



Assurance and Risk Committee Meeting Agenda – 9 August 2023

NOTICE OF MEETING

This meeting will be held in the Supper Room, Waihinga Centre, 62 Texas Street, Martinborough and via audio-visual conference, commencing at 2:45pm. The meeting will be held in public and will be live-streamed and will be available to view on our [YouTube channel](#).

Committee Membership: Mayor Martin Connelly, Deputy Mayor Melissa Sadler-Futter, Councillor Aidan Ellims, Councillor Alistair Plimmer, Councillor Kaye McAulay and Karen Mikaera (Māori Standing Committee representative).

All meeting agendas and minutes can be found on the SWDC website: <https://swdc.govt.nz/meetings/>

Open Section

A1. Mihi / Karakia Timatanga - Opening

A2. Apologies

A3. Conflicts of interest

A4. 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.

A5. Actions from public participation

A6. Extraordinary business

A7. Confirmation of Minutes

Pages 1-3

Proposed Resolution: *That the minutes of the Assurance and Risk Committee meeting held on 3 May 2023 are a true and correct record.*

A8. Matters arising from previous minutes.

B Information Reports from Chief Executive and Staff

B1. Finance Report

Pages 4-69

B2. Policy and Governance Update

Pages 70-86

C. Public Excluded

C1. Confirmation of Public Excluded Minutes

(distributed separately)

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

Report/General Subject Matter	Reason for passing this resolution in relation to the matter	Ground(s) under Section 48(1) for the passing of this Resolution
Minutes from the Assurance and Risk Committee meeting held on 3 May 2023 (IT Systems and Architecture – Risk Management Report)	Good reason to withhold exists under Section 7(2)(j)	Section 48(1)(a)

This resolution is made in reliance on Section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public are as follows:

Reason for passing this resolution in relation to the matter	Ground(s) under Section 48(1) for the passing of this Resolution
The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage.	Section 7(2)(j)

D. Karakia Whakamutunga - Closing



Assurance and Risk Committee Minutes from 3 May 2023

Present:	Bruce Robertson (Independent Chair), Mayor Martin Connelly (from 12:45pm), Deputy Mayor Melissa Sadler-Futter and Councillor Alistair Plimmer.
Apologies:	Councillors Kaye McAulay and Aidan Ellims; Harry Wilson (Chief Executive Officer)
In Attendance:	Paul Gardner (Acting Chief Executive/General Manager HR and Corporate Services), Amanda Bradley (General Manager Policy and Governance), Russell O’Leary (Group Manager Planning and Environment), Karon Ashforth (General Manager Finance) Tim Langley (Roading Manager) and Amy Andersen (Committee Advisor).
Also in attendance:	Jacques Du Toit (Audit New Zealand, Associate Audit Director).
Conduct of Business:	This meeting was held in the Supper Room, Waihinga Centre, 62 Texas Street, Martinborough and via audio-visual conference. This meeting was live-streamed is available to view on our YouTube channel. The meeting was held in public under the above provisions from 12:33pm to 2:43pm except where expressly noted.

A Open Section

A1. Karakia Timatanga - Opening

Mr Gardner opened the meeting.

A2. Apologies

COUNCIL RESOLVED (A&R2023/01) to accept apologies from Cr McAulay, Cr Ellims and Mr Wilson; and from Mayor Connelly for lateness.

(Moved Robertson /Seconded Deputy Mayor Sadler-Futter)

Carried

A3. Conflicts of Interest

The following conflicts of interest were declared by Mr Robertson: Board Advisory positions in the Wellington area and Independent Chairperson of the Assurance and Risk Committees for Wellington City Council and the Ministry of Primary Industries.

A4. Public Participation

There was no public participation.

A5. Actions from public participation

There was no public participation.

A6. Extraordinary Business

There was no extraordinary business.

A7. Matters from previous minutes

There were no matters arising from previous minutes.

B Decision Reports from Chief Executive and Staff

B1. Draft Annual Report 2021/22

Ms Ashforth spoke to matters in the report and provided an update on the process taken prior to the presentation of the draft Annual Report 2021/22.

Mr Robertson discussed the role of the Assurance and Risk Committee to marshal through the delivery of the Annual Report.

Members queried the process of the report's sign off and responsibilities associated with this; whether an additional workshop on the report was required, whether Audit NZ had any concerns.

The meeting was adjourned at 1:15pm.

The meeting was reconvened at 1:30pm.

Members confirmed there would not be another workshop on the draft Annual Report prior to Council meeting scheduled for 7 June 2023.

Finance and Executive Leadership teams were commended by the Committee for their efforts in completing the report.

ASSURANCE AND RISK COMMITTEE RESOLVED (AR2023/02) to:

1. Receive Draft Annual Report 2021/22 Report.
2. Recommend to Council:
 - i. To adopt the 2021/22 Annual Report.
 - ii. To adopt the 2021/22 Summary Annual Report.
 - iii. To recommend the Mayor and Chief Executive sign these reports.
3. That the Assurance and Risk Committee's Independent Chair monitor and consider any outstanding matters relating to the Annual Report 2021/22 prior to 7 June 2023.

[Items 1-3 read together]

(Moved Robertson/Seconded Cr Plimmer)

Carried

C Information Reports from Chief Executive and Staff

C1. Policy and Governance Update

Ms Bradley spoke to matters in the report. Members queried the risk register content, format and priorities; risk appetite statement; whether the current list requires further workshopping with all of Council; and risk analysis measures.

Members acknowledged Council staff for their response to recent severe weather events and emergencies.

Members queried the presentation and organisation of the policy framework document; liquor licensing process and bylaws.

ASSURANCE AND RISK COMMITTEE RESOLVED (AR2023/03) to receive the Policy and Governance Update Report.

(Moved Robertson/Seconded Deputy Mayor Sadler-Futter)

Carried

C2. Waka Kotahi Investment Audit

Mr Langley spoke to matters in the report. Members queried the implementation of Waka Kotahi’s recommendations; the relationship between the final claim and general ledger; adjusting practices relating to financial records and procurement processes.

ASSURANCE AND RISK COMMITTEE RESOLVED (AR2023/04) to receive the Waka Kotahi Investment Audit.

(Moved Robertson/Seconded Mayor Connelly)

Carried

D Public Excluded Business

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

Report/General Subject Matter	Reason for passing this resolution in relation to the matter	Ground(s) under Section 48(1) for the passing of this Resolution
IT Systems and Architecture – Risk Management	Good reason to withhold exists under section 7(2)(j)	Section 48(1)(a)

This resolution (A&R2023/05) is made in reliance on Section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public are as follows:

Reason for passing this resolution in relation to the matter	Ground(s) under Section 48(1) for the passing of this Resolution
The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage.	Section 7(2)(j)

(Moved Robertson/Seconded Cr Plimmer)

Carried

E Karakia Whakamutunga – Closing

Ms Bradley closed the meeting.

The meeting closed at 2:43pm.

Confirmed as a true and correct record

.....(Mayor)

.....(Date)

Finance Report

1. Purpose

To inform Council of the Financial Results YTD May 2023 and other relevant financial updates on Audit, Annual Reports, and Water Services Reform Programme.

This report is presented to both the Finance Committee and the Assurance and Risk Committee due to related subjects for both committees.

2. Recommendations

Officers recommend that the Finance Committee and Assurance and Risk Committee:

1. Receive the Finance Report as of 31 May 2023.
2. Inform and receive an update on insurance premiums summary and proposed increases for 2023-24.
3. Receive an update on the interim audit, final audit and Annual Report for year ended 2022/23.
4. Receive and inform Fair Value Assessment of Infrastructure Assets report.
5. Inform and receive a change to Financial Reporting PBE IPSAS Tier 2 to PBE IPSAS Tier 1 transition 2024-25.
6. Inform and receive update on Water Services Reform Programme for the Finance and Commercial workstream.
7. Inform and receive update on Rating Review project.
8. Inform and receive update LINZ 2023 Revaluation Schedule
9. Inform and receive LGOIMA's register April-July 2023.
10. Inform and receive Financial Delegated Policy.

3. Items for Consideration

3.1 Finance Report as at 31 May 2023

Full report in Appendix 1.

3.2 Insurance

The insurance premiums from Marsh (above ground assets) for the period 1 July 2023 to 30 June 2024 have just been issued, with an average increase of 56%.

Insurers are now covering less, increasing premiums and increasing excess allowances. This combined with an increase in asset values and inflationary challenges has led to this increase.

The insurance premiums from the Local Authority Protection Programme (LAPP), (below ground assets) for the period 1 November 2023 to 31 October are not yet due. The table below summaries the new premiums for 2023-24 and the LAPP premium has been forecasted to increase by 15%.

The forecast below indicates that the budget for 2023-24 compared to actual premiums received is currently \$12k (2%) over budgeted. This will be confirmed when the LAPP premiums are received later in the year.

<i>All figures excl GST</i>			Insurance Premiums			
Insurer	List of Policies		2022/23	2023/24	Variance	% var
Marsh Limited	General Liability	1 Jul-30 Jun	\$ 358	\$ 395	\$ 37	10%
Marsh Limited	Employers Liability	1 Jul-30 Jun	\$ 540	\$ 567	\$ 27	5%
Marsh Limited	Personel Accident	1 Jul-30 Jun	\$ 948	\$ 1,024	\$ 76	8%
Marsh Limited	Environmental Liability	1 Jul-30 Jun	\$ 1,579	\$ 1,500	-\$ 79	-5%
Marsh Limited	Commercial	1 Jul-30 Jun	\$ 3,395	\$ 4,069	\$ 674	20%
Marsh Limited	Statutory Liability	1 Jul-30 Jun	\$ 5,130	\$ 5,643	\$ 513	10%
Marsh Limited	Motor Vehicles	1 Jul-30 Jun	\$ 5,613	\$ 9,128	\$ 3,515	63%
Marsh Limited	Crime	1 Jul-30 Jun	\$ 8,181	\$ 9,408	\$ 1,227	15%
Marsh Limited	Consulting Fee	1 Jul-30 Jun	\$ 9,240	\$ 9,935	\$ 695	8%
Marsh Limited	Machinery Breakdown	1 Jul-30 Jun	\$ 14,419	\$ 11,962	-\$ 2,457	-17%
Marsh Limited	Combined Liability	1 Jul-30 Jun	\$ 74,604	\$ 93,256	\$ 18,652	25%
Marsh Limited	Material Damage	1 Jul-30 Jun	\$ 224,820	\$ 397,435	\$ 172,615	77%
			\$ 348,828	\$ 544,322	\$ 195,494	56%
LAPP	Local Authority Proection Programme	1 Nov-31 Oct	\$ 137,365	\$ 157,970	\$ 20,605	15%
	Totals		\$ 486,193	\$ 702,292		
	Budget 2023-24			\$ 689,340	-12,952	-2%

Premium summary from Marsh is included in Appendix 2.

3.3 Annual Audit

3.3.1. Audit 2021/2022

Audit NZ completed the audit for 30 June 2022 and have issued an unmodified audit opinion. Audit recommendations are, are categorised by three priority ratings: urgent, necessary, beneficial, which are based on assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of the business. The 2021/22 audit included three new necessary recommendations.

Previous recommendations include two necessary and three beneficial which will be reviewed as part of the 2022/23 audit.

The Audit Management Report 30 June 2022 outlines these recommendations and is attached Appendix 3.

3.3.2. Audit 2022/2023

Interim audit commenced 26th June for one week on-site.

The final audit is scheduled to commence for three weeks from 25th September to 13th October 2023. This timeframe is very tight for the completion of the Annual Report completion and adoption by 31 October 2023.

AuditNZ have issued their Engagement Letter for 2022/23 and the Audit Proposal Letter for 2022/2023 which includes their fees has not been issued at time of writing.

3.4 Fair Value Assessment of Infrastructure Assets report 2023

SWDC infrastructure assets are revalued every three years. This includes land and buildings, three waters and roading. These assets were last revalued in June 2021 and investment property assets are revalued annually.

Infrastructure assets were last revalued in 30 June 2021, and in June 2022 and 2023 a Fair Value Assessment was requested by AuditNZ to obtain indicative percentage movements in asset classes (three waters and roading) that could materially increase (or decrease) the value of these assets.

WSP valuers have recently completed fair value assessment for infrastructure assets as at 30 June 2023. The WSP report is included in Appendix 4 and notes an increase in total value from 2022 to 2023 of 7% (three waters 8% and roading 7%). In June 2022 the total increase was 9% (three waters 7% and roading 10%). The increases in asset valuations were accounted for in the financial statements as at 30 June 2022 due to the materiality threshold by AuditNZ to record the increase in asset valuations.

The 30 June 2023 fair value of SWDC infrastructure assets is assessed to be \$489.61m. An increase of \$31.7m (6.92%) of three waters and roading assets since 30 June 2022 fair value review and a \$71.5m (17.1%) increase since the 2021 full valuation of these asset groups. Infrastructure assets make up 83.24% of total assets.

AuditNZ have been asked to confirm if the recent fair value assessments % increases for 30 June 2023 meet their materiality levels and are required to be accounted for in the financial statements as at 30 June 2023.

3.5 Financial Reporting PBE IPSAS Tier 2 to PBE IPSAS Tier 1 transition

3.5.1. Background

Current accounting standards allow Public Benefit Entities (PBE) entities with an operating revenue of \$30m or less to report at a simpler level of financial reporting (Tier 2), however this changes when an entity exceeds \$30m of operating revenue.

3.5.2. SWDC Financial Reporting

SWDC operating revenue budget for 2022-23 is \$30m, and reports under PBE Tier 2 accounting standards.

The operating revenue budget for 2023-24 is \$35m which is above the \$30m threshold for moving from Tier 2 into Tier 1. Per s48 of XRB A1 Public Service entities can continue to report as Tier 2 in the year in which the threshold is reached, in SWDC case this is 2023-24.

In 2024-25 SWDC are expecting to have reduced operating expenses of approx. \$8m due to the water reform programme, which was going to be live on 1 July 2024, but is now planning on going to go live on 1 October 2024. As the Local Government (Rating) Act 2002 requires authorities to rate for the expenses for full rating years (1 July to 30 June) the intention is for SWDC to collect the full year's water-related rates and pass on the unspent portion at go-live to the new entity. Therefore, SWDC now expect to have to report under Tier 1 standards in 2024-25, which is year one of the LTP 2024/34.

PricewaterhouseCoopers NZ financial reporting specialists have established a fee estimate to assist SWDC with their transition from PBE IPSAS Tier 2 to PBE IPSAS Tier 1 of up to \$10,000 depending on the complexity they encounter. The \$10,000 unbudgeted expenditure falls within the current delegated financial authority policy for the Interim CE to approve.

This report is to inform Councillor's only of the work that will be undertaken shortly.

3.6 Water Services Reform Programme-Finance & Commercial workstream

3.6.1. Background

The Government announced its major reform of water services in July 2020, and over the course of 2021 and 2022 the reform programme has been progressing. The reform proposes to transition delivery and management of water services from individual councils to large publicly owned entities.

The Water Services National Transition Unit (NTU), operating within the Department of Internal Affairs (DIA), is tasked with establishing the new Water Services Entities (WSE) and have developed a transition programme to implement the reform and the transition of water services.

SWDC is participating in transition activities across the various NTU programme workstreams. As Council's three water services are mostly delivered by Wellington Water Limited (WWL) on its behalf, Council is working closely with WWL and the other shareholder councils on the transition programme (collectively known as WWLASC).

3.6.2. Implementation of the April 2023 water reform reset

The Government has also continued with work to give effect to its reform reset announced on 13 April 2023. On 16 June the Government introduced a new amendment bill to give effect to its reset changes announced April 2023. The Water Services Entities Amendment Bill also contains additional policy decisions and transitional arrangements for local government long term planning, reporting, and rate setting over this period.

The Water Services Entities Amendment Bill gives effect to Cabinet decisions on the water services reforms made in April and May – including decisions to establish 10 new water services entities, and to introduce a staggered timeframe over which these entities will be established and 'go live' between 1 July 2024 & 1 July 2026. SWDC is part of Entity G. The latest Amendment Bill does not include a defined start date for Entity G.

The Government intends to pass all legislation regarding the reforms before Parliament rises for this year's election.

The National Transition Unit (NTU) lead the reform transition programme and the delivery model continues to be adjusted while the legislative process is completed to give some more certainty to the reforms.

The change in transition timeframes means Council is now preparing to include water services in its next Long-Term Plan (LTP) 2024-2034 for the initial one or two years until the water services transfer to the new entity, at a date to be confirmed.

With the current recasting of the transition programme to respond to the reset, and the general election scheduled for 14 October 2023, there is still significant uncertainty over the Water Services Reform programme. The approach up until now has been to continue with the transition activities based on current policy but with some regards for potential changes and current risks.

3.6.3. Issues and Risks

The WWL shareholder Councils along with WWL continue to work collaboratively on identifying issues and managing the risks that SWDC face in common through the reform transitional period.

The Wairarapa councils are also being represented collectively as part of a reference group working alongside a newly formed Regional Establishment Group within the DIA that has accountability to programme and plan the stand-up of Entity G.

Key risks/issues that Council currently faces are summarised as follows.

- Clarity on Long Term Plan content, as it relates to water.
- A potential requirement that SWDC establish/maintain billing processes and systems on behalf of the WSE in time for the 'go live' date.
- A lack of clarity of those residual functions and accountabilities that may remain with Council once the entity is operational, and the requirements for funding and delivering these.
- A lack of funding and resources for Council to continue to fully participate in the transition process for the 2023-2025 financial year.
- Transition activities put added pressure on WWL resources, impacting the quality and timeliness of water services being delivered on Council's behalf.
- Uncertainty as to the process for reaching an agreement on the timing of debt repayments and debt calculations.

3.6.4. Mitigations

- Working collectively with WWL and other shareholder councils and engaging with the NTU wherever possible, ensures that we are well informed and more able to share resources, thinking and plans to manage the transition, along with identified issues and risks, more effectively.
- Working collaboratively with the newly formed Regional Establishment Group to ensure that there is accountability to work with Entity G councils to understand and mitigate council risks as far as is possible.

A risk register has been developed by WWLASC and the WWL Transition Group Programme Director.

3.6.5. Finance workstream – key activities

As at 30 June 2022, the estimated value of SWDC three waters assets that would transfer over to the WSE was \$88.7m and the value of three waters related debt has been calculated at \$21.4m.

The debt settlement process is still in progress and the latest Amendment Bill includes changes to the process.

A key priority remains the agreement with the NTU on the debt settlement process that will need to occur. There are two steps in the process, firstly agreeing on the 30 June 2022 debt balance and then agreeing on the methodology to be applied going forward until 30 June 2024. An indicative agreement on the balances as at 30 June 2022 was reached, however the Council is waiting for formal notification from the NTU.

Since the start of the Three Waters Reform programme back in 2021, DIA had communicated that Councils would receive a cash payment for debt around 30 June 2024. This changed in February 2023 when the NTU issued a “Three waters debt settlement funding strategy and options paper” which outlined a five-year debt transfer approach. Latest indications from the NTU are that a draft process for debt settlement be distributed in July but we expect this to be late.

There has been no further request for financial information. The NTU’s current focus is on Entity A. Staff have attended a number of workshops to identify and work through issues arising along with potential solutions.

There remains a high degree of uncertainty and risk to SWDC regarding a range of financial aspects, such as the debt payment, reimbursement of stranded overhead costs and how the “no worse off” funding will be allocated.

There is a “no worse off” \$100m contestable fund for indirect stranded overhead costs and a \$250m contestable fund for adverse financial impacts. The NTU had advised that they are in the process of drafting a methodology related to this funding. This is another area where there are both uncertainty and risks.

Other key areas of priority for the Finance Workstream of the NTU remain the capital structure for the new entities, together with drafting the WSE Funding and Pricing methodology and plans and working alongside Council’s on AMP plans for LTP input. There is ongoing work planned in these areas across the period April to September 2023. Under the reset, responsibility for the debt funding strategy has been moved to Treasury.

3.6.6. Financial and Resourcing

In July 2022, Government (through DIA) allocated funding to local authorities to undertake transition activities for the 2022-23 financial year. SWDC was allocated \$350,000 which has been sufficient to meet costs in the previous financial year. DIA has advised that initially for 2023-24, six months of additional transition funding could be made available to councils. SWDC are expecting further details on the process for disbursement of this additional allocation in August.

3.7 Rating review project

3.7.1. Background

On 17th November 2021 at a public meeting, Council advised that an in-depth rating review would be prioritised early 2022.

Council also recognised the need to prioritise a rating review to ensure equity in the distribution of rates. This would also explore future rating options for revenue from those who benefit from Council infrastructure, but who do not presently pay for its services, such as visitors to the region.

The last full rating review was held in 2009 and a further (not full) review in 2019 therefore there were no changes to the current process.

In May 2022 SWDC engaged an independent local government advisor to conduct a full rating review, also known as a first principles review. A first principles review goes back to basics and considers all the required background information as if there were no previous funding decisions or existing funding related policies.

A rates or funding review needs to follow the steps below, otherwise there is a risk that the Council's final decision could be overturned. It is accepted this process can take between 12 and 18 months.

1. Complete the Funding Needs Analysis (FNA) Section 101(3) LGA 2002.
2. Model the rates impact on the FNA.
3. Consider the overall impacts of step 1 and update the FNA.
4. Model and confirm the preferred rates allocation option.
5. Draft Revenue & financing policy and supporting rating policies.
6. Draft the proposal and supporting information for consultation.
7. Carry out community consultation.
8. Hear submissions.
9. Update and amend policies after considering submissions.
10. Adopt new policies.
11. Set the rates.

3.7.2. Strategic Alignment

This project will result in updated rating policies (including the revenue and financing policy and the rates remissions and postponement policies).

The revenue and financing policy is a statutory requirement for inclusion in the Council’s LTP and is one of the foundations for Council to set rates.

In undertaking the rates review consideration will be given to how the setting of rates can align to and support the Council’s strategic priorities and outcomes.

3.7.3. Current Timetable

There have been several workshops with previous and new Councillors and the next workshop is scheduled for 17th August, consultation in September 2023.

Step	Dates	
	Start	Finish
4. Model and confirm the preferred rates allocation option	1-Jul-23	31-Jul-23
5. Consider the use of remission and or postponement policies	1-Aug-23	31-Aug-23
6. Draft Revenue & financing policy and supporting rating policies	1-Aug-23	31-Aug-23
7. Draft the proposal and supporting information for consultation	1-Aug-23	31-Aug-23
8. Carry out community consultation	1-Sep-23	30-Sep-23
9. Hear submissions	7-Oct-23	31-Oct-23
10. Update rates and amend policies after considering submissions	1-Nov-23	15-Nov-23
11. Adopt new policies		30-Nov-23
12. Set the rates	1-Jun-24	30-Jun-24
13. Implement new rating system	1-Jul-24	

The implementation of the full rating review is to be made in conjunction with the LTP 2024-2034.

3.8 LINZ 2023 Revaluation Schedule

Every three years, rates payers land values are reviewed by Land Information New Zealand (LINZ).

SWDC have recently been notified by Land Information New Zealand of the 2023 Revaluation Schedule. The schedule lists the following key dates:

- 1 September 2023 – Effective Date
- 1 February 2024 - OVG Site visit (two days)
- 16 February 2024 – Audit approval
- 17 February 2024 – Implementation date
- 21 February 2024 – Public Notice Date
- 28 February 2024 – Owners Notices Lodged
- 5 April 2024 – Earliest Last Day of Objection

Impacts on the Finance team and the ability to complete the work required on time could be the delayed receipt of the new valuation figures for the LTP2024-2034 and rates modelling. Previously, SWDC received the data file from QV on 3rd February 2021, now it appears this will not be received until the end of February or early March. Any changes will apply for the rates from 1 July 2024 and together with the rating review this could have an impact on the rates estimates etc for consultation processes.

Further information will be provided to the Committee when available.

3.9 List of Official Information requests (LGOIM'S)

LGOIMA's received since 23 April to 30 June 2023 (60) and a new register from 1 July to 26 July (20) (date of report), a total of 80 requests.

For the period 11 January 2023 to 20 April 2023 SWDC received 21 requests.

Refer Appendix 5 for a full list.

3.10 Financial Delegations Policy

A reminder this policy provides Council guidance to enable effective Local Government, by delegating financial authority and powers to the Chief Executive and Staff.

[Financial Delegations Policy](#) current can be found on the Council's website.

The current policy requires unbudgeted operating expenditure over \$20k to be presented to the finance committee for recommendation to Council.

Financial delegation	Council	CEO	ELT	Managers	Other
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	√				Finance Audit and Risk Committee
All unbudgeted work over \$100,000	√				
Unbudgeted use of Reserves					
Unbudgeted use of Reserves up to \$75,000		√			
Unbudgeted use of Reserves from \$75,000 to \$100,000	√				Finance Audit and Risk Committee. The Committee 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 \$100,000	√				Council will take into consideration if use of the reserve will result in a credit balance and how long this is likely to remain.

4. Appendices

Appendix 1 – Finance Report YTD May 2023

Appendix 2 – Insurance Premium Summary SWDC - Marsh

Appendix 3 – Audit NZ Management Report 30 June 2022

Appendix 4 – Fair Value Assessment of Infrastructure Assets

Appendix 5 – LGOIMA’s register to 23 July 2023

Contact Officer: Karon Ashforth, General Manager Finance

Appendix 1 – Finance Report YTD May 2023



**SOUTH WAIRARAPA
DISTRICT COUNCIL**

Kia Reretahi Tātau

**Monthly Financial Statements
For the period ended
31 May 2023**

Contents

1. Executive Summary - Financial Report
2. Statement of Financial Performance
3. Statement of Financial Position
4. Investment and Borrowing Summary
5. Capital Expenditure - Significant Projects
6. Rates Arrears

Statement of Comprehensive Revenue and Expenses for the Period Ended 31 May 2023		Actual YTD 2022/2023 \$000	Budget YTD 2022/2023 \$000	Variance YTD 2022/2023 \$000	Budget 2022/2023 \$000
Operating Revenue					
19,980	Rates	21,366	21,318	47	21,388
4,061	Grants, subsidies, and donations	768	56	711	55
3,288	Waka Kotahi subsidy	4,402	2,831	1,570	3,089
2,505	Fees, licences, charges	2,340	2,574	(234)	2,802
2,769	Development, and financial contributions	1,878	1,168	709	1,378
746	Rental income	697	648	49	790
324	Miscellaneous revenue	225	234	(9)	254
238	Finance revenue	373	231	142	252
33,911	Total operating revenue	32,048	29,062	2,985	30,009
Operating Costs					
8,710	Community facilities & services	7,738	6,672	(1,066)	7,530
5,896	Land transport	7,972	5,247	(2,725)	6,152
4,671	Water supply	4,049	3,924	(125)	4,342
3,147	Wastewater	3,222	2,715	(507)	2,952
3,052	Planning & regulatory services	2,928	2,967	39	3,185
1,732	Governance	1,918	1,985	67	2,221
822	Stormwater drainage	622	566	(55)	615
13	Bad debts	7	-	(7)	-
28,044	Total operating costs	28,457	24,076	(4,380)	26,998
5,867	Total Operating Surplus/(Deficit)	3,591	4,986	(1,395)	3,011
2,435	Assets vesting in Council	3	-	3	-
1,542	Other gains and losses	96	-	96	413
9,844	Total Surplus/(Deficit)	3,689	4,986	(1,296)	3,423
Comprehensive Revenue and Expense					
48,083	Increase/(decrease) in revaluation reserves	(53)	-	(53)	-
57,927	Total other comprehensive revenue and expense	3,636	4,986	(1,350)	0
Note: Operating costs include the following expenses:					
4,927	Depreciation & amortisation	5,114	4,961	(153)	5,412
707	Finance costs	628	722	93	722

Executive Summary

The purpose of this report is to provide Council with a commentary on the year to date 31 May results.

Operating Surplus

The May YTD actuals to budgets results in an overall surplus of \$3.6m, which is below the budgeted surplus of \$4.9m, partly due to timing of NZTA emergency funding due in June, and other emergency events.

Operating revenue

Operating revenue actual is \$32m vs budget of \$29m, \$3m above budget.

Rates income comprises 70% of total income and is tracking at budget YTD and full year.

The increase in revenue is due to unbudgeted subsidies received, and additional funding from Waka Kotahi due to emergency works claims.

Operating Expenditure

Operating costs are \$28.4m vs budget of \$24m, \$4.4m above budget.

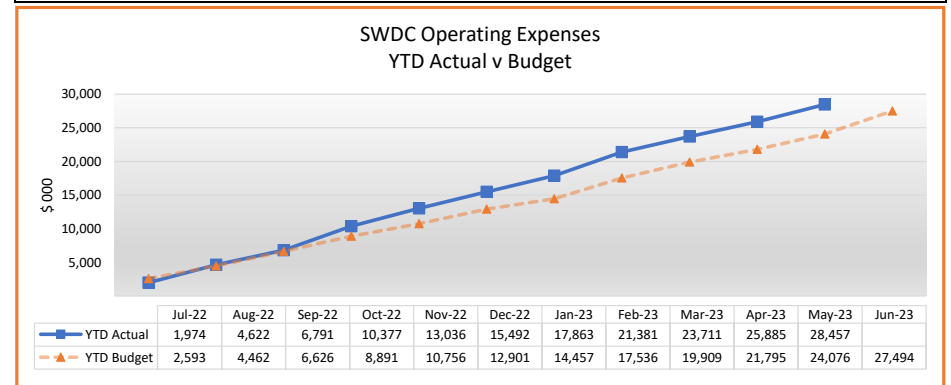
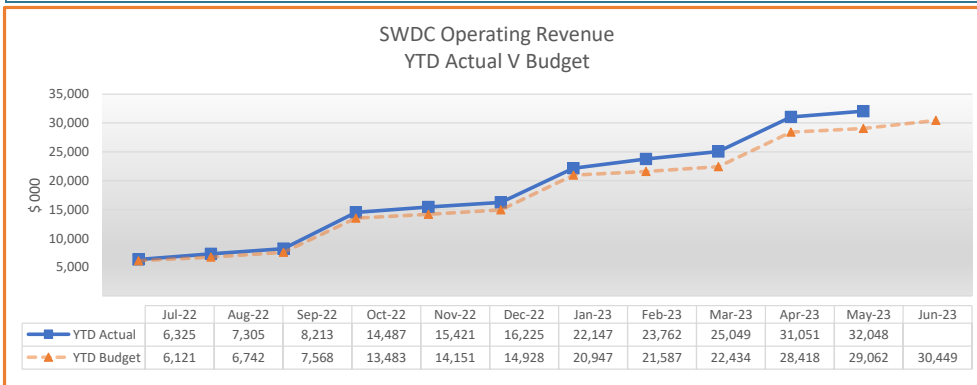
This includes roading expenditure relating to the unbudgeted subsidies (\$1.9m) received as detailed below.

Community facility overspend impacted by unbudgeted additional library cost, City Care and cleaning.

Further commentary on revenue and expenditure is included in this report on the following pages.

Budgets have been phased based on last year's actual spend and this will create variances where actuals vs budgets are not aligned; this is referred to as timing differences.

Summary of Unbudgeted Items	Total grant YTD	Act YTD	Balance sheet	Comments
Mayor's Taskforce	325,000	140,516	184,484	
Provincial Growth Fund (Tauherenikau Bridge)	251,495	250,052	-	not on B/s
Three Waters Reform transition assistance	350,000	204,824	145,176	
Hinekura hall Lottery Grant	30,000	14,576	-	not on B/s
Welcoming communities	50,000	25,347	29,140	
NZLPP funding	80,000	40,000	40,000	
NZTA unbudgeted	1,961,626	1,895,627	-	subsidised by 100%, 72% or 52%
Hinekura Mayoral Grant (roading)	25,000	20,000	-	not on B/s
	3,073,121	2,590,942	398,800	

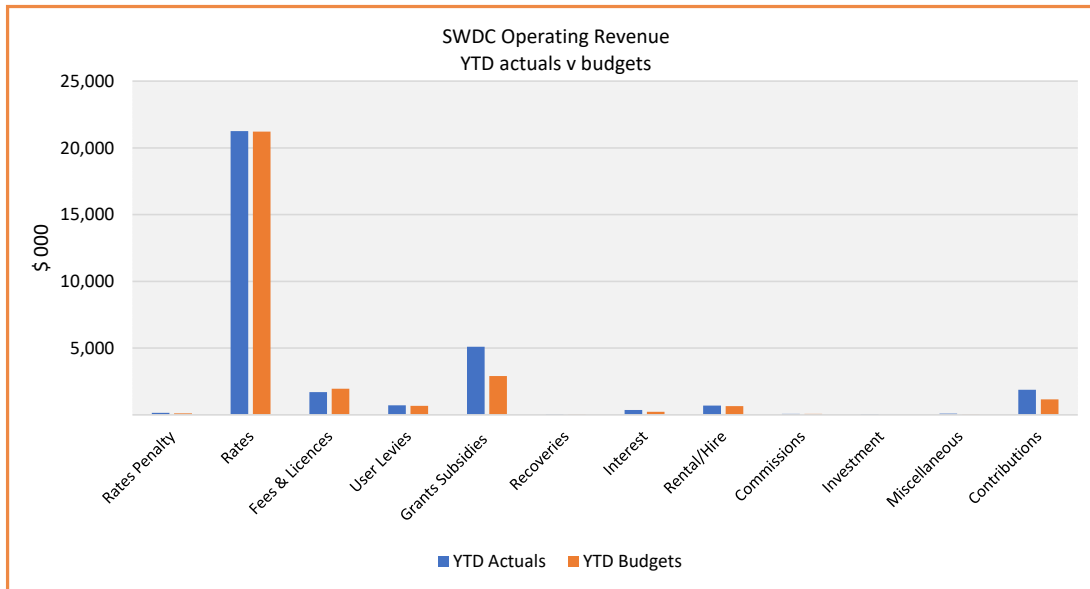


Statement of Financial Performance

Operating Income YTD May 2023

Income	2022/23	2022/23	2022/23	2022/23	2022/23
	YTD Actuals	YTD Budgets	YTD \$ Variance	YTD % Variance	Full Year Budget
	May \$000	May \$000	May \$000	May	\$000
Grand Total	32,146	29,062	3,084	10.6%	30,421
Rates Penalty	143	110	33	30.5%	104
Rates	21,247	21,210	38	0.2%	21,210
Fees & Licences	1,700	1,958	(258)	(13.2%)	2,123
User Levies	721	672	49	7.3%	809
Grants Subsidies & Donations	5,106	2,915	2,191	75.1%	3,180
Recoveries	57	41	16	38.4%	45
Interest	373	231	142	61.3%	252
Rental/Hire	697	648	49	7.5%	790
Commissions	72	78	(6)	(7.8%)	85
Miscellaneous	54	30	24	77.4%	32
Investment	98	(0)	98	100.0%	413
Contributions	1,878	1,168	709	60.7%	1,378

*Reclassification - Investment shown in "other gains and losses" line separately on executive summary



Income Summary

Operating Income YTD is favourable to budget by \$3,084k or 10.6%.

Rates

Rates are on track YTD and full year. Instalment 4 (final) was issued in April 2023.

Rates income comprises 70% of total income and is tracking at budget YTD and full year.

Fees & Licences

Unfavourable by \$258k due to economic decline in building and resource consents, also partly due to delays with Wellington Water and roading on charges.

Consents expected to increase with proposed District Plan.

User levies

Favourable by \$49k mainly due to Septic tank disposals and the waste minimisation levy - offset with expenditure.

Grants, Donations & Subsidies

Favourable by \$2.1m. Please refer to the "Summary of unbudgeted items" table on Executive summary page.

Waka Kotahi operating subsidies \$1.3m and capex subsidies \$295k due to Emergency works claims and increased maintenance for general wet weather.

Rental Income

Favourable by \$49k due to higher than expected income for rental properties and Community buildings with venues being used more frequently.

Miscellaneous Income

Favourable by \$24k due to contributions from Greater Wellington Regional Council (GWRC).

Contributions

Favourable by \$709k.

Higher than expected contributions from Greytown road/footpath contributions \$210k and Greytown sewer contributions \$350k. Overall subdivision contributions are favourable by \$109k due to Greytown development. Featherston and Martinborough are lower than expected however completion rate is strong.

Statement of Financial Performance YTD May 2023

Operating Expenditure

Expenditure	2022/23	2022/23	2022/23	2022/23	2022/23 Full Year Budget
	YTD Actuals May	YTD Budgets May	YTD \$ Variance May	YTD % Variance May	
	\$000	\$000	\$000		\$000
	28,457	24,076	(4,380)	(18.2%)	26,997
Finance & Corporate Support	3,154	3,210	56	1.8%	3,494
Governance	1,133	1,238	105	8.5%	1,406
Planning & Regulatory Services	2,417	2,447	30	1.2%	2,617
Community Facilities & Services	6,829	5,902	(927)	(15.7%)	6,690
Land Transport	7,559	4,878	(2,680)	(54.9%)	5,750
Water Supply	3,779	3,713	(65)	(1.8%)	4,112
Wastewater	3,002	2,591	(411)	(15.9%)	2,817
Stormwater Drainage	584	531	(52)	(9.8%)	578

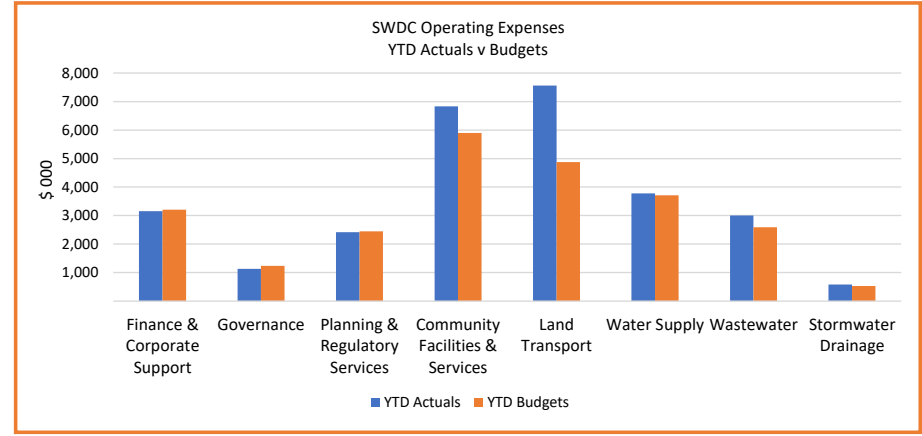
Expenditure Summary

Operating expenditure YTD is unfavourable to budget by \$4m, 18.8%. Expenditure is reported by significant activities as set out in the Annual Plan and LTP. Due to economic conditions, costs are rising above the current inflation rate of 7.2% and most suppliers are indicating double digit increases on costs for next year. Capital goods price index as at June 2022 forecasted double digit increases up to 15%

Finance & Corporate Support
Due to recent changes in information technology (IT) support and accounting standards, the cost of software and hardware has significantly changed in this year. Previously most IT support including hardware and software was capital expenditure. With the move to nearly all software now 'on the cloud', referred to as 'Software as a Service' (Saas), costs are now classified as part of operating expenses. This has been budgeted as capital expenditure in the current financial year. As a result of urgent work are being carried out to improve the current IT platforms and systems of Council, this is causing a significant overspend that has been previously advised to Council.

Governance
The current underspend in Governance costs are largely due to consultancy and training. This is partially due to timing with a large portion expected to be spent before the end of the financial year.

Community Facilities & Services
Community services is unfavourable by \$18k mainly due to timing with Youth/Community grants being paid ahead ahead of budget. Will correct by year end. Economic development paid out ahead of budget Wairarapa Economic Strategy (WEDS) shared services, variance \$31k, timing issue to correct at year end. Work costs have increased for parks and reserves, housing and toilets (Citycare) and the current year's budget not aligning with contract, variance \$296k. Cleaning costs have increased due to outsourcing. Overall \$84k overspent. Budget has increased for next FY. Libraries currently overspent due to staff shortages, however this will be recovered in part from \$40k NZLPP funding and recharging CDC for shared costs in June (\$55k), May variance \$177k. Refuse and recycling is unfavourable by \$82k partially due to higher volumes of landfill/recycling in the summer months, particularly in coastal areas and Martinborough. Overall 94% of the full year budget has been spent. Swimming pools are favourable by \$76k due to timing with work being completed after pool closures.



Land Transport
The \$3.1m overspend is largely attributable to emergency works for swell and flooding and weather events. Council will be advised on emergency funding requirements in Q3. YTD offset by \$1.9m in emergency income.

Planning & Regulatory Services
There has been an overspend in building contractors and this is likely to reduce for the remainder of the financial year with increased staff and less outsourcing for consent processing. Resource management is favourable by \$206k due to underspend in spatial plan costs and legal expenses.

Three Waters & Wellington Water Ltd (WWL)
Three Waters includes water supply, wastewater and stormwater drainage. Operating expenses are on track overall with 83% of the full year budget spent for management fees. Works costs are slightly unfavourable for Water Supply, there is an overspend in network costs however this is slightly offset with an underspend in monitoring and investigations. Works costs for Wastewater are unfavourable by \$187k due to network costs for flooding repairs in Featherston. Overall works costs are on track with 86% of the full year budget spent.

WWL Operating Expense Summary			
Works costs	YTD Actuals	FY Budget	Percentage spent
Water Supply	2,162	2,338	92%
Wastewater	1,344	1,263	106%
Stormwater	147	199	74%
	3,653	3,800	96%
Management Fee	YTD Actuals	FY Budget	Percentage spent
Water Supply	86	179	48%
Wastewater	157	132	119%
Stormwater	43	33	130%
	286	343	83%
Total	3,939	4,143	95%

Statement of Financial Position

Statement of Financial Position as at 31 May 2023	
Actual 2021/2022 \$000	Actual YTD 2022/2023 \$000
ASSETS	
Current assets	
4,128 Cash and cash equivalents	7,977
4,566 Investments	2,000
2,614 Debtors and other receivables	2,452
42 Inventories	28
66 Non-current assets held for sale	-
11,415 Total current assets	12,456
Non-current assets	
4,614 Investments	5,078
Other financial assets:	
131 <i>Investments in CCOs and other similar entities</i>	131
227 <i>Investments in other entities</i>	227
359 Total other financial assets	359
15,757 Investment properties	15,811
84 Intangible assets	415
564,268 Property, plant, and equipment	566,890
585,081 Total non-current assets	588,553
596,497 TOTAL ASSETS	601,010
LIABILITIES AND EQUITY	
Current liabilities	
4,029 Creditors and other payables	4,963
519 Employee entitlements	562
34 Provisions - current portion	34
3,300 Borrowings - current portion	3,300
7,881 Total current liabilities	8,859
Non-current liabilities	
315 Provisions - non-current portion	315
23,100 Borrowings - non-current portion	23,100
23,415 Total non-current liabilities	23,415
Equity	
168,083 Public equity	171,649
28,245 Restricted reserves and trust funds	28,268
368,873 Asset revaluation reserve	368,819
0 Other reserves	0
565,200 Total equity	568,736
Community wellbe TOTAL LIABILITIES AND EQUITY	601,010

Financial Statement Summary

Working Capital

Working Capital (current assets less current liabilities) which expresses the ability of council to meet its short-term obligations is acceptable with a ratio of 1.4 times.

Assets

Debtors and other Receivables

Prepayments and receivables total \$2,452k, key components are :

- General Debtors \$535k (current due 42%)
- Rates total YTD \$1,239k (total due \$1,004k, Rates in advance \$235k)
- NZTA & Fuel Tax Receivable \$579k
- Water debtors \$58k

Investments

SWDC's investment policy provides that financial investments should be spread over several financial institutions to reduce the potential risk of loss to Council.

These investments are spread over our bankers BNZ, and other banks Westpac, ANZ, ASB and Wairarapa Building Society (WBS) (see investment schedule next page)

The maximum amount to be invested with anyone approved institution is 50% of Council's total investments.

Liabilities

Payables and Accruals

Payables and accruals total \$4,963k, key components are :

- Sundry creditors \$782k
- SWDC rates in advance \$167k
- GWRC rates payable & in advance \$1,309k
- Accrued expenses not yet invoiced \$191k
- Income in advance (MTFJ, NZLPP and three water transition, Wairarapa Moana, Welcoming communities) \$646k
- Levies, bonds currently outstanding \$1,297k

Total Debt

Total public debt stands at \$26,400k (current portion \$3.3m).

The average fixed interest rate on borrowings is 3.03%.

(see debt breakdown on the next page)

Summary Of Investments and Lending

Summary Of Investments as at 31 May 2023			
Account	Total Invested	Interest Rate	Maturity date
Westpac Bank			
Term deposit	2,000,000	5.30%	22/02/2024
ASB Bank			
Call Account	512,755		
Term deposit	1,000,000	5.20%	5/12/2023
ANZ Bank			
Term deposit	1,000,000	5.20%	9/12/2023
BNZ Bank			
Call Account	3,268,634		
Term deposit	1,057,783	4.50%	25/11/2023
Term deposit	2,000,000	3.80%	4/07/2023
Wairarapa Building Society			
Term deposit	500,000	4.30%	5/09/2023
Term deposit	209,946	4.60%	21/11/2023
Term deposit	203,724	4.60%	24/11/2023
Term deposit	165,051	5.50%	20/12/2023
TOTAL	11,917,894		
BONDS			
LGFA Borrower Bonds	597,000		
FORESTRY			
Plantation - Hurupi Stock	9,305		
SHARES			
Farmlands	1,159		
NZ Local Government Insurance Compar	81,434		
Wellington Water Limited	50,000		
TOTAL INVESTMENTS	12,656,792		

Summary Of Borrowing as at 31 May 2023				
Loan	Rate	Matures	Principal	Total Loan
3 Waters				
	3.89%	1/07/2024	2,000,000	2,000,000
3 Waters				
	5.23%	15/04/2026	678,802	
Land Transport				
	5.23%	15/04/2026	1,081,706	
Additional funding				
	5.23%	15/04/2026	39,492	1,800,000
Community Buildings				
	5.23%	15/04/2026	1,500,000	1,500,000
3 Waters				
	1.49%	15/04/2024	2,000,000	2,000,000
3 Waters				
	1.69%	15/04/2025	4,942,813	
Additional funding				
	1.69%	15/04/2025	57,187	5,000,000
Smoothing Loan AP 20-21				
	1.78%	15/04/2026	1,500,000	1,500,000
3 Waters				
	2.72%	15/05/2031	5,700,000	
Community Buildings				
	2.72%	15/05/2031	1,000,000	6,700,000
3 Waters				
	4.20%	1/07/2024	3,999,419	
Community Buildings				
	4.20%	1/07/2024	300,581	
Additional Funding				
	4.20%	1/07/2024	200,000	4,500,000
3 Waters				
	2.75%	1/07/2024	1,400,000	1,400,000
Total Lending				26,400,000
Lending Summary				
3 Waters	20,721,034			
Land Transport	1,081,706			
Community Buildings	2,800,581			
Smoothing Loan AP 20-21	1,500,000			
Additional Funding	296,680			
				26,400,000

Note: Call Account is considered cash in the balance sheet as it is under 90days.

Loan movements and interest rates in Q4 are forecasted to increase however this will be offset by the reduction of new loans and not expected to impact the year end results

Capital Expenditure - Significant Projects

SOUTH WAIRARAPA DISTRICT COUNCIL

SCHEDULE OF CAPITAL EXPENDITURE

For the period ended 31 March 2023

Activity	Project/Cost Centre	Category	Funding Source	YTD Actual Spent	2021/22	2022/23	Total Budget Available	% of Budget Spent YTD
				\$000's	Carried Forward Budget \$000's	New Budget Annual Plan \$000's		
Finance & Corporate Services								
	Council offices	Renew	Loan	49,938	300,000	5,105	305,105	16%
	Furniture	Renew	Reserves - Depreciation	-	-	12,252	12,252	0%
	GIS	Renew	Reserves - Depreciation	-	-	10,210	10,210	0%
	Intangibles	Improve	Reserves - Depreciation	-	20,000	9,189	29,189	0%
	IT hardware	Renew	Reserves - Depreciation	106,234	-	101,050	101,050	105%
	IT software	Renew	Reserves - Depreciation	51,508	78,000	51,050	129,050	40%
	Motor vehicles	Renew	Reserves - Depreciation	172,418	140,000	61,260	201,260	86%
	Office equipment	Renew	Reserves - Depreciation	-	-	10,210	10,210	0%
				380,098	538,000	260,326	798,326	48%
Community Facilities & Services								
	Purchase of land for new open spaces	Grow	Loan	-	-	1,531,500	1,531,500	0%
	Greytown wheels park	Grow	Reserves - Restricted	-	300,000	-	300,000	0%
	Featherston sports stadium	Improve	Reserves - Restricted	29,609	50,000	-	50,000	59%
	Greytown sports facility	Improve	Loan	19,356	989,245	-	989,245	2%
	Gateway to the Wairarapa	Improve	Reserves - Depreciation	-	-	61,260	61,260	0%
	Campgrounds	Renew	Reserves - Depreciation	64,348	15,000	15,315	30,315	212%
	Cemeteries	Renew	Reserves - Depreciation	18,691	232,422	35,735	268,157	7%
	Community buildings	Renew	Reserves - Depreciation	27,960	408,200	20,420	428,620	7%
	Housing	Renew	Reserves - Housing	1,410	136,000	61,260	197,260	1%
	Library collection	Renew	Reserves - Depreciation	87,606	-26,019	112,310	86,291	102%
	Parks & reserves	Renew	Reserves - Depreciation	23,987	150,000	20,420	170,420	14%
	Playgrounds	Renew	Reserves - Depreciation	-	-	51,050	51,050	0%
	Rental properties	Renew	Reserves - Maintenance	29,630	-	20,420	20,420	145%
	Swimming pools	Renew	Reserves - Depreciation	10,186	190,000	51,050	241,050	4%
	Toilets	Renew	Reserves - Depreciation	-	-	51,050	51,050	0%
	Transfer stations	Renew	Reserves - Depreciation	-	-	10,210	10,210	0%
				312,781	2,444,848	2,042,000	4,486,848	7%
Planning & Regulatory Services								
	Dog pound*	Renew	Loan	433,532	340,000	-	340,000	128%
	IT hardware - Planning & Regularatory Services	Renew	Reserves - Depreciation	-	10,000	4,084	14,084	0%
	IT software - Planning & Regularatory Services	Renew	Reserves - Depreciation	-	15,000	1,000	16,000	0%
	Liquifaction modelling for building regulations	Improve	Loan	703	127,362	-	127,362	1%
	Combined District Plan	Renew	Reserves - Combined District Plan	217,068	27,119	122,640	149,759	145%
	Spatial Plan	Improve	Reserves - Spatial Plan	108,905	163,564	204,400	367,964	30%
				760,208	683,045	332,124	1,015,169	75%
* Dog pound approved budget: 22/23 AP \$340k Aug 27 Addition \$116k - Total \$456k								

Activity	Project/Cost Centre	Category	Funding Source	YTD Actual Spent	Carried Forward Budget	New Budget Annual Plan	Total Budget Available	% of Budget Spent YTD
				\$000's	\$000's	\$000's	\$000's	(%)
Land Transport								
	Hinekura - emergency works	Renew	Waka Kotahi & Depreciation Reserve	244,051	-	-	-	0%
	Hinekura - access works	Renew	Reserves - Rural Roading	163,561	-	-	-	0%
	Hinekura - Admiral Hill	Improve	Reserves - Rural Roading	76,442	-	-	-	0%
	Hinekura - Phase 1 alignment & design	Improve	Loan	141,206	-	-	-	0%
	Bridges	Renew	Reserves - Depreciation	-	-	-	-	0%
	Drainage	Renew	Waka Kotahi & Depreciation Reserve	48,669	-	171,049	171,049	28%
	Footpath additions	Grow	Rates	326,864	400,000	409,600	809,600	40%
	Footpath renewals	Renew	Waka Kotahi & Depreciation Reserve	25,104	-	130,492	130,492	19%
	Other minor works	Improve	Waka Kotahi & Depreciation Reserve	551,814	-	704,256	704,256	78%
	Rehabilitation	Renew	Waka Kotahi & Depreciation Reserve	158,291	-	250,948	250,948	63%
	Reseals	Renew	Waka Kotahi & Depreciation Reserve	830,593	-	805,053	805,053	103%
	Road metalling	Renew	Waka Kotahi & Depreciation Reserve	221,207	-	414,720	414,720	53%
	Seal extentions	Improve	Waka Kotahi & Depreciation Reserve	-	-	-	-	0%
	Signs, guardrails, & safety	Improve	Waka Kotahi & Depreciation Reserve	433,886	-	283,680	283,680	153%
	Structures	Renew	Waka Kotahi & Depreciation Reserve	4,409	-	131,503	131,503	3%
	Traffic services	Renew	Waka Kotahi & Depreciation Reserve	34,987	-	53,186	53,186	66%
				3,261,084	400,000	3,354,487	3,754,487	87%
Water Supply								
	Consents, models, & plans	Improve	Reserves - Depreciation	-	-	51,350	51,350	0%
	Infrastructure upgrades - Water Supply	Improve		-	-	-	-	0%
	Infrastructure renewals - Water Supply	Renew	Reserves - Depreciation	656,717	-	375,882	375,882	175%
	Smart meters	Improve	Loan	-	-	1,027,000	1,027,000	0%
	Water supply & treatment - Featherston	Improve	Reserves - Depreciation	-	-	99,824	99,824	0%
	Water supply & treatment - Greytown	Renew	Reserves - Depreciation	144,404	-	-	-	0%
	Water supply & treatment - Martinborough	Grow	Loan	-	-	443,664	443,664	0%
				801,121	-	1,997,720	1,997,720	40%
Wastewater								
	Consents, models, & plans	Renew		-	-	-	-	0%
	Health & safety upgrades	Improve	Reserves - Infrastructure	-	-	110,916	110,916	0%
	Infrastructure upgrades - Wastewater	Improve		-	-	-	-	0%
	Infrastructure renewals - Wastewater	Renew	Reserves - Depreciation	1,037,385	-	346,099	346,099	300%
	Wastewater treatment & disposal - Featherston	Improve	Loan	1,298,065	-	2,327,000	2,327,000	56%
	Wastewater treatment & disposal - Greytown	Grow	Reserves - Infrastructure	-	-	266,198	266,198	0%
	Wastewater treatment & disposal - Martinboroug	Improve	Reserves - Infrastructure	-	-	277,290	277,290	0%
				2,335,450	-	3,327,503	3,327,503	70%
Stormwater								
	Consents, models, & plans	Renew		-	-	-	-	0%
	Stormwater upgrades	Improve		-	-	-	-	0%
	Stormwater renewals	Renew	Reserves - Depreciation	34,770	-	-	-	0%
	Water races	Renew	Reserves - Water Races	-	-	-	-	0%
				34,770	-	-	-	0%
	Total Capital Expenditure			7,885,513	4,065,893	11,314,160	15,380,053	51%

Rates Review

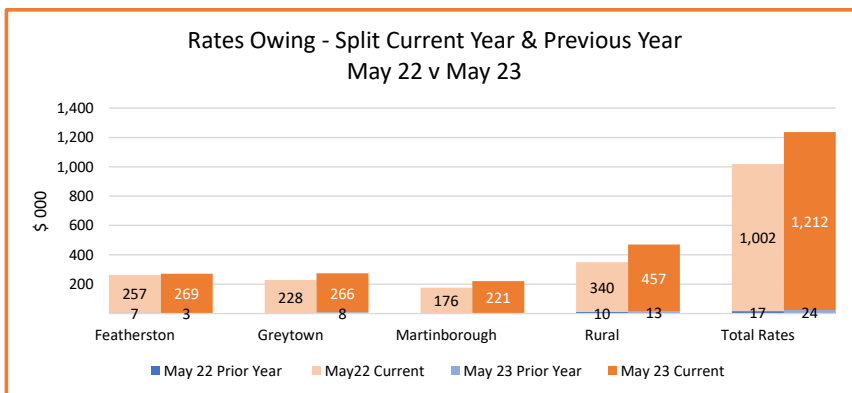
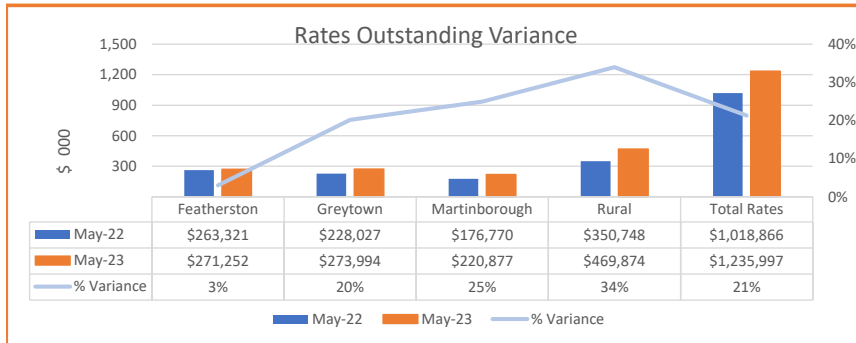
YTD MAY 2023

Rates 2022/23	Quarterly Installments due as at Apr	Owing on Current Installment	Overdue rates	% Overdue of outstanding rates	
SWDC	24,473,617				
GWRC	5,432,154				
	29,905,771	29,905,771	880,475	355,521	1%

Total Rates Outstanding (GST Incl)

Area	Jan-23	Feb-23	Mar-23	Apr-23	May-23
Featherston	93,246	304,104	137,932	101,659	271,252
Greytown	67,107	263,385	105,809	83,394	273,994
Martinborough	40,518	201,153	70,632	57,174	220,877
Rural	187,950	410,630	230,623	197,583	469,874
Total Rates	388,820	1,179,272	544,996	439,810	1,235,997

Rates Owing - March YTD Comparison



The final rates installment for 2022/23 was sent in April 23. Total rates in arrears is current 1% of all installments sent. However there is \$880k owing on the current installment which is not due until May 23.

The total rates outstanding is \$1,235k. However \$880k is owing from the current installment, which is not due until this month. Arrears for the current year rates is \$355k.

As the arrears are affected by the Quarterly invoicing, a clearer comparison is a YTD Comparison

There has been an increase in rates outstanding of \$271k compared to May the previous year. This is a 21% increase in outstanding rates compared to last year.

The majority of outstanding rates are for the current year rates (98%). There are 8 rating units still owing from the previous year owing \$24k

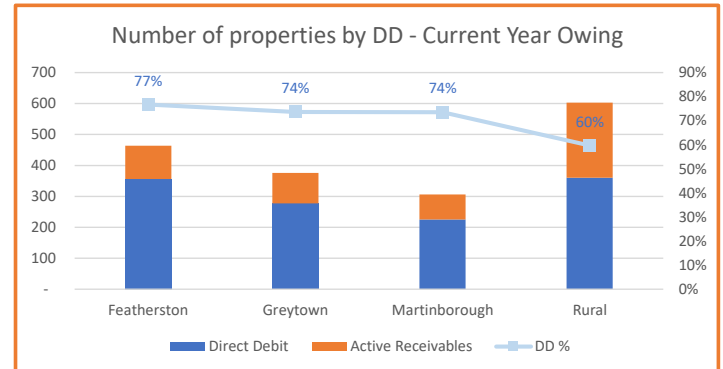
Rates by Number of Rating Units

Rating units in arrears	#Owing			Ave Debt	
	May-22	May-23	% Variance	May-22	May-23
Featherston	97	89	-8%	2,715	3,048
Greytown	80	80	0%	2,850	3,425
Martinborough	72	66	-8%	2,455	3,347
Rural	192	188	-2%	1,827	2,499
Total Rates	441	423	-4%	2,310	2,922

The average rates owing in May 23 is 26% higher than in 2022. The actual number of properties with arrears have decreased by 4%, which reflects the increase in rates charges in 2022/23

Direct Debits

	May-22	May-23
Total rating units	7251	7340
#Direct Debit	2801	2996
Total % of Direct Debits	39%	41%



The number of rate payers using direct debit has remained steady at 41% for the last 6 months. Overall 70% of rating units that have current rates owing have a direct debit in place.

The previous year rate arrears has reduced \$23k for a total eight rating units. Of these, three are currently on a repayment plan. Of the remaining five, one has been referred to their Mortgagee provider and Four have been referred to Legal.

Appendix 2 – Insurance Premium Summary SWDC – Marsh

Appendix 2 – Insurance Premium Summary SWDC – Marsh

Summary report of proposed insurance premiums provided by Marsh.

Premium Summary & Comparison – South Wairarapa District Council

The following is a comparison of the premiums that are to apply from renewal (*pending any changes being made*) compared to expiring premiums.

Policy	Expiring Premium	Renewal Premium
Material Damage Fire and Emergency Levies (FEL)	\$190,530 \$28,957	\$349,924 \$47,511
\$79,685,476 2023 – 2024 \$50,531,475 2022 – 2023		(Notes 2 and 3)
Value of Material Damage Assets Insured		
Business Interruption \$3m Additional Costs of Working + \$300K Claims Preparation Costs	\$3,395	\$4,074
(Sums Insured unchanged from 2022 – 2023)		(Notes 2 and 3)
Machinery Breakdown \$3,452,353 2023 - 2024 \$4,155,353 2022 – 2023	\$14,419	\$13,178
		(Notes 4)
Motor Vehicle FEL	\$5,436 \$177	\$8,934 IAG \$8,783 Vero
\$501,900 2023 - 2024 \$350,700 2022 – 2023		\$194
Value of Vehicles Insured		
Crime \$3m Limit 2023 – 2024	\$8,181	\$9,408
(Sums Insured unchanged from 2022 – 2023)		
Personal Accident – The Mayor, 9 District Councillors, 7 Executive Personnel and 10 Other Staff Members	\$985	\$1,024
(unchanged from 2022 – 2023)		
Statutory Liability \$2m Limit 2023 – 2024	\$5,130	\$5,643
(unchanged from 2022 – 2023)		
Employers Liability \$1m Limit 2023 – 2024	\$540	\$587
(unchanged from 2022 – 2023)		
Hall Hirers (General) Liability \$1m Limit 2023 – 2024	\$358	\$395
(unchanged from 2022 – 2023)		

Public Liability / Professional Indemnity \$300m AUD Limit (unchanged from 2022 – 2023)	\$74,604	\$93,256
Environmental Impairment Liability \$1m Limit (unchanged from 2022 – 2023)	\$1,579	\$1,500
TOTAL INSURER PREMIUM INCLUDING LEVIES	\$334,291	TO BE CONFIRMED

Notes:

1. Total premiums within the Premium Summary & Comparison Table and as shown within the 'Notes' which follow exclude GST where GST is applicable.
2. Material Damage and Business Interruption premiums as outlined on page 17 are recognised with co-insurer support.
3. Insurance capacity is subject to the use of the new 'Fast Track' insurance facility for which further details are outlined on pages 57 and 66 of this Report.

Notwithstanding what is outlined under 'Notes 2' which links in Business Interruption protection, if South Wairarapa DC adopts a raised 'Natural Disaster' deductible (10% of Site Value) would reduce the cost of this coverage by approximately \$19,670 excluding Fire and Emergency Levies.

A revised 'All Perils' other than 'Natural Disaster' deductible would reduce the cost of this coverage by approximately \$6,420 (\$50K) or \$12,930 (\$100K) excluding Fire and Emergency Levies.

4. Machinery Breakdown premium will reduce from as quoted if a revised deductible is adopted;

- \$5K excess	- \$11,962
- \$10K excess	- \$10,357

Appendix 3 – Audit NZ Management Report 30 June 2022

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

South Wairarapa District
Council

For the year ended 30 June 2022

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- 4 Matters raised in the Audit Plan 10
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Key messages

We have completed the audit for the year ended 30 June 2022. This report sets out our findings from the audit and draws attention to areas where the South Wairarapa District Council (the District Council) is doing well and where we have made recommendations for improvement.

Audit opinion

We intend on issuing an unmodified audit opinion.

Our audit opinion will include an emphasis of matter paragraph in relation to the uncertainty of impacts and developments relating to Three Waters Reform. We elaborate on this in section 2.1 of this report.

Assessment of the control environment

Based on our audit work completed, our conclusion is that the overall control environment is effective for the purposes of our audit.

Matters identified during the audit

In our Audit Plan we identified areas that we consider to be a significant risk or specific areas of audit focus for the 2021/22 audit. We conclude on these areas in section 4 of this report.

We have identified several new issues and related recommendations for reporting to the Council:

- Verbal approval of journals
- Inadequate supporting information for grant expenditure
- Breaches of investment policy

We elaborate on these areas in section 3 of this report.

Thank you

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



Jacques Du Toit
Appointed Auditor
19 April 2023

1 Recommendations



Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommended improvements.

Priority	Explanation
Urgent	Needs to be addressed <i>urgently</i> These recommendations relate to a significant deficiency that exposes the District Council to significant risk or for any other reason need to be addressed without delay.
Necessary	Address at the earliest reasonable opportunity, <i>generally within six months</i> These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.
Beneficial	Address, <i>generally within six to 12 months</i> These recommendations relate to areas where the District Council is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
Verbal approval of journals Supporting documentation should be maintained on the approvals of all journal entries.	3.3.1	Necessary
Inadequate support for grant expenditure Appropriate processes and controls should be established, including record keeping, relating to all grant approvals.	3.3.2	Necessary
Breaches of investment policy Appropriate processes to be implemented to ensure compliance with the investment policy or update the policy if no longer fit for purpose.	3.3.3	Necessary

1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 1 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	-	2	3	5
Implemented or closed	-	5	1	6
Total	-	7	4	11

2 Our audit report

2.1 We intend on issuing a non-standard audit report



We intend on issuing an unmodified opinion. This means we are satisfied that the financial statements and statements of service performance present fairly the District Council's activity for the year and its financial position at the end of the year.

Without modifying our audit opinion, we will include an emphasis of matter paragraph to draw the readers' attention to the relevant note in the financial statements which outlines that in June 2022, the Government introduced legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities with effect from 1 July 2024. The legislation received royal assent from the Governor-General on 14 December 2022. The impact of these proposed reforms, once legislated, will mean that the District Council will no longer deliver three waters services or own the assets required to deliver these services. In December 2022, the Government introduced the Water Services Legislation Bill, which will transfer assets and liabilities to the water services entities.

2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. There were no significant misstatements identified during the audit, which were not corrected.

2.3 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the District Council. This includes the draft annual report with supporting working papers. At the start of the audit we were provided with a draft annual report, and supporting working papers.

These were generally of reasonable quality, however we recommend that management continue working at improving its documentation to support information reported within the annual report.

3 Assessment of internal control



The District Council, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. Our audit considers the internal control relevant to preparing the financial statements and the service performance information. We review internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances. Our findings related to our normal audit work, and may not include all weaknesses for internal controls relevant to the audit.

3.1 Control environment

The control environment reflects the overall attitudes, awareness and actions of those involved in decision-making in the organisation. It encompasses the attitude towards the development of accounting and performance estimates and its external reporting philosophy, and is the context in which the accounting system and control procedures operate. Management, with the oversight of those charged with governance, need to establish and maintain a culture of honesty and ethical behaviour through implementation of policies, procedures and monitoring controls. This provides the basis to ensure that the other components of internal control can be effective.

We have performed a high-level assessment of the control environment, risk management process, and monitoring of controls relevant to financial and service performance reporting. We considered the overall attitude, awareness, and actions of the District Council and management to establish and maintain effective management procedures and internal controls.

The elements of the control environment provide an appropriate foundation for other components of internal control.

3.2 Internal controls

Internal controls are the policies and processes that are designed to provide reasonable assurance as to the reliability and accuracy of financial and service performance reporting. These internal controls are designed, implemented and maintained by the District Council and management.

We reviewed the internal controls in your information systems and related business processes. This included obtaining an understanding of the controls in place for your key financial and service performance information systems.

Our findings and recommendations relating to these internal controls are outlined below. New recommendations are outlined in section 5 and recommendations outstanding from previous years are included in Appendix 1.

We acknowledge that some of the challenges with implementing recommendations are inherently related to the size of the District Council, the number of staff available to implement full segregation of duties within the finance function, and the manual nature of some of the District Council's processes and controls, however we would encourage the District Council to continue to progress outstanding recommendations.

3.3 Recommendations arising from our audit

3.3.1 Verbal approval of journals

We identified that some instances where there were no evidence of approval for journals and from discussion with finance staff noted that there are instances where journals are approved verbally.

Due to the inherent risk posed by journals to the integrity of the general ledger, it is considered best practice that individual journals are independently reviewed and that proper audit trails of such reviews are maintained.

We recommend that supporting documentation is maintained on the approvals of all journal entries.

Management comment

Agree with recommendation, approvals have since been amended to include e-signatures or email approvals to be added to the journal input sheet and filed electronically.

3.3.2 Inadequate support for grant expenditure

As part of our work over related parties we perform checks to ascertain whether there are any potential related party transactions that were not disclosed in the financial statements. A grant paid to Featherston RSA was picked up due to a conflict declared by a councillor. We were unable to obtain a recent letter of approval for this grant.

We recommend that management implements appropriate processes and controls including record keeping relating to all grant approvals.

Management comment

This process has since been reviewed to ensure all grants are confirmed by resolution in the Council's minutes. The grants subcommittee meetings are recorded with minutes distributed to all members. Each grant application is accompanied by conflict-of-interest declaration. Elected Members who have a conflict of interest now sit outside the meeting and any decisions confirmed.

3.3.3 Breaches of investment policy

We noted multiple breaches of the District Council's investment policy limits. The policy has a limitation on the level of investments that can be held with a single institution, which is currently 50%. We identified the following breaches:

- In October 2021 and February 2022 investments with ANZ made up of 56% and 54% of investments respectively; and
- In November & December 2021 and January 2022 investments with BNZ made up of 61%, 57% and 55% of investments respectively.

The reason for the breaches was to pursue the most advantageous interest rates for these products.

We recommend that the District Council implements the necessary processes to ensure compliance with the investment policy or update the policy if no longer fit for purpose.

Management comment

This practice has since been amended from June 2022 and Council staff follow the policy on levels of investment with one institution or any breaches are reported to the Finance Committee.

4 Matters raised in the Audit Plan



In our Audit Plan, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
The risk of management override of internal controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls.</p> <p>Management are 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.</p> <p>Auditing standards require us to treat this as a significant risk on every audit.</p>	<p>Our audit response included:</p> <ul style="list-style-type: none"> • Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; • Reviewing accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud; • For any significant transactions that are outside the normal course of business, or that otherwise appear to be unusual given our understanding of the entity and its environment and other information obtained during the audit, we evaluated whether the business rationale (or the lack thereof) of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets. <p>No new matters have been identified to bring to Council’s attention.</p>

Fair value of property, plant and equipment (non-valuation year)	
<p>PBE IPSAS 17, Property, Plant and Equipment, requires that valuations be conducted with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.</p> <p>The District Council has adopted a policy to revalue its infrastructure, and land and building assets on a cyclical basis. The District Council last revalued its infrastructure assets during the 2020/21 financial year, and land and building assets in the 2018/19 financial year.</p> <p>We understand that the District Council has obtained fair value assessments from a management's expert on land and buildings and infrastructure assets as at 30 June 2022.</p> <p>There is increased risk of material misstatement in the financial statements due to the judgemental nature and large value of the assets.</p>	<p>We have reviewed the District Council's fair value assessments for reasonableness.</p> <p>As part of our work we have:</p> <ul style="list-style-type: none"> • obtained copies of the fair value assessments; • evaluated the qualifications, competence and expertise of the external valuers used; • reviewed the method of valuing and assess if the applicable methods used are in line with the financial reporting framework and valuation standards; • engaged with the valuers to assess the reasonableness of the assumptions used; and • reviewed the appropriateness of the accounting entries and the fixed asset register to ensure the values are correctly updated. <p>No new matters have been identified to bring to Council's attention.</p>
Capital projects	
<p>A number of major projects are either underway or about to commence, including water supply treatment and storage upgrades and the Featherston wastewater treatment plant, which we understand is accounted for in WIP, along with the new dog pound, yet to be completed.</p> <p>The key financial statement risks associated with capital projects include:</p> <ul style="list-style-type: none"> • costs not being appropriately accounted for in accordance with accounting standards; • balances being included in WIP at balance date when the assets have been completed and should have been capitalised; and • contracts entered into before balance date that are not disclosed as commitments in the notes to the financial statements. 	<p>We have reviewed the accounting for costs incurred on capital projects, including:</p> <ul style="list-style-type: none"> • assumptions and judgements used by management in classifying costs as either capital or operational; • appropriate capitalisation point for completed assets, including transfers from work in progress; • the reasonableness of depreciation rates and useful lives applied to asset components; and • the disclosures included within the financial statements, including those relating to capital commitments. <p>We are satisfied that the accounting for capital projects is materially correct.</p>

Drinking water performance measures	
<p>Council is responsible for reporting performance against the safe drinking water standards. In particular this requires Councils to report the extent to which the local authority's drinking water supply complies with:</p> <ul style="list-style-type: none"> (a) part 4 of the drinking-water standards (bacteria compliance criteria), and (b) part 5 of the drinking-water standards (protozoal compliance criteria). <p>Up until November 2021 performance related data was captured in the Drinking Water Online (DWO) database and compliance was assessed by Drinking Water Assessors (DWA). As a result of changes to the regulatory framework for drinking water quality, the DWO is no longer accessible and the DWA role no longer exists.</p> <p>Given these changes Council will need to ensure appropriate systems and controls are in place to ensure performance information is complete and accurate for reporting purposes.</p>	<p>We have updated our understanding of the systems and controls in place for reporting on compliance with the drinking water standards at Wellington Water. We have placed reliance on work performed by the Wellington Water audit team and were able gain sufficient appropriate audit evidence over the results reported.</p>
Impact of three waters reform	
<p>On 27 October 2021, the Local Government Minister announced the Government's intention to proceed with the three waters service delivery reforms. The Three Waters Reform involves the creation of four statutory water services entities to be responsible for the service delivery and infrastructure currently owned by local authorities, with effect from 1 July 2024. The Three Waters Reform programme is expected to result in significant changes to how water supply, wastewater and stormwater assets are owned and managed in the local government sector.</p> <p>There are still a number of uncertainties associated with the new three waters delivery model, however once legislated it will mean Council is no longer responsible for the delivery and infrastructure of three water services from 1 July 2024.</p> <p>The Council should ensure that sufficient disclosure about impact of the reform (to the extent that the impact is known) is included in the annual report.</p>	<p>In June 2022, the Government introduced legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities with effect from 1 July 2024. The legislation received royal assent from the Governor-General on 14 December 2022. The impact of these proposed reforms, once legislated, will mean that the District Council will no longer deliver three waters services or own the assets required to deliver these services. In December 2022, the Government introduced the Water Services Legislation Bill, which will transfer assets and liabilities to the water services entities.</p> <p>Because the impact is likely to be significant, but is uncertain until formally legislated, we will include information in our audit report to draw the readers' attention to Council's disclosure about the Three Waters Reform programme.</p>

5 Public sector audit



The District Council is accountable to their local community and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and in the way the District Council said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the District Council has fairly reflected the results of its activities in its financial statements and non-financial information.

We also consider if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the District Council carrying out its activities effectively and efficiently;
- the District Council incurring waste as a result of any act or failure to act by a public entity;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the District Council or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by a public entity or by one or more of its members, office holders, or employees.

We did not identify any issues to bring to your attention in relation these areas.

6 Useful publications



Based on our knowledge of the District Council, we have included some publications that the Council and management may find useful.

Description	Where to find it
Performance reporting	
Public organisations are responsible for reporting their performance to Parliament and the public in a way that meaningfully reflects their organisation's aspirations and achievements. The Auditor-General published a discussion paper that explores five areas for improvement in performance reporting.	On the Office of the Auditor-General's website under publications. Link: The problems, progress, and potential of performance reporting
The Office of the Auditor-General, the Treasury and Audit New Zealand have jointly prepared good practice guidance on reporting about performance. The guidance provides good practice examples from public organisations in central government. Those working in other sectors may also find this useful.	On Audit New Zealand's website under good practice. Link: Good practice in reporting about performance — Office of the Auditor-General New Zealand (oag.parliament.nz)
Local government risk management practices	
The Covid-19 pandemic is a stark reminder for all organisations about the need for appropriate risk management practices. In our audit work, we often see instances where councils do not have effective risk management. This report discusses the current state of local government risk management practices and what councils should be doing to improve their risk management.	On the Office of the Auditor-General's website under publications. Link: Observations on local government risk management practices
Public accountability	
Public accountability is about public organisations demonstrating to Parliament and the public their competence, reliability, and honesty in their use of public money and other public resources. This discussion paper explores how well New Zealand's public accountability system is working in practice.	On the Office of the Auditor-General's website under publications. Link: Building a stronger public accountability system for New Zealanders

Description	Where to find it
Setting and administering fees and levies for cost recovery	
<p>This good practice guide provides guidance on settings fees and levies to recover costs. It covers the principles that public organisations should consider when making any decisions on setting and administering fees and levies. It also sets out the matters public organisations should consider when calculating the costs of producing goods or providing services and setting charges to recover those costs.</p>	<p>On the Office of the Auditor-General’s website under publications.</p> <p>Link: Setting and administering fees and levies for cost recovery: Good practice guide</p>
Managing conflicts of interest involving Council employees	
<p>This article discusses findings across four councils on how conflicts of interest of Council employees, including the Chief Executive and staff, are managed.</p>	<p>On the Office of the Auditor-General’s website under publications.</p> <p>Link: Getting it right: Managing conflicts of interest involving council employees</p>
Sensitive expenditure	
<p>The Auditor-General’s good practice guide on sensitive expenditure provides practical guidance on specific types of sensitive expenditure, outlines the principles for making decisions about sensitive expenditure, and emphasises the importance of senior leaders “setting the tone from the top”. It also describes how organisations can take a good-practice approach to policies and procedures for managing sensitive expenditure.</p>	<p>On the Office of the Auditor-General’s website under good practice.</p> <p>Link: Sensitive expenditure</p>
The Auditor-General’s report on the results of recent audits	
<p>The OAG publishes a report on the results of each cycle of annual audits for the sector.</p>	<p>On the OAG’s website under publications.</p> <p>Link: Local government 2019/20 audits</p>

Description	Where to find it
Good practice	
<p>The OAG’s website contains a range of good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> • audit committees; • conflicts of interest; • discouraging fraud; • good governance; • service performance reporting; • procurement; • sensitive expenditure; and • severance payments. 	<p>On the OAG’s website under good practice.</p> <p>Link: Good practice</p>
Procurement	
<p>The OAG are continuing their multi-year work programme on procurement.</p> <p>They have published an article encouraging reflection on a series of questions about procurement practices and how processes and procedures can be strengthened.</p> <p>Whilst this is focused on local government, many of the questions are relevant to all types of public sector entities.</p>	<p>On the OAG’s website under publications.</p> <p>Links: Strategic suppliers: Understanding and managing the risks of service disruption</p> <p>Getting the best from panels of suppliers</p> <p>Local government procurement</p>

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Necessary		
<p>Statement of service performance – Survey results</p> <p>We recommend that the District Council investigates any significant underperformance against targets set for performance measures involving surveys, and where appropriate reports the reasons for underperformance in the annual report and actions intended to address any deficiencies.</p>	2018/19	<p>In progress</p> <p>2022 update:</p> <p>We note a number of survey-based measures where targets were not achieved in 2021/22, with no reporting on reasons for this or actions being taken by the District Council to address this.</p> <p>We will review progress against this during our 2023 audit.</p>
<p>Creditors Masterfile</p> <p>The District Council should independently review all changes to the Creditors Masterfile, including bank account changes and new creditors.</p> <p>The District Council should ensure that a report including all changes is run when Creditor Masterfile review is going to occur to ensure no changes are missed.</p> <p>We further recommend that the District Council should independently verify bank account changes with the vendor instead of using the details per the invoice only, as cyber-attacks and fraud are becoming increasingly sophisticated.</p>	2017/18	<p>In progress</p> <p>Changes have been implemented during the year and will be reviewed as part of the 2022/23 audit.</p>
Beneficial		
<p>Excessive annual leave balances</p> <p>The District Council should regularly review employee leave balances and ensure employees with excessive balances have leave plans put in place.</p>	2017/18	<p>In progress</p> <p>2022 update:</p> <p>Annual leave balances are actively managed by the District Council. Whilst there is no formal policy in place, management are required, wherever possible, to ensure that leave balances are kept beneath 200 hours. For those that are currently above this figure, discussions are underway for managing the leave</p>

Recommendation	First raised	Status
		balances. Audit will review this again as part of the 2023 audit.
<p>Expenditure approval</p> <p>Consider an alternate approver for the Mayor's expenditure.</p>	2019/20	<p>In progress</p> <p>2022 update: The District Council reviewed and updated the process for expense claims for the Mayor so Chair of FAR now signs off on Mayoral expenses, however all instances tested as part of our audit found that the expenditure was approved by the CE. We will review this again as part of our 2023 audit.</p> <p>We further note that per the discretionary expenditure policy, discretionary expenditure incurred by the CE is to be approved by the General Manager Finance, and expenditure incurred by elected members is to be approved by the CE – Good practice is to follow a one-up approval process and CE expenditure should ideally be approved by the Mayor and Council expenditure by the Chair of the FAR.</p>
<p>Sensitive Expenditure Policy</p> <p>The District Council should update the policy to ensure it covers all best practice guidelines.</p>	2018/19	<p>In progress</p> <p>2022 update: We recommend that the Council implements a formal Credit Card policy which incorporates the OAG good practice guidelines.</p>

Implemented or closed recommendations

Recommendation	First raised	Status
<p>Compliance with legislation – process and compliance</p> <p>We recommend the District Council continue its review of legislative compliance.</p>	2019/20	<p>Closed</p> <p>We have not identified any further issues in relation to legislative compliance.</p>
<p>Expenditure control not operating effectively</p> <p>The reviewers of expenditure batches are required to date and sign or otherwise</p>	2019/20	<p>Closed</p> <p>No issues identified in relation to evidencing approval of batch expenditure.</p>

Recommendation	First raised	Status
document their review, as evidence that that this was performed.		
<p>Expense claim not signed prior to payment</p> <p>The District Council systematically documents the expense approval prior to the payment, in particular for expense claims, and monitors operation of the control through periodical checks</p>	2019/20	<p>Closed</p> <p>We have not identified any further instances where there were no evidence of approval of expense claims prior to payment.</p>
<p>Conflicts of Interest Register for elected members and key management</p> <p>The District Council should ensure declarations by elected members and key management are completed and signed annually.</p>	2018/19	<p>Closed</p> <p>Council members and KMP are required to disclose their interests at least annually and subsequently if changes occur. Declarations completed as required.</p>
<p>Review of Batch Invoices</p> <p>All expenditure should be confirmed to appropriate documentation prior to payment, and that this review is evidenced.</p>	2018/19	<p>Closed</p> <p>No exceptions identified in this regard.</p>
<p>Procurement and Contract Management Policy</p> <p>The District Council should update the Procurement Policy to ensure it covers all of its procurement and contract management activities.</p>	2017/18	<p>Closed</p> <p>The scope of our audit for the current year did not include a follow up procurement and contract management review, however we confirmed that a new Procurement policy was adopted on 30 June 2022 and based on our review of the policy, did not identify any significant deficiencies.</p>

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the District Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to our audit of the audited information and our report on the disclosure requirements, we have audited the District Council's 2021-31 long-term plan. Other than this engagement, we have no relationship with, or interests in, the District Council.</p>
Fees	<p>The audit fee for the year is \$102,472 excluding GST and disbursements, as detailed in our Audit Proposal Letter.</p> <p>To date, other fees charged in the period are \$60,400 excluding GST and disbursements, for the LTP audit (including the CD audit).</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the District Council that is significant to the audit.</p> <p>We are aware of one instance where a staff member of Audit New Zealand accepted a position of employment with the District Council during or since the end of the financial year.</p>

AUDIT NEW ZEALAND

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Appendix 4 – Fair Value Assessment of Infrastructure Assets

Project Number: 6-DTP00.13

South Wairarapa DC 2023 Fair Value Assessment of Infrastructure Assets Final

26 July 2023

CONFIDENTIAL



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Approved for release by



Jaimie Cable



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Disclaimers and Limitations

This report ('Report') has been prepared by WSP exclusively for South Wairarapa District Council ('SWDC') as an update to fair value for financial reporting based on a previous full revaluation ('Purpose'). The findings in this Report are based on and are subject to the assumptions specified in the Report and in the previous valuation on which it relies. This updated fair value methodology is appropriate for "out of cycle" valuations where some sources of change in fair value are likely to be material. It does not replace a full valuation which should be performed according to the usual schedule.

WSP accepts no liability whatsoever for any reliance on or use of this Report, in whole or in part, for any use or purpose other than the Purpose. For clarity, as the Purpose is for financial reporting this report may be relied on by any audit of financial reports. Also, for clarity, the Purpose of this fair value does not include asset transfer or pricing.

Use and Reliance

This Report should be read in its entirety and must not be copied, distributed or referred to in part only. The Report must not be reproduced without WSP's prior approval in writing. WSP will not be responsible for interpretations or conclusions drawn by the reader of the Report. This Report (or sections of the Report) must not be used as part of a specification for a project or for incorporation into any other document without WSP's agreement in writing.

Use of Confidential Information

This Report uses anonymised confidential information from other WSP clients. The Client acknowledges and agrees that the data and factual information provided by the Client and/or collected or developed by the Consultant in the course of performing the Services ('Retained Data') may be retained by the Consultant for the Consultant's future use. The Consultant will ensure that the Retained Data is always kept strictly confidential and never disclosed in any manner that may identify the Client.

Executive Summary

South Wairarapa District Council (SWDC) is currently preparing its financial accounts for the year end 30 June 2023 and have requested WSP provide a fair value review of their 3 Waters and Roding assets as at 30 June 2023.

The last full valuation of SWDC's 3 waters and roading assets was carried out as at 30 June 2021, and a fair value update for these assets was carried out as at 30 June 2022.

WSP's assessment of 30 June 2023 fair value of SWDC's roading and 3 waters assets is based on the 30 June 2022 fair value update, updated to 30 June 2023 in compliance with the relevant valuation standards. Where appropriate, this review considers the full change since the 2021 full revaluation. This fair value review provides a valuation suitable for use in the financial accounts for 30 June 2023.

The Optimised Depreciated Replacement Cost (ODRC) methodology was used to value these assets in the last valuation so that methodology is implicit in this update. Valuation results include optimised replacement cost (ORC), optimised depreciated replacement cost (ODRC) and annual depreciation (AD). The ODRC is taken to be the current fair value of the assets. The valuations have an effective date of 30th June 2023 and have been prepared for financial reporting purposes.

Table 1 sets out the sources of variation that may cause the value of SWDC's infrastructure assets to be materially different from the previous valuation, with WSP's assessment of the change since the 30 June 2022 fair value review, where this is in the scope of this review.

Table 1: Summary of Variations in Value for SWDC Roding and 3 Waters Assets between 30 June 2022 and 30 June 2023

Source of Variation	2022 to 2023 Change 3 Waters ODRC	2022 to 2023 Change Roding ODRC	2022 to 2023 Change Total ODRC
Unit Rates	8%	7%	7%
Asset Lives	0%	0%	0%
Residual Value	0%	0%	0%
Optimisation	N/A	N/A	N/A
Impairment	N/A	N/A	N/A
Additions, Vested + Deletions	1%	0.13%	0.5%
Depreciation	-2%	-1%	-2%
Other Changes in assumptions	Excluded	Excluded	Excluded

The 30 June 2023 fair value of SWDC infrastructure assets ODRC is assessed to be **\$489.61M**. This is an increase to the combined ODRC of 3 Waters and Roding assets of **\$31.7M** (6.92%) since the 30 June 2022 fair value review, and a **\$ 71.5M** (17.1%) since the 2021 full valuation of these asset groups.

1 Introduction

South Wairarapa District Council (SWDC) is currently preparing its financial accounts for the year end 30 June 2023 and have requested WSP provide a fair value review of their 3 Waters and Roding assets as at 30 June 2023. The last full valuation of SWDC's 3 waters and roading assets was carried out as at 30 June 2021, and a fair value update for these assets was carried out as at 30 June 2022.

WSP's 30 June 2023 assessment of fair value of SWDC's roading and 3 waters assets is based on the 30 June 2022 fair value update, updated to 30 June 2023 in compliance with the relevant valuation standards. Where appropriate, this review considers the full change since the 2021 full revaluation. This fair value review provides a valuation suitable for use in the financial accounts for 30 June 2023.

Several sources of potential value variation since the last review of fair value have been assessed. The table below lists the components of value change and our assessment methodology.

Table 2: Potential sources of variation in Valuations

Source of Variation	2023 Valuation Update
Unit Rates	The unit rates assessment has been reviewed using the latest indices published by Stats NZ and tightening the combination of indices that best reflect the costs of different asset/project types.
Asset Lives	We will review the asset lives assumptions in more detail but expect little to no change in the value as a result
Residual Value	We reviewed the residual value assumptions in more detail. We concluded no change in the value as a result
Optimisation	We reviewed the optimisation assumptions. We conclude no change in the value as a result
Impairment	None applied
Vested Assets	We have included vested assets that have been capitalised as at 30 June 2023.
Depreciation	The depreciation estimate has been reviewed and concluded to be appropriate.
Other Changes in assumptions	We will confirm with SWDC that there are no changes to the other assumptions that should be included.

This report outlines the results of WSP's high level assessment of fair value as at 30 June 2023, including review of the key assumptions applied in the previous valuation upon which this fair value update is based, including assessment of whether these assumptions continue to be applicable as at 30 June 2023.

2 Valuation Parameters

2.1 Unit Rates

The individual unit costs used in the 2021 infrastructure valuation were obtained from SWDC engineering staff, Wellington Water, previous valuations and contract rates. Costs gathered from similar networks were used for comparison. This report assesses the likelihood that unit rates have increased significantly between 30 June 2021 and 30 June 2023, in order to deduce the change in value since 30 June 2022.

WSP use two sources of information to assess changes to unit rates. Inflation, or escalation is inferred using publicly available price indices. Recent construction contracts show actual costs from capital expenditure. This report assesses changes in price indices. While there is some anecdotal evidence that unit rates have been increasing at a faster rate than the price indices the sample size is too small to justify increases beyond that given by the price indices.

Inflation or escalation

To estimate price movement changes WSP now use a variety of price indices sourced from NZ Stats and Waka Kotahi combined to reflect the different costs within projects. This is compared to cost information and trends from our many valuations nationwide.

To replace forecasted indexing assumptions with published indices in our 2022 valuation, in 2023 we have recalculated the escalation for the 2021 – 2022 using actual published indices and subtracted this from our 2021 – 2023 indexing calculation. There is a component of forecasting for March 2023 to June 2023 in the index calculation below.

A full review of market rates compared to those used in the 2021 full valuation was carried out to we consider an appropriate high-level index adjustment for this valuation.

Table 3:WSP Index Forecasted Growth between 30 June 2021 and 30 June 2023

Index	Growth
Capital Goods Price Index	
Pipelines	24.67%
General Purpose plant and Machinery	14.84%
Earthmoving and site work	14.72%
Waka Kotahi Composite Indexes	
Waka Kotahi Construction (New Series)	15.96%
Waka Kotahi Structures (New Series)	19.10%

We use combinations of indices for all water assets, and Waka Kotahi composites for all roading asserts, to reflect the mix of costs of construction (including construction, labour, P&G) and on-cost (Professional Services and Project Management). Table 3 above shows the main drivers for the composite growth estimated between 30 June 2021 and 30 June 2023.

On-cost

On-cost factors are applied to allow for all expenses incidental to the asset acquisition and all costs directly attributable to bringing the asset into working condition and location. These additional costs include professional fees, administration costs and financial charges. Professional fees include planning, traffic management, investigation, design, performance & quality monitoring of physical works projects (maintenance and construction) and providing other specialist advice. Zero finance charge has been assumed.

We do not have sufficient evidence to change the relative value of oncost percentages, so the impact of on-cost increases is just that already included in the index calculations. This will be reviewed at the next full valuation.

2.2 Asset Lives

There is no evidence to suggest that there would be any change to any asset lives applied within the valuation, except normal aging affecting the remaining useful life. We therefore assume that all existing assets have aged by one year since 30 June 2022.

We note that many of the water treatment plant assets are at the end of life. Where asset classes have a higher proportion of assets at end of, we recommend these end of life assumptions are reviewed for the next full valuation.

2.3 Residual Value

No changes are suggested for the residual value.

2.4 Optimisation

Potential changes in optimisation were not within the scope of this assessment and therefore have not been included.

2.5 Additions, Deletions and Vested Assets

We have been supplied new vested and addition asset data for 2023 valuation. We have included \$800,000 of vested assets and \$653,000 of addition assets for 3 waters, \$465,000 of vested assets and \$2,773,000 of addition assets for roading, between 30 June 2022 and 30 June 2023. These assets have been assigned a commission date of 30 June 2023.

Any additional changes or further known write-offs, or work in progress will need to be separately adjusted by SWDC.

2.6 Impairment

We have not included impairments to the infrastructure assets in South Wairarapa for the fair value. We understand SWDC will make adjustments for any relevant impairment outside of this valuation.

2.7 Depreciation

Depreciation represents the loss in value of an asset as it is consumed over its useful life. This is directly related to the assets' age and economic life. We have assumed no changes to these assumptions and have assessed the change in value due to depreciation on this basis. This assessment will slightly overstate depreciation where asset have reached the end of their base life and continue to be in service. This overstatement is highly unlikely to be material.

2.8 Other Changes in Assumptions

No other changes in assumptions have been assessed in this report.

3 Changes in Value

This section sets out the change in value from the 30 June 2022 and 30 June 2021 values, at the level of asset types, considering the effects set out in the previous section. The main contributions to change in value are unit rate changes due to price escalation and aging of one year.

Tables 4 and 5 show the change in value of the 3 waters assets since the 2021 and 2022 values respectively. Tables 6 and 7 show the change in value of the roading assets since the 2021 and 2022 values respectively.

3.1 3 Waters Assets

The 30 June 2023 value of 3 Waters Assets, reflects increases as follows:

- from 2022 values of ORC 9.3%, ODRC 7.1% and AD 5.7%.
- From 2021 values of ORC 19.1%, ODRC 18.1% and AD 18.1%.

Table 4: SWDC 3 Waters Assets Values as at 30 June 2023 including change from 2021 Full Valuation

Asset Group	Category	2021 ORC	2021 ODRC	2021 AD	Ave Base Life	Ave RUL	Escalation Factor	2023 ORC	2023 ODRC	2023 AD	Adj Baseline	Adj RUL
Water Supply												
Pipe Reticulation	WS Pipes	\$47,921,117	\$28,722,239	\$704,517	68	41	117.92%	\$57,156,010	\$32,723,445	\$840,092	68	39
Node Assets	WS Nodes	\$4,223,622	\$1,806,382	\$103,653	41	17	117.92%	\$5,060,137	\$2,127,561	\$123,394	41	17
Headworks	WS Treatment Plant	\$5,758,195	\$3,157,971	\$141,087	41	22	115.08%	\$6,610,206	\$3,394,648	\$157,805	42	22
Treatment Plant	WS Treatment Plant	\$7,129,187	\$4,933,278	\$258,211	28	19	115.08%	\$8,642,568	\$5,738,528	\$284,271	30	20
Reservoirs	WS Treatment Plant	\$4,867,919	\$1,772,504	\$77,990	62	23	115.08%	\$5,586,121	\$1,921,188	\$88,338	63	22
Water Races	CGPI Earthworks + Site works	\$15,805,962	\$15,651,198	\$2,200			114.72%	\$18,132,275	\$17,951,488	\$2,490		
Stormwater												
Pipe Reticulation	SW Pipes	\$6,737,100	\$2,705,975	\$109,793	61	25	117.92%	\$8,169,161	\$3,235,698	\$130,152	63	25
Channels	CGPI Earthworks + Site works	\$1,282,549	\$1,282,549	\$0			114.72%	\$1,475,400	\$1,475,400	\$0		
Misc Stormwater	SW Nodes	\$1,429,028	\$750,616	\$23,286	61	32	117.92%	\$1,957,588	\$1,140,905	\$30,042	65	38
Waste Water												
Pipes	WW Pipes	\$29,947,597	\$15,812,377	\$376,243	80	42	117.92%	\$34,187,200	\$18,457,700	\$426,800	80	43
Pumps + Valves	WW Nodes	\$4,732,809	\$2,462,303	\$60,137	79	41	117.92%	\$4,897,472	\$2,758,322	\$62,376	79	44
Oxidation Ponds, Plant + Pump Stations	WW Treatment Plant	\$7,353,095	\$3,853,990	\$133,534	55	29	115.67%	\$11,503,795	\$7,153,505	\$207,187	56	35
Consents	WW Treatment Plant	\$1,487,174	\$1,288,884	\$49,572	30	26	115.67%	\$1,723,424	\$1,378,739	\$57,447	30	24

Table 5: SWDC 3 Waters Assets Values as at 30 June 2023 including change from 2022 Fair Value Update

Asset Group	Category	2022 ORC	2022 ODRC	2022 AD	Ave Base Life	Ave RUL	Escalation Factor	2023 ORC	2023 ODRC	2023 AD	Adj Baseline	Adj RUL
Water Supply												
Pipe Reticulation	WS Pipes	\$51,577,791	\$30,780,587	\$783,233	66	39	107.26%	\$57,156,010	\$32,723,445	\$840,092	68	39
Node Assets	WS Nodes	\$4,585,949	\$1,952,200	\$114,974	40	17	107.26%	\$5,060,137	\$2,127,561	\$123,394	41	17
Headworks	WS Treatment Plant	\$6,205,024	\$3,289,036	\$150,486	41	22	106.49%	\$6,610,206	\$3,394,648	\$157,805	42	22
Treatment Plant	WS Treatment Plant	\$7,725,959	\$5,202,967	\$273,009	28	19	106.49%	\$8,642,568	\$5,738,528	\$284,271	30	20
Reservoirs	WS Treatment Plant	\$5,245,663	\$1,857,022	\$83,488	63	22	106.49%	\$5,586,121	\$1,921,188	\$88,338	63	22
Water Races	CGPI Earthworks + Site works	\$17,032,485	\$16,864,213	\$0			106.46%	\$18,132,275	\$17,951,488	\$2,490		
Stormwater												
Pipe Reticulation	SW Pipes	\$7,445,579	\$2,933,742	\$121,339	61	24	107.26%	\$8,169,161	\$3,235,698	\$130,152	63	25
Channels	CGPI Earthworks + Site works	\$1,388,495	\$1,388,495	\$0			106.46%	\$1,475,400	\$1,475,400	\$0		
Misc Stormwater	SW Nodes	\$1,716,276	\$960,708	\$28,013	61	34	107.26%	\$1,957,588	\$1,140,905	\$30,042	65	38
Waste Water												
Pipes	WW Pipes	\$31,498,927	\$17,135,638	\$419,666	75	41	107.26%	\$34,187,200	\$18,457,700	\$426,800	80	43
Pumps + Valves	WW Nodes	\$4,529,323	\$2,567,466	\$62,454	73	41	107.26%	\$4,897,472	\$2,758,322	\$62,376	79	44
Oxidation Ponds, Plant + Pump Stations	WW Treatment Plant	\$10,516,337	\$6,595,322	\$190,239	55	35	106.58%	\$11,503,795	\$7,153,505	\$207,187	56	35
Consents	WW Treatment Plant	\$1,617,037	\$1,347,531	\$53,901	30	25	106.58%	\$1,723,424	\$1,378,739	\$57,447	30	24

3.2 Roothing Assets

The 30 June 2023 value of roading assets, reflects increases as follows:

- from 2022 values of ORC 7.5%, ODRC 6.9% and AD 8.7%.
- From 2021 values of ORC 18.4%, ODRC 16.8% and AD 23.1%.

Table 6: SWDC Roothing Assets Values as at 30 June 2023 including change from 2021 Full Valuation

Asset Group	Category	2021 ORC	2021 ODRC	2021 AD	Ave Base Life	Ave RUL	Escalation Factor	2023 ORC	2023 ODRC	2023 AD	Adj Baseline	Adj RUL
Roads												
Land	Waka Kotahi Construction New	\$81,569,946	\$81,569,946	\$0			115.96%	\$81,569,946	\$81,569,946	\$0		
Formation	Waka Kotahi Construction New	\$129,049,474	\$129,049,474	\$0			115.96%	\$157,225,872	\$157,225,872	\$0		
Unsealed	Waka Kotahi Construction New	\$20,099,380	\$19,851,960	\$0			115.96%	\$25,003,943	\$24,702,501	\$0		
Subbase	Waka Kotahi Construction New	\$29,641,481	\$28,672,315	\$19,383			115.96%	\$36,629,446	\$35,448,675	\$23,615		
Basecourse	Waka Kotahi Construction New	\$39,378,253	\$24,611,408	\$350,619			115.96%	\$48,492,125	\$30,501,118	\$427,172		
Surfacing	Waka Kotahi Construction New	\$11,406,190	\$2,339,313	\$570,310	20	4.1	115.96%	\$14,412,700	\$2,556,224	\$694,830	21	4
Bridges + Major Culverts												
Bridges	Waka Kotahi Structures New	\$51,547,016	\$17,816,376	\$570,770	90	31.2	119.10%	\$62,355,006	\$20,238,933	\$689,739	90	29
Major Culverts	Waka Kotahi Construction New	\$4,364,898	\$1,413,432	\$59,326	74	23.8	115.96%	\$5,280,097	\$1,654,726	\$71,059	74	23
Drainage												
Channels	Waka Kotahi Construction New	\$6,410,461	\$3,241,507	\$78,944	81	41.1	115.96%	\$7,485,620	\$3,822,115	\$92,189	81	41
Sumps	Waka Kotahi Construction New	\$1,071,400	\$376,546	\$21,428	50	17.6	115.96%	\$1,254,873	\$440,949	\$25,097	50	18
Culverts	Waka Kotahi Construction New	\$12,359,830	\$6,179,915	\$171,004	72	36.1	115.96%	\$14,486,353	\$7,243,177	\$200,426	72	36
Footpaths	Waka Kotahi Construction New	\$6,869,653	\$2,442,269	\$165,802	41	14.7	115.96%	\$9,231,309	\$3,713,599	\$203,466	45	18
Lighting	Waka Kotahi Construction New	\$993,366	\$562,874	\$57,657	17	9.8	115.96%	\$1,211,803	\$616,119	\$70,246	17	9
Markings	Waka Kotahi Construction New	\$432,022	\$221,303	\$84,288	5	2.6	115.96%	\$582,735	\$294,543	\$116,547	5	3
Signs	Waka Kotahi Construction New	\$1,300,211	\$676,486	\$86,662	15	7.8	115.96%	\$1,925,159	\$1,044,176	\$117,698	16	9
Walls + Traffic Facilities												
Retaining Walls	Waka Kotahi Construction New	\$12,689,357	\$9,172,918	\$253,787	50	36.1	115.96%	\$16,612,659	\$11,672,399	\$332,300	50	35
Berms	Waka Kotahi Construction New	\$5,276,996	\$5,276,996	\$0			115.96%	\$6,918,534	\$6,918,431	\$0		
Marker Posts	Waka Kotahi Construction New	\$319,766	\$159,883	\$27,490	12	5.8	115.96%	\$389,583	\$194,792	\$33,493	12	6
Railings	Waka Kotahi Construction New	\$1,465,019	\$282,034	\$29,300	50	9.6	115.96%	\$1,917,974	\$295,418	\$38,400	50	8

Table 7: SWDC Rooding Assets Values as at 30 June 2023 including change from 2022 Fair Value Update

Asset Group	Category	2022 ORC	2022 ODRC	2022 AD	Ave Base Life	Ave RUL	Escalation Factor	2023 ORC	2023 ODRC	2023 AD	Baselife	Adj RUL
Roads												
Land	Waka Kotahi Construction New	\$81,570,000	\$81,570,000	\$0			102.93%	\$81,570,000	\$81,570,000	\$0		
Formation	Waka Kotahi Construction New	\$145,860,000	\$145,860,000	\$0			102.93%	\$157,225,872	\$157,225,872	\$0		
Unsealed	Waka Kotahi Construction New	\$22,718,000	\$22,438,000	\$0			102.93%	\$25,003,943	\$24,702,501	\$0		
Subbase	Waka Kotahi Construction New	\$33,503,000	\$32,407,000	\$22,000			102.93%	\$36,629,446	\$35,448,675	\$23,615		
Basecourse	Waka Kotahi Construction New	\$44,508,000	\$27,817,000	\$396,000			102.93%	\$48,492,125	\$30,501,118	\$427,172		
Surfacing	Waka Kotahi Construction New	\$12,892,000	\$2,235,000	\$645,000	20	3.5	102.93%	\$14,412,700	\$2,556,224	\$694,830	21	4
Bridges + Major Culverts												
Bridges	Waka Kotahi Structures New	\$57,847,000	\$19,385,000	\$640,000	90	30.3	106.88%	\$62,355,006	\$20,238,933	\$689,739	90	29
Major Culverts	Waka Kotahi Construction New	\$4,898,000	\$1,561,000	\$66,000	74	23.7	102.93%	\$5,280,097	\$1,654,726	\$71,059	74	23
Drainage												
Channels	Waka Kotahi Construction New	\$6,903,000	\$3,488,000	\$85,000	81	41.0	102.93%	\$7,485,620	\$3,822,115	\$92,189	81	41
Sumps	Waka Kotahi Construction New	\$1,160,000	\$408,000	\$23,000	50	17.7	102.93%	\$1,254,873	\$440,949	\$25,097	50	18
Culverts	Waka Kotahi Construction New	\$13,439,000	\$6,720,000	\$186,000	72	36.1	102.93%	\$14,486,353	\$7,243,177	\$200,426	72	36
Footpaths	Waka Kotahi Construction New	\$7,741,000	\$2,683,000	\$187,000	41	14.3	102.93%	\$9,231,309	\$3,713,599	\$203,466	45	18
Lighting	Waka Kotahi Construction New	\$1,123,000	\$603,000	\$65,000	17	9.3	102.93%	\$1,211,803	\$616,119	\$70,246	17	9
Markings	Waka Kotahi Construction New	\$541,000	\$274,000	\$108,000	5	2.5	102.93%	\$582,735	\$294,543	\$116,547	5	3
Signs	Waka Kotahi Construction New	\$1,639,000	\$837,000	\$109,000	15	7.7	102.93%	\$1,925,159	\$1,044,176	\$117,698	16	9
Walls + Traffic Facilities												
Retaining Walls	Waka Kotahi Construction New	\$14,431,000	\$10,286,000	\$289,000	50	35.6	102.93%	\$16,612,659	\$11,672,399	\$332,300	50	35
Berms	Waka Kotahi Construction New	\$6,001,000	\$6,001,000	\$0			102.93%	\$6,918,534	\$6,918,431	\$0		
Marker Posts	Waka Kotahi Construction New	\$361,000	\$181,000	\$31,000	12	5.8	102.93%	\$389,583	\$194,792	\$33,493	12	6
Railings	Waka Kotahi Construction New	\$1,666,000	\$289,000	\$33,000	50	8.8	102.93%	\$1,917,974	\$295,418	\$38,400	50	8

4 Conclusion

The changes in the fair value of SWDC's 3 Waters and Rooding assets between 30 June 2023 and 30 June 2022 are summarised in Table 8 below.

Table 8: Summary of Variations in Value for SWDC Rooding and 3 Waters Assets between 30 June 2022 and 30 June 2023

Source of Variation	2022 to 2023 Change 3 Waters ODRC	2022 to 2023 Change Rooding ODRC	2022 to 2023 Change Total ODRC
Unit Rates	8.0%	6.8%	7.4%
Asset Lives	0%	0%	0%
Residual Value	0%	0%	0%
Optimisation	N/A	N/A	N/A
Impairment	N/A	N/A	N/A
Additions, Vested + Deletions	0.9%	0.1%	0.5%
Depreciation	-2.5%	-0.8%	-1.6%
Other Changes in assumptions	Excluded	Excluded	Excluded
Total 2022 to 2023 Change in Value	7.1	6.9	6.9%

We have assessed the total fair value of SWDC Rooding and 3 Waters Assets has increased by 6.9% between 30 June 2022 to 30 June 2023. This is made up of 7.4% increase in unit rates, a 0.5% increase in the combined effect of additions deletions and vested assets, with these increases partially offset by depreciation of 1.6%.

The June 2023 fair value of SWDC 3 Waters and Rooding assets is assessed to be **\$489.61M**. This is an increase of **\$ 71.5M** (17.1%) since the 2021 full valuation, or an increase of **\$31.7M** (6.9%) since the 2022 assessment.

We believe the values reported in this fair value assessment is suitable for inclusion in South Wairarapa District Council's 2023 financial reporting.

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Appendix 5 – LGOIMA’s register to 23 July 2023

Appendix 5 – LGOIMA’s register to 23 July 2023

Official information requests 24 April-30 June 2023			
No.	Date Received	Date due	Request
064	24-Apr-23	23-May-23	Suspensions
065	24-Apr-23	23-May-23	Redundancies
066	24-Apr-23	23-May-23	Graphic Design
067	24-Apr-23	23-May-23	Cape Palliser Road
068	1-May-23	29-May-23	Sick Days
069	1-May-23	29-May-23	Bonuses/Pay awards
070	2-May-23	30-May-23	Council functions funded by the General Rate on Land Value and Functions funded by UAGC
071	5-May-23	2-Jun-23	Wairarapa Mayoral Relief Fund
079	5-May-23	2-Jun-23	Featherston Wastewater Treatment Plant
072	6-May-23	2-Jun-23	Rating and LTP policies (legal advice /contractors)
073	8-May-23	6-Jun-23	Geotech Reports for Greytown Orchards Retirement Village
074	9-May-23	7-Jun-23	Lowest rates query
076	9-May-23	7-Jun-23	Changes to Software Portal used to process Building Consent applications
075	9-May-23	14-Jun-23	Annual plan 23/24 - roading and financing weather events
077	10-May-23	8-Jun-23	Mayor's communications/ policies and papers on fluoridation
078	10-May-23	8-Jun-23	Application of agricultural sprays to foraging areas
105	10-May-23	30-Jun-23	Finances Annual Plan 23/24
080	15-May-23	13-Jun-23	Electric vehicles
081	16-May-23	14-Jun-23	Correspondence - Responsible Campers Association Inc (RCAi)
082	17-May-23	15-Jun-23	Council functions funded by the General Rate
083	17-May-23	15-Jun-23	Animal Control - loans and rates
084	17-May-23	15-Jun-23	Legal costs - call to close Te Awaiti and North Tora campsites in 2021.
085	18-May-23	16-Jun-23	Amenities
086	18-May-23	16-Jun-23	Road maintenance
087	19-May-23	19-Jun-23	Speed review
088	22-May-23	20-Jun-23	Watt Street Featherston - General Complaints
089	23-May-23	21-Jun-23	Rates, roading
114	23-May-23	7-Jul-23	Roading and contractor management
090	25-May-23	23-Jun-23	Library staff
091	26-May-23	26-Jun-23	Staffing, Advertising etc
092	26-May-23	26-Jun-23	Staffing costs
093	29-May-23	27-Jun-23	South Wairarapa Property Information
094	30-May-23	28-Jun-23	Rates review 2018
095	30-May-23	28-Jun-23	Code of conduct investigation
096	31-May-23	29-Jun-23	Burial fees
097	2-Jun-23	30-Jun-23	Arrears
098	7-Jun-23	5-Jul-23	Animal control bylaw
110	9-Jun-23	3-Jul-23	Annual Plan additional queries

Official information requests 24 April-30 June 2023			
No.	Date Received	Date due	Request
099	9-Jun-23	7-Jul-23	Improving the safety of boarding houses
100	11-Jun-23	7-Jul-23	Repair and installation of a footpath on Greenaway Place, Martinborough
101	13-Jun-23	11-Jul-23	Setting of rates - unanswered queries
102	13-Jun-23	11-Jul-23	Underhill Road Safety
103	13-Jun-23	11-Jul-23	Lake Ferry community sewerage system
104	14-Jun-23	12-Jul-23	195 East St Greytown
106	16-Jun-23	17-Jul-23	Wastewater
107	16-Jun-23	17-Jul-23	Report on the state of the underground network
108	16-Jun-23	17-Jul-23	Wellington Water - finances
109	16-Jun-23	17-Jul-23	Rateable properties
111	22-Jun-23	5-Jul-23	Water maintenance and preventative schedules
112	23-Jun-23	24-Jul-23	Most commercial/business/industrial rates owed by any individual/trust/company/other organisation in the Featherston ward
113	23-Jun-23	24-Jul-23	Rural road reserve and footpaths (rates)
115	28-Jun-23	27-Jul-23	Rates review 2018
116	28-Jun-23	27-Jul-23	Featherston Wastewater
117	28-Jun-23	27-Jul-23	Featherston Wastewater
118	28-Jun-23	27-Jul-23	Wastewater South Wairarapa
119	28-Jun-23	27-Jul-23	Wellington Water services
120	29-Jun-23	28-Jul-23	Rates reviews from 2002 to present
122	30-Jun-23	31-Jul-23	Bottled Water and Flowers expenditure
123	30-Jun-23	31-Jul-23	Lake Ferry Holiday Park
124	30-Jun-23	31-Jul-23	Overseas workers

Policy and Governance Update

1. Purpose

To present the Policy and Governance Report for August 2023.

2. Recommendations

Officers recommend that the Risk and Assurance Committee:

1. Receive the *Policy and Governance Update Report*.

3. Executive Summary

Officers present the following updates for consideration by the Assurance and Risk Committee:

- Significant Risk Register Review
- Governance
- Policy Updates

4. Long-Term Plan

The Long-Term Plan (LTP) work is now well underway. A project Gantt chart has been created that notes all legal and best-practice deliverables for the project with due dates and responsible owners. A series of initial workshops have been provided for elected members to build an understanding of the LTP requirements and key areas of delivery including setting community outcomes, water reform, RMA reform, and roading.

A governance group made up of the Mayor, Cr Gray, the CEO and the GM of Policy & Governance has been established and fortnightly meetings have been set up. A project Terms of Reference with defined roles and responsibilities is in development. Initial LTP risks and mitigations have been identified.

The project plan has four phases that overlap and intersect. The first phase is Planning and Direction Setting, the second phase is Design and Engagement, the third phase is formal Consultation, and the fourth phase is the production of the final draft of the LTP and its adoption by Council.

The upcoming big pieces of work include:

- Setting community outcomes

- The environmental scan
- The engagement plan and early engagement
- Confirming groups of activities and a review of service levels
- Review and development of key infrastructure and financial strategies and policies

5. Significant Risk Register Review

The risk register will be reviewed quarterly as follows:

- May (Jan-April)
- August (May-July)
- Oct (Aug-Sept)

The Executive Leadership Team continue to have weekly risk meetings and fortnightly risk assessment discussions. Risks identified at these meetings are recorded in minutes and added to the appropriate risk register. Refer to Appendix 1 for more information.

A risk workshop has been scheduled for 9 August, which will occur prior to the August meeting of this committee. The aim of this workshop is to provide further support and information to elected members on the assessment of risk across the organisation to support elected members in their decision-making and the review of the current SWDC Risk Policy (including the development of risk appetite statements).

6. Governance

The priorities for the governance team over the past few weeks has included:

- Review of joint policies with Carterton and Masterton District Councils
- Review of a number of SWDC regulatory policies
- Governance support to Council, committees and community boards
- Representation Review project development
- Staff update: Lead Advisor Community Governance, Nicki Ansell joined our team in May 2023. She is responsible for the Community Boards and Māori Standing Committee, as well as overseeing Grants and the Representation Review in collaboration with the Pou Māori.

7. Policy Updates

Continual progress on the Policy and Bylaw programme of work has been made in the last few months.

- Consultation has closed on the Local Easter Sunday Shop Trading Policy and Dangerous, Affected and Insanitary Buildings Policy. Hearings will be conducted later in August.

- Ongoing joint work has been undertaken on the Wairarapa Local Alcohol Policy and the Wairarapa Class 4 Gambling and TAB Venues Policy.
- Review of all internal Human Resources & Corporate Services Policies.
- Review and revoking of policies that are no longer fit for purpose.
- Ongoing progress with the Freedom Camping Bylaw, Dog Control Policy & Bylaw, Māori Policy, and Risk Policy.

On 31 July 2023, minor procedural amendments were approved by the Interim Chief Executive to Section 8.1.1 of the Discretionary Expenditure Policy. As per the policy, minor procedural amendments may be made to the procedures that sit within the policy outside of scheduled reviews on the approval of the Chief Executive. Minor changes are outlined in Appendix 2.

8. Appendices

Appendix 1 – Significant Risk Register as of July 2023

Appendix 2 – Discretionary Expenditure Policy

Contact Officer: Amanda Bradley, General Manager Policy and Governance

Reviewed By: Paul Gardner, Interim Chief Executive Officer

Appendix 1 – Significant Risk Register as of August 2023

Risk Theme	Risk and Impact Description	Risk Drivers (Existing and Potential Causes)	Accountable	Inherent Likelihood	Inherent Consequence	Inherent Risk	Existing Mitigations	Mitigations in Development	Responsible	Residual Likelihood	Residual Consequence	Residual Risk	Monitoring and review
Council decisions and processes do not fulfil our obligations under Te Tiriti o Waitangi, The Treaty of Waitangi, respectful of tikanga and iwi, hapū, te ao Māori, Māori world view	External or internal events may have a material impact on the quality of the relationship the SWDC has with iwi, hapū, Māori. The understanding of the SWDC role under Te Tiriti o Waitangi, The Treaty of Waitangi is developing and requires resourcing. If the SWDC does not respond adequately, it could result in decreasing trust, a claim under the Waitangi Tribunal, financial loss, and reputational damage.	Lack of or inadequate: <ul style="list-style-type: none"> Partnership Policy and outdated Māori Policy/Significance and Engagement Policy Staff and elected official cultural competence Sharing of relationship insights across council Sufficient resources Lack of a full and appropriate process of engagement or consulting with Mana whenua in identifying areas of significance to Māori/Mana Whenua 	CE	Almost Certain (5)	Moderate (3)	Extreme (5)	<ul style="list-style-type: none"> Appointment to role of Pou Māori (Principal Advisor Māori) Maintenance and support of the Māori Standing Committee this includes ensuring and maintaining full mana whenua representation Relationships held between marae committees, iwi entities, the CE, the and the Mayor Collaborations with other councils to align engagement with iwi on some projects (e.g. climate change) Cultural competence training for all staff and elected officials (in progress) Developing the role of Pou Māori to engage broadly internally and externally to better advise on the Councils obligations under Te Tiriti o Waitangi with Iwi, hapū Coordinated collaboration with other councils to align engagement with iwi 	<ul style="list-style-type: none"> Te Ao Māori and Te Reo training for staff and elected officials Comprehensive induction for elected officials Representation review includes iwi, hapū, and marae from the outset towards a partnership approach Partnership and Māori Policies developed, Significance and Engagement Policy reviewed 	GM P&G and Pou Māori	Possible (3)	Minor (3)	Moderate (3)	Quarterly at Assurance and Risk Committee meetings
Climate Change	Failing to adapt to the impacts of climate change on our environment and failing to mitigate council's contributions to greenhouse gas emissions may result from the complexity of processes and dependencies that may not adequately consider climate impacts. There may be impacts on the environment, health and safety or wellbeing of staff and the community, reputation, operations and finance and strategic goals may not be delivered.	Lack of or inadequate: <ul style="list-style-type: none"> Preparedness Coordination across services (planning, roading, finance, etc) Connection to emergency management Investment Training of staff (understanding of issues, roles, and responsibilities) Leadership Communication internally, with key stakeholders, or the public 	CE	Almost Certain (5)	Extreme (5)	Extreme (5)	<ul style="list-style-type: none"> Appointment to role of Climate Change Advisor to lead this work Climate Change Carbon Reduction Strategy and Action Plan Wellington Regional common climate change assumptions used to carry out a risk assessment Contingency built into LTP budgets Energy audits Community self-assessment kits Climate Change Resilience and Risk Strategy (further detailed mitigations) Council's updated procurement policy supports sustainability Establishment of Climate Change and Environment Committee. 	<ul style="list-style-type: none"> Advancing planning measures including coastal retreat into our District Plan Involvement in Regional Climate Change Impacts Assessment, Emissions Reduction Strategy, and Food Systems Strategy projects under the Wellington Regional Leadership Committee which will provide regional- and district-specific actionable documents Community planting initiatives around forests and wetlands to increase carbon reservoirs and stormwater attenuation. 	ELT, Climate Change Advisor	Almost Certain (5)	Major (4)	Extreme (5)	Fortnightly at ELT meetings and quarterly at Assurance and Risk Committee meetings.
Crisis Management and Response	Risk relates to a natural or human-induced disaster event impacting the health and safety or wellbeing of staff and the community and service delivery and resulting in financial loss.	Lack of or inadequate: <ul style="list-style-type: none"> Preparedness Investment Training of staff (understanding of issues, roles, and responsibilities) Leadership Communication internally, with key stakeholders, or the public 	CE	Almost Certain (5)	Major (4)	Extreme (5)	<ul style="list-style-type: none"> Participation in Wellington Region Civil Defence Emergency Management Group Participation in the Wellington Regional Leaders Committee and developing the Regional Economic Response Plan Participation in the Wairarapa Emergency Operation Centre (EOC) Some degree of response built into the 2021-31 LTP Business Continuity Plan developed and CIMS framework adopted for management of emergency situations Engage the community boards to participate in the Community Emergency Hubs. 	<ul style="list-style-type: none"> Inhouse crisis response teams to respond to local events. Working with WREMO to strengthen the community's knowledge and response capacity Working with WREMO on coastal community tsunami response awareness. Further develop CDEM related business continuity Improve reporting. 	GM HR&CS and H&S Officer	Almost Certain (5)	Moderate (3)	Extreme (5)	Fortnightly at ELT meetings and quarterly at Assurance and Risk Committee meetings.
IT System Failure	Previous levels of investment in our IT architecture have not kept pace with the evolving needs of our organisation. Historically, there hasn't been the appetite for increasing our spend on our IT architecture and systems, instead adopting a patchwork approach. This has meant that our IT architecture is now not fit for purpose and presents an unnecessary risk to Council operations. Traditionally IT has been funded as capital expenditure but has moved to software as a service which means it should be funded as operational expenditure.	Lack of or inadequate: <ul style="list-style-type: none"> Protection against external cyber-attack e.g. ransomware Leadership Planning Understanding of the key issues Policies and processes to support good practice Training of staff (understanding of issues, roles, and responsibilities) System architecture and software Disaster recovery, business continuity and backups IT transition (migration) System resilience testing 	CE	Almost Certain (5)	Extreme (5)	Extreme (5)	<ul style="list-style-type: none"> Ongoing training for staff and regular updates on how to identify and respond to threats. Annual testing of system resilience Audit conducted of security measures and disaster recovery needs. Appointment of Lead Advisor Information Management Review and update of IT service contracts Development of ICT and Information rolling 3 year Strategic Plan 	<ul style="list-style-type: none"> Needs assessment of future data storage requirements 	GM HR&CS and GM P&G	Possible (3)	Moderate (3)	High (3)	Monthly at ELT meetings and quarterly at Assurance and Risk Committee meetings.
Fraud and Corruption	Risk of over-committing Council to work programmes, excess unbudgeted expenditure, fraud, inaccurate modelling, or financial shock. This may impact Council reputation, financial stability and sustainability, legal compliance, and ability to deliver strategic goals or meet service levels.	Lack of or inadequate: <ul style="list-style-type: none"> Financial policies and procedures Leadership Training of staff (understanding of issues, roles, and responsibilities) Code(s) of Conduct 	CE and GMF	Possible (3)	Major (4)	High	<ul style="list-style-type: none"> Financial policies and financial delegations Reporting to FAR Code(s) of Conduct reviewed and updated Staff training and elected member induction Conflict of Interest Register. 	<ul style="list-style-type: none"> Further work being developed 	ELT	Possible (3)	Major (4)	High (3)	Monthly at ELT meetings and quarterly at Assurance and Risk Committee meetings.

Legislative and Regulatory Reforms	There are number of significant government reforms including changes to climate change, resource management, three waters reform and the future of local government review. These changes may impact council's strategic direction and community confidence and may raise challenges in terms of change preparedness. There may be misalignment between government and Council's strategic goals and failure to adapt to changes may affect community wellbeing.	Lack of or inadequate: •Preparedness •Investment •Leadership •Communication internally, with key stakeholders, or the public	CE	Almost Certain (5)	Major (4)	Extreme	<ul style="list-style-type: none"> •Principal Advisor Water Transition role established •Participation in external forums on multiple levels •WWLASC coordinated strategic approach for transition management planning and delivery •Monthly updates and forward planning reports provided •Appointment to Pou Māori role •Participation by CE in external forums •Agenda item on Executive Leadership fortnightly meetings •Membership of LGNZ and Taituarā 	<ul style="list-style-type: none"> •Organisational change management plan •Regional change management plan for delivery of water services with or without refrom •Built into AP and LTP 	GM P&O, GM P&E, GM P&G, Principal Advisor Water Transition	Almost Certain (5)	Moderate (3)	Extreme (5)	Fortnightly at ELT meetings and quarterly at Assurance and Risk Committee meetings.
Social Licence to Operate and Reputation	This risk involves ongoing failure to effectively communicate or engage with the community on strategic, governance or operational matters, and includes risks associated with an ineffective media relationship. This may impact the ability to meet community outcomes and strategic goals, loss of trust and confidence, council reputation and operational delivery. Significant and ongoing failure may undermine Council's purpose and impact participation in, or effective conduct of, local democracy. This risk involves a failure to implement council's strategic direction; to monitor Council's performance against community outcomes; and to work effectively and cohesively at a governance level resulting in poor decision-making and failure to meet strategic goals. It also includes working effectively with Community Boards. This may impact Council reputation, trust and confidence and the ability to deliver strategic goals or meet service levels.	Lack of or inadequate: •Preparedness •Investment •Leadership •Communication internally, with key stakeholders, or the public •Communications & Engagement Strategy	CE	Likely (4)	Moderate (3)	High	<ul style="list-style-type: none"> •Timely, fact-based responses to media enquiries •Proactive information sharing and media releases via website, social media, and print media •Regular general communications on relevant topics using multiple channels •Improved connection between service delivery teams and comms team •Improved website content •Elected member e.g. drop in sessions, community forums etc. 	<ul style="list-style-type: none"> •Development of Communications and Engagement Strategy •Improvements to LGOIMA, e.g. Response times, public access on SWDC website •Improvements to engagement practices and processes e.g. Internal capability 	GM C&E and GM P&G	Likely (4)	Minor (2)	High (3)	Monthly at ELT meetings and quarterly at Assurance and Risk Committee meetings.
Critical Asset Failure	There is a risk of operational failure that has a material impact on service delivery, including failure of critical assets and Council's ability to operate. This may impact health and safety or wellbeing of staff and the community, council reputation, loss of trust and confidence, not meeting service levels, strategic goals, regulatory or legal requirements and increased costs long term.	Lack of or inadequate: •Investment •Asset management programme •Leadership	CE	Almost Certain (5)	Major (4)	Extreme (5)	<ul style="list-style-type: none"> •Revised Infrastructure Strategy for LTP •Budget for asset planning, condition assessments and maintenance •Wellington Water Delivery Manager •Improved monitoring and control systems for early warning •Improved supply contingency capabilities for water •Improved communications with stakeholders 	<ul style="list-style-type: none"> • Increase resourcing to be examined as part of the LTP process • Develop business continuity plan and improve reporting 	GM P&O	Likely (4)	Major (4)	Extreme (5)	Fortnightly at ELT meetings and quarterly at Assurance and Risk Committee meetings.
Economic Shock	New Zealand is likely to experience a recession in the coming months. Inflation is at it's highest rate since the 1980s. There is a shortage of resources including human and materials in the country and this impacts on potential development and infrastructure, particularly water and roading. We propose an ambitious capital works programme in the LTP and Audit NZ has identified the risk of non-delivery. The impacts would be on council reputation, loss of trust and confidence, not meeting service levels, strategic goals or regulatory requirements and increased costs long term.	Lack of or inadequate: •Preparedness and understanding of economic climate •Leadership and decision-making •Policies and procedures	CE	Likely (4)	Moderate (3)	High (4)	<ul style="list-style-type: none"> •Planning – annual plan, long-term plan, project planning •Audit •Membership of LGNZ and Taituara •Quarterly review of financial position to Finance Committee 	<ul style="list-style-type: none"> •Develop contingency plans for constrained resources •Prioritisation framework •Collaboration with community response and support organisations. 	GMF	Likely (4)	Moderate (3)	High (3)	Monthly at ELT meetings and quarterly at Assurance and Risk Committee meetings.
Regulatory Failure and Liability from Consenting and Compliance Activities	Risk relates to the failure to identify and address deficiencies in consents or the consenting process or ineffective compliance monitoring activities which may expose Council to liability claims. Risk may result from complexity of processes, lack of processes, training, and supervision. Impact may be on Council reputation and result in financial loss.	Lack of or inadequate: •Monitoring and auditing processes and reporting •Employment of suitably qualified staff •Training •Increasing compliance requirements	CE	Likely (4)	Major (4)	Extreme	<ul style="list-style-type: none"> •Recruitment processes •Peer review •Training •Use of legal advice, opinions •Maintenance of quality consent decision-making 	<ul style="list-style-type: none"> •Process improvements 	GM P&O and GM P&E	Possible (3)	Moderate (3)	High (3)	Monthly at ELT meetings and quarterly at Assurance and Risk Committee meetings.
Single point of failure, staff resourcing	Several roles within Council are reliant on expertise, institutional knowledge and skills of a single staff member.	Lack of or inadequate: •Contingent resource in teams •Longer than ideal periods to appoint into roles	CE	Likely (4)	Major (4)	High (4)	<ul style="list-style-type: none"> •Recruitment processes •Strategic workforce planning 	<ul style="list-style-type: none"> •Annual planning – recruitment planning •Rewards and benefits framework 	GM HR&CS	Possible (3)	Moderate (3)	High (3)	Monthly at ELT meetings and quarterly at Assurance and Risk Committee meetings.

Appendix 2 – Discretionary Expenditure Policy



**SOUTH WAIRARAPA
DISTRICT COUNCIL**
Kia Reretahi Tātau

Discretionary Expenditure Policy and Guidelines

First Adopted	December 2017 (Policy Number M500)
Last Reviewed	30 June 2022
Policy Number	PI-FDT-002
Document History	Adopted December 2017 (Formerly M500) 31 October 2022 – Update to guideline 7.1.2 to clarify use of most cost effective flexi-fare. 31 July 2023 – Update to guideline 8.1.1 to clarify use of the most cost effective staff recognition process.
Next Review	31 March 2026 Minor procedural amendments may be made to the procedures that sit within this policy outside of scheduled reviews on the approval of the Chief Executive Officer. Amendments will be reported in the governance report to the appropriate committee.

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Discretionary Expenditure Policy

1. Purpose

This policy provides a principles-based approach for managing South Wairarapa District Council's (SWDC) discretionary expenditure to ensure it is appropriate, justifiable and can withstand public scrutiny. It should be read in conjunction with the attached Discretionary Expenditure Guidelines which provide boundaries for common types of discretionary expenditure and outline the process for expenditure approval and reimbursement.

SWDC acknowledges the Controller and Auditor-General (2020) *Controlling Sensitive Expenditure: Guidelines for Public Entities* publication in the development of this policy.

2. Scope

This policy applies to Council discretionary expenditure by SWDC staff and elected and appointed members.

3. Principles

SWDC is committed to ensuring expenditure meets standards of probity and financial prudence. All expenditure decisions should:

- 3.1 **have a justifiable business purpose** that is consistent with SWDC's objectives. A justifiable business purpose means a reason that would make clear sense, supported by evidence of the need for the spending and evidence that a range of options have been considered.
- 3.2 **be impartial**, which means decisions are based on objective criteria, rather than based on any sort of bias, preference or improper reason.
- 3.3 **be made with integrity**. Integrity is about exercising power in a way that is true to the values, purposes and duties for which that power is entrusted to, or held by someone. It is about consistently behaving in keeping with agreed or accepted moral and ethical principles.
- 3.4 **be moderate and conservative** when viewed from the standpoint of the public and given the circumstances of the spending. It includes considering whether the justifiable business purpose could be achieved at a lower cost.
- 3.5 **be made transparently**. Transparency in this context means being open about the spending, and willing to explain any spending decisions or have them reviewed.
- 3.6 **be made with proper authority**. This means the person approving the spending has the appropriate financial delegation to do so, for the type and amount of spending and follows correct procedure.

SWDC staff are guided by the SWDC adopted values and behaviours in the application of this policy and guidelines.

4. Types of Discretionary Expenditure

Discretionary expenditure is any spending that could be seen to be giving private benefit additional to the business benefit to the organisation.

The Discretionary Expenditure Guidelines provides boundaries for managing common types of discretionary expenditure. If there are no specific rules for a situation, those incurring and approving discretionary expenditure should use careful judgement by considering the above principles and the context of the situation.

Exceptions to this policy and guidelines may be granted under exceptional circumstances at the discretion of the Chief Executive.

5. Monitoring

Inappropriate spend must be reported to the General Manager Finance as soon as identified. The recovery of inappropriate expenses will be pursued.

Discretionary Expenditure Guidelines

These guidelines outline processes for discretionary expenditure approval and reimbursement, and provide boundaries for common discretionary expenditure decisions. If there are no specific rules for a situation, those incurring and approving discretionary expenditure should use careful judgement by applying the policy principles.

6. Approval and Reimbursement Processes

6.1. Expenditure Approval

Discretionary expenditure should only be approved when:

- 6.1.1 the approver is satisfied that expenditure is appropriate and consistent with the principles
- 6.1.2 whenever practical, approval is given before expenditure incurs
- 6.1.3 expenditure is within budget and delegated authority
- 6.1.4 expenditure is compliant with SWDC policies and procedures
- 6.1.5 approval is given by an appropriate manager (minimum 'one up' rule applies) who does not benefit from the expenditure.

In deciding whether discretionary expenditure is appropriate, individual transactions and the total amount should be considered to ensure the combined amount is justified.

Discretionary expenditure incurred by:

- 6.1.6 the Chief Executive is to be approved by the General Manager Finance
- 6.1.7 elected members is to be approved by the Chief Executive.

6.2. Expenditure Reimbursement

Persons claiming for reimbursement of expenditure incurred on behalf of SWDC are responsible for providing proper supporting records (invoices and receipts) with their claim.

These supporting records need to:

- 6.2.1 clearly state the business purpose of the expenditure.
- 6.2.2 be the original document (such as a tax invoice) or electronic copies provided they preserve the integrity and completeness of the document. Credit card statements do not constitute adequate documentation to support reimbursement.
- 6.2.3 state the date, amount, description, and purpose for small expenditure when receipts are unavailable e.g. tips (for international travel only).
- 6.2.4 be submitted within two weeks of expenditure.

All claims will be reviewed against the guidelines by Accounts Payable.

Common types of discretionary expenditure

7. Expenses when travelling

Staff might need to incur travel, accommodation and meal costs while travelling for work. Travel and accommodation should be economical and efficient, having regard to purpose, distance, time, urgency, health, security and safety considerations.

In cases where a technology enabled solution is available, consideration should be given to whether physical travel outside the Greater Wellington region would provide additional organisational benefits over attending remotely.

7.1. Transport

SWDC vehicles are provided for work travel however at times the use of private vehicles, air travel, public transport (e.g. buses, trains), or small passenger services (e.g. taxis, rental vehicles) may be required.

7.1.1. SWDC vehicles

Use of SWDC vehicles is to be in accordance with the [SWDC Driving Policy](#).

7.1.2. Air travel

The most cost effective flexi-fare is to be used except where the distance travelled, time, urgency, or personal health, safety or security reasons make another ticket preferable.

All stop overs will be covered by SWDC if they have a clear business purpose but they must be pre-approved.

7.1.3. Private vehicles

Where a SWDC vehicle is not available, and travel by other means is impractical or not cost-efficient, private vehicles may be used in accordance with the [SWDC Driving Policy](#).

Information on Elected Member mileage is in the [Elected Member Remuneration Policy](#).

7.1.4. Small passenger services

7.1.4.1. Taxi/Uber travel

Taxi/Uber travel can be used when personal safety or hour of day make taxi/uber travel the most appropriate and convenient form of transport.

7.1.4.2. Rental vehicles

Rental vehicles should be booked as soon as practical once travel has been approved. Staff should use the most economical type and size of rental vehicle given the circumstances of travel (e.g. distance, number of people, terrain and weather).

Rental vehicles can only be used for personal use when the employee is staying over a weekend for continued work on the Monday. The employee will be reimbursed for any

additional costs incurred that do not relate to Council business. Private use must be approved prior to the travel occurring.

7.2. Meals

Meal purchases can be covered by a cash advance or claim. When travelling overnight actual and reasonable expenses will be covered, not extravagant or excessive.

Separate meal expenses will not be reimbursed if a meal is provided as part of another package paid for by SWDC (e.g. when meals are included in conference registration).

Alcohol with meals will not be reimbursed by Council.

7.3. Accommodation

Accommodation is to be cost effective taking into account the location, time of year and safety and security. SWDC will not cover mini bar, laundry, international phone calls or paid TV expenses incurred.

SWDC may reimburse actual and reasonable expenses for staff who opt to stay with a friend or relative rather than in paid accommodation up to a maximum of \$100 per Diem to cover all expenses including meals.

7.4. Other travel matters

7.4.1. Fines

Any fines (e.g. parking and speeding) incurred while travelling are at the drivers expense.

7.4.2. Private travel combined with work travel

Private travel may be linked to official business travel as long as there are no additional costs to SWDC and the private travel is only incidental to the business purpose of the travel.

7.4.3. Spouses, partners or other family members accompanying travel

Travel costs of spouses, partners, or other family members will not be covered.

Staff members should discuss with their manager if they intend for any family member to accompany them on a work-related trip to ensure there is proper consideration of any perceived personal benefit. Elected members should discuss this with the Mayor prior to travel.

7.4.4. Tipping

Tipping expenses may only be reimbursed if travelling in countries where it is local practice and appropriate in the circumstances. If this applies, a daily allowance is to be preapproved prior to travel and any unused funds are to be accounted for.

8. Entertainment and hospitality expenditure

8.1. Entertainment and Hospitality

8.1.1. Recognising staff achievements and occasions

SWDC ~~may spend money on events~~ will recognise staff milestones such as farewells, retirements and staff achievements, or occasions such as a Christmas function. Any expenditure is to be ~~moderate and~~ conservative, ~~and~~ appropriate for the years of service ~~in the ease of service milestones and much come from the group operational budget. Staff may want to personally contribute to a small gift.~~

8.1.2. External hospitality

SWDC may incur expenditure providing hospitality for business purposes (e.g. building relationships and representing the organisation). Any expenditure incurred will be moderate and conservative and appropriate for the circumstances.

9. Goods and services expenditure

9.1. Loyalty reward scheme benefits

Personal loyalty cards (such as Fly Buys and Air points cards) are not to be used when purchasing goods or services on behalf of SWDC.

9.2. Reasonable private use of SWDC assets

Reasonable private use of SWDC assets (phones, photocopiers, internet) is permitted. See the Information and Technology Policy for more detailed guidelines.

9.3. SWDC use of private assets

On occasions SWDC staff may need to use their own private assets for work purposes for reasons such as cost, convenience or availability (e.g. their own device/printer when required to work from home). SWDC may decide to reimburse reasonable costs provided prior approval is sought.

9.4. Sale of surplus assets to staff

As part of its normal business, SWDC will occasionally dispose of its assets when they become obsolete, worn out or surplus to requirements (e.g. old office furniture).

Low value obsolete and worn out goods may be tendered to staff provided this maximises the return to SWDC. Maximising return can include consideration of non-financial benefits like sustainability (e.g. if an alternative use is unable to be found it may be preferable that assets are offered to staff rather than be taken to the landfill).

All vehicles, high value items and confiscated items e.g. stereos are to be sold through an auction process.

10. Staff support and well-being expenditure

10.1. Staff Support and Wellbeing

SWDC may provide for staff support and wellbeing to benefit both the organisation and staff and to meet its “good employer” obligations in accordance with the SWDC Reward and Benefits Framework.

10.2. Social Club

SWDC does not finance activities of the social club. Monetary contributions to the social club are made from staff who opt to join on a voluntary basis.

11. Other types of expenditure

11.1. Donations

Any donation made by SWDC is made voluntarily without expectation of goods and services in return. Donations may include monetary payments or contributions of goods or services and are to be approved in advance.

Donations will be:

- 11.1.1 Lawful in all respects
- 11.1.2 Disclosed in aggregate
- 11.1.3 Made to recognised organisations (not individuals) by normal commercial means, not in cash and not political.

Donations do not include grants to community groups and organisations which are covered by the SWDC Grants Policy.

11.2. Koha

Koha describes the customary practice of reciprocal gifting between people and groups – which is based on relationships. Koha is an important and relevant custom practiced across Aotearoa today, in a wide range of settings, and for a variety of purposes. Koha may be described as a gift, a token, a present, an offering, a donation, or a contribution. Importantly, koha should be viewed as relational, a reciprocal practice through which relationships are built, strengthened, enhanced and maintained.

Koha may be given by SWDC to show respect and value for a relationship or an occasion, acknowledging the importance and significance of the relationship.

As koha is usually unreceipted, it should be approved in advance and clearly documented with the date, amount and a description.

11.3. Gifts

11.3.1. *Giving gifts*

Gifts may be given by SWDC to a maximum value of \$200 as part of significant ceremonies with visiting dignitaries e.g. Twinning Agreement.

11.3.2. *Receiving gifts*

SWDC may accept gifts provided acceptance won't be perceived as influencing SWDC's purchasing or decision making. SWDC maintains a Gift Register for the recording of gifts.

Staff may personally acquire infrequent and inexpensive gifts that are openly distributed by suppliers and clients (for example pens, badges, calendars). These gifts do not need to be recorded in the Gift Register.

Staff may either decline to accept (provided doing so is not culturally insensitive and will not cause offence) or handover all other gifts to their manager. Any gift over the value of \$50, regardless of whether accepted or not, is to be recorded in the Gift Register.