Legislation.

Special Note:

This policy coverage is provided on a 'claim made and notified' basis. Any claim or known circumstance which may give rise to a claim must be notified to Insurers as soon as possible and within the current insurance year. Failure to do so is likely to lead to declinature of that claim.

Limit of Indemnity (shared limit)

\$1,000,000 including Punitive and Exemplary Damages any one Claim and in the aggregate any one Period of Insurance

The annual aggregate limit is shared between South Wairarapa District Council, Carterton District Council & Masterton District Council

Deductible

\$5,000 any one Claim / Legal Costs and Expenses inclusive

Retroactive Date

Unlimited

Territorial Limit and Legal Jurisdiction

New Zealand only

Endorsements

QBE Sanctions Exclusion

Legal Costs and Expenses Endorsement – *QBE shall pay additional Defence Costs, up to the Limit of Indemnity or NZD \$1,000,000, whichever is the lesser*

Major Exclusions

- In respect of claims for which cover is provided by the Accident Insurers Act 1998
- In respect of judgement of any court other than a New Zealand court
- Any fine or penalty

Statutory Liability (Stat)

QBE Insurance (Australia) Limited

Interests Insured: This policy indemnifies the insured against defence costs and penalties as a result of an alleged breach of any Act of Parliament other than 'Excluded Acts' listed below.

Special Note: This policy coverage is provided on a 'claims made and notified' basis. Any claim known or circumstances which may give rise to a claim must be notified to Insurers as soon as possible and within the current insurance year. Failure to do so is likely to lead to declinature of that claim.

Acts Not Covered

- Arms Act 1983
- Aviation Crimes Act 1972
- Crimes Act 1961
- Criminal Investigations (Blood Samples) Act 1975
- Misuse of Drugs Act 1975
- Proceeds of Crimes Act 1991
- Summary Offence Act 1981
- Transport Act 1962
- Transport (Vehicle and Driver Registration and Licensing) Act 1986
- Anti-Money Laundering and Countering Financing of Terrorism Act
- And any other Act listed in the Policy Schedule as an Excluded Act

Note: Insurers are no longer able to provide cover for Fines imposed under the Health & Safety at Work Act. However Defence Costs and Reparation Awards continue to be covered under this Policy.

Limit of Indemnity

\$2,000,000 any one Event and in the aggregate any one Period of Insurance

The annual aggregate limit is shared between South Wairarapa District Council, Carterton District Council & Masterton District Council

Deductible

\$5,000	any one Claim / Legal Costs and Expenses inclusive other than
\$10,000	in respect of any Claim / Legal Costs and Expenses lodged in respect of the Resource Management Act 1993 or any subsequent amendment to this Act

Retroactive Date

Unlimited

Territorial Limit and Legal Jurisdiction

New Zealand only

Endorsements

QBE Sanctions Exclusion

Legal Costs and Expenses Endorsement – *QBE shall pay Defence Costs, up to the Limit of Indemnity or NZD \$1,000,000, whichever is the lesser*

Major Exclusions

- Any occurrence arising from an officer's deliberate or reckless failure to comply with any lawful abatement notice or enforcement order made under the relevant legislation
- Dishonest, fraudulent or malicious acts or malicious omission

Hall Hirers (General) Liability (HH)

QBE Insurance (Australia) Limited

Covering Community Groups & Individuals who use and/or hire the Insureds facilities, in respect of the Hirers legal liability, to the Insured and any other third party, in respect of Personal Injury or Damage to property occurring, or in connection with such Hire.

Limits of Indemnity

\$1,000,000 any one Occurrence – Public Liability

\$1,000,000 in the aggregate any one Period of Insurance – Products Liability

Retroactive Date

Unlimited

Territorial Limit and Legal Jurisdiction

New Zealand only

Sub Limits of Liability

\$500,000 Care, Custody or Control

Excess

\$500 any one Occurrence – other than

Care, Custody or Control

\$1,000

Punitive or Exemplary Damages (New Zealand)

\$1,000

Endorsements

Hall Hirers Liability Extension – *in respect of properties owned or operated by SWDC, the definition of insured is extended to include: hirers of the property as agreed by SWDC and QBE Insurance, when such hirers use and hire the properties owned or operated by SWDC. Provided that:*

- *Hirers of property are not otherwise insured under any other policy and*
- *QBE is notified of the hire and the hirer has agreed to pay any additional premiums required*

Major Exclusions:

- Professional Negligence
- Ownership, maintenance, operation, use of aircraft or motor vehicles
- Pollution if damage is not sudden and accidental
- Terrorism
- QBE's Sanction Clause

Public Liability / Professional Indemnity / Environmental Impairment Liability

QBE Insurance (Europe) Limited and other insurers based in the London Insurance Market

Scope of Cover

Public Liability

Protection for legal liability in connection with the business of South Wairarapa District Council and arising from occurrences resulting in Personal Injury or Property Damage occurring within the Territorial Limits.

Professional Indemnity

Protection for legal liability in respect of any breach of a professional duty arising from a negligent act, error or omission, including Defence Costs and Expenses associated with the business of South Wairarapa District Council.

Environmental Impairment Liability

Protection for environmental impairment liability arising from occurrence in connection with the business of South Wairarapa District Council.

Sums Insured * *unless otherwise stated all limits are referred to in New Zealand Dollars**

Public Liability & Professional Indemnity

\$300,000,000 **AUD** any one claim and in the aggregate any one Period of Insurance

Environmental Impairment Liability

\$1,000,000 any one claim and in the aggregate any one Period of Insurance

Deductibles * *all deductibles are referred to in New Zealand Dollars**

Public Liability – each and every claim	\$5,000
Professional Indemnity - each and every claim other than	\$10,000
Loss of Documents	\$500
Environmental Impairment Liability – each and every claim	\$25,000
Environmental Impairment Liability – each and every claim involving	
Sewage and Wastewater treatment plants and facilities	\$100,000

Sub Limits (Public Liability)

Employees' Property	\$1,000,000
Care, Custody or Control	\$1,000,000
Wreck Removal	Nil
Service & Repair Liability	\$1,000,000
Exemplary / Punitive Damages	\$1,000,000
Unmanned Aerial Vehicles (Drones)	\$1,000,000

Retroactive Date

30 June 1985 Public Liability and Professional Indemnity

30 June 2017 Environmental Impairment Liability

30 June 2019 Environmental Impairment Liability – Insured's Work and Transported Cargo

Comments

Public Liability / Professional Indemnity Insurance demonstrates a premium increase of approximately 42% for 2020 – 2021, after initial indications suggested the increase would be closer to 50%. This significant increase reflects Marsh's Local Government client liability loss ratios have unfortunately continued to perform poorly. For the current 44 Marsh Local Government clients the five-year average loss ratio is 201% and the 10-year average is 214%. Now that Local Government has produced a number of multi-million dollar losses we can track a rudimentary return period for these claims and it seems that a multi-million dollar liability claim occurs every three or four years now.

What is also apparent from those claims is that most Councils are exposed to the potential to incur any one of them. Relative territorial authority size might determine the frequency of attritional losses, but any Council can produce a large claim because they are all discharging the same regulatory responsibilities. Regional Council's may not produce the frequency of attritional losses, but they remain exposed to large losses due to their (albeit different) regulatory responsibilities and the types of assets they own that if they fail, that failure may cause widespread damage. This comes into sharp focus following natural disasters, which seem to be increasing in frequency.

We have heard anecdotally that the liability claims for non-Marsh Councils is just as bad, if not worse. Therefore, it would appear that the liability challenges Local Government faces are consistent throughout the country.

This confirms the view that the litigation environment for Local Government has deteriorated. Driving this are:

- Inconsistency between the High Court, the Court of Appeal and the Supreme Court
- Councils being the last defendant standing in a joint and several environment
- The public's perception that Council will be held liable
- Compressed claims maturation rates
- Central Government imposing further responsibilities on Local Government with no ability for Councils to charge for risk
- The frequency of natural disasters revealing historical Council negligence resulting in a frequency of claims issue. They also give rise to widespread property damage for which communities seek to hold the councils responsible for
- The recent *Ross* decision holding that class actions ought to be on an opt out basis, Councils are currently joined into four class actions either as defendants or third parties
- Litigation funders removing the costs impediment for plaintiffs to bring their claims, particularly in respect of class actions

The London insurance market has its own challenges with regulatory oversight requiring insurers to have business plans to deal with lines of business that might put their solvency at risk. The London insurance market has recently lost some casualty capacity with MS Amlin having announced that it is withdrawing all of its casualty capacity. The local insurance market has its own issues with Local Government liability, and if media reports are correct local insurers have incurred some significant losses in recent years, most likely for more or all of the reasons bullet pointed above.

For these reasons the 2020 liability renewal round is challenging and the market has concluded that New Zealand Local Government's poor liability is sustained.

Of the locally based insurers approached, none expressed interest in participating in a Public Liability and Professional Indemnity placement for Local Government including councils. The insurers approached were:

AIG, Berkshire Hathaway, Chubb, NZI, QBE (New Zealand and Australia), Vero Liability and Zurich

For 2020 – 2021 the following change will be reflected:

- Environmental Impairment Liability (EIL) while actual coverage is unchanged from 2019, it will be acknowledged as a separate policy for which premium is payable unlike in previous years. For SWDC to maintain EIL protection, a premium of \$1,518 will be payable

Council is also asked to be aware of the following consideration:

- Public Liability / Professional Indemnity (and Harbour Masters / Wreck Removal where applicable) insurance policies are subject to English law for insurance disputes, with claims determined by New Zealand law. The Professional Indemnity section of the policies have a retroactive date of 30 June 1985

The Environmental Impairment Liability insurance policies are subject to New Zealand law for insurance disputes

Marsh Remuneration

- Marsh's current method of remuneration is by way of a fee
- The Broking Fee is unchanged from 2019 - 2020:

2020 - 2021	\$8,800
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This fee includes all services currently provided

INSURERS FINANCIAL STRENGTH RATING

We are required to provide you the financial strength ratings of prospective insurers.

That rating is given by either Standard & Poor's (Australia) Pty Ltd or A M Best Company Inc under the following rating guides:

Standard & Poor's (Australia) Pty Ltd		A M Best Company Inc	
AAA	Extremely Strong	A++ and A+	Superior
AA	Very Strong	A and A-	Excellent
A	Strong	B++ and B+	Good
BBB	Good	B and B-	Fair
BB	Marginal	C++ and C+	Marginal
B	Weak	C and C-	Weak
CCC	Very Weak	D	Poor
CC	Extremely Weak	E	Under Regulatory Supervision
R	Regulatory Action	F	In Liquidation

The Financial Strength rating for Insurers involved in your insurance programme or where quotations have been provided are set out below:

QBE Insurance (Australia) Ltd

A+ Standard & Poor's

An overseas policyholder preference applies to QBE Insurance (Australia) Limited ("QBE"). This means that in the event that QBE is wound up, Australian law requires that its assets in Australia are applied to satisfy its Australian liabilities, before those assets can be applied to satisfy overseas liabilities, which would include claims by policyholders in New Zealand. However, QBE is required to hold capital which meets minimum regulatory capital requirements.

NZI a division of IAG New Zealand Ltd

AA- Standard & Poor's

AIG Insurance New Zealand Ltd

A Standard & Poor's

Berkshire Hathaway Specialty Insurance Company

AA+ Standard & Poor's

AXA XL

A Standard & Poor's

Vero Insurance (New Zealand) Ltd

A+ Standard & Poor's

Chubb Insurance (New Zealand) Limited

AA- Standard & Poor's

QBE Insurance (Europe) Ltd

A+ Standard & Poor's

Proprietary Nature of Proposal

This proposal is prepared for the sole and exclusive use of the party or organisation to which it is addressed. Therefore, this document is considered proprietary to Marsh Limited (Marsh) and may not be made available to anyone other than the addressee or person(s) within the addressee's organisation who are designated to evaluate or implement the proposal. Marsh proposals may be made available to other persons or organisations only with written permission of Marsh.

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FINANCE, AUDIT AND RISK COMMITTEE

24 JUNE 2020

AGENDA ITEM C2

AUDIT PLAN REPORT

Purpose of Report

To provide the Committee with the Audit NZ Audit Plan for the upcoming end of year audit.

Recommendations

Officers recommend that the Committee:

1. *Receive the Audit Plan Report.*

1. Executive Summary

Attached in Appendix 1 is the Audit NZ Audit Plan for South Wairarapa District Council.

2. Appendices

Appendix 1 – Audit NZ Audit Plan

Contact Officer: Katrina Neems, Chief Financial Officer

Appendix 1 – Audit Plan

Audit plan

South Wairarapa District Council

For the year ending 30 June 2020

Audit plan

I am pleased to present our audit plan for the audit of South Wairarapa District Council (the District Council) for the year ending 30 June 2020. The purpose of this audit plan is to discuss:

Audit risks and issues.....	2
Our audit process	5
Reporting protocols	8
Audit logistics.....	9
Expectations	10

The contents of this plan should provide a good basis for discussion when we meet with you.

We will be happy to elaborate further on the matters raised in this plan.

Our work improves the performance of, and the public's trust in, the public sector. Our role as your auditor is to give an independent opinion on the financial statements and performance information. We also recommend improvements to the internal controls relevant to the audit.

Please note that as at the time of issuing this audit plan, we are continuing to work through the effect of the coronavirus disease (COVID-19) on our audit of the District Council. This includes discussing with management the effect COVID-19 will have on current and future operations, the impact of this on our audit work, and the audit timelines. Where possible, we have indicated the potential impact of COVID-19 throughout this audit plan.

If there are additional matters that you think we should include, or any matters requiring clarification, please discuss these with me.

Yours sincerely

John Whittal
Appointed Auditor
5 May 2020

Audit risks and issues

Focus areas



Based on the planning work and discussions that we have completed to date, we set out in the table below the main audit risks and issues. These will be the main focus areas during the audit.

Audit risk/issue	Our audit response
The risk of management override of internal controls	
There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • testing the appropriateness of selected journal entries; • reviewing accounting estimates for indications of bias; and • evaluating any unusual or one-off transactions, including those with related parties.
Asset revaluations – fair value assessment	
<p>The District Council has adopted a policy to revalue its land and building, and infrastructure assets on a cyclical basis. The District Council last revalued its infrastructure assets during the 2017/18 financial year, and land and building assets in the 2018/19 financial year.</p> <p>As this is a non-revaluation year for these assets, the District Council will need to formally assess whether a revaluation is required to ensure the carrying value of these assets fairly reflects their fair value.</p> <p>It is important that the District Council makes this assessment at an early stage as a full valuation may require a significant amount of time to complete if required.</p>	<p>We will review the District Council's assessment of asset carrying value to ensure these values do not differ materially from fair value.</p> <p>We will also review the disclosures and any adjustments made by District Council for compliance with PBE IPSAS 17.</p>
Procurement and contract management	
<p>The District Council has a new significant contract in place to maintain and service its road corridor throughout the District.</p> <p>This is a significant agreement for the District Council and includes a large portion of the Council's expenditure for asset renewals and replacements.</p>	<p>We will review the roading contract managed by the District Council and complete the following:</p> <ul style="list-style-type: none"> • Perform testing against the District Council's policies and procedures, and good public practices, for the management and procurement of goods and services.

Audit risk/issue	Our audit response
<p>Due to the size and coverage, sound policies and practices in the areas of procurement and contract management are essential.</p>	<ul style="list-style-type: none"> • Confirm that contract management procedures are being followed. • That appropriate oversight of the contract is maintained by the District Council.
Wellington Water service provider	
<p>On 1 October 2019, the District Council became a joint owner of Wellington Water Limited. The District Council is the sixth council to join, along with five other councils in the Wellington Region.</p> <p>The District Council has retained ownership of all its infrastructure assets and contracts Wellington Water to provide infrastructure management services, relating to the assets and services of the water networks.</p> <p>As part of this arrangement, Wellington Water will be providing the District Council with information required for reporting against performance measures in the 2019/20 Annual Report, including DIA compulsory measures.</p>	<p>We will review:</p> <ul style="list-style-type: none"> • The contract between the District Council and Wellington Water to obtain an understanding of the arrangements between the parties. • Information provided to the District Council from Wellington Water for performance reporting, to determine what information is being provided and how it is being used by the District Council for reporting against performance measures. <p>We will also undertake appropriate testing of performance results to determine the accuracy, completeness and validity thereof.</p>
Wastewater project	
<p>The District Council has been planning to upgrade the wastewater treatment system for Featherston to stop pollutants entering waterways.</p> <p>The District Council has continued to work with the regional council to obtain the resource consent for the Featherston project.</p> <p>However we understand the decision has now been made to reconsider options for disposing of Featherston's wastewater, with the potential to withdraw the current resource consent application.</p>	<p>We will update our understanding of the project, including any new decisions made, and consider the adequacy of:</p> <ul style="list-style-type: none"> • project governance and management structures; • procurement and project management processes applied; and • risk management practices. <p>We will also consider the adequacy of systems in place for recording costs and commitments associated. This includes reviewing the classification of expenditure to make sure this has been accounted for in accordance with generally accepted accounting practice, identifying commitments and reviewing the District Council's impairment assessment at balance date.</p>

Please tell us about any additional matters we should consider, or any specific risks that we have not covered. Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.

Fraud risk

Misstatements in the financial statements and performance information can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. In considering fraud risk, two types of intentional misstatements are relevant – misstatements resulting from fraudulent reporting, and misstatements resulting from misappropriation of assets.

The primary responsibility for the prevention and detection of fraud and error rests with the Council, with assistance from management. In this regard, we will discuss the following questions with you:

- What role does Council play in relation to fraud? How do you monitor management's exercise of its responsibilities?
- Has a robust fraud risk assessment been completed? If so, is the Council satisfied that it had appropriate input into this process?
- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the Council and management to keep you informed of instances of fraud, either actual, suspected, or alleged?
- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management's investigation been reported to Council? Has appropriate action been taken on any lessons learned?

Our responsibility

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and performance information are free from material misstatement resulting from fraud. Our approach to obtaining this assurance is to:

- identify fraud risk factors and evaluate areas of potential risk of material misstatement;
- evaluate the effectiveness of internal controls in mitigating the risks;
- perform substantive audit procedures; and
- remain alert for indications of potential fraud in evaluating audit evidence.

The Auditor-General has published useful information on fraud that can be found at oag.govt.nz/reports/fraud-reports.

Our audit process

Initial planning

Initial planning activities include verifying compliance with independence requirements and building the audit team.

Understand your business and environment

We use our extensive sector and business knowledge to make sure we have a broad and deep understanding of the District Council, your business, and the environment you operate in.

Assess audit risk

We use our knowledge of the business, the sector and the environment to identify and assess the risks that could lead to a material misstatement in the financial statements and performance information.

Evaluate internal controls

We update our understanding of internal controls relevant to the audit. This includes reviewing the control environment, risk assessment process, and relevant aspects of information systems controls. Most of this work is done during the initial audit visits. We evaluate internal controls relevant to the audit for the whole financial year, so we consider internal controls relevant to the audit at all visits.

Finalise the audit approach

We use the results of the internal control evaluation to determine how much we can rely on the information produced from your systems during our final audit.

Gather audit evidence

During the final audit we audit the balances, disclosures, and other information included in the Local Authority's financial statements and performance information.

Conclude and report

We will issue our audit report on the financial statements and performance information. We will also report to the Council covering any relevant matters that come to our attention.

Materiality

In performing our audit, we apply the concept of materiality. In the public sector, materiality refers to something that if omitted, misstated, or obscured could reasonably be expected to:

- influence readers' overall understanding of the financial statements and performance information; and
- influence readers in making decisions about the stewardship and allocation of resources, or assessing your performance.

This definition of materiality is broader than the one used in the private sector.

Accounting standards also require the Council and management to consider materiality in preparing the financial statements. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on how to make materiality judgements from a financial statements preparer's perspective. Although this guidance is primarily aimed at for-profit entities, the same principles can be applied by public benefit entities.

Whether information is material is a matter of judgement. We consider the nature and size of each item judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Materiality will be lower for some items due to their sensitivity.

Misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements and performance information. During the audit, we will provide details of any such misstatements we identify to an appropriate level of management.

We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations from representatives of the Council that specify the reasons why the corrections will not be made.

Professional judgement and professional scepticism

Many of the issues that arise in an audit, particularly those involving valuations or assumptions about the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated. These are areas where we must use our experience and skill to reach an opinion on the financial statements and performance information.

The term "opinion" reflects the fact that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mind-set. A sceptical mind-set drives us to adopt a questioning approach when considering information and in forming conclusions.

Exercising professional scepticism means that we will not accept everything we are told at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgements and assumptions and weigh them against alternative possibilities.

How we consider compliance with laws and regulations

As part of the Auditor-General's mandate, we consider compliance with laws and regulations that directly affect your financial statements or general accountability. Our audit does not cover all of your requirements to comply with laws and regulations.

Our approach involves first assessing the systems and procedures that you have in place to monitor and manage compliance with laws and regulations relevant to the audit. We may also complete our own checklists. In addition, we will ask you about any non-compliance with laws and regulations that you are aware of. We will evaluate the effect of any such non-compliance on our audit.

Wider public sector considerations

A public sector audit also examines whether:

- the District Council carries out its activities effectively and efficiently;
- waste is occurring or likely to occur as a result of any act or failure to act by the District Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by the District Council or by one or more of its members, office holders, or employees; and
- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by the District Council or by one or more of its members, office holders, or employees.

Reporting protocols

Communication with management and the Council



We will meet with management and the Council throughout the audit. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are “no surprises”.

Reports to Council



We will provide a draft of all reports to management (and Council) for discussion/clearance purposes. In the interests of timely reporting, we ask management to provide their comments on the draft within 10 working days. Once management comments are received the report will be finalised and provided to Council.

We will also follow up on your progress in responding to our previous recommendations.

Audit logistics

Our team



Our engagement team is selected to ensure that we have the right subject matter expertise and sector knowledge.

Our senior audit team members are:

John Whittal	Appointed Auditor
Kelly Vatselias	Audit Manager
Rebecca O'Brien	Supervisor
Rebecca Murphy	Specialist Audit Assurance Services

Timetable



There is a possibility that due to COVID-19 there may be disruptions that will require changes to the proposed timetable. When the disruptions occur and the potential changes to the timetable are known, this will be raised and discussed. We apologise that we are unable to provide certainty on the audit timetable at this stage.

Our proposed timetable is:

Interim audit begins	15 June 2020
Draft report to Council issued	3 July 2020
Pre-final audit	6 July 2020
Draft financial statements available for audit (including notes to the financial statements) with actual year-end figures	14 September 2020
Final audit begins	14 September 2020
Final financial statements available, incorporating all the amendments agreed to between us	19 October 2020
Annual Report available, including any Chair and Chief Executive's overview or reports	19 October 2020
Audit opinion issued	28 October 2020

Expectations



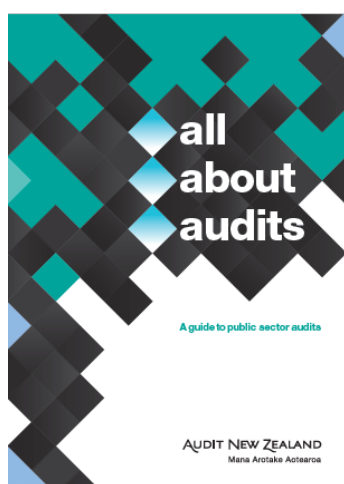
For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

Our respective responsibilities are set out in our Audit Engagement Letter.

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance;
- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the Annual Report, financial statements and performance information will be subjected to appropriate levels of quality review before being provided to us.

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit. We have also published information to help explain the audit process:



Health and safety



The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff.

Under the Health and Safety at Work Act 2015, we need to make arrangements with management to keep our audit staff safe while they are working at your premises.

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required. We also expect management to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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PO Box 99
Wellington 6140
Phone: 04 496 3099



FINANCE, AUDIT AND RISK COMMITTEE

24 JUNE 2020

AGENDA ITEM C3

FINANCE REPORT

Purpose of Report

To present the Finance Report for 31 May 2020.

Recommendations

Officers recommend that the Committee:

1. *Receive the Finance Report.*

1. Executive Summary

Officers present the following Reports for review by the Finance, Audit and Risk Committee:

- Financial statements and commentary to 31 May 2020 (Appendix 1)
- Investment policy update
- Rates arrears report to 31 May 2020

2. Financial and Other Reports

2.1 Financial Statements

The financial statements for the nine months ending 31 May 2020 are presented at this meeting for review. (See Appendix 1). Commentary on material variances is also included with the May financial reports.

2.2 Investment Policy

SWDC's investment policy provides that investments should be spread around a number of financial institutions to reduce the risk of loss to Council.

Clause 2 of the Investment policy covers the 30% rule:

- *The maximum amount to be invested with any one approved institution is 30% of Council's total investments except for the Wairarapa Building Society which shall be 10%.*
- *Occasional and short-term exceedances of the 30% rule are allowed, such exceedances are to be reported to the Audit and Risk Working Party.*

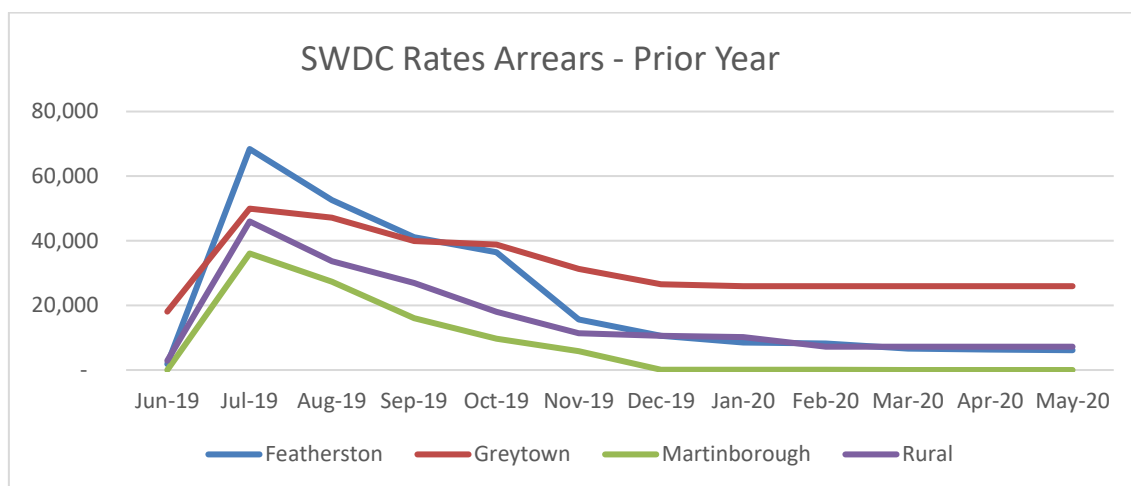
In May BNZ term deposits made up 54% of investments exceeding the 30% threshold at the end of the month. This will be rectified by 31 July 2020.

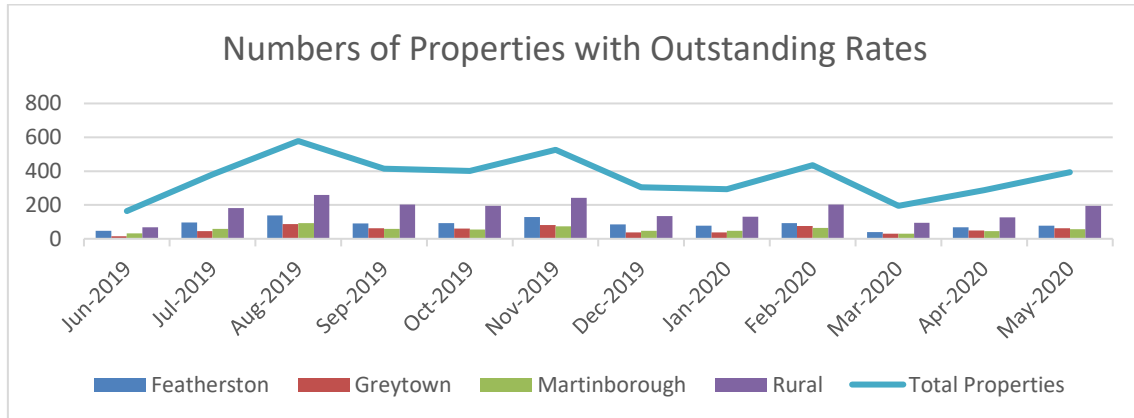
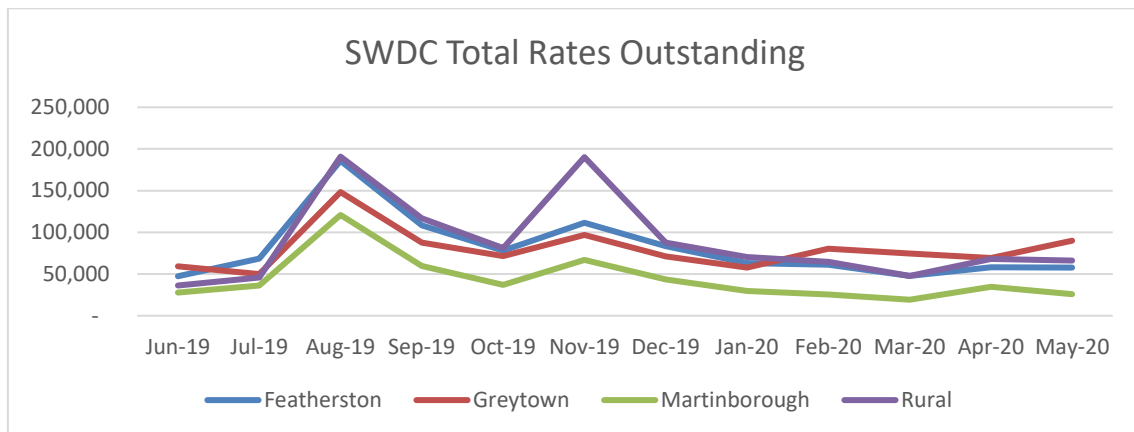
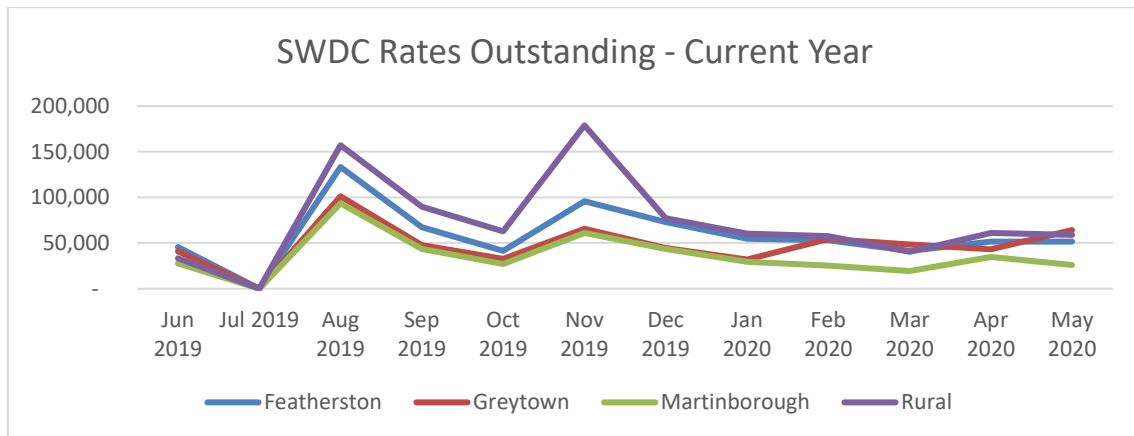
Council staff choose investments to maximise the return via interest payments which sometimes necessitates exceeding the 30% rule.

2.3 Rates Arrears

The rates arrears graphs below show continued improvement in the recovery of overdue rates which is due to a consistent approach to dealing with our overdue debtors.

Please see below the graphs as at 31 May 2020.





At the end of May 2020, the arrears amount was \$39k.

There are now only five ratepayers with arrears dating back to the 2018 year and earlier. Of these 2 have issues with the title of their property and are pending sale, one is bankrupt and we are working with the official assignee, and 2 are lodged with debt collectors.

Officers have registered an increase in the number of ratepayers requiring assistance due to financial hardship.

2.4 Risk Register

The risk register is currently under review. Councils Executive Leadership Team have discussed the register and will be actively contributing to this review. It is expected a draft register will be presented to the Committee by the end of August 2020.

2.5 Customer Survey

The customer survey is currently under review. The strategy the Council sets will inform the survey questions. Council resolved at the May meeting to have this completed by the end of December 2020. There is an LTP strategy day booked in early September.

Officers will continue to report progress at each meeting.

3. Appendices

Appendix 1 – Financial statements to 31 May 2020

Contact Officer: Katrina Neems, Chief Financial Officer

Reviewed By: Harry Wilson, Chief Executive

**Appendix 1 –
Financial statements to
31 May 2020**



**SOUTH WAIRARAPA
DISTRICT COUNCIL**

Kia Reretahi Tātau

Monthly Financial Statements

For the period ended

31 May 2020

Summary Financial Report

Statement of Financial Performance

Statement of Financial Position

Statement of Cashflows

Schedule of Investments

Schedule of Capital Expenditure

South Wairarapa District Council

For the year to 31 May 2020

Financial Report

1. Summary and Highlights

Purpose

The purpose of this report is to provide Council with a commentary on:

Year to date budget vs actual financial results.

Commentary on material variances.

Full year risks (if any) for each significant activity.

Highlights

Operating Surplus year to date is underbudget (\$1,507k). Year to date operating deficit of \$706k against a budgeted year to date surplus of \$801k.

Total Surplus year to date is underbudget (\$2,984k). Total surplus YTD is \$1,474k vs. budget surplus of \$2,984k.

Operating income is underbudget by (\$107k).

Operating Expenditure is overbudget by (\$1,400k).

Working Capital which expresses the ability of council to meet its short-term obligations is strong with a ratio in excess of 4.2 times, and a total value of \$13,833k.

Interest cost 3.95% of rates revenue, SWDC maximum 12%.

Current Net debt \$21,900k, at 2.76% average borrowing rate.

Budgets have been phased based on last year's actual spend. Some variances are due to actual spending patterns being different between years.

2. Statement of Financial Performance

Operating Income

Rates

0% Rates revenue overbudget \$66k. Revenue from rates penalties is underbudget (\$19k). Overall income from rates and penalties is on budget.

Interest Revenue

37% Interest received on term deposits underbudget (\$208k) variance YTD. This reflects lower short-term deposit rates, and timings of investments and capital expenditure.

User Levies

6% Underbudget by \$33k. The variance reflects reduced activity during lockdown, e.g. rubbish bag sales and transfer station usage, which we expect to see recover slightly as lockdown restrictions are eased.

Fees & Licences

7% Underbudget by \$78k. Dog Licences underbudget by \$15k, mainly due to a prior year adjustment. Animal Control Fines underbudget by \$7k. Resource consents and fines underbudget (\$14k). Building consents underbudget (\$18k). Public protection & health fees & licences underbudget (\$18k).

NZTA Subsidy

4% Overbudget by \$46k.

Rental / Hire

3% Underbudget by \$15k.

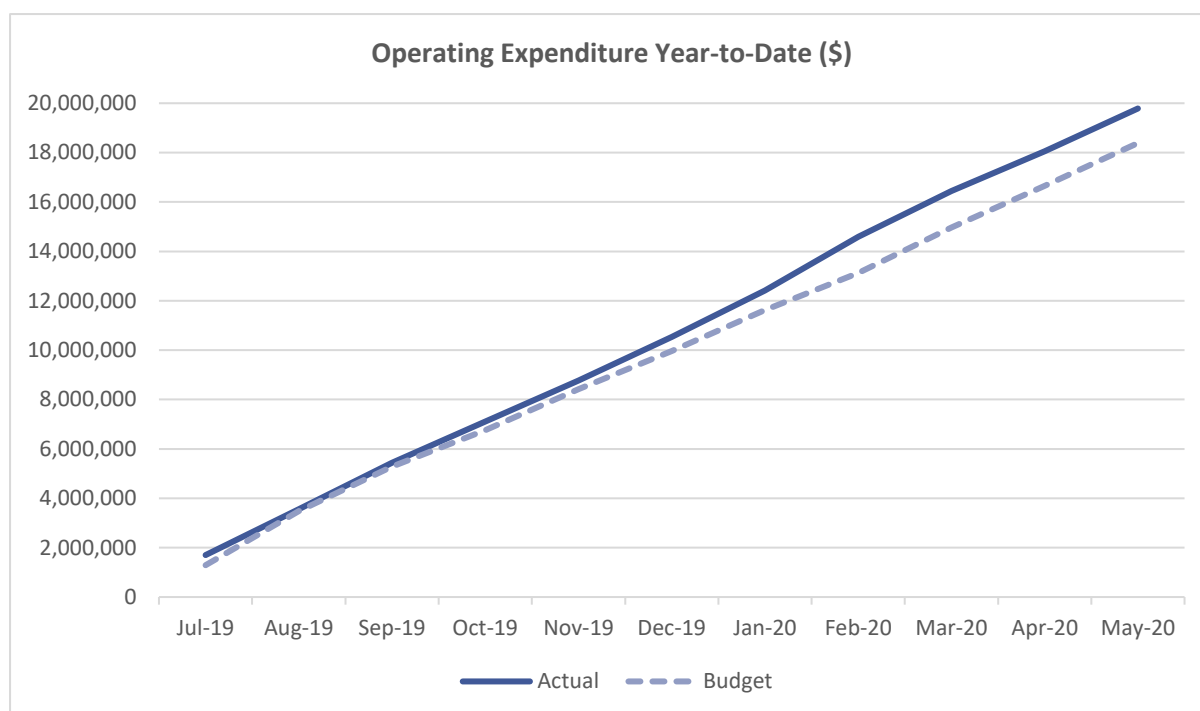
Miscellaneous Income

227%

Overbudget \$126k. The miscellaneous income is made up of:

- \$59k commission from GWRC for collection of rates,
- \$50k from MBIE for the Tourism Infrastructure Fund for toilets for Sandy Bay, White Rock, and Ngawi,
- \$53k from sale of bailage etc., and
- \$7k from sale of water tanks.

Operating Expenditure



8%

Corporate Services

Overbudget by \$169k.

- Personnel expenses are overbudget by \$220k. There are several reasons for this.
 - Firstly, extra resourcing was added being a part time Health and Safety Officer, short term Communications Assistant, Property and Policy Coordinator, and more recently a Customer Services/Enquiries Administrator.
 - The recent restructure has changed some reporting lines and added new roles of Policy and Governance Manager (formerly P&P Coordinator), HR and Corporate Services Manager (formerly HR Manager), and Senior Financial Accountant (formerly Finance Manager).
 - At the same time internal salaries of some staff were reassessed to better align them with the current market.
- The overspend in personnel expenses is partially offset in operating costs (\$45k underbudget) and finance costs (\$4k underbudget).

52%

In-house Professional Services

Overbudget by \$547k.

Salaries & wages including Wellington Water Management fee overbudget (\$527k). There are several factors contributing to this.

- Two new positions were established being a temporary fixed term role for a Transition Manager and also a Water Races Coordinator.
- Some existing roles had salary reassessments to ensure they were aligned with current market expectations and an employment matter was settled.
- In addition, it was a necessary to increase the resources for Wellington Water.

Legal expenses were overbudget (\$27k) and relate to resourcing. This was partially offset by underbudget spending across other areas of operating expenses.

Governance, Leadership & Advocacy

3% Underbudget by \$16k, mainly due to delayed activities from Community Boards during the Covid-19 restrictions.

Reduced costs in Community Boards (combined underspend of \$42k) have been partially offset by increased costs in other areas:

- election expenses (\$15k over budget). The cost of this year's election is to be split over three years and an adjustment will be made in accounts once a full reconciliation is completed. Also contributing to this overspend is the unbudgeted costs for the Community Boards byelections. Costs are still coming in for this however were quoted at \$18k for each contested byelection and \$2-3k if uncontested.
- advertising (\$10k over budget)
- conference & seminars (\$8k over budget). These additional costs related to induction and strategy planning for Community Boards and the Finance, Assurance & Risk committee.

Public Protection

2% Overbudget by \$25k. Lower than expected costs in Animal Control (\$43k underbudget) have been partially offset by increased personnel costs and costs of external consultants in Building & Construction (\$71k overbudget).

Resource Management

17% Overbudget by \$92k. The higher than budgeted costs are partially related to recruitment of a Planning Manager. This resulted in \$17k of recruitment agency fees and \$20k of consultant cover during the recruitment process, neither of which had been budgeted.

Consultants overall is \$77k overbudget, including the unbudgeted \$20k covering cost.

Economic Cultural & Community Development

2% Underbudget by \$8k. Additional community grants were claimed in May, reducing the overall variance.

Amenities

0% Overbudget by \$12k. Some notable variances are:

Swimming Pools

Overbudget, by \$40k, due to essential maintenance work required before the start of the new season.

Community Buildings - includes Wahinga Centre, and Greytown Town Hall

Underbudget by \$24k.

Cemeteries

Underbudget by \$47k.



Rental Properties and Housing

Overbudget by \$40k. \$26k of this being for building repairs and maintenance.



Parks, Reserves, and Campgrounds

Underbudget by \$19k. Legal costs related to Lake Ferry campground (\$6k overbudget) were partially offset by reduced finance and works costs in reserves.



Libraries

Overbudget by \$31k, due to personnel costs.



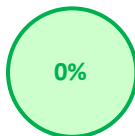
Pain Farm

Overbudget by \$32k. \$40k unbudgeted cost for repairs and maintenance, partially offset by savings in legal and consultant costs. This will be transferred to the Pain Farm Reserve at year end.



Toilets

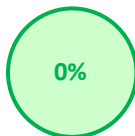
Underbudget \$37k. Routine Maintenance is under budget due to phasing.



Land Transport

Underbudget by \$1k.

Due to Covid 19 the full operating budget is not anticipated to be spent by 30 June 2020. An application to carry over unspent opex will be made to council once the final cost for the year have been finalised.



Solid Waste Management

Underbudget by \$3k.

Works costs were under budget by \$71k in May which improved the year-to-date position.



Water Supply

Overbudget by \$363k.

City Care - \$100k due to an extra claim from City Care for unbilled work in progress at the end of their contract.

Wellington Water – 33% (\$178k) over budget YTD and forecast to be 39% (\$234k) over budget for the full year due to the following:

Network - \$276k forecast full year overspend

Increase is due to:

- An uplift in service levels.
- Increased public awareness and expectation since WWL has been managing the operation.
- Deferred maintenance and approx. 30 backlog jobs from Citycare.
- Increase in jobs on the Martinborough network.

Partially offset by:

- Decreases number of requests for service under the Covid-19 lockdown.
- Adjustments in May to correct \$59k capital costs allocated to operating.

Investigations - \$22k forecast full year overspend

- Waiohine Water Treatment Plant catchment study (\$14k)
- Memorial Park Bore catchment risk assessment (\$9k)
- Boar Bush emergency water supply study due in June (\$10k)

Other - \$17k unbudgeted increase in insurance costs has also contributed.

Wastewater

7%

Over budget by \$122k.

City Care - \$40k due to an extra claim from City Care for unbilled work at the end of their contract.

Wellington Water – 59% (\$163k) over budget YTD and forecast to be 58% (\$178k) over budget for the full year due to:

Risk reduction:

- Assessment and improvement of wastewater treatment plant operations and development of O&M manuals (\$39k)
- Increased monitoring and sampling (\$55k)
- Water quality investigations (\$35k)
- Critical spares for the treatment plants (\$10k)

Significant failures:

- Martinborough wastewater treatment plant irrigator failures and deferred maintenance (\$20k)
- Greytown wastewater treatment plant irrigator failures and commissioning problems (\$25k)

Stormwater Drainage

30%

Over budget by \$49k.

City Care – \$20K due to an extra claim from City Care for unbilled work at the end of their contract.

Wellington Water - 46% (\$13k) over budget YTD and forecast to be 54% (\$17k) over budget for the full year, mainly due to increased monitoring and sampling (\$15k)

Capital Expenditure Income

NZ Transport Agency

10%

Overbudget by \$104k.

Grants

67%

Total grants income of \$67k to date, which is \$133k underbudget.

Donations of \$53k for the Wahinga Centre Playground are being invoiced in June. All pledges for donations for the Wahinga Centre itself have until 31 March 2021 to be actualised.

Contributions

3%

Overbudget by \$27k. 88% of full year budgeted revenue has been earned.

3. Statement of Financial Position

Working Capital

Working capital (current assets less current liabilities) is \$13,867k (30 June 2019 \$13,804k).

Prepayments and Receivables

Prepayments and receivables total \$2,132k. Key components are Rates Receivable \$441k, NZTA subsidies & petrol tax receivable of \$437k, General Debtors \$382k, Water Debtors \$91k.

Investments

Term deposits exceeded the maximum amount to be invested any one institution with BNZ deposits being 54% at 31 May 2020. Maximum allowed is 30%. This is a short term position and will be rectified by 31 July 2020.

Payables and Accruals

Payables and accruals total \$3,830k. Key items are Rates owing to GWRC \$989k, Sundry Creditors \$758k, Rates in advance \$191k, Contract retentions \$113k, accrued expenses not yet invoiced \$108k.

Gross Public Debt

Total public debt stands at \$21,900k which is \$2,000k higher than 30 June 2019 due to the need to cover costs of the Manganese plant and prior year expenses related to the Featherston Wastewater Treatment Plant Disposal to Land. Our average interest rate on borrowings is 2.76%.

South Wairarapa District Council

Statement of Financial Performance

For the Period End 31 May 2020

Last Year		Current Year			Full Year	
Actual		Actual	Budget	Variance	Budget	%
<u>Operating Income</u>						
14,025,693	Rates	14,826,236	14,760,039	66,197	14,760,039	100.4%
119,535	Rates Penalty	108,709	128,093	(19,384)	128,000	84.9%
396,590	Interest	354,829	562,688	(207,859)	613,601	57.8%
19,164	Internal Interest Loans	19,221	19,174	47	20,885	92.0%
1,118,538	Fees & Licences	1,109,980	1,187,881	(77,901)	1,275,531	87.0%
561,795	User Levies	527,181	559,711	(32,530)	733,008	71.9%
68,526	Commissions	70,666	69,189	1,477	75,350	93.8%
1,218,845	NZ Transport Agency Subsidy	1,243,328	1,197,438	45,890	1,306,292	95.2%
93,468	Petrol Tax	90,671	78,365	12,306	84,729	107.0%
39,169	Grants, Donations & Subsidies	7,817	13,980	(6,163)	15,198	51.4%
503,519	Rental / Hire	541,805	556,661	(14,856)	615,630	88.0%
26,214	Miscellaneous Income	181,165	55,320	125,845	87,778	206.4%
18,191,055		19,081,609	19,188,539	(106,930)	19,716,041	96.8%
<u>Operating Expenditure</u>						
1,925,330	Corporate Services	2,264,829	2,093,399	(171,430)	2,282,419	99.2%
980,487	In-House Professional Services	1,610,412	1,062,560	(547,852)	1,163,872	138.4%
480,898	Governance, Leadership & Advocacy	516,318	523,241	6,923	592,933	87.1%
1,249,492	Public Protection	1,419,049	1,393,244	(25,508)	1,539,097	92.2%
430,438	Resource Management	650,844	557,096	(93,748)	611,287	106.5%
378,790	Economic, Cultural & Community Develop	390,010	397,608	7,598	466,482	83.6%
2,578,999	Amenities	2,684,395	2,669,723	(14,672)	2,877,375	93.3%
4,219,211	Land Transport	4,328,409	4,329,665	1,256	4,728,960	91.5%
2,466,482	Water Supply	2,510,072	2,146,935	(363,137)	2,332,828	107.6%
1,411,128	Solid Waste Management	1,364,714	1,367,444	2,730	1,497,401	91.1%
1,689,423	Sewerage	1,776,929	1,654,678	(122,251)	1,806,971	98.3%
148,076	Stormwater Drainage	209,834	161,647	(48,187)	173,927	120.6%
18,842	Rate Debtors Written Off	20,267	30,000	9,733	30,000	67.6%
4,282	Bad Debts	163	-	(163)	-	0.0%
	Loss on Sale of Assets	58,456	-	(58,456)	-	0.0%
17,981,877		19,804,700	18,387,240	(1,417,163)	20,103,552	98.5%
209,178	Operating Surplus/(Deficit)	(723,091)	801,299	(1,524,092)	(387,511)	
<u>Other Income</u>						
818,773	NZTA CAPEX Subsidy	1,117,972	1,014,006	103,966	1,106,148	101.1%
417,578	Grants, Donations & Subsidies	66,619	200,000	(133,381)	200,000	33.3%
1,255,435	Contributions	994,938	968,264	26,674	1,135,828	87.6%
589,137	Assets Vesting in Council	64	-	64	-	0.0%
3,080,923		2,179,593	2,182,270	(2,677)	2,441,976	89.3%
<u>Other Expenditure</u>						
654,888		-	-	-	-	0.0%
2,635,214	Total Surplus/(Deficit)	1,456,502	2,983,569	(1,526,770)	2,054,465	70.9%
Included in the operating expenditure is:						
4,120,224	Depreciation	4,430,561	4,203,586	(226,975)	4,614,493	96.0%
566,657	Interest Expense	584,977	647,344	62,367	706,767	82.8%

South Wairarapa District Council

Statement of Financial Position

As at 31 May 2020

	May 2020	June 2019	Movement
<u>Assets</u>			
<i>Current Assets</i>			
Cash and Bank	591,054	649,448	(58,394)
Short Term Deposits	15,389,204	12,607,033	2,782,171
Prepayments and Receivables	2,136,623	2,265,538	(128,915)
Inventories	57,163	11,809	45,354
Properties Intended for Sale	-	1,500,000	(1,500,000)
	<u>18,174,043</u>	<u>17,033,827</u>	<u>1,140,215</u>
<i>Non-Current Assets</i>			
Intangible Assets	55,705	87,061	(31,356)
Investment Properties	8,846,350	9,100,000	(253,650)
Investments	492,298	410,298	82,000
Property Plant and Equipment	450,657,952	447,073,128	3,584,824
	<u>460,052,305</u>	<u>456,670,487</u>	<u>3,381,818</u>
Total Assets	<u><u>478,226,348</u></u>	<u><u>473,704,314</u></u>	<u><u>4,522,034</u></u>
<u>Liabilities</u>			
<i>Current Liabilities</i>			
Payables and Accruals	3,869,368	3,042,749	826,618
Employee Entitlements	472,066	233,153	238,913
Provisions - Current Portion	-	34,334	(34,334)
	<u>4,341,434</u>	<u>3,310,236</u>	<u>(1,031,198)</u>
<i>Non-Current Liabilities</i>			
Public Debt - Non Current Portion	21,900,000	19,900,000	2,000,000
Provisions - Non Current Portion	458,401	424,067	34,334
	<u>22,358,401</u>	<u>20,324,067</u>	<u>(2,034,334)</u>
<i>Equity</i>			
Public Equity	154,156,474	151,443,213	2,713,260
Special Separate and Trust Funds	25,517,397	25,517,397	-
Asset Revaluation Reserve	271,852,397	273,109,155	(1,256,758)
Other Reserves	245	245	-
	<u>451,526,513</u>	<u>450,070,011</u>	<u>1,456,502</u>
Total Liabilities & Equity	<u><u>478,226,348</u></u>	<u><u>473,704,314</u></u>	<u><u>(4,522,034)</u></u>

South Wairarapa District Council

Statement of cashflows

AS AT 31 MAY 2020

	31 MAY 2020	31 MAY 2019	30 JUNE 2019
<u>OPERATING ACTIVITIES</u>			
Cash was provided from:			
Rates	15,347,144	14,960,826	14,570,014
Grants & Subsidies	2,364,318	3,293,379	3,711,861
Petrol Tax	73,654	74,560	99,934
Other Income	4,183,161	3,649,854	3,143,992
Interest on Investments	319,166	331,938	419,625
Total Operating Cash Inflow	22,287,444	22,310,557	21,945,426
Cash was applied to:			
Payments to Suppliers & Employees	14,586,537	14,900,312	15,925,247
Interest Paid	622,800	613,704	615,420
Total Operating Cash Outflow	15,209,337	15,514,016	16,540,666
Net Cashflow from Operating Activities	7,078,106	6,796,541	5,404,759
<u>INVESTING ACTIVITIES</u>			
Cash was provided from:			
Sale of Property, Plant & Equipment	-	-	-
Term Investments, Shares & Advances	2,669,000	4,263,449	16,643,406
Total Investing Cash Inflow	2,669,000	4,263,449	16,643,406
Cash was applied to:			
Purchase of Property, Plant & Equipment	6,434,329	9,571,075	9,555,789
Term Investments, Shares & Advances	2,669,000	461,131	14,638,000
Total Investing Cash Outflow	9,103,329	10,032,206	24,193,789
Net Cashflow from Investing Activities	(6,434,327)	(5,768,755)	(7,550,383)
<u>FINANCING ACTIVITIES</u>			
Cash was provided from:			
Public Debt	5,000,000	4,400,000	6,400,000
Total Financing Cash Inflow	5,000,000	4,400,000	6,400,000
Cash was applied to:			
Repayment of Public Debt	3,000,000	2,000,000	4,000,000
Total Financing Cash Outflow	3,000,000	2,000,000	4,000,000
Net Cash Flow from Financing Activities	2,000,000	2,400,000	2,400,000
NET INCREASE / (DECREASE) IN CASH	2,643,779	3,427,787	254,377
OPENING BALANCE AS AT 1 JULY 2019	13,336,480	4,211,621	4,211,179
CLOSING BALANCE AS AT 31 MAY 2020	\$ 15,980,259	\$ 7,639,408	\$ 4,465,554
<u>REPRESENTED BY:</u>			
Cash and Cash equivalents	15,980,259	7,639,407	4,465,554
	-	-	-
\$ 15,980,259	\$ 7,639,407	\$ 4,465,554	

SUMMARY OF INVESTMENTS AS AT 31 MAY 2020

ORGANISATION	INTEREST RATE	INVESTED DATE	MATURITY DATE	Term	TOTAL INVESTED	INVESTED FUNDS %	AUTHORISED FUNDS %
SHORT TERM FUNDS							
ASB Bank							
ASB Call account					\$526,235.74		
Term Deposit	2.77%	28-Jan-20	26-Jul-20	180 days	\$1,000,000.00		
Term Deposit	2.63%	31-Oct-19	19-Oct-20	354 days	\$225,000.00		
Term Deposit	2.70%	22-Nov-19	21-Nov-20	365 days	\$1,500,000.00		
					\$3,251,235.74	21%	30%
ANZ Bank							
ANZ Call Account					\$51.61		
Term Deposit	2.85%	22-Aug-19	21-Aug-20	365 days	\$1,000,000.00		
					\$1,000,051.61	6%	30%
BNZ Bank							
BNZ Call Account					\$279,131.62		
Term Deposit	2.81%	22-Nov-19	23-Nov-20	367 days	\$1,000,000.00		
Term Deposit	2.82%	27-Jan-20	25-Jul-20	180 days	\$1,000,000.00		
Term Deposit	2.76%	21-Feb-20	22-Feb-21	367 days	\$1,000,000.00		
Term Deposit	0.35%	24-Apr-20	21-May-21	27 days	\$1,000,000.00		
Term Deposit	0.21%	29-May-20	22-Jun-20	24 days	\$2,000,000.00		
Term Deposit	0.36%	29-May-20	20-Jul-20	52 days	\$1,000,000.00		
Term Deposit	2.21%	29-May-20	31-May-21	367 days	\$1,000,000.00		
					\$8,279,131.62	54%	30%
Wairarapa Building Society							
WBS Call Account					\$1.32		
Term Deposit	3.05%	22-Nov-19	21-Nov-20	365 days	\$197,570.44		
Term Deposit	3.05%	25-Nov-19	24-Nov-20	365 days	\$191,452.32		
	3.05%	21-Dec-19	20-Dec-20	366 days	\$155,325.00		
					\$544,349.08	4%	10%
Westpac Bank							
Westpac Call Account					\$14.61		
Term Deposit	3.05%	24-Jun-19	24-Jun-20	365 days	\$1,314,421.02		
Term Deposit	2.75%	21-Aug-19	20-Aug-20	365 days	\$1,000,000.00		
					\$2,314,435.63	15%	30%
TOTAL					\$15,389,203.68	100%	100%
INVESTMENTS							
LGFA Borrower Bonds	3.01%	20-Jun-16	15-Apr-23		\$28,800.00		
LGFA Borrower Bonds	2.81%	20-Jun-16	15-May-21		\$91,200.00		
LGFA Borrower Bonds	1.95%	15-Mar-19	15-Apr-20		\$48,000.00		
LGFA Borrower Bonds	2.03%	15-Mar-19	15-Apr-20		\$22,400.00		
LGFA Borrower Bonds	2.47%	15-Mar-19	15-Apr-20		\$32,000.00		
LGFA Borrower Bonds	2.98%	21-Aug-17	15-May-22		\$40,000.00		
LGFA Borrower Bonds	3.08%	19-Feb-18	15-Apr-23		\$24,000.00		
					\$286,400.00		
FORESTRY							
Plantation - Hurupi Stock					\$9,305.00		
					\$9,305.00		
SHARES							
Farmlands					\$1,159.00		
NZ Local Government Insurance Company					\$81,434.30		
Wellington Water Limited					\$50,000.00		
					\$132,593.30		
TOTAL INVESTMENTS					\$15,817,501.98		

SOUTH WAIRARAPA DISTRICT COUNCIL
SCHEDULE OF CAPITAL EXPENDITURE
FOR THE PERIOD ENDED 31 MAY 2020

DESCRIPTION	Year to Date		Annual	Budget	Total Budget Available	Percentage spent	Carry
	Actual	Budget	Budget	Brought Forward from Prev Years		Year to date	Forward to 2020/21
Baseline CAPEX:							
Amenities	910,436	1,144,354	1,248,386	1,119,102	2,367,488	38%	1,457,052
Water Supply	3,639,824	2,220,143	2,547,854	716,290	3,264,144	112%	
Solid Waste Management	266,013	114,510	124,920	331,355	456,275	58%	190,262
Stormwater Reticulation	-	51,541	56,226	108,379	164,605	0%	164,605
Wastewater	587,127	1,020,452	1,113,220	1,931,507	3,044,727	19%	2,457,600
Land Transport	1,603,404	2,181,932	2,380,289	-	2,380,289	67%	776,885
Information Technology	63,530	72,523	79,116	53,753	132,869	48%	69,339
Council Property	64,864	83,590	91,189	636,433	727,622	9%	662,758
	\$ 7,135,198	\$ 6,889,043	\$ 7,641,200	\$ 4,896,818	\$ 12,538,018	57%	\$ 5,778,500

FINANCE AUDIT AND RISK COMMITTEE

24 JUNE 2020

AGENDA ITEM C4

ACTION ITEMS REPORT

Purpose of Report

To present the Committee with updates on actions and resolutions.

Recommendations

Officers recommend that the Committee:

1. *Receive the Finance Audit and Risk Action Items Report.*

1. Executive Summary

Action items from recent meetings are presented to the Committee for information. The Chair may ask the Finance Manager for comment and all members may ask the Finance Manager for clarification and information through the Chair.

If the action has been completed between meetings it will be shown as 'actioned' for one meeting and then will remain in a master register but no longer reported on. Procedural resolutions are not reported on.

2. Appendices

Appendix 1 – Action items to 24 June 2020

Contact Officer: Suzanne Clark, Committee Advisor

Reviewed By: Katrina Neems, Finance Manager

Appendix 1 – Action Items to 24 June 2020

Number	Raised Date	Action Type	Responsible Manager	Action or Task details	Open	Notes
245	11-Dec-19	Action	Katrina	Review the Reserves Policy to establish a process for when use of the reserve funds would cause the fund to enter a negative balance	Open	22/06/2020 Deferred due to AP. Review for August FAR Should refer to Financial Contributions Policy
246	11-Dec-19	Action	Katrina	Review the Investment Policy in June 2020, specifically noting the opportunity to review investment opportunities to get a higher return versus a higher level of risk	Open	22/06/2020 Deferred due to AP. Review for August FAR
247	11-Dec-19	Action	Katrina	Circulate a working draft of revised strategic risk register as well as an operational risk register to FAR members	Open	22/06/2020 Officers are actively working on this and will update FAR on progress at each meeting
248	11-Dec-19	Action	Euan	Find out the background to the Bonny Glen landfill risk and update FAR Committee members	Open	22/06/2020 Need to followup
249	11-Dec-19	Action	Karen	Review the Sensitive Expenditure Policy in March 2020 to ensure best practice guidelines are followed	Open	13/3/20: Deferred due to Annual Plan time commitment
250	11-Dec-19	Action	Karen	Review the Procurement and Contract Management Policy in March 2020 to ensure it covers all procurement and management activities	Open	13/3/20: Deferred due to Annual Plan time commitment
186	21-May-20	Action	Katrina	Ensure the organisational roles in the Delegations Policy match the delegations descriptions and that all roles are described	Actioned	22/06/2020 Completed - updated Financial Delegations Policy for June meeting
187	21-May-20	Action	Katrina	Insert (Ruamāhanga) after Roading Manager in the roles descriptions of the Delegations Policy	Actioned	22/06/2020 Completed - updated Financial Delegations Policy for June meeting
188	21-May-20	Action	Katrina	Review the Common Seal section of the Delegations Policy and consider whether additional wording or reference to the Common Seal Policy needs to be included for clarity of use	Actioned	22/06/2020 Completed - updated Financial Delegations Policy for June meeting
189	21-May-20	Action	Katrina	Review other Councils' delegation's policies wording and dollar amounts for unplanned and unbudgeted expenditure with a view to clarifying the meaning and practical application wording in SWDC's Delegation Policy	Actioned	22/06/2020 Completed - updated Financial Delegations Policy for June meeting

Number	Raised Date	Action Type	Responsible Manager	Action or Task details	Open	Notes
190	21-May-20	Action	Katrina	Review whether the delegation for unplanned expenditure is for an entire job or whether this could be split into smaller jobs	Actioned	22/06/2020 Completed - updated Financial Delegations Policy for June meeting
191	21-May-20	Action	Katrina	Work towards revising the financial accounts to include a rolling forecast alongside the full year budget.	Open	22/06/2020 changes to financial reporting are ongoing