

# Audit & Risk Committee

## Open Agenda



Notice is hereby given that an ordinary meeting of Audit & Risk Committee will be held on:

**Date:** Tuesday 12 March 2019  
**Time:** 1:00pm  
**Venue:** Council Chambers  
35 Kenrick Street  
TE AROHA

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### Membership

John Luxton (Chairperson)

Mayor Janet E. Barnes, JP

**Matamata Ward**

Cr Brian Hunter

Cr James Sainsbury

**Morrinsville Ward**

Cr Neil Goodger

Cr James Thomas, JP

**Te Aroha Ward**

Cr Ash Tanner

Phone: 07-884-0060  
Address: PO Box 266, Te Aroha 3342  
Email: [secretary@mpdc.govt.nz](mailto:secretary@mpdc.govt.nz)  
Website: [www.mpdc.govt.nz](http://www.mpdc.govt.nz)





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**1 Meeting Opening**

**2 Present**

**3 Apologies**

At the close of the agenda no apologies had been received.

**4 Notification of Urgent Business**

Pursuant to clause 3.7.5 and 3.7.6 of the Standing Orders NZS 9202:2003 and Section 6A (7) of the Local Government Official Information and Meetings Act 1987, the Chairman to enquire from members whether there are any additional items for consideration which qualify as extraordinary or urgent additional business.

**5 Confirmation of minutes**

Minutes, as circulated, of the Ordinary Meeting of Audit & Risk Committee , held on 4 December 2018

# BDO Internal Audit Plan

Trim No.: 2113280

## Executive Summary

BDO was engaged in 2015/2016 for a 3 year period to undertake high level internal audits.

The areas audited were identified with reference to guidance from the Office of the Controller and Auditor General.

The last audit to be undertaken is Inventory. This will be completed before 30 June 2019.

Management is reviewing the way internal audits are conducted as part of the review of the Quality system.

## Recommendation

That:

1. The Information be reviewed.

## Content

### Background

In 2014 the Audit & Risk committee reviewed Council's internal audit programme.

A number of areas of improvement were identified was based on the following criteria:

- Areas identified by the Office of the Controller and Auditor General that were most subject to fraud
- The assessed robustness of internal controls
- The level of internal auditing undertaken.

The table below lists the priority areas.

Asset Register management, Procurement and Disposal	Review of the control environment surrounding asset management, including specific risk areas of plant and significant equipment, desirable and transportable assets, and vehicles.
Inventory	Review of the control environment surrounding inventory held and managed at key Council operations.
Procurement	Review of the control environment surrounding procurement across material areas of Council operations.
Payroll	Review of the control environment surrounding the operations of Council's Payroll and consideration of fraud risks and mitigation.

It was decided to engage external expertise to undertake the work and BDO were appointed in 2015 following an invited tender process.

Completed audits have been referred to the Audit and Risk Committee.

Inventory is the last remaining audit to be undertaken.

This will be completed before 30 June 2019.

### **Issues**

The BDO contract will be completed by 30 June 2019.

Management is reviewing the Quality system including the most effective way to undertake internal audits currently completed by staff.

Management is meeting with KPMG, the internal auditor appointed for the Waikato Regional by the Waikato Local Authorities Shared Services.

It is possible that KPMG will become Council's provider of internal audit services.

### **Contribution to Community Outcomes**

### **Financial Impact**

#### **i. Cost**

The Inventory audit is budgeted to cost \$7,000 plus disbursements.

#### **ii. Funding Source**

There is funding within the operating budget for the audit.

### **Attachments**

There are no attachments for this report.

### **Signatories**

Author(s)	Manaia Te Wiata <b>Group Manager Business Support</b>	
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Approved by	Don McLeod <b>Chief Executive Officer</b>	
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## 2019 Local Election Matters

Trim No.: 2111967

### Executive Summary

The purpose of this report is provide an overview of the process and risk around the 2019 triennial election to be held on 12 October 2019.

### Recommendation

That:

1. The information be received.

### Content

#### General

Triennial elections for elected members of most local authorities throughout New Zealand are to be conducted, by postal vote, on Saturday 12 October 2019.

The elections will be conducted under the provisions of the Local Electoral Act 2001 and the Local Electoral Regulations 2001 and will be undertaken by Election Services, under contract to Matamata-Piako District Council.

#### Positions

During 2018, Matamata-Piako District Council undertook a representation arrangements review (a review of wards, boundaries, number of elected members etc.). The final proposal retains the current arrangements, but is subject to a Local Government Commission determination, due by 10 April 2019. At the time of writing this report the Commission's determination had not been received.

Current arrangements require elections for the following positions:

- Mayor (elected 'at large')
- Councillors (11)
  - Matamata Ward (4)
  - Morrinsville Ward (4)
  - Te Aroha Ward (3)
- Waikato Regional Council Members (either 2 members from the Waihou General Constituency or 1 member from the Nga Tai Ki Uta Māori Constituency)
- Waikato District Health Board Members (7 members elected 'at large').

#### Nominations

Nominations for the above positions will open on Friday 19 July 2019 and close at noon on Friday 16 August 2019.

#### Electoral roll

Those eligible to vote in the election are all resident electors and non-resident ratepayer electors whose names appear on the electoral roll when it closes on Friday 16 August 2019. The Preliminary Electoral Roll will be available for public inspection from Friday 19 July 2019 to Friday 16 August 2019

#### Resident Roll

All parliamentary electors, including those on the Māori Electoral Roll, are automatically enrolled on the Resident Roll, at the address where they live.

### Ratepayer Roll

If a person is on the parliamentary roll in one area and pays rates on a property in another area, this person may be eligible to be enrolled on the non-resident ratepayer roll. A firm, company, corporation or society paying rates on a property may nominate one of its members or officers as a ratepayer elector (provided the nominated person resides outside the area).

### Electoral system

The first past the post (FPP) electoral system will be used for all elections except for the Waikato District Health Board which will use the single transferable voting (STV) electoral system.

### Voting period

Voting documents will be sent to all eligible electors, by post, from Friday 20 September 2019. The voting period is three weeks (Friday 20 September 2019 to noon Saturday 12 October 2019). Electors may post their completed voting documents back to the electoral officer (EO) using the orange pre-paid envelope sent with their voting document.

A polling place for the issuing of special voting documents and for the receiving of completed voting documents will be available from Friday 20 September 2019 to noon Saturday 12 October 2019 at Customer Services, Matamata-Piako District Council offices, 35 Kenrick Street, Te Aroha.

To be counted, all completed voting documents must be in the hands of the electoral officer or an electoral official by noon Saturday 12 October 2019.

Progress results will be known early afternoon on Saturday 12 October 2019, and preliminary results will be known early on Sunday morning 13 October 2019. These will be accessible on Council's website: [www.mpdcc.govt.nz](http://www.mpdcc.govt.nz)

### Electoral staff

Dale Ofoske (Election Services Ltd) is Council's EO. Council appointed the EO at its meeting on 22 November 2017. The 2019 elections will be undertaken by Election Services, under contract to Council.

Previously Sandy Barnes, Health and Safety/Quality Manager, acted as Council's EO and Mr Dennis Bellamy as the Deputy EO.

Council is required to have an EO at all times, with the EO's accountabilities defined by statute and they are ultimately responsible for the conduct of the election. An EO, unless he or she dies, resigns, is dismissed from office, or becomes incapable of acting, remains in office until his or her successor comes into office.

The EO must appoint a Deputy EO. The deputy will act as EO if the EO dies, resigns, is dismissed, or becomes incapable of acting. The deputy EO has the full powers of an EO and must continue to act until the EO regains capability or a new EO is appointed.

Niall Baker (Senior Policy Planner) will be the Council's Deputy EO. The Deputy EO will provide the on-site support and liaison for the elections, for example receiving nominations, assisting with special votes.

The Electoral Officer can appoint Electoral Officials to assist with the election process (for example customer service staff).

The statutory principles in section 4 of the Local Electoral Act 2001 include public confidence in electoral processes through elections being managed independently from the elected body.



### **Election Communication Protocols**

The EO urges Council to give consideration to its communication policy in the lead up to the elections.

The Auditor General's guidelines in relation to Council communication in the period leading up to the local election (the "pre-election" period - 12 July – 12 October 2019) is attached.

The general principles (as listed in this document) are:

- Councillors remain responsible for the business as usual activities of Council.
- Ordinary business of Council (including communication) has to continue during the pre-election period.
- Public funds should not be used for electioneering or the benefit of one candidate over another.
- Council staff need to maintain their neutrality.

Staff will be provided with a summary of these principles (staff election protocols) over the coming months.

Another useful document is the attached extract from the Controller and Auditor-General Parliamentary Paper titled "*Local Government Results of the 2008/09 audits*".

### **Election timetable**

A copy of the election timetable is attached for the Committee's information.

### **Quality Assurance & Risk Mitigation**

#### **Election readiness**

A W.O.F. document on election readiness has been prepared by Council staff from the questions recommended by SOLGM and the Electoral Working Party. This been reviewed by the EO. The readiness document is prepared at a point in time and will be updated as the process progresses and reported to the CEO.

#### **Risk Register**

Election services have provided the attached risk register. The Committee may wish to provide feedback on the election risks identified and how they will be managed/mitigated.

### **Attachments**

- A. 2019 Election Timetable-2019
- B. Local Electoral Readiness WOF
- C. Good Practice for Managing Public Communications by Local Authorities - OAG Guidelines, 2004
- D. Office of the Auditor General - Local government: Results of the 2008/09 audits
- E. Election Project risks, as supplied by Election Services

### **Signatories**

Author(s)	Niall Baker <b>Acting Senior Policy Planner</b>	
Approved by	Sandra Harris <b>Acting Strategic Policy Manager</b>	
	Don McLeod <b>Chief Executive Officer</b>	



## TIMETABLE Triennial election

Matamata-Piako District Council

12 OCTOBER 2019

### SATURDAY 12 OCTOBER 2019

Saturday 2 March - Tuesday 30 April 2019	Ratepayer roll enrolment confirmation forms sent [Reg 16, LER]
Saturday 2 March - Saturday 6 July 2019	Preparation of ratepayer roll [Reg 10, LER]
1 May 2019	Ratepayer roll qualifications insert with rates notices [Sec 39, LEA]
May 2019	National ratepayer roll qualifications and procedures campaign [Sec 39, LEA]
Monday 1 July 2019	Electoral Commission's enrolment update campaign commences
Sunday 7 July 2019	Resident 'check-it' roll closes [Reg 10, LER]
Wednesday 17 July 2019	Public notice of election, calling for nominations, rolls open for inspection [Sec 42, 52, 53, LEA]
<b>Friday 19 July 2019</b>	<b>Nominations open / roll open for inspection [Sec 42, LEA]</b>
<b>Friday 16 August 2019</b>	<b>Nominations close (12 noon) / roll closes [Sec 5, 42, 55 LEA, Reg 21, LER]</b>
Wednesday 21 August 2019	Public notice of day of election, candidates' names [Sec 65, LEA]
by Monday 16 September 2019	Electoral officer certifies final electoral roll [Sec 51, LEA, Reg 22, LER]
Friday 20 September 2019	Electoral Commission letter sent to unpublished roll electors
<b>Friday 20 September - Wednesday 25 September 2019</b>	<b>Delivery of voting documents [Sec 5, LEA, Reg 51, LER]</b>
Friday 20 September - Saturday 12 October 2019	Progressive roll scrutiny [Sec 83, LEA] Special voting period [Sec 5 LEA, Reg 35, LER] Early processing period [Sec 80, LEA]
by Friday 11 October 2019	Appointment of scrutineers (12 noon) [Sec 68, LEA]
<b>Saturday 12 October 2019</b>	<b>Election day [Sec 10, LEA] Close of voting (12 noon) [Sec 84, LEA] Progress and preliminary results available as soon as practicable after close of voting [Sec 85, LEA]</b>
Saturday 12 October (pm) - Thursday 17 October 2019 (or as soon as practicable)	Official count [Sec 84, LEA]
Thursday 17 October - Wednesday 23 October 2019	Declaration of result/public notice of declaration [Sec 86, LEA]
mid-December 2019	Return of electoral donations & expenses form [Sec 112A, LEA]

LEA = Local Electoral Act 2001

LER = Local Electoral Regulations 2001

## Local Electoral Readiness W.O.F.

These questions are taken from the SOLGM “Local Electoral Readiness Checklist” published in June 2018. The checklist has been prepared by the SOLGM Electoral Subcommittee to help Electoral Officers to ensure nothing is missed in the lead-up to the first of the milestones in the triennial electoral process.

As Electoral Officers (EO) accountability is to the Chief Executive. The checklist is intended to help Electoral Officers identify any “risk factors”, assist as an aide-memoire and is designed as a tool to provide the Chief Executive with assurance that our election process is on track or to advise of action yet to be taken.

Date: 18 February 2019  
Completed by: Niall Baker (Deputy EO)  
Reviewed by: Dale Ofoske, EO

Subsequent review dates: February 2022

Appointment of Officers			
Question		Status	Comments
1.	Has your local authority appointed an electoral officer?	Complete	Council has appointed Dale Ofoske, of Election Services in this role for 2019.
2.	Have you, as the electoral officer, appointed a deputy electoral officer?	Complete	Niall Baker (Senior Policy Planner, MPDC) will undertake this role in 2019.
3.	Are current delegations (i.e. made after 31 January 2019) under Section 14(2) of the LEA in place for: (a) Electoral Officer (b) Deputy Electoral Officer (c) Electoral Officials	Underway	This will be completed in late February/early March 2019.  Electoral Officials will be completed when they undertake Special Vote training on 16 September 2019.
4.	If you answered 'No' to any of questions 1 - 3 please describe the steps you are taking to ensure officers are in place and have made the necessary declarations, and by when.	Underway	The declarations will be completed in late February/early March 2019. The templates for the declarations have been provided by SOLGM.

Training & professional development			
Question		Status	Comments
5.	Have you, or any of the staff involved in local elections, attended the SOLGM electoral officers training (held 15-16 October 2018)?	Complete	Niall Baker and Dale Ofoske attended the two-day training and all documents received have been scanned into RM folder 17/3831.
6.	If NZ post is your printer and mail house for the elections, have you and/or electoral staff had VOTEXT training?	Complete	Election Services staff are considered high end users of VOTEXT – Training for Election Services not required. MPDC staff are not required to use VOTEXT – Training not required.
7.	If you are using VOTEXT directly (i.e. not via NZ Post or contracted services), have you had VOTEXT training, etc.?	Not Applicable.	As above.
8.	Will there be a regional Electoral Officers Forum?	Underway	First meeting held 17 December 2018, attended by Niall Baker and Dale Ofoske.  Second meeting scheduled for 26 February 2019.
9.	If you answered “No” to any of questions 5 - 8 then please describe the steps you are taking to ensure that staff involved in local elections have the information necessary to fulfil their responsibilities, and by when.	Complete	All planned training, and meetings are on schedule.
Memoranda of Understanding (MoU)			
Question		Status	Comments
10.	Is there a signed MoU in place, which clearly sets out delegations and responsibilities, between your local authority and: (a) Other TLA’s (b) Waikato Regional Council (c) Waikato District Health Board (d) Licensing / community trusts	Not started	EO will sign agreements with WRC and Waikato DHB.

11.	If you answered 'No' to any part of question 10, then please describe the steps you are taking to ensure Memoranda are in place, and by when.	Underway	Item to be discussed at upcoming regional EO meeting scheduled for 26 February 2019.
<b>Project planning and budgeting</b>			
	<b>Question</b>	<b>Status</b>	<b>Comments</b>
12.	Have you developed a detailed project plan, or other document that sets out they key administration and organisational tasks and milestones necessary to effectively conduct local elections?	Complete	Yes an "Elections Action Plan" has been developed.
13.	Are you familiar with the Electoral timetables guidance in Part 2, Code of good Practice for the management of local authority elections and polls 2019	Complete	Both the EO and DEO have a copy of this document "the bible" and will be applying it.
14.	If you answered "No" to question 12-13 please describe the steps you are taking to develop a project plan for your local elections, and when you expect these will be completed.	Complete	
15.	Have you reviewed budgets to ensure they cover all issues and contingencies for the forthcoming elections?	Complete	The election tasks have been contracted to an external provider. This was factored into the budgets. There may be some cost increases beyond our immediate control such as NZ Post postage rates.
<b>Pre-Election Reports</b>			
	<b>Question</b>	<b>Status</b>	<b>Comments</b>
16.	Has your Council put in place arrangements to ensure the completion of a Pre-Election Report in accordance with clause 36 of Schedule 10 of the LGA?	Underway	A project plan for the Pre-Election report has been developed and the document is being developed by Corporate Strategy Team. To be added to website and in election packs. Due for publication for 24 June, statutory deadline 2 August 2019.
<b>Resolutions &amp; nominations</b>			

Question		Status	Comments
17.	Have the various local authorities passed a resolution setting the order of candidate names?	Underway	It is planned to report to the Council meeting on 13 March 2019 for a decision on this issue.
18.	Have you modified the model nomination paper (Appendix A of Part 9 of the Code: Candidacy & Nomination) to suit your local authority's requirements for the calling of nominations in July?	Not started	Election Services will provide these for us.
19.	Have you planned for the management of receipt of nominations on the morning of the day nominations close e.g. appropriate premises, procedures and staffing levels?	Not started	<p>In 2016, all nominations were received in the Te Aroha Office and the EO, DEO and Admin Support person were available at 12 noon for the close of nominations. Nominations will be processed in the order the candidates come through the door.</p> <p>All nominations were processed in the EO's office.</p> <p>In 2019, the handling of nominations will be done by the DEO and potentially other staff member/s. The approach to this is yet to be determined in view of the fact Council has three office sites across the district. It may be that nominations can be received at any office with Customer Services staff receiving the appropriate training.</p>
20.	Have you reported to your Council on proposals for the 2019 elections?	Underway	It is planned to report to the Council meeting on 13 March 2019 with the proposals and timeline for the 2019 elections.

21.	If you answered 'No' to any of questions 17 - 20 then please set out the steps you are taking to complete the actions, and by when.	<b>Underway</b>	Candidate Nomination papers are well underway with design. These will be handed to Council staff attend Nominations training set for Friday 19 July 2019.
<b>Communication and information resources</b>			
	<b>Question</b>	<b>Status</b>	<b>Comments</b>
22.	Are you or your electoral staff applying, where appropriate, the "good practice" recommendations in the Code of Good Practice for the Management of Local Authority Elections and Polls?	<b>Complete</b>	Both the EO and DEO have a copy of this document "the bible" and will be applying it.
23.	Have you put in place arrangements for staff to answer or refer election enquiries received at public offices, service centres, call centres, libraries etc.?	<b>Underway</b>	<p>The DEO has had initial discussions with the CS Manager and will be discussing this further in due course. The DEO will be attending CS team meetings to discuss elections.</p> <p>Election Services have provided a FAQ document to Council. Relevant staff will be provided with a copy of the this (and the SOLGM FAQ document if necessary) and any additional queries can be referred to the EO or DEO.</p> <p>There is also the national 0800 number which will be promoted from 15 April to 30 August 2019 for the ratepayer roll campaign. This part of the campaign is managed by SOLGM</p>
24.	Are you adapting for use by electoral staff, service/call centre staff the model "Frequently Asked Questions Relating to Local Authority and District Health Board Elections"?	<b>Complete</b>	Refer to answer in 22. above.



25.	Have you created a key contact list of neighbouring council's electoral officers, election contractor and registrar of electors?	<b>Complete</b>	A contact list has been prepared by Waikato Regional Council and provided to all Council staff. The contact list is available in RM #2100783
26.	Have you set a date/venue for an information session for potentially interested candidates (lead by Chief Executive and Electoral Officer?)	<b>Underway</b>	<p>Council has decided to purchase a video series from LGNZ (called the Candidate Preparation Framework) which would potentially replace the need for candidate information sessions. This was offered to all Councils to purchase.</p> <p>This will be generic national video, segmented into shorter modules, available for us to load onto our website and accessible to anyone who is considering standing for council.</p> <p>The videos will include each council's branding and key post-election dates. There will also be the opportunity to add an optional introduction module which presents the local team and vision. Content will be signed off by a sector advisory group, including Mayors, current Councillors, Te Maruata and YEM representatives, as well as LGNZ subject matter experts. Council has opted to purchase this optional extra module.</p> <p>Purpose of the Candidate Preparation Framework:</p> <ul style="list-style-type: none"> <li>• To inform and prepare potential candidates about the elected member role so they may make an informed decision about standing</li> <li>• To provide a digital delivery medium to reach a wider audience</li> <li>• To introduce all candidates to the governance role ahead</li> </ul>



			<p>Value to councils:</p> <ol style="list-style-type: none"> <li>1. Provides a consistent, nationally approved framework across all participating councils, with the opportunity to provide a local flavour</li> <li>2. Offers another source of information with a wider reach across the whole community</li> <li>3. Informs a more diverse group than just those who are available to attend information sessions</li> <li>4. Eliminates or reduces the costs and time of hosting candidate information sessions</li> <li>5. Provides consistent reference video footage that can be shown within community meetings</li> <li>6. Includes some information which doesn't have to be subsequently covered during induction after election.</li> <li>7. Can be subsequently used for any by-election situations</li> </ol>
27.	Are you or the Council's communications staff adapting for use the media assistance kit sent out by LGNZ?	<b>Not started</b>	Yes will be adapted to suit our requirements.
28.	Has your local authority adopted a communications policy embracing the Controller and Auditor General's guidelines on "Good Practice of Managing Public Communication by Local Authorities" part 1 of the Code : Overview of the Management of Local Elections and Polls? (a) For staff (b) For elected members	<b>Underway</b>	<p>MPDC Communications staff have prepared a more reader friendly version for staff. This will be made available to staff closer to the election period.</p> <p>The Controller &amp; Auditor-General document will be presented to Council in March 2019.</p>
29.	Have you adapted the model "candidate Information Handbook" (Part 8 of the Code : Candidate Information) for provision to candidates and potential candidates?	<b>Underway</b>	This is currently being updated and is being made more user friendly, with more details provided on social media, signage rules and elected member remuneration (as the

			Remuneration Authority has changes underway for elected member pay).
30.	Have you adapted the model "Handbook for Scrutineers at Local Authority Elections and Polls (Part 14 of the Code : Scrutineers) for the information of candidates and scrutineers.	<b>Not started</b>	This will be updated to comply with the current Code. Programmed to be done over the next few months.
31.	Have you discussed publicity / processes with the Communications Team?	<b>Underway</b>	Discussions with Communications staff have commenced and they are involved in revision of the candidate handbook.
32.	Have you updated this information on your website? <ul style="list-style-type: none"> <li>- Key dates (nominations open/close, voting open/close) Yes / No</li> <li>- Ward maps/boundaries Yes / No</li> <li>- Signage/Political Hoarding Policy/Bylaws Yes / No</li> <li>- Social Media Policy Yes / No</li> <li>- Vote Enrolment Info Yes / No</li> <li>- Ratepayer Enrolment Yes / No</li> </ul>	<b>Not started</b>	It is planned to update the MPDC website with 2019 election information by the end of February 2019.  Some of this information (signage, social media policy) is included within the candidate handbook which is currently being updated. This will be placed on the Council website shortly.  Election Services have provided the timeline, ratepayer enrolment information, and FAQ's which will be made available on the website shortly.
33.	If you answered 'No' to any of questions 22 - 32, then please describe what alternative communication plans are in place.	<b>Underway</b>	Most tasks are underway or are planned to occur over the next few months.
<b>Ratepayer enrolment</b>			
	<b>Question</b>	<b>Status</b>	<b>Comments</b>
34.	Have you sent enrolment confirmation forms by 30 April 2019 to person(s) listed as ratepayers on the 2018 ratepayer roll?	<b>Underway</b>	The ratepayer enrolment forms will be sent out by 30 April 2019.  Further discussion is needed with Election

			Services around who will complete all checks and make an assessment of eligibility.
35.	Have you sent the ratepayer qualification explanatory brochure with the rates assessment or a rates notice as required by section 39(1)(b) LEA?	Underway	Brochures ordered as part of the National Campaign and discussions held with the Finance Manager on which rates notices these will be delivered with (will be included within the April/May 2019 rates notice i.e. 4 <sup>th</sup> instalment). This will coincide with the national ratepayer enrolment campaign occurring in May 2019. Brochures to be delivered to our rates notice provider for inclusion.
36.	If you answered 'No' to either of questions 34 or 35 then please describe what steps you are taking to meet your obligations to advise potential ratepayer electors of their rights to enroll as a ratepayer elector?	Underway	Most tasks are underway or are planned to occur over the next few months.
<b>Administrative and logistical enrolment</b>			
	<b>Question</b>	<b>Status</b>	<b>Comments</b>
37.	Have you signed a contract or service agreement with NZ Post or your provider for printing and collation of voting papers?	Complete	Contract with NZ Post signed and sent back.
38.	If you are outsourcing all, or part, or the conduct of your election, then have you agreed a contract with your election services provider?	Complete	Contract has been signed and returned to Election Services.
39.	On last day of voting (Saturday), have you: - arranged appropriate security Yes / No - arranged collection of votes from remote locations Yes / No - arranged who is phoning candidates with result news Yes / No	Not started	All Election Day plans will be put into place over the course of the next few months.  • Security – Election Services arrange security to be onsite 24/7 over the entire voting period. • Vote collection – we will decide with MPDC on how to best manage this. • Phoning candidates – Election Services will supply all results to MPDC direct and MPDC can determine how candidates are informed.

40.	Have you scoped and made the arrangements necessary for the overall efficient management and conduct of the elections (or part thereof particularly as outlined in Part 15 of the Code) such as securing: (a) Adequate accommodation, furniture, storage, stationary (b) Necessary IT equipment, stand alone capacity, wand/scanning/data entry equipment, checking system etc (c) Suitable premises for special voting (d) Necessary electoral staff, ensuring they are adequately trained, have instruction manuals etc.	<b>Complete</b>	Election Services (our service provider) have made arrangements for the processing aspects of the election.  Special voting will be conducted by the EO, DEO or electoral officials at all three offices (to be confirmed). Training for those staff will be completed 16 September 2019
41.	Have you developed or received from your service provider a risk management plan for the elections?	<b>Complete</b>	Election Services project manager has completed a Risk Register. A copy of which has been provided to MPDC (refer to separate attachment to this report).
42.	Have you obtained a list of recommended JP's for the processing and counting of voting documents?	<b>Not Applicable.</b>	This is a requirement for Election Services at their processing centre, in Auckland.
43.	Has your election provider sent you a certificate of assurance for their software and processes?	<b>Completed</b>	Fit for purpose' auditing certificate, for ES software and processes has been provided to MPDC.
44.	Have you developed training for JP's relating to the processing of voting documents?	<b>Not Applicable.</b>	This is a requirement for Election Services at their processing centre, in Auckland.
45.	Have you established a point of contact with your local police officer and agreed necessary procedures in the event of an electoral offence or complaint under Part 7, LEA occurring?	<b>Not started</b>	For 2013 and 2016 elections Senior Sergeant Rod Carpinter was the contact point. Yet to be confirmed if this remains or if there is a new Police contact.
46.	Have you established contact with your local Registrar of Electors and with the Electoral Commission in relation to electoral roll compilation, special	<b>Complete</b>	The EO has on-going relationships with the Coromandel and Waikato registrar of electors.

	voting processing etc?		<p>There are opportunities to establish further contact with the Registrars during Regional meetings.</p> <p>The DEO has made contact with the Hamilton Registrar of Electors, Linda Wraight.</p> <p>The contact person at the Electoral Commission is yet to be established. Election Services takes care of this aspect and there is no need to establish contact with the commission unless the EO recommends we do on his behalf.</p>
47.	If you answered 'No' to any part of questions 40 - 46 then please describe the steps you are taking to complete the administrative and logistical arrangements for the elections, and by when.		Most tasks are underway or are planned to occur over the next few months.



**The Controller and  
Auditor-General**  
*Tumuaki o te Mana Arotake*

**Good Practice  
for Managing  
Public Communications  
by  
Local Authorities**

**April 2004**

## Foreword

We first published our *Suggested Guidelines for Advertising and Publicity by Local Authorities* in 1996. We published a revised version of those *Guidelines* in 1999.

Since 1999, a number of factors have contributed to significant change in the environment in which local authorities are involved in “advertising and publicity”. Probably the two major factors are the advances in communications technology and the rate of adoption of the new technology, and (more recently) the enhanced requirements for communication in the Local Government Act 2002.

We saw as a consequence of that significant change the clear need to revisit the *Guidelines* to reassess their validity and determine what changes might be needed to preserve their usefulness. This publication reflects the fresh approach we have taken to the subject – still principles-based, but with an emphasis on the wider concept of “communication” rather than “advertising and publicity”.

As previously, this update represents what we believe is a code of good practice. The guidance it contains is no more authoritative than that. Further, the guidance is intended neither to be an operating manual nor to cover every conceivable situation.

Local authorities will have to determine what practical application they make of our good practice guidance in particular situations. To do so, and to reflect the more open approach to disclosing how local government manages itself, we recommend that the adoption and application of the guidance in this publication be incorporated in a formal communications policy.



K B Brady  
Controller and Auditor-General

14 April 2004

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## 1 Introduction

### The importance of Council communications

- 1.1 Communication with the public is a major part of any Council's activities. It can consume large amounts of ratepayers' money.
- 1.2 Some types of public communications are mandatory – for example, notifying Council meetings, or issuing a statutory plan for consultation. Others are discretionary – for example, a Council-funded newsletter, a media release explaining a recent decision, or a pamphlet about disposal of household waste.
- 1.3 Councils communicate with the public by many different means. For any communication, a Council has a broad range of choices – both as to the medium to be used (e.g. whether to pay for newspaper advertising or use the Council's web site) and the degree of sophistication involved.
- 1.4 Choice introduces judgment and subjectivity. The dilemma of the communicator is in reconciling the potentially conflicting criteria of:
  - making the communication attractive so that the audience will give it their attention, absorb it, understand it, and (if that is what is expected) act on it;
  - meeting acceptable standards of probity; and
  - presenting accurate, complete, and fairly expressed information.
- 1.5 The skill required of the communicator is to observe the relevant principles and apply the highest possible standards, and, importantly, to learn from experience.

### Why this guide?

- 1.6 Communication of information at public expense or in an official capacity always carries the risk of criticism. The commonest complaints (except for statutory notifications) are that a communication is unnecessary, unbalanced, or politically biased. The best defence to any complaint is that the communication meets acceptable standards.
- 1.7 The Auditor-General is often asked to express a view on whether a particular communication is acceptable. Some requests come from the Council, before publication. Others come from members of the public afterwards, complaining about what has been done.

- 1.8 Until 1996, there was no authoritative guidance as to what standards were acceptable in Council communications. Our suggested guidelines – first published in that year, and now updated for the second time – have aimed to fill that vacuum. Just as we bring an independent perspective to our job as the auditor of local authorities, we try to describe good practice that reflects not only the theory and practice of communications but also the expectations of the public.
- 1.9 We derive our guidance from:
- our knowledge of the kinds of official communications that may cause concern in both the central and the local government sectors;
  - our experience, not only in giving help to communicators but also in dealing with complaints from the public; and
  - our consultations with a range of Council communications staff and advisers and with Local Government New Zealand.
- 1.10 The feedback we received from our consultations was that independent guidance is a valuable and necessary aid, not only for Council Members but also for communications staff and advisers. Guidance can:
- provide a general framework for the conduct of a Council's communications activities;
  - help with clarifying roles and responsibilities – especially as between Members and communications staff and advisers; and
  - set benchmarks for particular types of communications – especially as to what is acceptable in the political context and at critical times such as during a pre-election period.

## The objects and scope of the guide

- 1.11 The statements of good practice in this guide are designed to meet three objectives in relation to a Council's communications practices:
- to ensure that Council communications resources are applied effectively and efficiently, and in a manner that produces good value for money;
  - to ensure that those who are permitted to use Council communications facilities do so for legitimate purposes; and
  - to promote appropriate standards of conduct by those who consume Council communications resources, or use Council facilities, or otherwise communicate on behalf of the Council.

- 1.12 This wide scope is consistent with our role as the auditor of local authorities, which includes examining the extent to which they, and their members and staff:
- carry out activities effectively and efficiently, consistent with Council's own policies;
  - comply with statutory obligations;
  - avoid wasteful use of resources; and
  - act with probity and financial prudence.<sup>1</sup>
- 1.13 The guide itself is produced under the authority of section 21 of the Public Audit Act, as a report on matters arising out of the performance and exercise of those functions.

### What is the status of the guide?

- 1.14 Our guidance is not binding on Councils. Each Council is free to adopt its own standards – which must of course be consistent with the relevant principles of the Local Government Act 2002 (LGA).<sup>2</sup>
- 1.15 We recommend that every Council consider adopting a formal communications policy framed to suit its particular needs. The policy should:
- embrace these guidelines – or a variation of them (stricter or otherwise) that the Council considers appropriate to its circumstances; and
  - clearly direct Members and communications staff and advisers<sup>3</sup> on how the policy is to be applied in particular cases.
- 1.16 Although this guide is not binding on Councils, they and the public should be aware that it establishes the criteria that we will use in future in order to form a view on the appropriateness of a Council's public communications.

<sup>1</sup> Public Audit Act 2001, section 16.

<sup>2</sup> Section 14 of the LGA.

<sup>3</sup> Including those engaged as consultants.

## 2 Scope – What are “Communications”?

2.1 Our guidance applies to any communication by a Council, or a Member or employee or office holder of a Council, or a Member of a Community Board, where:

- the Council meets the cost (wholly or in part); or
- the person making the communication does so in an official capacity on behalf of the Council or a Community Board.

2.2 We make no distinction between:

- mandatory and discretionary communications;
- communications in the Council’s own publications and the news media generally;
- Council-funded advertisements and other forms of publicity; or
- electronic (including web site or e-mail) and hard copy publication.

The underlying principles are the same in each case.

2.3 Common examples of communications by Councils include:

- statutory documents – such as draft, final, and summary versions of the Long Term Council Community Plan or an Annual Report under the LGA;
- information on a web site, or in a poster or pamphlet, about Council services available to the public, or the rights, entitlements, and responsibilities of people affected by a Council activity;
- newspapers and newsletters reporting Council news and activities;
- material explaining a particular proposal, decision, policy, or bylaw of the Council;
- marketing material promoting the Council, its communities, or a regional brand;
- Council-funded advertising about a particular event, proposal, or Council policy;
- educational material about issues affecting the community; and
- media releases initiating or responding to public comment about matters affecting the Council or its communities.

- 2.4 In a different category are communications by Members using Council resources or facilities. We address this type of communication in paragraphs 4.33-4.40 on pages 19-20.
- 2.5 The guide does not apply to:
- normal day-to-day correspondence between Members and their constituents on appropriate matters, *except* during a pre-election period when the content of the correspondence should not be inconsistent with Principle 12 on page 22; and
  - communications by Members using their own resources.

### 3 Communications – Whose Responsibility?

- 3.1 Corporate governance principles stress the different roles of the governing body and the management of an organisation. For local authorities, section 39 of the LGA reflects these principles.
- 3.2 Members (i.e. the governing body) and management of a Council share different elements of the communications function. In essence:
- Members are accountable to the community for the Council's decisions and actions. What the Council says in its communications is, therefore, ultimately the Members' responsibility.
  - The mechanics of communications are operational activities, which form part of the everyday business of the Council. Moreover, effective communication often requires professional input. Most Councils employ (or engage on contract) professional advice and assistance for some or all of their communications activities. The chief executive is responsible for the effective and efficient management of those people and their activities.
  - Communications is also an area of risk. Those who are authorised to communicate on behalf of a Council, and those who exercise editorial or quality control, need to have access to sources of professional advice when necessary (including legal and strategic communications advice). Obtaining that advice is also a management responsibility.
- 3.3 The communications function thus straddles the divide between governance and management in the Council organisation. Each Council should allocate the respective roles and responsibilities according to its own size and needs. For example, in a small Council the Mayor might be the primary spokesperson on all issues, whereas in a larger Council the role might be shared between the Mayor and a communications manager.
- 3.4 The governance/management divide also affects the crucial elements of policy development, quality control, and editorial supervision. We think these elements are best regarded as management functions, for which the chief executive is responsible.
- 3.5 The respective roles and responsibilities need to be well understood by all concerned and put into practice effectively.<sup>4</sup> This is especially important when the Council employs professional communications staff – who could, for example, feel undermined by Members intervening in editorial decisions.

<sup>4</sup> See section 39(e) of the LGA. The local governance statement required by section 40 of the LGA could be the appropriate place to record particulars of the division of roles and responsibilities.

- 3.6 A useful approach is to regard the roles of Members and management as complementary, and to encourage everyone to work together in partnership for the good of the Council and the community.



## 4 Principles and Practice

- 4.1 In this section we set out 13 principles that we believe should underpin a Council's policy and practice on communications. We supplement each of the principles with commentary.
- 4.2 We stress that the principles are intended as general statements, which are to be applied in a flexible and common sense manner. Likewise, the commentary cannot expect to foresee all possible situations that might arise.

### Legitimacy and justification

#### ***Principle 1 –***

**A Council can lawfully, and should, spend money on communications to meet a community's (or a section of a community's) justifiable need for information about the Council's role<sup>5</sup> and activities.**

- 4.3 Communications are a necessary and legitimate Council expense. Councils are also justified in employing, or otherwise engaging, professional advice and assistance for their communications activities.
- 4.4 However, no communication should be undertaken without justification or regard for the cost.
- 4.5 The main elements of justification are:
- establishment of an identifiable need for information on the part of a particular audience;
  - the chosen method of communication should be one that is effective in reaching those who have the need; and
  - once the method has been identified, the communication should be made in the most cost-efficient manner.
- 4.6 Consideration should also be given to evaluating the effectiveness of the communication. What is known to have been an effective communication supports the justification for that communication and can be a benchmark to support future communications.

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<sup>5</sup> *The role of a local authority is to—*  
*(a) give effect, in relation to its district or region, to the purpose of local government ...;*  
*and*  
*(b) perform the duties, and exercise the rights, conferred on it by or under this Act and any other enactment.*  
(LGA, section 11)



- 4.7 A communication will be lawful when it:
- is authorised by a Council resolution or under a delegation; and
  - complies with any specific legal requirements as to form, content<sup>6</sup>, timing, or method of publication<sup>7</sup>.
- 4.8 A Council can also exercise significant power over individuals and groups in the community. Consequently, a Council has an obligation to ensure those people know how they are being affected by the Council's actions, and what their rights and responsibilities are in relation to those actions.
- 4.9 Council communications are all the more important in the environment of the LGA. Consultation with the community is fundamental to the working of the Act, and effective communication is vital to effective consultation.

**Principle 2 –**

**Communications should be consistent with the purpose of local government<sup>8</sup> and in the collective interests of the communities the Council serves.**

- 4.10 A Council is a corporate entity, with statutory role and purpose. The role and purpose include promoting the well-being of communities in its district or region. A Council may serve many communities, both in the geographical sense and in the sense of communities of interest. It should always act within the scope of its role and purpose, and in the collective interests of its communities.
- 4.11 Sometimes, a Council will need to communicate with only some of its communities about a particular issue, or with part of a community. But it should always be able to justify any communication as being in the collective interests of them all.

<sup>6</sup> Including the avoidance of defamatory comment, or misleading or deceptive conduct under the Fair Trading Act 1986.

<sup>7</sup> E.g. use of the special consultative procedure under the LGA.

<sup>8</sup> *The purpose of local government is—*  
*(a) to enable democratic local decision-making and action by, and on behalf of, communities; and*  
*(b) to promote the social, economic, environmental, and cultural well-being of communities, in the present and for the future.*  
 (LGA, section 10)

**Principle 3 –**

**Communications should comply with any applicable Council policies and guidelines as to process (including authorisation) and content.**

- 4.12 We encourage all Councils to adopt a policy on communications: see paragraph 1.15 on page 9.

## Collective position

**Principle 4 –**

**Communications on Council policies and decisions should reflect the collective position of the Council.**

- 4.13 Wherever possible, the Council should “speak with one voice”, and its communications should represent the corporate or collective position.
- 4.14 A communication by an authorised spokesperson appointed by the Council (whether that person is a Member or an employee) should identify that person in his or her official capacity (for example, as a Committee chairperson). The purpose of the communication should always be to meet the Council’s, not the spokesperson’s, communications objectives. The person responsible should be careful to ensure that what is being said is portrayed as the Council’s position, not the personal views of the spokesperson.
- 4.15 Some Councils allow the Mayor to produce a regular “column” in a Council-funded or other local publication, or to make regular broadcasts on local radio or television. The purpose of such communications should be to give voice to the Council’s corporate position on its activities, through the elected leader.
- 4.16 Communication of a Member’s personal perspective, views or opinions (including in a regular “column”, broadcast, etc) should be the exception rather than the rule, and should be subject to Principles 9 to 11 (see pages 19-21).

**Principle 5 –**

**Communications on Council business should always be clearly attributed to the Council as the publisher.**

- 4.17 A communication might, for example, identify the Council by reference to the name of the Council or by use of its corporate logo. A communication designed to meet the Council’s statutory obligations (such as a draft annual plan) should not only say who authorised its publication (usually the chief executive officer) but also identify the statutory provision under which it is being published.

- 4.18 For commentary about the identification of sponsors, see paragraphs 5.3-5.7 on pages 25-26.

## Standards of communication

### *Principle 6 –*

**Factual and explanatory information should be presented in a way that is accurate, complete, fairly expressed, and politically neutral.**

- 4.19 **Accurate** means what it says. That which is held out to be true should be founded on ascertainable facts, and be carefully and precisely expressed consistently with those facts. No claim or statement should be made that cannot be substantiated.
- 4.20 A communication will be **complete** when it consists of all the information necessary for the audience to make a full and proper assessment of the subject matter.
- 4.21 Information will be **fairly expressed** when it is presented in an objective, unbiased, and equitable way. In particular:
- the audience should always be able to distinguish facts from analysis, comment, or opinion; and
  - when making a comparison, information should state fully and accurately the nature of what is being compared, and inform the audience of the comparison in a way that does not mislead or exaggerate.
- 4.22 Information will be **politically neutral** when it presents the Council's collective position, or, where there is no collective position, sets out the issues in a manner that does not refer to the positions taken by any individual Member or political party or group of Members.

## Consultation and public debate

### *Principle 7 –*

**Communications about matters that are under consideration by the Council, or are otherwise a matter of public debate, should present the issues in an even-handed and non-partisan way.**

- 4.23 Communications about matters that will be the subject of a future decision by the Council should be distinctly different from those that follow a decision.

- 4.24 In the “before” phase, all relevant facts and other considerations should be taken into account, and all significant points of view should be aired. The aim is to enable the Council to make itself aware of, and then to have regard to, the views of all its communities in relation to a particular decision<sup>9</sup>, while also meeting all its statutory obligations in respect of consultation<sup>10</sup>.
- 4.25 In particular, a “before” phase communication should:
- avoid the appearance and reality of bias or pre-determination – especially when summarising facts or arguments;
  - present the issues in an objective manner, avoiding subjective opinion or comment; and
  - mention both the advantages and the disadvantages of particular options.
- 4.26 Mention of individual Members’ or political parties’ positions should always be avoided.
- 4.27 In the “after” phase, the emphasis should be on what has been decided and its implications for the Council and its communities.
- 4.28 This principle applies whether the purpose of the communication is to satisfy LGA requirements, or otherwise.

***Principle 8 –***

**If engaging in public debate with an interest group or a section of the community, a Council should use the news media (rather than a Council funded publication) and designated spokespersons (rather than professional communications advisers) unless there is a particular justification for not doing so.**

- 4.29 A Council may be justified in responding to publicity that is unfair, unbalanced, or inaccurate. The object should be to put the record straight, including a measure of rebuttal.
- 4.30 But it is important to keep a balance and perspective. Council resources should not be used merely to engage in a public argument.
- 4.31 The preferred approach in such cases should be to make use of the news media, through release and publication of a written statement or making an authorised spokesperson available for interview. Use of Council-funded publications or professional advisers to engage in debate with interest groups could create the perception that Council resources are being used for the benefit of one section of the community against another, or in a way that results in an unequal public relations contest.

<sup>9</sup> LGA, sections 14(1)(b) and 78.

<sup>10</sup> LGA, sections 82-90.

- 4.32 An example of where a Council-funded publication to engage with an interest group could be justified is when the group has issued public statements encouraging citizens to commit acts of civil disobedience or to actively break the law.

## Communications by Members

### *Principle 9 –*

**If the Council's Communications Policy permits them, communications by Members of their personal perspective, views or opinions (as opposed to communication of Council matters in an official capacity) should:**

- **be clearly identified as such; and**
- **be confined to matters that are relevant to the role of local authorities<sup>11</sup>.**

- 4.33 Members are collectively responsible for Council decisions. Communication of Council business to the community often falls to a designated spokesperson. See Principle 4 and paragraphs 4.13-4.15 on page 16.
- 4.34 But Members are also individually responsible to the communities that elected them. It is for the Council to decide whether and, if so, on what terms to make resources available to Members to communicate with constituents or the wider community in their capacity as individual Members.
- 4.35 An example of a communication that could involve a Member expressing personal views is a "Members' column" in a Council-funded newspaper or on a Council web site.
- 4.36 It is important that the Communications Policy, and the relevant part of the communications budget, also sets out clearly the limits in relation to such communications. The policy should say:
- What types of communications are permitted and in what circumstances, and the range of permitted subject matter.
  - Whether the material can or should be subject to editing and, if so, by whom.
  - What procedures apply in respect of authorisation, attribution, and editorial and quality control. These are for the Council to determine. However, whether or not material is edited, the Member must formally subscribe to what is being published.

<sup>11</sup> Under sections 10 and 11 of the LGA – see footnotes 5 (page 14) and 8 (page 15).



4.37 Note, however, that a Member's freedom to talk about Council business is subject to confidentiality requirements (such as under Standing Orders) and the Council's Code of Conduct – especially as regards Members' conduct towards each other and their disclosure of Council information.<sup>12</sup>

4.38 Here are our views on some other examples of a Member communicating personally:

- It is not appropriate for a Member to use a Council newsletter or web site to express views on a matter of central government responsibility (such as defence and foreign relations) that has no direct bearing on the Council's activities.
- It may be appropriate (but only when the Council is undertaking no formal consultation process) for a Member to use Council facilities to consult with the public on an issue under consideration by the Council, or to explain his or her position on a contentious decision, but not to seek political support on an issue that the Council has not considered. References to, or the use of a logo or slogan of, a political party or grouping are unacceptable.
- Members should not be permitted to use Council communications facilities for political or re-election purposes. (See Principles 12 and 13 on pages 22-24 for more information on communications in the pre-election period.)
- Staff protocols on the use of the Internet, e-mail, and other communications facilities for personal purposes should also apply to Members. The minimal cost of allowing use of such facilities can easily be outweighed by the perception that public resources are being misused.

***Principle 10 –***

**Politically motivated criticism of another Member is unacceptable in any Council-funded communication by a Member.**

4.39 Neither the inherently adversarial nature of much Council politics nor the right of free speech can justify Council communications resources being used to enable one Member to engage in political debate with, or to criticise, another Member. Preventing such misuse should be an objective of the Council's policy on where editorial control and the power to authorise communications should lie.

4.40 Members are, of course, free to use their own resources for such purposes.

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<sup>12</sup> LGA, Schedule 7, clause 15.

## Members' personal profile

### *Principle 11 –*

**Care should be exercised in the use of Council resources for communications that are presented in such a way that they raise, or could have the effect of raising, a Member's personal profile in the community (or a section of the community). In permitting the use of its resources for such communications, the Council should consider equitable treatment among all Members.**

- 4.41 Two related objectives underlie this principle:
- It is important that the public know who their Councillors are. Councils are justified in using, or in some circumstances permitting Members to use, Council facilities for communications that have the objective of raising a Member's personal profile.
  - Giving a "human face" to a piece of information can be an effective communications strategy to attract attention and make the information relevant and understandable to its audience.
- 4.42 It is acceptable for Councils to use photographs of Members, personal quotes/attributions, and other standard journalistic techniques provided they are consistent with these objectives. However, Councils need to bear in mind the inherent risks of favouritism and unequal treatment of members.
- 4.43 For example, a "photo opportunity" shot, in a Council-funded publication, of a Mayor or Committee Chairperson announcing a Council decision helps to draw the reader's attention to the decision, and thereby improve the effectiveness of its communication, but could also have an unintended and beneficial spin-off effect for the Member's personal or political profile in the community.
- 4.44 Allowing Members representing a particular Ward to issue their own newsletter to constituents could have a similar effect. There is nothing wrong with such an idea in principle. However, the principle of equitable treatment makes it important that the same communications opportunity is available to Members representing other Wards. Matters such as editorial and quality control and attribution should also rest with the Council's communications staff in accordance with Council policy.

## Communications in a pre-election period<sup>13</sup>

### ***Principle 12 –***

**A local authority must not promote, nor be perceived to promote, the re-election prospects of a sitting member. Therefore, the use of Council resources for re-election purposes is unacceptable and possibly unlawful.**

- 4.45 Promoting the re-election prospects of a sitting Member, directly or indirectly, wittingly or unwittingly, is not part of the proper role of a local authority.
- 4.46 A Council would be directly promoting a Member's re-election prospects if it allowed the member to use Council communications facilities (such as stationery, postage, internet, e-mail, or telephones) explicitly for campaign purposes.
- 4.47 Other uses of Council communications facilities during a pre-election period may also be unacceptable. For example, allowing Members access to Council resources to communicate with constituents, even in their official capacities as members, could create a perception that the Council is helping sitting Members to promote their re-election prospects over other candidates.
- 4.48 For this reason, we recommend that mass communications facilities such as –
- Council-funded newsletters to constituents; and
  - Mayoral or Members' columns in Council publications –
- be suspended during a pre-election period.
- 4.49 Promoting the re-election prospects of a sitting Member could also raise issues under the Local Electoral Act 2001. For example:
- Local elections must be conducted in accordance with the principles set out in section 4 of the Local Electoral Act – see Appendix 1 on page 27. The principles apply to any decision made by a Council under that Act or any other Act, subject only to the limits of practicality. A breach of the principles can give rise to an "irregularity" which could result in an election result being overturned.<sup>14</sup>

<sup>13</sup> By "pre-election period" we mean the three months before the close of polling day for the purposes of calculating "electoral expenses": see Local Electoral Act 2001, section 104. However, a Council may decide to apply restrictions over a longer period.

<sup>14</sup> See *Aukuso v Hutt City Council* (District Court, Lower Hutt, MA 88/03, 17 December 2003).



- The publication, issue, or distribution of information, and the use of electronic communications (including web site and e-mail communication), by a candidate are “electoral activities” to which the rules concerning disclosure of electoral expenses apply.

4.50 “Electoral expenses”<sup>15</sup> include:

- the reasonable market value of any materials applied in respect of any electoral activity that are given to the candidate or that are provided to the candidate free of charge or below reasonable market value; and
- the cost of any printing or postage in respect of any electoral activity.

4.51 A Member’s use of Council resources for electoral purposes could therefore be an “electoral expense” which the Member would have to declare – unless it could be shown that the communication also related to Council business and was made in the candidate’s capacity as a Member.

***Principle 13 –***

**A Council’s communications policy should also recognise the risk that communications by or about Members, in their capacities as spokespersons for Council, during a pre-election period could result in the Member achieving electoral advantage at ratepayers’ expense. The chief executive officer (or his or her delegate) should actively manage the risk in accordance with the relevant electoral law.**

4.52 Curtailing all Council communications during a pre-election period is neither practicable nor (as far as mandatory communications, such as those required under the LGA, are concerned) possible. Routine Council business must continue. In particular:

- Some Councils publish their annual reports during the months leading up to an October election, which would include information (including photographs) about sitting Members.
- Council leaders and spokespersons need to continue to communicate matters of Council business to the public.

<sup>15</sup> Also defined in section 104.

- 4.53 However, care must be taken to avoid the perception, and the consequent risk of electoral irregularity, referred to in the commentary to principle 12. Two examples are:
- journalistic use of photographic material or information (see paragraph 4.42 on page 21) that may raise the profile of a Member in the electorate should be discontinued during the pre-election period; and
  - access to Council resources for Members to issue media releases, in their capacities as official spokespersons, should be limited to what is strictly necessary to communicate Council business.
- 4.54 Even if the Council's Communications Policy does not vest the power to authorise Council communications solely in management at normal times, it should do so exclusively during the pre-election period.

## 5 Other Commonly Arising Issues

### Use of surveys and market research

- 5.1 Councils should target their communications resources to best effect. In appropriate cases, professional advice should be sought, and soundly obtained survey and market research information may be used.
- 5.2 Councils should meet acceptable standards in survey and market research information. To assist Councils to meet those standards:
  - we reproduce in Appendix 2 on page 28 the ten principles identified by Statistics New Zealand underpinning its *Protocols for Official Statistics*; and
  - they can find useful guidance in the Statistics New Zealand publication *A Guide to good survey design*<sup>16</sup>.

### Joint ventures and sponsorship

- 5.3 Many Councils seek to be involved with their communities, and may engage in collaborative ventures with other public agencies and business and community groups.<sup>17</sup> Communication (for example, to promote public education or changes in people's behaviour) may be a feature of such ventures.
- 5.4 There is no reason in principle why a Council should not join with another agency or group to publish information for the benefit of the community – provided the activity is consistent with the Council's role and purpose. The use of private or community sponsorship for a Council communication may be a feature of such co-operation.
- 5.5 Examples of joint communication could include:
  - a joint venture with the Police to issue information about individual and community safety in the Council's district; and
  - the use of business sponsorship for a Council advertisement of a community event.

<sup>16</sup> ISBN 0-477-06492-2; revised July 1995. Copies can be ordered through the Statistics New Zealand web site at:  
[www.stats.govt.nz/domino/external/web/prod\\_serv.nsf/htmldocs/A+Guide+to+Good+Survey+Design+\(2nd+edition\)](http://www.stats.govt.nz/domino/external/web/prod_serv.nsf/htmldocs/A+Guide+to+Good+Survey+Design+(2nd+edition))

<sup>17</sup> Section 14(1)(e), LGA.

- 5.6 The Council's Communications Policy should, if the Council wishes to involve a partner, address:
- the types of communications for which joint ventures or sponsorship are appropriate; and
  - the controls and procedures designed to manage the associated risks – such as perception of Council “capture” by a business or community group, actual or potential conflict of interest, and community attitude to the nature of the problem.
- 5.7 As a minimum, the Communications Policy should:
- require all mandatory communications to be funded solely by Council;
  - require every communication joint venture or sponsorship proposal to be supported by a sound business case that is approved at an appropriate level within the Council organisation;
  - set out the criteria for selecting a communication joint venture partner or sponsor, in order to avoid conflict of interest and prevent a partner or sponsor from gaining (or being perceived to gain) inappropriate commercial or political advantage;
  - require both the Council and the joint venture partner or sponsor to adhere to the principles (including those in respect of editorial control) that it has adopted in the Communications Policy; and
  - contain clear guidance as to the placement of logos, slogans, and other sponsorship references.

## Appendix 1

### Principles of the Local Electoral Act 2001

#### 4 Principles

- (1) The principles that this Act is designed to implement are the following:
  - (a) fair and effective representation for individuals and communities:
  - (b) all qualified persons have a reasonable and equal opportunity to—
    - (i) cast an informed vote:
    - (ii) nominate 1 or more candidates:
    - (iii) accept nomination as a candidate:
  - (c) public confidence in, and public understanding of, local electoral processes through—
    - (i) the provision of a regular election cycle:
    - (ii) the provision of elections that are managed independently from the elected body:
    - (iii) protection of the freedom of choice of voters and the secrecy of the vote:
    - (iv) the provision of transparent electoral systems and voting methods and the adoption of procedures that produce certainty in electoral outcomes:
    - (v) the provision of impartial mechanisms for resolving disputed elections and polls.
- (2) Local authorities, electoral officers, and other electoral officials must, in making decisions under this Act or any other enactment, take into account those principles specified in subsection (1) that are applicable (if any), so far as is practicable in the circumstances.
- (3) This section does not override any other provision in this Act or any other enactment.

## Appendix 2

### Statistics New Zealand Principles Applicable to the Production of Official Statistics

- 1 The need for a survey must be justified and outweigh the costs and respondent load for collecting the data.
- 2 A clear set of survey objectives and associated quality standards should be developed, along with a plan for conducting the many stages of a survey to a timetable, budget and quality standards.
- 3 Legislative obligations governing the collection of data, confidentiality, privacy and its release must be followed.
- 4 Sound statistical methodology should underpin the design of a survey.
- 5 Standard frameworks, questions and classifications should be used to allow integration of the data with data from other sources and to minimise development costs.
- 6 Forms should be designed so that they are easy for respondents to complete accurately and are efficient to process.
- 7 The reporting load on respondents should be kept to the minimum practicable.
- 8 In analysing and reporting the results of a collection, objectivity and professionalism must be maintained and the data impartially presented in ways which are easy to understand.
- 9 The main results of a collection should be easily accessible and equal opportunity of access is enjoyed by all users.
- 10 Be open about methods used; documentation of methods and quality measures should be easily available to users to allow them to determine if the data is fit for their use.

A full copy of *Protocols for Official Statistics* can be obtained by contacting Statistics New Zealand through its web site [www.stats.govt.nz](http://www.stats.govt.nz).

## Office of the Auditor-General

### Local government: Results of the 2008/09 audits

#### Part 12: Local authority elections - issues to watch out for

##### 12.1

Local authority elections are a time of robust debate and political contest. That is as it should be. But the heightened political environment of an election creates a number of challenges for the administration of local authorities. The Auditor-General usually receives a range of requests for advice and inquiries on election-related issues. We do not have a role in regulating the general conduct of candidates during an election – that is a matter for the political sphere. However, we do have a role in commenting on the use of local authority resources, whether financial or staff.

##### 12.2

Because local authority elections will be held in October 2010, we considered it timely to include in this report some advice on election-related issues that have arisen in the past. In this Part, we discuss our general approach to three issues that regularly arise:

- communication in the pre-election period;
- election candidates and the Local Authorities (Members' Interests) Act 1968 (the Act); and
- decision-making by councils after the election.

## Communication in the pre-election period

### General principles

##### 12.3

The general practice in the local government sector is to treat the three months before the election as the pre-election period, during which additional protocols may be needed. There are some simple principles that need to be balanced in any pre-election period:

- Council staff need to maintain their neutrality.
- The public funds that councils administer should not be used for electioneering or to benefit one candidate over another.



- Councillors are still in office during the election campaign and remain responsible for the activities of the organisation.
- Ordinary business has to continue despite the election, which includes ongoing communication with the (voting) public.

#### 12.4

Balancing these principles in practice can be difficult. New and detailed issues can arise where the right response is not obvious, and councils may need to judge the risks involved carefully. Also, the political context means that the level of scrutiny and potential for challenge is often very high. From an administrative perspective, the election period is a time for caution.

### Learning from previous issues

#### 12.5

We reported on the issues that arose in the last local authority elections in our 2006/07 report on local government issues.<sup>77</sup> In particular, we were pleased to note that we received no complaints about the content of the annual reports and summaries released around the time of the elections. These reports can generate complaints if they are perceived as too heavily promoting existing office holders. We encourage all local authorities to continue to take particular care with the content of these documents.

#### 12.6

We noted four issues that resulted in complaints to the Auditor-General, where local authorities could usefully consider their level of risk before the next election. They are:

- collaborative community relationships;
- public events and launches;
- councillor and mayoral columns and other communication channels; and
- communication from council staff.

### Collaborative community relationships

#### 12.7

One local authority had a collaborative arrangement between the council and a community centre that included assistance to publish a regular community newspaper. The newspaper's electoral coverage in one edition excluded some candidates, and the council was criticised for its role in the publication. This issue highlights the risk when local authorities support community communication processes where they do not control the content. We



encourage authorities to consider their range of collaborative activities to ensure that they understand and manage this risk as much as possible.

### **Public events and launches**

#### **12.8**

The use of council resources for public events, such as opening ceremonies or project launches, can be a regular cause of complaints. In the pre-election period, such events can be perceived as a publicly funded platform for the incumbent mayor or councillors to promote their achievements. We inquired into one such complaint during the last election and concluded that the approach that had been taken was reasonable. Nonetheless, we encourage councils to consider the risks around large events in the pre-election period. We are aware that many councillors try to reduce the number of major events that they attend during the election campaign.

### **Councillor and mayoral columns and other communication channels**

#### **12.9**

It is common for mayors and councillors to prepare regular columns or commentary on their activities for council newspapers, websites, or other council-funded communication channels. Councils may also provide a measure of support for public communication by the mayor and other nominated spokespeople.

#### **12.10**

During an election period, these communication channels can create risk, as the political significance of the commentary will be higher. A column can change from being a useful vehicle for communicating ordinary council business to something that is seen as a vehicle for political campaigning by the current office holder.

#### **12.11**

Many councils have policies that suspend such columns during a defined pre-election period. This is a very simple way of removing the risk. However, to ensure that ordinary council business continues, it may be necessary for council staff to take responsibility for ongoing communication during this period. Other councils find other ways of managing the risks, including having the content of such columns checked by a senior staff member.

#### **12.12**

We encourage councils to address this issue directly and decide how they will manage the need to maintain ordinary business and continue to carry out their responsibilities, while ensuring that council resources are not used, or perceived to be used, to give electoral advantage.

### **Communication from council staff**

12.13

Communication from council staff is another risk area. During the last election, we saw one example of such communication that we thought was inappropriate. The communication in this case was perceived by many to be a staff member contributing directly to the political debate and supporting one side. We encourage chief executives to make sure that staff are well briefed on the risks and any special or temporary procedures that may be introduced during the period of the election campaign. Although staff may, at other times, have a fairly free hand in providing information directly to the public or the media, additional constraints may need to be put in place during this period.

12.14

Another difficulty can be in managing contact between staff and those who are working on election campaigns. Candidates and their staff may seek a range of information from the council about current activities, policies, and costs. Responding to these requests can be a fraught activity because it is important that election candidates are treated equally and that the information they receive is manifestly neutral and factual. Writing protocols to ensure equal treatment of requests from current office holders and other candidates can be an important protection. We are aware that some authorities are already considering how they will manage this type of risk for the forthcoming elections.

**Our overall advice**

12.15

Most local authorities are familiar with our 2004 publication, *Good Practice for Managing Public Communications by Local Authorities*. The overall advice in that report stands. We encourage each local authority to adopt its own clear policy and set of working rules that it agrees to abide by as a way of managing the issues of communicating during election periods. The policy and working rules should have regard to the principles identified in our good practice guide. A clearly agreed approach of this kind helps councillors and staff, and enables the council to respond easily to any concerns raised by ratepayers.

12.16

As explained in this Part, we also encourage councils to think separately about three different areas of potential risk that may require some management:

- councillors communicating with the community;
- staff communicating with the community; and
- staff communicating with candidates.

## Election candidates and the Local Authorities (Members' Interests) Act 1968

### 12.17

The Act contains some complex rules for election candidates. For example, the contracting rule can sometimes mean that a person would need to rearrange their financial and business affairs to be able to stand as a candidate. The basic rule in section 3 of the Act is that you cannot be elected to a local authority if you have current contracts with the authority under which you will be paid more than \$25,000 in that financial year. The same rule applies to people who are appointed to local authorities, and to people elected or appointed to committees of local authorities.

### 12.18

The Act contains a series of exceptions, which are designed to remove the prohibition if there is unlikely to be any real opportunity to influence the value of the contract once you are elected. A current contract will not disqualify a candidate if:

- the obligations under the contract have been completed (that is, the goods or services have been provided) and the price is already fixed;
- the obligations under the contract have not been completed, but the price that will be paid is already fixed, subject to any amendments or additions allowed for in the contract;
- the obligations under the contract have not been completed, and the amount to be paid is not fixed, but the contract is for less than 12 months; or
- the obligations under the contract have not been completed, the amount to be paid is not fixed, and the contract is for more than 12 months, but the candidate agrees with the authority to relinquish the contract within a month of being elected.

### 12.19

The Auditor-General has no power to give retrospective approvals for contracts that are in place at the time of the election and would disqualify the candidate at that point. If the value of a current contract only exceeds the \$25,000 some time after the election, it is possible for us to give an approval, including a retrospective approval, in the usual way.

### 12.20

We encourage council staff and all potential candidates to consider the rules of the Act carefully. If potential candidates have ongoing contracts with the

authority that may cross the financial threshold, they should seek advice on whether these rules will prevent them from standing for office. They can also refer to our good practice guide on the law of conflicts of interest<sup>78</sup> for further guidance.

## Decision-making by councils after the election

### 12.21

After the last local authority elections, we received several complaints about newly elected councils deciding to immediately change or reverse decisions of the previous council. We reported on the approach we took to these complaints in a previous report to the sector.<sup>79</sup> We regarded them as raising important issues about the relationship between the decision-making requirements of the Local Government Act 2002 and the democratic and political context of local authority decision-making.

### 12.22

We commented that:

*Councillors and mayors will have opinions, will have campaigned on those opinions, and will wish to implement decisions consistent with their opinions and campaign messages. They will take office with publicly stated views on a wide variety of policy issues, and may have a sense of obligation to honour what they may see as commitments made to voters. In practice, the ability of any individual to implement their policies and commitments will depend on their ability to influence the collective decision-making of the local authority, and on the status of any existing decisions or commitments by the local authority.*

### 12.23

In each case, we concluded that the relevant council was able to make the decision under the Local Government Act. However, there were steps that the councils could have taken to make the decision-making process more transparent. This would have enabled the community to more easily see and understand the basis on which the council was making the decision.

### 12.24

Similar issues may arise after the next election. We encourage councils and staff to consider what steps they can take to promote transparent decision-making, accountability, and community understanding, while helping newly elected authorities to make appropriate decisions. It may also be helpful to address the requirements of the Local Government Act in any papers being prepared, so it is clear how they are being met.

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77: [Local government: Results of the 2006/07 audits](#), June 2008, [Part 11](#).

78: [Guidance for members of local authorities about the law on conflicts of interest](#), June 2007.

79: [Local government: Results of the 2007/08 audits](#), June 2009, [Part 5](#).

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Filed under:

- [Advertising](#)

Operational/Project Risk Register															
Risk identification				RISK ASSESSMENT						RISK TREATMENT				RISK MORNITORING	
Risk Category	Event	Cause	Consequence	Control Assessment			Residual Risk Analysis			Action	Plan	Risk Owner	Resolve by	Method	Status
				Existing Control	Control Effect iv eness	Owner	Likelihood	Consequenc e	Risk Rating						
Regulatory	Failure to meet compliance/legislative obligations	<ul style="list-style-type: none"><li>Inadequate compliance training and/or poor compliance monitoring</li></ul>	<ul style="list-style-type: none"><li>Increased costs due to fines for breaches and/or reputation damage</li></ul>	<ul style="list-style-type: none"><li>Informal annual review process used to capture new compliance requirements and review/update existing requirements</li><li>EO has over 30 years of experience</li><li>EO sits on working parties, consults and works daily on election issues and requirements</li><li>EO is currently EO for over 24 Territorial Authorities and over 50% of New Zealand registered voters</li></ul>	STRONG	Electoral Officer	RARE	MAJOR	LOW	ACCEPT	<ul style="list-style-type: none"><li>Existing controls sufficient for risk reduction/mitigation</li></ul>	Returning Officer	Ongoing	Not required	OPEN
People	Loss of Electoral/Returning Officer	<ul style="list-style-type: none"><li>Death or incapacity of Electoral Officer</li></ul>	<ul style="list-style-type: none"><li>Uncertainty of status of the elections</li><li>Failure to meet compliance/legislative obligations</li></ul>	<ul style="list-style-type: none"><li>Deputy Electoral Officer to assume full responsibility for running the election</li><li>Succession planning in place</li><li>Team at Election Services have full cover for each individual role</li><li>Business continuity plan in place</li></ul>	STRONG	Operations Manager	RARE	MAJOR	LOW	ACCEPT	<ul style="list-style-type: none"><li>Existing controls sufficient for risk reduction/mitigation</li></ul>	Operations Manager	Ongoing	Not required	OPEN
People	Loss of staff	<ul style="list-style-type: none"><li>Sickness</li><li>Outbreak of pandemic or other contagious illness affecting large numbers of election staff</li></ul>	<ul style="list-style-type: none"><li>Insufficient number of staff to cover processes</li></ul>	<ul style="list-style-type: none"><li>Ensure all staff have contact details for the election office for use in the event that they can no longer attend</li><li>Ensure list of trained, reserve staff with contact numbers is in place</li><li>Provide appropriate training and guidance notes to staff who have been re-deployed and are carrying out unfamiliar tasks</li><li>Consult with local authority's contingency planning unit</li><li>Have processes in place to minimise the risk of cross-infection, taking into consideration any advice provided by the Department of Health</li></ul>	STRONG	Hudsons	UNLIKELY	MODERATE	LOW	SHARE/TRANSFER	<ul style="list-style-type: none"><li>Maintain vigilance over health warnings</li></ul>	Operations Manager	Ongoing	Monthly review at Provider/ Partner meeting	OPEN
Business	Failure to ensure proper plans in place	<ul style="list-style-type: none"><li>No comprehensive written project plan</li><li>Poor planning assumptions</li></ul>	<ul style="list-style-type: none"><li>Necessary activities not completed or completed late</li><li>Missed deadlines</li><li>Potential breach of legislation</li></ul>	<ul style="list-style-type: none"><li>Maintain and update project plan to ensure all activities are planned for and sufficient resources are available as and when required</li><li>Ensure evaluation of previous electoral events has been integrated into the planning process</li></ul>	EFFECTIVE	Electoral Officer	UNLIKELY	MAJOR	TOLERABLE	REDUCE	<ul style="list-style-type: none"><li>Risk Management Process: 1) Ensure Risk Management is part of the Weekly Staff meetings 2) Introduce into monthly provider meetings 3) Review with client Project Manager</li></ul>	Returning Officer		Monthly review meeting with Electoral Officer	OPEN
Property	Loss of venue	<ul style="list-style-type: none"><li>Venue affected by flood, fire, vandalism, etc.</li><li>Gas leaks or other civil defence emergencies</li></ul>	<ul style="list-style-type: none"><li>Delay in delivery of postal ballot packs</li><li>Unable to check 100% of postal vote identifiers</li><li>If it affects the last day of polling, potential delay to the verification and count</li><li>Delay in completing the verification</li><li>Delay in counting</li><li>Delay in declaration of result</li></ul>	<ul style="list-style-type: none"><li>Maintain and update project plan to ensure all activities are planned for and sufficient resources are available as and when required</li><li>Ensure evaluation of previous electoral events has been integrated into the planning process</li></ul>	STRONG	Operations Manager	RARE	MODERATE	LOW	REDUCE	<ul style="list-style-type: none"><li>1) Alternative secure premises are available (Federal Street) 2) IT provider capable of delivering limited subset of available computing devices 3) Returning Officer's sole discretion to activate relocation procedures</li></ul>	Returning Officer		Monthly review meeting with Electoral Officer	OPEN
Technology	Loss of IT capability	<ul style="list-style-type: none"><li>System or network failure</li></ul>	<ul style="list-style-type: none"><li>Unable to administer the election to the required deadlines</li><li>Need to carry out processes manually</li></ul>	<ul style="list-style-type: none"><li>Perform daily back-ups and download documentation onto disks for secure storage off-site</li><li>Ensure hard copies of data are available</li><li>Check with IT supplier with regards to availability of duplicate system and full redundancy throughout the entire electronic system</li><li>IT provider to ensure adequate support throughout the period of the election and particularly on critical days</li></ul>	STRONG	Project Manager	UNLIKELY	CATASTROPHIC	HIGH	REDUCE	<ul style="list-style-type: none"><li>1) Building Generator installed before opening of polling Emergency generator provision by IT provider 2) Ensure that IT provider has standby generator 3) Suitable qualified electrical engineer on standby if standby generator required 4) Identified qualified glass company to remove glass from level 5 window for ventilation is required</li></ul>	Project Manager		Ensure BCP plan incorporates necessary information and call flows	OPEN
Technology	Delay in opening postal votes	<ul style="list-style-type: none"><li>Technical problems with mail slicer</li></ul>	<ul style="list-style-type: none"><li>Delays to verify 100% of postal voting documents</li></ul>	<ul style="list-style-type: none"><li>Have sufficient staff capacity so that the breakdown of one mail-opener would not delay counting</li></ul>	EFFECTIVE	Operations Manager	UNLIKELY	MINOR	LOW	REDUCE					OPEN

Operational/Project Risk Register															
Risk identification				RISK ASSESSMENT						RISK TREATMENT				RISK MORNITORING	
Risk Category	Event	Cause	Consequence	Control Assessment			Residual Risk Analysis			Action	Plan	Risk Owner	Resolve by	Method	Status
			If it affects the last opening session, potential delay to the verification and count												
Technology	Queries, in person/phone, unable to reach electoral staff	<ul style="list-style-type: none"><li>• Telecom/IT failure</li><li>• Wrong advice given to voters</li><li>• Lack of voter information</li></ul>	<ul style="list-style-type: none"><li>• Voter confusion</li><li>• Voters unable to vote</li></ul>	<ul style="list-style-type: none"><li>• Ensure dedicated line to election office, plus mobile numbers made available as back up</li><li>• Seek out use of other telecommunication circuits within building to use if necessary</li><li>• IT provider to ensure adequate support throughout the period of the election and particularly on critical days</li><li>• Emergency generator provision by IT provider</li><li>• Ensure all outgoing information contains election office contact details</li><li>• Provide frontline staff with FAQs</li></ul>	STRONG	Operations Manager	UNLIKEL Y	MINOR	LOW	ACCEPT					OPEN
Stakeholder	Non/late delivery of voting documents	<ul style="list-style-type: none"><li>• Missed printing deadlines or non-completion</li><li>• Printing errors</li><li>• Postal strike</li></ul>	<ul style="list-style-type: none"><li>• Electors unaware of when/where to vote</li><li>• Voters unable to casttheir vote</li></ul>	<ul style="list-style-type: none"><li>• Check out performance of potential suppliers with other clients and consider visiting premises of the selected contractor to inspect capacity, set up and processes</li><li>• Prepare and agree contracts as soon as possible and regularly monitor performance against expectations</li><li>• Close liaison with contractor to identify potential problems in advance</li><li>• Ensure robust proofing procedures are in place and include quality checking mechanisms in contract or in any in-house arrangements prior to issue</li><li>• Close liaison with account manager atNZPost</li><li>• Develop process for re-issue of lost/not received postal ballot packs during legislative time-frame</li></ul>	EFFECTIVE	Electoral Officer	UNLIKEL Y	MODERAT E	LOW	SHARE/ TRANSFER	<ul style="list-style-type: none"><li>• Existing controls including "live sign-off", sufficient for risk reduction/mitigation</li></ul>	Electoral Officer		Monthly review at Provider/Partner meeting	OPEN
Regulatory	Poll cards/ballot papers/postal ballot packs do not contain correct information	<ul style="list-style-type: none"><li>• Printing errors/lack of checking mechanisms</li></ul>	<ul style="list-style-type: none"><li>• Voters do not receive the correct information and are unable to cast their vote/their vote is not counted</li></ul>	<ul style="list-style-type: none"><li>• Ensure robust proofing procedures are in place and quality checks are carried out throughout the process</li><li>• "Live sign-off" prior to printing is done onsite by senior staff</li></ul>	EFFECTIVE	Electoral Officer									OPEN
Regulatory	An individual votes as someone else	<ul style="list-style-type: none"><li>• Electoral malpractice</li></ul>	<ul style="list-style-type: none"><li>• The integrity of the results is called into question</li></ul>	<ul style="list-style-type: none"><li>• Returning Officers to ask statutory questions where appropriate</li><li>• Returning Officer to hold police contact number</li><li>• 100% postal vote identifier verification</li></ul>											OPEN
People	A threat to public safety	<ul style="list-style-type: none"><li>• Public order incident</li></ul>	<ul style="list-style-type: none"><li>• Delay/postponement of polls</li></ul>	<ul style="list-style-type: none"><li>• Ensure security staff are well briefed on procedures</li><li>• Liaise with local police</li><li>• Review of security arrangements and analysis of risks</li><li>• Police attendance at count venue to be requested if level of risk identified increases</li></ul>	ADEQUATE	Operations Manager	RARE	MAJOR	LOW	ACCEPT		Electoral Officer		Daily review during Polling Period	OPEN
Property	Ballot papers interfered with	<ul style="list-style-type: none"><li>• Security of election stationery is breached</li><li>• IT Security breach</li></ul>	<ul style="list-style-type: none"><li>• Integrity of the polls is called into question</li></ul>	<ul style="list-style-type: none"><li>• Ensure method of storage is such that you can be satisfied that you have taken all necessary steps to ensure that the voting documents are kept securely</li><li>• Ensure no wireless devices have been installed into networked environment</li></ul>	STRONG	NZ Post BTG	RARE	MAJOR	LOW	SHARE/ TRANSFER	<ul style="list-style-type: none"><li>1. Transfer risk to partner NZPost for security of printed voting documents</li><li>2. BTG to do daily sweeps of count network for wireless transmitters</li></ul>	Electoral Officer		Monthly review at Provider/Partner meeting	OPEN
People	Unable to appoint sufficient staff	<ul style="list-style-type: none"><li>• Insufficient/non-provision of resources</li><li>• Difficulty in recruiting suitable staff</li></ul>	<ul style="list-style-type: none"><li>• Insufficient staff to cover processes</li></ul>	<ul style="list-style-type: none"><li>• Early agreement on availability and release of local authority staff</li><li>• Seek alternative sources of recruitment – e.g. community groups</li><li>• Ensure sufficient staff have been identified and allocated to all electoral processes</li><li>• Consider training additional staff as a contingency</li></ul>	STRONG	Hudsons	UNLIKEL Y	MAJOR	TOLERABLE	SHARE/ TRANSFER		Electoral Officer		Monthly review at Provider/Partner meeting	OPEN
People	Insufficient support staff appointed	<ul style="list-style-type: none"><li>• No detailed assessment of staffing requirements</li></ul>	<ul style="list-style-type: none"><li>• Inability/difficulty in meeting deadlines</li><li>• Mistakes by overworked</li></ul>	<ul style="list-style-type: none"><li>• Map-out staffing requirements at an early stage in project planning process</li><li>• Consider need to appoint temporary support</li></ul>	STRONG	Hudsons	UNLIKEL Y	MODERATE	LOW	REDUCE	<ul style="list-style-type: none"><li>• Source suitably qualified staff to assist</li><li>• BTG to provide additional</li></ul>	Operations Manager		Monthly review at Provider/Partn	OPEN



Operational/Project Risk Register															
Risk identification				RISK ASSESSMENT						RISK TREATMENT				RISK MORNITORING	
Risk Category	Event	Cause	Consequence	Control Assessment			Residual Risk Analysis			Action	Plan	Risk Owner	Resolve by	Method	Status
			staff, which could adversely affect the voter	staff to assist the project team at different points of the process							resources for critical points in delivery timeline			er meeting	
People	Mistakes by inexperienced staff or by staff not fully aware of legislation/procedure	• Inadequate/lack of training	• Voters are unable tocast their vote • Results called into question the/lack of training	• Training to be scheduled for all staff to ensure they are provided with the necessary information to be able to undertake their duties • Provide adequate resources such as guidance notes and handbooks to relevant staff • Use of Hudsons' own personnel to troubleshoot any HR issues identified during the polling period	STRONG	Hudsons	UNLIKEL Y	MINOR	LOW	SHARE/ TRANSFER	• Controls already in place sufficient for risk minimisation	Hudsons		Monthly review at Provider/Partn er meeting	OPEN
Property	Poor accessibility to the voting process, including for disabled voters	• Office not set-up appropriately for disadvantaged voters • Staff not adequately trained, or not able to assist due to not sign disclosure statements	• Not everyone who is entitled to vote is able to do so	• Accessibility issues to be highlighted in staff training sessions and weekly meetings • Provide training for staff on good customer care and access issues • Returning Officers to review and install any necessary accessibility alterations • Ensure Returning Officers and IESL staff carry out checks throughout polling period	ADEQUAT E	Project Manager	UNLIKEL Y	MINOR	LOW	REDUCE	• Controls already in place sufficient for risk minimisation	Electoral Officer		Monthly review at Provider/Partn er meeting	OPEN
People	A threat to public safety	• Problems with voter dissatisfaction or aggressive behaviour	• Staff feel threatened andare unable to carry out their role • Delay/ postponement of polls	• Provide guidance and training to frontline staff, including FAQs to assist with giving answers to common queries • Provide guidance on dealing with aggressive customers, drawing on resources developed by other council departments • Provide contact details for the police										Monthly review at Provider/Partn er meeting	OPEN
Stakeholder	Delay in receipt of ballot boxes from the polling station to the count venue	• Returning Officer is not able to receive all external ballot boxes to the count venue (e.g., becomes lost, car breaks down, has an accident)	• Delay in verification and count	• Agree ballot box delivery routes from polling stations to count location • Establish effective lines of communication between central control point and individual vehicles • Contact details of all Electoral Officials to be available at the count venue	ADEQUAT E	Project Manager	UNLIKEL Y	MODERAT E	LOW	REDUCE		Electoral Officer		Monthly review at Provider/Partn er meeting	OPEN
People	Errors during verification of voting documents	• Inadequate training	• Delay to completion of verification and count • Inaccurate result	• Ensure staff are adequately trained toavoid errors in the verification process	ADEQUAT E	Operations Manager	UNLIKEL Y	MODERAT E	LOW	REDUCE		Electoral Officer		Monthly review at Provider/Partn er meeting	OPEN
Busine ss contin uity	Evacuation of count centre	• Emergency alarm activated (due to fire, etc.)	• Delay in declaration of results • Security of ballot papers compromised • Potential loss of ballot papers	• Have in place an emergency protocol for the count • Ensure that evacuation and re-entry procedures are developed so that any evacuation can be conducted in such a way as to ensure that the count is not compromised i.e. ballot boxes and papers are secured or removed from premises • Make an appropriate announcement at the start of the count to communicate evacuation procedures • If re-entry is not possible, invoke contingency plans										Monthly review at Provider/Partn er meeting	OPEN
Busine ss contin uity	Failure of the electronic counting system	• Power failure to the count centre • Technical issues with the system • Overloading of electrical circuits or some other form of electrical usage causes equipment to overheat, smoke or catch fire	• Loss of confidence in the process • Delay in declaring results	• Prepare emergency protocol to use another count centre if necessary • Power distributed evenly across circuit breakers • Smoke alarms installed	NEEDS IMPRO VE MENT	Project Manager	POSSIBL E	MAJOR	HIGH	REDUCE	• Ensure adequate power supply and back-up generation available at the count centre • Check no planned works to the electricity supply on the day of the count • Ensure sufficient technical support is available on-call				OPEN
Business continuity	Hardware Failure – Servers/Networkin g	• A hardware failure with core OS and/or supporting assets impact of the availability of services	• Delays in processing votes	• Physical redundancy of all major components in place • Virtual environment has mechanisms for redundancy as well	EFFECTIVE	BTG	UNLIKEL Y	MODERAT E	LOW	REDUCE	• Business Continuity plan	BTG			OPEN
Business continuity	Hardware Failure – Scanning	• Hardware failure on scanning devices interrupts the processing of voting	• Reduced throughput for elections	• Spare hardware available on call if required	ADEQUAT E	Operations Manager	RARE	MODERAT E	LOW	REDUCE	• Operations Manager to initiate required actions: 1. Call Scantech to prepare scanner for pickup				OPEN



Operational/Project Risk Register															
Risk identification				RISK ASSESSMENT						RISK TREATMENT				RISK MORNITORING	
Risk Category	Event	Cause	Consequence	Control Assessment			Residual Risk Analysis			Action	Plan	Risk Owner	Resolve by	Method	Status
		documents													
Business continuity	Scanning performance degradation	• Services affecting the performance or rate of scans to the detriment of flow-on processes and procedures	• Delays requiring additional staff/longer hours/stress remaining equipment putting them at risk as well	• Preventative maintenance has been completed • Technician on call if required	STRONG	SCANTECH	POSSIBL E	MODERAT E	TOLERABL E	REDUCE	• Need to find suitable cover for Contract Technician if primary is unavailable	SCANTECH		Monthly Provider Meeting	OPEN
Business continuity	PC failure rate – (higher than expected)	• There are 100 PCs available for staff. 10% for backups, if there are additional failures above this level what happens?	• Reduced capacity for scrutiny/count services	• No control activities in place	ADEQUAT E	BTG	POSSIBL E	MINOR	TOLERABL E	ACCEPT					OPEN
Business continuity	Ink unavailable	• Scanners require ink for operating	• Unable to mark voting documents with batch IDs	• No control activities in place	NEEDS IMPROVE MENT	Administrati on Manager	RARE	MINOR	VERY LOW	REDUCE	• Stocktake of ink supplies required • Order and hold sufficient stock				OPEN
Business continuity	PABX failure	• Failure of call centre or office PABX could impact on the issuing of specials or place IESL in a contractual “non-compliance” position	• Contractual noncompliance • Unable to issue special vote packs • Unable to assist councils with queries	• BTG hold backup PABX	NONE	Administrati on Manager	UNLIKEL Y	MODERAT E	LOW	ACCEPT	• Call BTG to activite replacement PABX				OPEN
Business continuity	SIP service provider failure	• Service provider providing SIP functionality has failure impacting on inbound performance	• Inability to place or receive calls	• No control activities in place	NONE	Administrati on Manager	POSSIBL E	MODERAT E	TOLERABL E	ACCEPT	• Pilot number able to be transfered at short noticeto mobiles				OPEN
Business continuity	Call centre – phone failures	• A high failure rate of physical devices could potentially disrupt the issuing of special votes	• Effected operators will be unproductive	• No control activities in place	NONE	Administrati on Manager	UNLIKEL Y	MINOR	LOW	ACCEPT	• All phones and headsets are new, replacements available under warrantyand BTG hold additional handsets off site				OPEN
Business continuity	Backups not available	• Requirement to obtain backup media in a disaster management scenario means having that media available and accessible in a timely manner					POSSIBL E	MAJOR	HIGH						OPEN
Business continuity	Backups not regular enough	• Daily or twice daily backups may not satisfy the requirements of the organisation	• Loss of too much data • Could nullify elections				POSSIBL E	MODERAT E	TOLERABL E						OPEN
Technology	Unauthorised access to information	• Shared accounts and the number of staff on hand at anyone time can place information at risk ofaccess and/or modification	• Data breach • Data leakage • Loss of reputation • Loss of future revenue streams				POSSIBL E	MINOR	TOLERABL E						OPEN
Technology	Information leakage	• Information, if leaked could potentially create a reputational issue for the council and EO as well as IESL					UNLIKEL Y	MODERAT E	LOW						OPEN
Technology	Unauthorised access to system resources	• Use of wireless access points or unauthorised media being connected to the network could jeopardise the integrity of the elections	• Jeopardise the integrity of the voting system requiring a second election				UNLIKEL Y	MAJOR	TOLERABL E						OPEN
Technology	Loss of media	• Media such as USB drives used for transporting data					POSSIBL E	MINOR	TOLERABL E						OPEN

[illegible]

# Treasury Policy Review

Trim No.: 2113804

## Executive Summary

Council's Liability Management policy was last reviewed and amended in March 2018 and the Investment policy in February 2017. The effectiveness of the current policies has been reviewed by staff with no issues noted. Staff are not proposing any changes to the existing policies. The current policies are now presented to the Audit and Risk Committee for their review.

## Recommendation

That:

1. **The Committee review the draft Liability Management Policy and Investment Policy and consider if any amendments should be recommended to Council for adoption.**

## Content

### Background

The Audit and Risk Committee have recommended that the Liability Management and Investment (Treasury) Policies of Council should be subject to at least an annual review to ensure that these policies remain relevant and effective.

### Liability Management Policy

#### Liability Management Policy – Review of policy compliance and effectiveness

Council staff responsible for the operation of this policy meet on a monthly basis with Council's external treasury advisor to discuss policy compliance, market conditions and future borrowing and strategy. The advisors also met with Council on an annual/bi-annual basis, providing further explanation of the market conditions and the adopted strategy. Monthly reporting to Council on compliance with the policy is undertaken.

At 31 December 2018 our external debt was \$30 million. \$5.5 million of this is debt raised in advance to repay debt maturing in March 2019, so core debt is just \$24.5 million. This is compared to the budget of \$31 million set out in the 2018/19 Long Term Plan. The budget was overly optimistic about the level of capital and carry-forward capital work from previous financial years that would be completed to date.

There have been no breaches or one-off approvals outside the policy since the current policies' adoption. Council's external auditors annually review compliance with key policy requirements, our internal controls and accounting treatment and reporting as part of their annual audit function and have not raised any concerns or made recommendations in recent years.

The Liability Management policy includes a number of statutory and general objectives, including minimising costs and risk and compliance with legislation and borrowing covenants. We believe that all of these objectives are being met. We have maintained our debt well within the limits set out in the policy, and within financial covenants.

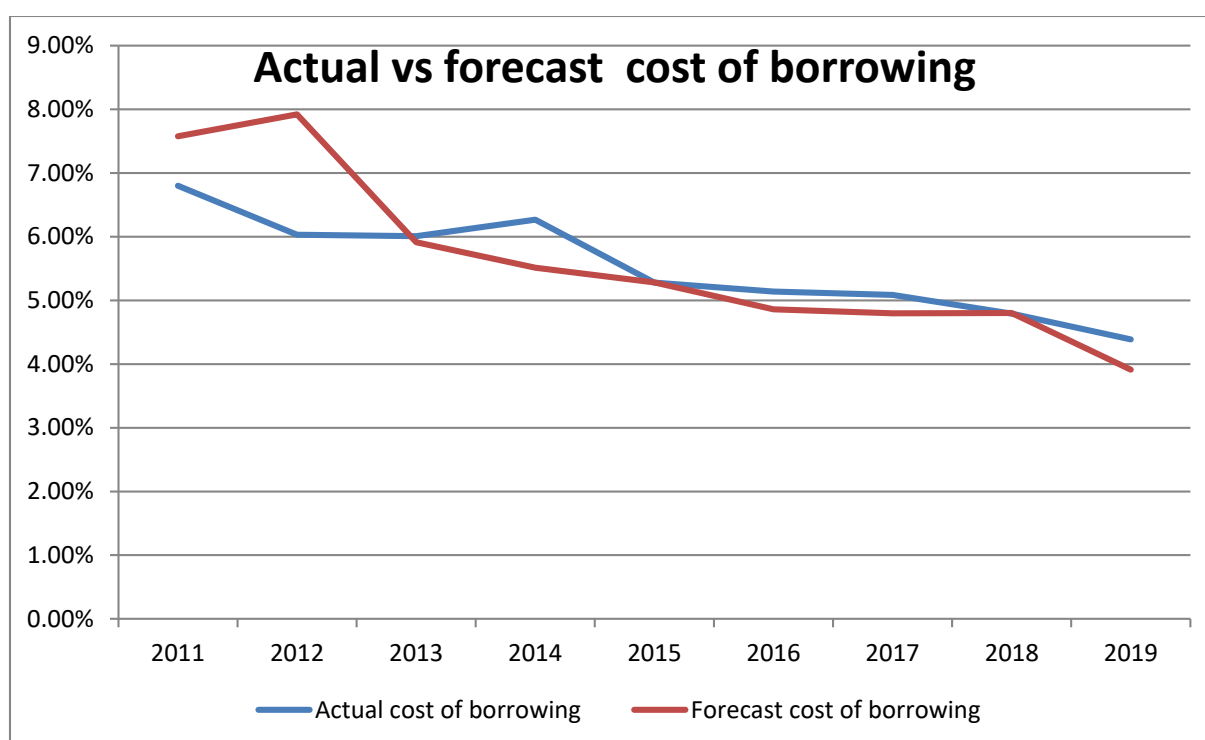
Council's multi-option credit facility with Westpac has given us the opportunity to effectively manage our variable cashflows, maintain the required level of liquidity and minimise our net interest costs. Internal borrowing has been utilised where possible to minimise net interest costs.

We have been very pleased with the continued low margins achieved through Council's participation in the Local Government Funding Agency. Council's exposure to potentially adverse interest rate movements has been minimised through the use of interest rate swaps. Further assessment of the effectiveness of these swaps is provided below.

#### Review of the effectiveness of Council's interest rate swaps

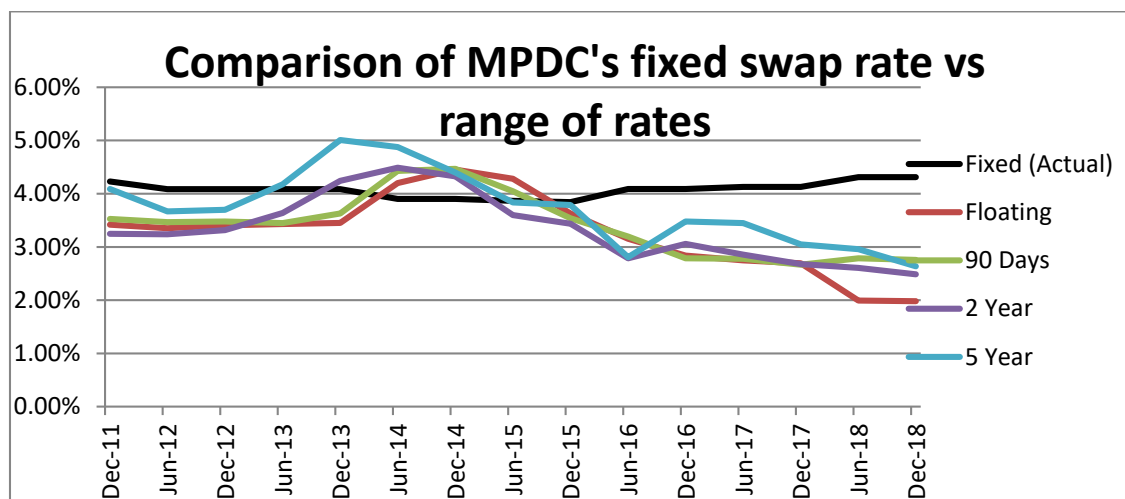
As provided for in the policy, and on the advice of our external Treasury advisors, PWC, Council started using interest rate swap instruments from 2011. This was at a time when our external debt was rising significantly, largely as a result of the Morrinsville Wastewater Treatment Plant upgrade. The key objective for Council's use of interest rate swaps is to minimise exposure to adverse interest rate movements, so as to provide certainty over interest costs into future years.

In assessing the effectiveness of Council's interest rate swaps, we firstly compare Council's actual cost of borrowing with the forecasted cost of borrowing.

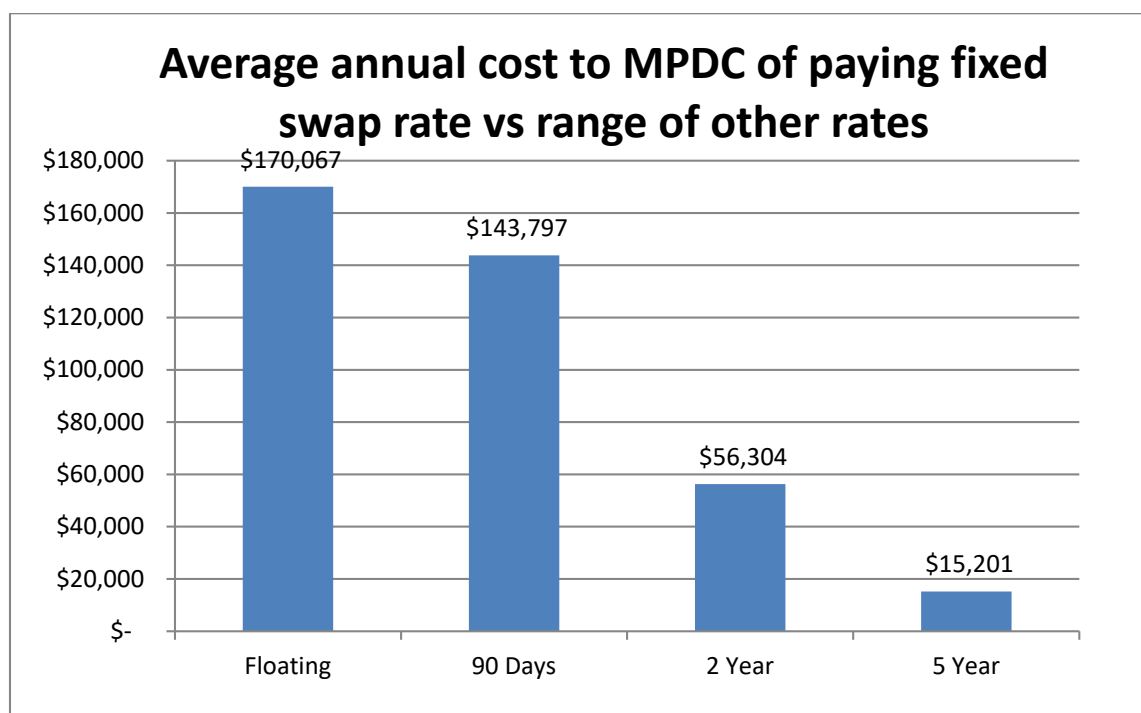


Since 2011 when Council first took up swaps, and particularly after 2014 when the bulk of the swaps became effective, Council's ability to forecast the cost of borrowing has improved as we have more certainty over our rates. An identified area for improvement is in the forecasting of the completion of capital works and its associated impact on overall borrowing costs.

The second step in assessing the effectiveness of Council's interest rate swaps was to compare Council's actual fixed swap rates with a range of maturities to determine if the objective has been met, and at what cost to MPDC.<sup>1</sup>



The graph shows that the use of swaps has been effective for Council in terms of the objective of minimising exposure to interest rate movements. The fixed rates achieved have provided a relatively smooth cost over time. This has however come at a cost, particularly over the last few years as wholesale rates have decreased.



The second graph shows in hindsight, what the annual cost of minimising our exposure to interest rate risk was against a range of other available rates. In terms of our total interest costs, this added between 0.90% and 3.35% on average to our overall interest costs per annum. Since Council started using swaps in 2011, the cumulative cost to Council is between \$106,000 and \$394,000. Conversely, had interest rates increased over recent years, Council would have achieved interest savings against these other rates.

<sup>1</sup> In this exercise we have used the Council's 6 monthly weighted average fixed swap rate vs 6 monthly wholesale rates (sourced from Reserve Bank NZ) + average LGFA margin of 0.78728

Overall, we are satisfied that the interest rates swaps have been effective in the objective of minimising our exposure to movements in interest rates. With hindsight, this has come at a cost to date. This cost should continue to be assessed over time as rates change.

#### Liability Management Policy – Proposed amendments

Following a review, staff have not recommended any amendments to the current Liability Management policy.

### **Investment Policy**

#### Investment Policy – Review of policy compliance and effectiveness

The current policy includes a number of general objectives, and states the range of investments Council can hold. Each of these types of investments have varying specific objectives, management controls and levels of reporting outlined in the current policy. We believe that all of these policy objectives are being met. Other than cash investments to manage cashflow requirements, we have not made any further investments this year to date.

We have complied with our policy requirements for cash investments throughout the period. Of note is that these cash investments have been larger than expected due to the delay in the capital works programme. Unfortunately at the same time the investment rates have been disappointing, with the weighted average for this year to date sitting at 3.21%. The Financial Strategy in our 2018-28 LTP earmarked an expected rate of return over the next 10 years of 3.85% on a specific \$5.4 million cash investment held. With the downturn in rates, this has not been achieved for the current or previous financial year.

Council's external auditors annually review compliance with key policy requirements, our internal controls and accounting treatment and reporting as part of their annual audit function and have not raised any concerns or made recommendations in recent years.

#### Investment Policy – Proposed amendments

Following a review, staff have not recommended any amendments to the current Investment policy.

### **Analysis**

#### **Legal and statutory requirements**

Sections 102 (2) (b) & (c) of the Local Government Act 2002 require Council to adopt a liability management policy and an investment policy.

Section 104 requires that the liability management policy adopted must state the local authority's policies in respect of the management of both borrowing and other liabilities, including—

- (a) Interest rate exposure; and
- (b) Liquidity; and
- (c) Credit exposure; and
- (d) Debt repayment.

Section 105 requires that the investment policy adopted must state the local authority's policies in respect of investments, including—

- (a) *[Repealed]*
- (b) The mix of investments; and
- (c) The acquisition of new investments; and

- (d) An outline of the procedures by which investments are managed and reported on to the local authority; and  
(e) An outline of how risks associated with investments are assessed and managed.

### Impact on policy and bylaws

Proposed amendment to policies as outlined above considered minor

### Impact on Significance and Engagement Policy

None

### Communication, consultation and decision making processes

Section 102(5) allows for the adoption of the investment and liability management policies without the requirement to use a special consultative procedure.

## Attachments

- A. Current Liability Management Policy
- B. Current Investment Policy

## Signatories

Author(s)	Larnia Weir <b>Deputy Finance Manager</b>	
Approved by	Manaia Te Wiata <b>Group Manager Business Support</b>	
	Don McLeod <b>Chief Executive Officer</b>	



## Liability Management Policy

**Department:** Finance and Business Services

**Policy Type:** External Policy

**Council resolution date:** 28 March 2018



### Introduction

#### Our vision is

To minimise the cost of borrowing used to fund the capital development of the Community's assets

#### Council's commitment

Council's commitment is to:

- Minimise our long term borrowing costs within approved risk parameters
- Minimise our exposure to adverse wholesale interest rate and credit margin movements, maturity and interest rate re-pricing concentrations
- Maintain appropriate liquidity levels and manage cash flows to meet known and reasonable unforeseen funding requirements.
- Minimise exposure to credit risk.
- Comply with, monitor and report on financing/borrowing covenants and ratios under the obligations of our lending/security arrangements and this policy.
- Comply with the requirements of the Local Government Act 2002.

### Management of borrowings

Council will:

- Consider and approve its forecast borrowing requirements by approving its Long Term Plan and each Annual Plan.
- Manage financial assets and debt on a net portfolio basis (borrowings less cash instruments).
- Prudently and effectively manage borrowings and liabilities having regard to:
  - Interest rate and credit margin exposure
  - Liquidity and funding exposure
  - Counterparty credit exposure
  - Debt repayment
  - Borrowing limits and financial covenants
  - Security arrangements

*(Procedural guidance on each of these matters is set out in appendix one).*

- Delegate authority to the Chief Executive Officer to initiate any actions in terms of this policy, including the authority to execute any documents on behalf of Council.

This policy covers internal and external borrowings. Any other Council liabilities are managed in the course of the Council's day-to-day operations.

### Borrowing limits

Council will:

- Manage to ensure that the following parameters are not exceeded:

Item	Borrowing limit
Net external debt <sup>1</sup> as a percentage of total revenue <sup>2</sup>	<150%
Net interest <sup>3</sup> on external debt as a percentage of total revenue	<15%
Net interest on external debt as a percentage of annual rates income <sup>4</sup> (debt secured under debenture)	<20%

### Interest rate exposure

Movements in interest rates can affect Council's financial performance and funding requirements. Interest rate risk management seeks to minimise interest costs and risks as interest rates change.

To manage interest rate risk on debt Council will:

- Utilise mechanisms including setting risk control limits on fixed and floating rates and the use of interest rate instruments (under the guidance of independent external advisors) on a portfolio basis.

### Liquidity and funding

Financial assets and funding sources need to be managed to ensure that Council can meet all of its obligations as they fall due.

Council will:

- Utilise mechanisms to manage liquidity and funding risk include cashflow management and forecasting, maintenance of available committed bank facilities and liquid funds, risk control limits to spread funding maturities and pre-funding of forecast debt requirements.

<sup>1</sup> Net external debt is defined as external debt less liquid financial assets and investments. Liquid financial assets and investments are defined as cash, bank deposits and any fixed interest and equity investments that are held for other than strategic purposes.

<sup>2</sup> Revenue is defined as earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue. Revenue excludes developer contributions and vested assets.

<sup>3</sup> Net Interest is defined as the amount equal to all interest and financing costs less interest income for the relevant period.

<sup>4</sup> Annual Rates Income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other Local Government Authorities (LGAs) for services provided and for which the other LGAs rate.

### **Credit exposure**

Prudent credit management can reduce Council's risk of loss from a counterparty failing to meet its obligations. Credit exposure for borrowings is relevant for the undrawn portion of any committed, standby or bank facility, where the counterparty has a contractual obligation to provide funds to Council. To manage this risk, Council will:

- Set limits on the acceptable credit rating for counterparties.
- Ensure legal documentation is independently reviewed by Council's legal counsel.

### **Debt repayment**

Council will:

- Make debt repayment decisions driven by Council's liquidity profile, contractual terms, debt levels and sustainable funding needs. External debt is managed on a net portfolio basis.
- Only borrow externally when it is commercially prudent to do so.
- Determine the cashflows to be used for the repayment of debt or reduction in borrowing requirements.

### **Security for debt**

Council will:

- Offer security over borrowing by way of a charge over rates and rates revenue through the Debenture Trust Deed.
- From time to time, may offer alternative security over specific assets, with approval by Council and Trustee.

### **Source of funds**

Council consider the following to be appropriate sources of funds:

- any New Zealand registered bank of suitable credit worthiness (as defined within the credit exposure section of the policy).
- Council reserves, special funds, or surplus cash available for internal borrowing
- borrowing secured by the Debenture Trust Deed.
- lease to own arrangements – the counter parties shall be the open market
- Council issued commercial paper, bonds, stock and debentures to the LGFA and wholesale/retail debt capital markets that is secured by the Debenture Trust Deed.

### **New Zealand Local Government Funding Agency Limited (LGFA)**

Despite anything in this Policy, Council may borrow from the LGFA and, in connection with that borrowing, may enter into the following related transactions to the extent we consider necessary or desirable:

- Contribute a portion of our borrowing back to the LGFA as an equity contribution to the LGFA. For example in the form of borrower notes.
- Provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself.
- Commit to contributing additional equity (or subordinated debt) to the LGFA if required;

- Secure our borrowing from the LGFA and the performance of other obligations to the LGFA or our creditors with a charge over our rates and rates revenue.
- Subscribe for shares and uncalled capital in the LGFA.

Financial exposure to the LGFA is to be reviewed annually and reported to the Audit and Risk Committee and Council.

### **Management procedures, reporting and policy review**

The Group Manager Business Support will:

- Approve documented treasury and operational procedures for borrowing activities, which will be administered by the Finance and Business Services Manager.

The Chief Executive Officer will:

- Report to Council or the Corporate and Operations Committee of Council on borrowings on at least a quarterly basis.

Council will:

- Formally review this policy on annual basis.

\_\_\_\_\_  
J E Barnes  
Mayor

\_\_\_\_\_  
D J McLeod  
Chief Executive Officer

Version 2  
Council resolution date: 28 March 2018



## Appendix one

### LIABILITY MANAGEMENT POLICY PARAMETERS

#### Interest rate exposure

##### Objective

To manage and minimise our costs and risks arising out of interest rate movements associated with our borrowing activities.

##### Policy parameters

Our borrowings must be within the following fixed/floating interest rate risk control limit:

Master fixed/floating risk control limit	
Minimum fixed rate	Maximum fixed rate
55%	90%

The fixed rate amount at any point in time should be within the following maturity bands:

Fixed rate maturity profile limit		
Period	Minimum Hedge %	Maximum Hedge %
1 to 3 years	15%	60%
3 to 5 years	15%	60%
5 to 10 years	15%	60%

A fixed rate maturity profile that is outside the above limits, however self corrects within 90-days is not in breach of this Policy. Maintaining a maturity profile beyond 90-days requires specific approval by Council.

"Fixed Rate" is defined as an interest rate repricing date beyond 12 months forward on a continuous rolling basis.

"Floating Rate" is defined as an interest rate repricing date within 12 months.

The percentages are calculated on the rolling 12 month projected external core debt level calculated by management (signed off by the Chief Executive Officer). External core debt is debt that is expected to remain outstanding for a period beyond 12 months. . This allows for pre-hedging in advance of projected physical drawdown of new debt and re-financing of existing debt. When approved forecasts are changed, the amount of fixed rate hedges in place may have to be adjusted to ensure compliance with the policy minimums and maximums.

Interest rate risk management products may be used to convert fixed rate borrowing into floating rate, floating rate borrowing into fixed or hedged borrowing. Floating rate debt may be spread over any maturity out to 12 months. Bank advances may be for a maximum term of 12 months. Independent external advisors will be consulted when using interest rate risk management products.

The following instruments may be used for interest rate risk management activity:

Forward rate agreements ("FRA") on:

- Bank bills
- Government bonds

Interest rate swaps including:

- Forward start swaps
- Amortising swaps (whereby notional principal amount reduces)
- Swap extensions and shortenings

Interest rate options on:

- Bank bills (purchased caps and one-for-one collars)



- Interest rate swaptions (purchased swaptions and one-for-one collars with matching notional amounts, and maturity dates only)

Use of interest rate instruments:

- Any interest rate swap with a maturity beyond 12 years must be approved by Council.
- Selling interest rate options for the primary purpose of generating premium income is not permitted, because of its speculative nature.
- During the term of the option, only the sold side of the collar can be closed out (i.e. repurchased) otherwise, both sides must be closed out simultaneously.
- Purchased borrower swaptions mature within 12 months.
- Interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 2.00% above the appropriate swap rate cannot be counted as part of the fixed rate percentage calculation.
- Forward start period on swaps and collar strategies to be no more than 24 months, unless the start date of the new swap coincides with the maturity date of the existing swap. The new swap's notional amount must be no greater than that of the existing swap.
- Buying and selling of financial futures is not permitted due to the administrative burden.
- Any other financial instrument must be specifically approved by Council on a case-by-case basis and only be applied to the one singular transaction being approved.

### Liquidity/Funding

#### Objective

To ensure that we have adequate committed financial resources to meet all of our obligations as and when they arise our liquidity and funding risk management centres on the ability to re-finance or raise new debt at a future time, at acceptable pricing (fees and borrowing margins) and terms.

Our ability to readily attract cost effective borrowing is largely driven by our ability to maintain a strong financial position, raise general rates and manage relationships with investors, financial institutions/brokers and the LGFA. Where practical, we seek a diversified pool of external borrowing and ensure bank borrowings and incidental arrangements (risk management products) are only sought from strongly rated New Zealand registered banks. Banks must have a minimum long term credit rating of single "A".

#### Policy parameters

Council will manage liquidity and funding risk by:

- Appropriate cashflow management to ensure that sufficient funds are available to meet financial obligations as they fall due.
- Maintaining appropriate committed short-term borrowing facilities with Council's bank counterparties.
- Maintaining financial investments in liquid instruments counterparties within credit risk limits.
- Liquid funds, and committed bank/loan facilities and external term debt are maintained at 110% over the existing external debt amount.
- A spread of debt funding maturities to reduce concentration risk so that credit margins and overall borrowing costs are not unnecessarily increased due to market conditions.
- The Chief Executive Officer or delegate has the discretionary authority to re-finance existing debt on acceptable terms. Such action is to be reported and ratified by Council at the earliest opportunity.



- Council has the ability to pre-fund up to 12 months of forecast debt requirements including debt re-financing.

The funding maturity profile of the total committed funding in respect of all loans and committed facilities is set by the following risk control limits:-

Period	Minimum	Maximum
0 to 3 years	15%	50%
3 to 5 years	15%	60%
5 years plus	10%	40%

A funding maturity profile that is outside the above limits, but self corrects within 90-days is not in breach of this Policy. However, a maturity schedule outside of these limits will require specific Council approval. A maximum of 33% of total committed loans/bonds/FRN's and debt facilities is permitted to mature within an immediate 12 month period.

Liquid funds are defined as those funds which are held for operational requirements and/or used to meet liquidity buffer requirements and include:

- Overnight cash at 100% of principal amounts
- Wholesale /retail bank term deposits no greater than 30 days at 100% of principal amounts
- Bank certificates of deposit (RCD's) less than 365 days at 100% prevailing market value
- Commercial paper less than 365 days at 100% market value.

## Credit exposure

### Objective

To minimise our risk of default on the part of any counterparty that has a contractual obligation to make any payments to us.

### Policy parameters

Proposed counter-parties to borrowing transactions will be assessed to ensure that there is reasonable certainty that obligations under borrowing contracts will be honoured. Financial related transactions will only be entered into with organisations specifically approved by the Council. Counterparties and limits can only be approved on the basis of long-term single "A" and above credit ratings (Standard & Poors', Fitch, or Moody's) and/ or short-term ratings of "A-1" or above. Positions should be spread amongst a number of counterparties to avoid concentrations of credit exposure following matrix guide will determine limits:-

Counterparty	Minimum long term / short term credit rating	Risk management instrument maximum per counterparty (\$m)	Total maximum per counterparty (\$m) <sup>5</sup>
NZ Local Government Funding Agency (LGFA)	N/A	N/A	N/A
NZ Registered Bank	A / A-1	10.0	30.0

In determining the usage of the above gross limits, the following product weightings will be used:

<sup>5</sup> Total counterparty exposure includes; financial instruments for investments and risk management instruments.

- Investments (e.g. bank deposits) – transaction principal amount x weighting 100% (unless a legal right of set-off exists).
- Interest rate risk management (e.g. swaps, FRAs) – transaction Notional x maturity (years) x 3%.
- Foreign exchange – transactional face value amount x the square root of the maturity (years) x 15%.

### Debt repayment

#### Objective

To ensure that we are able to repay debt in a timely manner from appropriate sources.

#### Policy parameters

We will manage external debt on a net portfolio basis and will only externally borrow when it is commercially prudent to do so. We may determine that all or any part of the following cashflows may be used for the repayment of debt or reduction in borrowing requirements:

- depreciation charges for activities
- the proceeds of asset sales if we consider it appropriate
- contributions from other parties in terms of any contractual arrangements
- renewal loans
- specific revenue streams as determined by us (e.g. repayment of rental housing loans from rental housing income or loan repayment rates).

Debt will be repaid as it falls due in accordance with the applicable loan agreement. Subject to the debt limits, a loan may be rolled over or re-negotiated as and when appropriate.

### Borrowing limits

#### Objective

To ensure that our debt is maintained within prudent limits.

#### Policy parameters

Borrowings will be managed to ensure that the following parameters are not exceeded:

Item	Borrowing limit
Net external debt <sup>6</sup> as a percentage of total revenue <sup>7</sup>	<150%
Net interest <sup>8</sup> on external debt as a percentage of total revenue	<15%
Net interest on external debt as a percentage of annual rates income <sup>9</sup> (debt secured under debenture)	<20%

<sup>6</sup> Net external debt is defined as external debt less liquid financial assets and investments. Liquid financial assets and investments are defined as cash, bank deposits and any fixed interest and equity investments that are held for other than strategic purposes.

<sup>7</sup> Revenue is defined as earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue. Revenue excludes developer contributions and vested assets

<sup>8</sup> Net Interest is defined as the amount equal to all interest and financing costs less interest income for the relevant period.

<sup>9</sup> Annual Rates Income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other Local Government Authorities (LGAs) for services provided and for which the other LGAs rate

Debt will be repaid as it falls due in accordance with the applicable loan agreement. Subject to the debt limits, a loan may be rolled over or re-negotiated as and when appropriate. Disaster recovery requirements are to be met through the liquidity ratio amount.

### Security arrangements

#### Objective

To provide appropriate security that does not restrict our operations or limit control of Council community and strategic assets, whilst being sufficiently attractive to lenders to secure competitive borrowing margins, fees, interest rates and terms.

#### Policy parameters

Council offer security by way of a charge over rates and rates revenue through the Debenture Trust Deed. Under a Debenture Trust Deed, Council's borrowing is secured by a floating charge over all Council rates levied under the Local Government (Rating) Act 2002. From time to time, with Council and Trustee approval, specific security may be offered by providing a charge over one or more of our assets.

Physical assets will be charged only where:

- There is a direct relationship between the debt and the purchase or construction of the asset, which it funds (e.g. an operating lease, or project finance).
- We consider a charge over physical assets to be appropriate.
- Any pledging of physical assets must comply with the terms and conditions contained within the Debenture Trust Deed.

### Source of funds

Appropriate sources of funds are specified in the policy. In evaluating strategies for new borrowing (in relation to source, term, size and pricing) we take into consideration the following:

- available terms from the LGFA, banks, brokers, debt capital markets including loan stock issuance
- our overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time
- prevailing interest rates and credit margins relative to the term for loan stock issuance, LGFA, debt capital markets and bank borrowing
- the outlook on LGFA, bank and debt capital market credit margins
- ensuring that the implied finance terms and conditions within the specific debt (e.g. project finance) are evaluated in terms such as cost/risk limitation compared to the terms and conditions we could achieve in our own right
- Legal documentation, security arrangements and financial covenants.

Alternative strategies for new borrowings considered in this evaluation process are documented for review purposes. Our ability to readily attract cost effective borrowing is largely driven by our ability to rate, maintain a strong financial position and manage our relationships with our investors and financial institutions/brokers/LGFA.

### Policy review

#### Objective

To uphold and maintain current Liability Management Policy best practice standards.

#### **Policy parameters**

Each external loan will be monitored on a six-monthly basis over the term of the loan, and benchmarked against the other identified options at the time the loan was raised. This will enable Council's performance in the achievement of the objectives set out in this policy to be assessed and reported to Council.

This Policy is to be formally reviewed on an annual basis. The General Manager Business Support, or equivalent, has the responsibility to prepare a review report that is presented to the Council or Council sub-committee. The report will include:

- recommendation as to changes, deletions and additions to the Policy
- overview of the treasury function in achieving the stated treasury objectives, including performance trends in actual borrowing cost against budget (multi-year comparisons), and interest rate management instruments against benchmarks.
- summary of breaches of policy and one-off approvals outside policy to highlight areas of policy tension
- analysis of bank lender service provision, share of financial instrument transactions etc
- comments and recommendations from our external auditors on the treasury function, particularly internal controls, accounting treatment and reporting
- an audit of the treasury system/spreadsheets and procedures should be undertaken
- adherence to borrowing limits specified in the covenants of bank lenders to Council

The Council receives the report, approve policy changes and/or rejects recommendations for policy changes.

#### **Statutory matters**

- All borrowing, investments and incidental financial arrangements (e.g. use of interest rate hedging financial instruments) will meet requirements of the Local Government Act 2002, and incorporate the Liability Management Policy and Investment Policy.
- We do not borrow in foreign currency in terms of section 113 of the Local Government Act 2002.
- We also ensure we are consistent with the Local Government (Financial Reporting and Prudence) Regulations 2014 and in particular, Schedule 4.
- All projected borrowings are to be approved as part of the Annual Plan process or resolution of Council before the borrowing is affected.
- All legal documentation in respect to borrowing, investments and financial instruments will be approved by our solicitors prior to the transaction being executed..
- We will not transact with any Council Controlled Trading Organisation (CCTO) on terms more favourable than those achievable by Council itself.
- A resolution of Council is not required for hire purchase, credit or deferred purchase of goods if:
  - The period of indebtedness is less than 91 days (including rollovers); or
  - The goods or services are obtained in the ordinary course of operations on normal terms for amounts not exceeding in aggregate, an amount determined by resolution of Council.



## Investment Policy

**Council Resolution Date:** 12 April 2017

35 Kenrick Street - PO Box 266 - Te Aroha 3342 - [www.mpdcc.govt.nz](http://www.mpdcc.govt.nz)  
Morrinsville & Te Aroha 07 884 0060 - Matamata 07 881 9050 - Fax 07 884 8865





## Vision

To get the best return on low risk financial investments and/or to secure long-term benefits for the community through strategic investments.

## Objectives

Council's commitment is to:

- Prudently manage Council's financial investments, from low risk investments.
- Maintain a prudent level of liquidity and flexibility to meet both planned and unforeseen cash requirements.
- Invest only in approved investment instruments and securities.
- Seek to optimise investment income.
- Monitor and report on risk and performance against predetermined limits and benchmarks.
- Ensure operational controls and procedures are in place that protect the Council against financial loss, opportunity cost and other inefficiencies.
- Ensure that all statutory requirements related to Council's investments are adhered to.

## Investment mix

Council may:

- Invest in the following assets from time to time:
  - New Zealand Local Government Funding Agency Limited
  - Investments in other companies and entities
  - Community loans and advances
  - Property investments for strategic objectives
  - Cash and treasury investments of at least investment grade
  - Internal loans

The specific objectives and policies related to these types of investments are detailed in appendix one.

## Risk management

Council is risk averse and seeks to minimise exposure from its treasury activities. Council does not allow any transactions that are speculative in nature to be entered into. Council's investment activities expose it to a variety of financial market risks including credit risk and liquidity risk.

Credit risk is managed by the Council limiting the amount of credit exposure to any one institution or organisation. Investments in other local authorities are secured by charges over rates. Other than other local authorities, Council invests funds only with entities that have a Standard and Poor's (or equivalent recognised agency) credit rating of at least A-1 for short term and A for long term investments.

Liquidity risk is managed by investing only in financial assets that can be liquidated through a readily available secondary market or have a short time period before maturity as articulated within the liquid funds definition.

Council will:

- Adopt prudent risk management practices that will include:
  - Engaging appropriate expertise when major investment strategies are being developed
  - Reference to authoritative and current economic commentaries and financial market forecasts.

The appendix to this policy contains parameters and procedures which have been established to reflect Council's risk tolerance.

### **Acquisition of new investments**

All investment acquisitions (other than treasury investments, LGFA and internal loans) will be approved by Council, and Council will:

- Assess the acquisition of any new investments having regard for the following:
  - The requirements of the Local Government Act 2002
  - Council's policy on significance
  - Council outcomes and objectives
  - The provisions of this policy.

### **Application of returns on investments.**

Council will:

- Apply returns on investments as outlined in the LTP or the Annual Plan or as specifically determined by Council from time to time.

### **Delegated authority and responsibilities**

Council will:

- Delegate to the Chief Executive Officer, authority to implement this policy, except where this policy expressly states that Council resolution is required.

The Chief Executive Officer will:

- Be responsible for ensuring that appropriate procedures and controls are in place to safeguard Council's assets. These procedures and controls will be documented within Council's quality assurance programme.

The Group Manager Business Services will:

- Ensure the administration and management of the investments is undertaken in accordance with the procedures contained within Council's quality assurance programme. This includes overseeing monthly reconciliations to the general ledger of the cash and treasury investments and other financial instruments such as LGFA borrower notes. The monthly reconciliation will be independently reviewed in accordance with the procedures contained within Council's quality assurance programme.



### Policy Guidelines

The Chief Executive Officer will:

- Ensure Council is provided with the following reports on investment performance:

Investment types	Frequency	Reporting
New Zealand Local Government Funding Agency Limited	Monthly	Other financial instruments invested in the LGFA will be included in the investment report provided as part of the Chief Executive's monthly report to Council.
Investments in other companies and entities	Annually	Investment balances reported as part of the Annual Report. Performance of Council Controlled Entities that have not been exempted under section 7 of the Local Government Act 2002 will be reviewed bi-annually.
Community loans and advances	Annually	Investments reported as part of the Annual Report
Property investments	Annually	Investments reported as part of the Annual Report
Cash and treasury investments	Monthly	Cash and treasury investments (including reporting of compliance with approved treasury instruments and approved counterparties), will be included in the investment report provided as part of the Chief Executive's monthly report to Council.
Internal loans	Annually	Investments reported as part of the Annual Report

### Policy Review

Council will:

- Formally review this policy on an annual basis.

### Authorisation

\_\_\_\_\_  
J E Barnes  
Mayor

\_\_\_\_\_  
D J McLeod  
Chief Executive Officer

Version 1

## Appendix one

### INVESTMENT POLICY PARAMETERS

#### New Zealand Local Government Funding Agency Limited (LGFA)

The Council may invest in shares and other financial instruments of the LGFA, and may borrow to fund that investment.

The Council's objectives in making any such investment will be to:

- Obtain a return on the investment; and
- Ensure that the LGFA has sufficient capital to become and remain viable, meaning that it continues as a source of debt funding for Council.

Because of these dual objectives, the Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments. If required in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA and be a Guarantor.

#### Investments in other companies and entities

Equity investments arise from Council owning or controlling an equity holding in another entity. In general, investments in this category have and may be acquired with the primary objective of achieving strategic, efficiency, or community outcomes.

Any purchase or disposition of equity investments requires Council approval. Council will assess the acquisition of any new investments in line with the provisions of this policy. Any profit or loss arising from the sale of these investments is to be recognised in the Statement of Comprehensive Income.

The proceeds from the disposition of equity investments will be used firstly to repay any debt relating to the investment and then applied to the designated purpose as determined by Council.

Council recognises that there are risks associated with holding equity investments. To minimise these risks Council, through the relevant Council-committee, monitors the performance of its equity investments in Council Controlled Entities (that have not been exempted under section 7 of the Local Government Act 2002) on a twice yearly basis to ensure that the stated objectives are being achieved. Council seeks professional advice regarding its equity investments when it considers this appropriate.

#### Community loans and advances

From time to time Council may provide loans and/or advances to community organisations to assist with the achievement of community outcomes. The amounts involved are typically below \$500,000 and the numbers of applications received (and/or approved) are minimal.

The purpose of such investments is to achieve community outcomes. Council will assess all applications having regard for the legislated purpose of Local Government as set out in the Local Government Act 2002, the need for prudent financial management and after assessing the risk associated with the investment and the security provided by the other party. All such loans/advances will only proceed by resolution of Council.

### Property investments for strategic objectives

Council owns property to achieve its strategic objectives, that is, property that is expected to secure long-term benefits for the community. As a general rule Council will not maintain a property where it is not essential to the delivery of relevant services. Council reviews property ownership through assessing the benefits of continued ownership in comparison to other arrangements that could deliver the same results. This assessment is based on the most financially viable method of achieving the delivery of Council services.

All rented or leased properties will be at market rentals, except as approved by Council

Any acquisitions or disposals of strategic property require the resolution of Council and any purchased properties must be supported by a current registered valuation, substantiated by management including a fully worked, capital expenditure analysis. Any minor parcels of land purchased for the purpose of roading and utility activities will be effected under the delegation of the Chief Executive Officer,

Net proceeds from the sale of surplus property will be used to reduce borrowings where appropriate, or form part of the reserves of the District, to be reinvested in new assets or the betterment of existing assets for the benefit of the present and future residents of the District. The exception to this is endowment property or other property subject to legislative restrictions, in which case any proceeds would be applied in accordance with the provisions of the legislation.

### Cash and treasury investments of at least investment grade<sup>1</sup>

Council generally operates as a "net borrower", and aims to manage its borrowings and cash assets on this basis in order to reduce the overall net cost of borrowing. Council does not usually maintain significant cash investments. Longer term investments will be held to support the level of restricted reserves though not for the balance of Council created reserves. To achieve the aim of minimising the overall cost of funds and managing debt re-financing risks, at times it may be prudent to pre-fund, and invest any surplus in short term cash investments. Cash investments are also used to maintain and manage liquidity risk. A range of treasury investment instruments may be used as outlined below to achieve the desired level of returns within acceptable risk parameters.

The following policies will apply in making any such investment:

- Council's primary objective when investing is the protection of its investment capital. Accordingly, Council may only invest in approved creditworthy counterparties.
- Council may invest in approved financial instruments that are of high credit quality and liquid.
- Council's treasury investment portfolio will be arranged to provide sufficient funds for planned expenditures and allow for the payment of obligations as they fall due.
- Interest income from investments is credited to general funds, except for income from investments for restricted reserve funds and other funds where interest may be credited to the particular fund.
- For liquidity and interest rate management purposes cash investments incorporate all investments which are not cash or liquid funds. Liquid funds are defined as those funds which are held for operational requirements and/or used to meet liquidity buffer requirements as per the Liability Management Policy.

<sup>1</sup> Credit ratings of BBB- or higher by Standard & Poor's (or equivalent recognised agency) designate a bond as investment grade

### Approved investment instruments

The approved investment instruments are as follows:

Category	Instrument
Cash investments (term <100 days)	Call deposits and term bank deposits no greater than 30 days Bank certificates of deposit (RCDs) less than 365 days Treasury Bills Promissory notes/Commercial Paper (senior) less than 365 days
Treasury investments	Term bank deposits Bank certificates of deposit (RCDs) Government Bonds LGFA borrower notes / Commercial Paper / Bills / Bonds Local Authority Stock/Bonds(secured, fixed and floating rate) Bank/Corporate Bonds / Commercial Paper (senior, fixed and floating rate)

All investments must be senior in ranking. The following types of investments are expressly excluded;

- Structured debt where the issuing entities are not a primary borrower/issuer
- Sub-ordinate debt (other than Borrower Notes subscribed from the LGFA), junior debt, perpetual notes and hybrid notes such as convertibles.

Interest rate management instruments are not approved instruments for investment management purposes.

Any other treasury instrument must be specifically approved by the Council on a case-by-case basis and only be applied to the one singular transaction.

### Approved counterparties/issuers

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where the Council is a party. The credit risk to the Council in a default event will be weighted differently depending on the type of instrument entered into.

Credit risk will be regularly reviewed by the Council. Treasury related transactions would only be entered into with organisations specifically approved by the Council.

Counterparties and limits can only be approved on the basis of a long-term Standard & Poor's, (S&P) credit ratings (or equivalent Fitch or Moody's rating) being A and above and/or a short term credit rating of A-1 or above.

Where the total treasury investment portfolio exceeds \$5 million, the portfolio should be spread amongst a number of counterparties to avoid concentrations of credit exposure.



The following counterparties/issuers are approved for investment.

Counterparty/Issuer	Minimum short term / long term "Issue" Credit Rating	Approved Investments	Maximum Investment per Counterparty/% of Total Investment Portfolio
NZ Government	N/A	NZ Government Bonds & Treasury Bills	100%
NZ Local Government Funding Agency	N/A	Bonds, Commercial Paper, Bills, Borrower Notes	100%
Local Authority	A-1/A	Stock, Bonds, Commercial Paper,	\$2m (Maximum of 20% of Total Portfolio)
NZ Registered Bank	A-1/A	Call and term deposit, Bank Registered Certificate of Deposit (RCD), Bonds	\$20m (Maximum of 100% of Total Portfolio)
Corporate	A-1/A	Corporate Bonds, Commercial Paper,	\$2m (Maximum of 20% of Total Portfolio)

In determining the usage of the above gross limits, the following product weightings will be used:

- Investments (e.g. Bank Deposits) – Transaction Principal × Weighting 100% (unless a legal right of set-off exists).
- Foreign Exchange – Transactional face value amount x the square root of the Maturity (years) x 15%.

The following risk control limit system ensures a continuous and forced diversification of maturities across the treasury investment portfolio and thus spreads and reduces the concentrations of maturity and interest rate re-pricing risk at times of re-investments:

Maturity Period	Minimum: percentage of total treasury portfolio amount	Maximum: percentage of total treasury portfolio amount
Up to 3 years	70%	100%
3 years to 5 years	0%	30%

Each transaction should be entered into a treasury spreadsheet and a monthly report prepared to show assessed counterparty actual exposure versus limits.

### Internal loans

Council may utilise surplus funds for the purposes of internal borrowing. Internal borrowing forms a part of the overall mix of Council investments (though will only be reported to Council on an annual basis unless otherwise requested). Internal borrowing will be used wherever possible to avoid external borrowing.

Internal loans shall be managed as commercial debt, with interest applied. The interest rate shall be calculated at the start of each financial year, and will be based on the mid-point between the prior year's weighted average external borrowing and investment rates.

### Guarantees/contingent liabilities and other financial arrangements

Council may act as guarantor to financial institutions on loans or enter into financial arrangements for organisations, clubs, Trusts, or Business Units, when the purposes of the loan are in line with Council's strategic objectives.

Council is not allowed to guarantee loans to Council-controlled trading organisations under Section 62 of the Local Government Act.

Council will ensure that sufficient funds or available committed bank facilities exist to meet amounts guaranteed. Guarantees given will not exceed any amount agreed by Council or an appropriate Council Committee in aggregate. The General Manager Finance and Business Services monitors guarantees and reports quarterly to Council.

### Foreign currency

Council may from time to time be exposed to foreign exchange risks through the occasional purchase of foreign exchange denominated services, plant and equipment etc. Significant commitments over NZ\$100,000 will be hedged using foreign exchange contracts, once expenditure is approved and legally committed. Both spot and forward foreign exchange contracts can be used by Council.

The following instruments may be used for risk management activity:

Category	Instrument
Foreign exchange risk management	Forward foreign exchange contracts Foreign currency deposits Spot foreign exchange





## Council's Tax Obligations

Trim No.: 2106812

### Executive Summary

At the last meeting, the Committee requested a paper summarising Council's tax obligations for information purposes.

### Recommendation

That:

1. The information be received

### Attachments

- A. Council's Tax Obligations for ARC meeting 12 March 19

### Signatories

Author(s)	Larnia Weir <b>Deputy Finance Manager</b>	
Approved by	Manaia Te Wiata <b>Group Manager Business Support</b>	
	Don McLeod <b>Chief Executive Officer</b>	

## Summary Information on Council's Tax Obligations

Compiled for Audit and Risk Committee meeting of 12 March 2019

Tax	Approximate annual value	Return frequency	Responsibility	General process controls	Documented procedures	External Review
Goods and Services Tax (GST)	GST returned on income \$7.5m GST claimed on expenses \$5.5m Net GST approx \$2m p.a.	Monthly	Finance and Business Services	<p>GST return is prepared and then independently reviewed, confirming the value matches the AP ledger, that required adjustments have been made, and that the value of the return is reasonable and in line with expectations.</p> <p>All payments are subject to an independent review, ensuring that the tax invoice meets IRD requirements.</p> <p>Advice on the GST treatment of property transactions is usually sought from the Finance and Business Services team. For more complex property or other transactions of higher risk, advice is sought from external tax specialists.</p>	<ul style="list-style-type: none"> <li>• Preparing monthly GST Return</li> <li>• GST EOM Processing in AP</li> <li>• GST - Invoice compliance</li> <li>• GST – Rates instalment processing</li> <li>• GST on land transactions</li> </ul>	The last external review of Council's tax processes and procedures was undertaken in February 2015 by PWC (formerly TaxTeam).
Pay As You Earn (PAYE)	\$3.9m consisting of PAYE, Student Loan, Kiwisaver, ESCT and Child Support paid annually. The amounts payable to IRD are automatically generated through	Bi-monthly	Payroll	PAYE IR345 and Employee Monthly Schedule return is prepared and then independently reviewed, confirming the value matches the amount in IRD Creditor. The invoices	<ul style="list-style-type: none"> <li>• PAYE reporting and payment to IRD – mid month</li> <li>• PAYE reporting and payment to IRD – month</li> </ul>	Audit NZ complete 6 monthly and annual audits of payroll and

	the payroll process			for IRD Creditor automatically generated through payroll process are validated against a balancing sheet. Calendar reminders are set up in HR Manager, Payroll Officer and HR Adviser.	end These processes are internally audited annually.	PAYE calculations
Fringe Benefit Tax (FBT)	FBT of approx. \$40,000 p.a (Majority of FBT for vehicles deemed available for personal use (7), and FBT on medical insurance for employees (2)).	Quarterly	Finance and Business Services	Quarterly declarations are sought from staff for daily exemptions from FBT, which are confirmed to GPS reports on these vehicles.  The FBT return is independently reviewed and checked for reasonableness.	• FBT return	FBT processes and procedures were included in the PWC review undertaken In February 2015.
Withholding Tax (WHT)	WHT of approximately \$15,000 p.a is deducted from payments to suppliers and paid directly to the IRD on their behalf.	Monthly	Finance and Business Services/Payroll	Accounts Payable staff keep an eye out for suppliers that may require WHT deductions when setting up new creditors from information collected on the new creditor forms. Annual declarations/exemption certificates are sought from these suppliers. Payments made to suppliers are independently reviewed, with WHT deductions noted. Payroll pays WHT as part of PAYE payments and validates the amounts on Employee Monthly Schedule equal the amounts in IRD Creditor transaction report of invoices for payment.	• AP Withholding Tax	WHT processes and procedures were included in the PWC review undertaken In February 2015.



# Annual Report Audit Plan - Year ending 30 June 2019

Trim No.: 2111686

## Executive Summary

This report seeks approval of the Audit Plan (previously called the Audit Arrangements Letter) for the annual audit for the year ending 30 June 2019.

The Audit Plan will be circulated separately as it was not available at the close of the Agenda.

## Recommendation

That:

1. The Committee receive the Annual Report Audit Plan for 2019 and provide any feedback to Council.

## Content

### Background

Section 98 of the Local Government Act 2002 requires Council to prepare and adopt in respect of each financial year an annual report. The annual report contains information regarding the Council's financial and non-financial performance for that year against budgets and specified performance targets. The annual report is required to be audited by independent auditors. The auditors appointed to audit Council by the Auditor General are Audit New Zealand.

### Issues

The Audit Plan outlines the proposed approach to the audit, matters of particular interest in the audit approach (both for Council specifically and the local government sector in general), fees and timeline.

## Analysis

### Options considered

Committee/Council has the option of accepting the terms or querying the terms with Audit New Zealand.

### Legal and statutory requirements

Section 98 of the Local Government Act 2002 requires Council to prepare and adopt an annual report each financial year.

### Impact on policy and bylaws

There are no policy or bylaw issues

### Consistency with the Long Term Plan / Annual Plan

Funding is allocated in each Long Term Plan/Annual Plan to produce and audit the Annual Report.

### Impact on Significance and Engagement Policy

This matter is not considered significant.

### **Communication, consultation and decision making processes**

There are no communication, consultation or decision making issues.

### **Timeframes**

Key dates for the Annual Report 2018/19 are as follows:

<b>6 Month Report</b>	<b>Date</b>
Approved by Corporate & Operations Committee	27 February 2019
Audit and Risk Committee meeting	12 March 2019
<b>Annual Report</b>	
Interim Audit	27 May – 7 June 2019
Interim Audit report approved by Council	10 July 2019
Draft Report and Summary to Corporate & Operations Committee	28 August 2019
Final Audit	26 August – 13 September 2019
Final Annual Report, Summary and Audit Report to Audit & Risk Committee for review	01 October 2019
Final Annual Report, Summary and Audit Report approved by Council	02 October 2019
Annual Report and Summary published in local newspapers. (Published on website, available in offices/libraries as soon as practicable following approval)	30 October 2019

### **Financial Impact**

#### **i. Cost**

The production of the Annual Report and Summary has a budget of \$15,000 (excluding audit costs) for production of the Annual Report and Summary.

Audit fees have a budget of \$125,000.

#### **ii. Funding Source**

The Annual Report cost is provided for within the strategies and plans activity budgets. The Annual Report and audit are funded from general rates.

Audit fees are the subject of a separate report to the Committee.

### **Attachments**

There are no attachments for this report.

### **Signatories**

Author(s)	Rebecca Shaw <b>Graduate Policy Planner</b>	
Approved by	Sandra Harris <b>Acting Strategic Policy Manager</b>	
	Don McLeod <b>Chief Executive Officer</b>	

## Six Monthly Report July - December 2018

Trim No.: 2109240

### Executive Summary

The Local Government Act 2002 requires Council to adopt its Annual Report and Summary by 31 October each year.

To ensure that there are no unexpected performance or financial matters leading up to this report, a Six Month Report has been prepared to advise of progress and any likely issues that may arise.

Staff have prepared a condensed Six Month Report which highlights financial and non-financial performance for July to December 2018.

### Recommendation

That:

1. The Committee receive the Six Month Report July – December 2019.

### Content

#### Background

The Local Government Act 2002 requires Council to adopt its audited Annual Report and Summary by 31 October each year. The Annual Report and Summary must be published within one month of adoption. The Annual Report and Summary must be audited, and an opinion on the Annual Report and Summary provided to Council and the report's readers.

The Six Month Report provides Council with an opportunity to review the non-financial and financial performance of the organisation. The financial information builds on the monthly financial reports whereby staff endeavour to ensure there are no "surprises" for Council.

#### Issues

##### Financial overview

Council's six month financial result to 31 December 2018 is positive overall.

The statement of comprehensive revenue and expense (page 4) shows that revenue for the period was \$0.4 million more than budgeted at \$25.9 million, while expenditure was \$1 million more than budgeted, at \$25.3 million.

The final result is a surplus at 31 December 2018 of \$0.57 million compared to a budgeted surplus of \$1.18 million.

Explanations for the major variances in revenue and expenditure are outlined in the attached variance report and in the 6 Month Report Financial Summary.

The revaluation of infrastructural assets at 1 July 2018 has not been completed in time for this report.



#### Variances to budget after six months and projected variances to year end

In the table in attachment A, we have identified significant areas where we are under budget, (shown as a negative) or over budget, in terms of our expenditure and revenue at the six month point. There may be seasonal factors that mean more of the budget is spent or received early or later in the financial year. These and other reasons for variances are discussed in attachment A. We have then projected where we will be against budget by the 30 June, taking these seasonal and other factors into account.

At 31 December, our income statement shows a surplus of \$0.57 million. By 30 June, we have projected that our surplus will be approximately \$4.1 million, noting however that we have not projected for any non-cash or accounting type transactions that will affect the bottom line (e.g. loss on the disposal of assets that are renewed, movements in the valuation of interest rate swaps, vested assets, etc.). \$2.6 million of the projected surplus is expected to come from government grants for the Rail Trail extension.

#### Capital spend after six months and projected spend to year end

Our capital budget for 2018/19 plus the budgets carried forward from previous years total \$36.1 million. To date our capital spend is \$6.8 million. Our Activity and Project Managers have projected that they will spend a further \$18.8 million by the end of the year, (including the grant funded portion of the rail trail that was not budgeted in the capital spend) leaving a budget of \$12.4 million to carry forward to 2019/20. Attachment B summarises the capital spend and projections per activity.

#### Risks

- Revenue – Metered water revenue is an area where achievement of the budgeted income stream is highly dependent on external factors affecting our large industrial customers. Also there is some uncertainty around the potential revenue from the sale of rubbish bags in this first year of sales. We have addressed these risks in our budgeting for the next financial year. We are not aware of any other significant risks to Council's revenue streams to year end at this stage.
- Expenditure – In the utilities area, we have experienced an abnormal number of one-off costs that have resulted in a budget over-run to date of \$265,000. We are not aware of any other significant risks to Council's expenditure to year end at this stage.
- Capital – Achievement of the projected capital spend is reasonably certain in some activities (e.g. Roading renewals where contracts are in place and progressing as planned). For other activities, achievement of the projected capital spend will rely on a number of internal and external factors inherent in delivering these projects coming together (e.g., resource availability, successful tender process, favourable weather, etc).

#### **Compliance with financial covenants to 31 December 2018**

Financial Covenants	31/12/2018	2019	2019
	Actual	Council Limit	LGFA Limit
Net Debt : Total Revenue	30.2%	<150%	<175%
Net Interest : Total Revenue	1.1%	<15%	<20%
Net Interest : Annual Rates Income	1.5%	<20%	<25%
Available Financial Accommodation: External Indebtedness	120%	>110%	>110%

## Financial performance benchmarks to 31 December 2018

Rates (income) affordability	✓ within limits
Rates (increases) affordability	✓ within limits
Debt affordability	✓ within limits
Balanced budget	✗ benchmark not met
Essential services	✗ benchmark not met
Debt servicing	✓ benchmark met

The balanced budget benchmark is a measure of whether Council's operating revenue is sufficient to cover its operating expenses. To date, Council's revenue covers just 96% of operating costs, however we project that it will balance out by the end of the year.

The essential services benchmark is a measure of Council's capital expenditure on network services as a proportion of depreciation on network services. To date, Council's capital spend is 85% of depreciation. If projected renewals are completed as planned, the two should balance by the end of the year.

### Non-financial information

Full details of performance measured to date against our targets are set out in the Six Month Report. A number of these measures can only be measured annually and are not included. E.g. total quantity of kerbside household waste sent to landfill.

## Analysis

### Options considered

The preparation of the Six Month Report is a non-statutory process for Council. The Committee may wish to consider any risks or issues arising from this report.

### Legal and statutory requirements

Under Section 98 of the Local Government Act 2002, Council is required to prepare an Annual Report and Summary at the close of each financial year.

### Consistency with the Long Term Plan / Annual Plan

The Annual Report measures our performance against the Long Term Plan 2018-28.

### Impact on Significance and Engagement Policy

There is no impact in terms of Council's Significance and Engagement Policy.

### Timeframes

Key dates for the Annual Report 2018/19 are as follows:

6 Month Report	Date
Approved by Corporate & Operations Committee	27 February 2019
Audit and Risk Committee meeting	12 March 2019
Annual Report	
Interim Audit	27 May – 7 June 2019
Interim Audit report approved by Council	10 July 2019

Draft Report and Summary to Corporate & Operations Committee	28 August 2019
Final Audit	26 August – 13 September 2019
Final Annual Report, Summary and Audit Report to Audit & Risk Committee for review	01 October 2019
Final Annual Report, Summary and Audit Report approved by Council	02 October 2019
Annual Report and Summary published in local newspapers. (Published on website, available in offices/libraries as soon as practicable following approval)	30 October 2019

## Financial Impact

### i. Cost

The production of the Annual Report and Summary has a budget of \$15,000 (excluding audit costs) for production of the Annual Report and Summary.

Audit fees have a budget of \$125,000.

### ii. Funding Source

The Annual Report cost is provided for within the strategies and plans activity budgets. The Annual Report and audit are funded from general rates.

## Attachments

- A. 6 month report 31 Dec 2018 - Variances and Projections
- B. 6 month report 31 Dec 2018 - Capital spend and projections
- C. 6 month report 31 Dec 2018 -Financials and non-financial performance measures

## Signatories

Author(s)	Rebecca Shaw <b>Graduate Policy Planner</b>	
	Larnia Weir <b>Deputy Finance Manager</b>	

Approved by	Sandra Harris <b>Acting Strategic Policy Manager</b>	
	Manaia Te Wiata <b>Group Manager Business Support</b>	
	Don McLeod <b>Chief Executive Officer</b>	

**Variances to the Annual Plan budget to 31 December 2018, and projected variances through to 30 June 2019**

In the table below we have identified significant areas where we are under budget, (shown as a negative) or over budget, in terms of our expenditure and revenue at the 6 month point. There may be seasonal factors that mean that more of the budget is spent or received earlier or later in the financial year. These and other reasons for variances are discussed below. Considering these seasonal and other factors we have then projected variances to 30 June 2019. The income statement at 31 December 2018 shows a surplus of \$572,000. By 30 June 2019, we project that our surplus will be approximately \$4,136,000 noting however that we have not projected for any non-cash or accounting type transactions that will affect the bottom line (eg. any provisions that may have to be recognised for vested assets, interest rate swap etc)

**A positive net result below is a positive for Council**

Variances	6 month results			Projection to 30 June 2019		
	Expenditure	Income	Net result	Expenditure	Income	Net result
<b>Budgeted per LTP 2018-2019</b>	<b>24,315,000</b>	<b>25,493,000</b>	<b>1,178,000</b>	<b>48,630,000</b>	<b>50,986,000</b>	<b>2,356,000</b>
ousing and property cost is higher mainly due to major maintenance in ex bowling club due to leakage, asbestos report and removal, roof fixing of store shed and retaining wall (some of these costs will be capitalised later in year). Cleaning, power and insurance costs are higher than budgeted.	92,000	6,000	-86,000	67,000	1,000	-66,000
Halls income is lower as some of the halls are no longer operating. Expenditure is higher due to repair work at Manawaru Hall and Tatuani Hall. Overall income and expenditure are forecasted lower than budget	8,000	-2,000	-10,000	-3,000	-3,000	0
ousing costs (including EPH, Staff and OYO) are higher due to higher maintenance requirements. EPH income is lower due to vacancy as a result of maintenance required. Overall income will be higher due to increased EPH rents.	30,000	-16,000	-46,000	4,000	52,000	48,000
brary cost for the first half is higher due to subscription and software licences paid for the full year. brary income is lower than budgeted due to less rental, fine and discarded book income than budgeted.	46,000	-11,000	-57,000	21,000	-17,000	-38,000
arks and Tracks cost is higher and will be higher due to an increase in level of service. Easement money received in Matamata from WEL network	71,000	25,000	-46,000	78,000	28,000	-50,000
ools and spa cost is higher due to increased chemical costs and more maintenance and stock purchased during this period negated by higher income. Pools and Spa -Te Aroha Spa income is higher by \$59,000 mainly due to increase in demand for romance package and higher admission. This is partially offset by lower income from the Matamata Sports centre. Morrinsville pool income is lower than budget due to timing of thier opening season.	41,000	46,000	5,000	25,000	79,000	54,000
ublic Amenity - Cemeteries cost are higher due to the higher number of burials and using a contractor for digging graves instead KVS. Street furniture costs are lower as increase in level of service will be spent later in the year or re-allocated to other activities. Cemeteries income is higher due to more burial and sale of plots.	-60,000	44,000	104,000	-67,000	21,000	88,000
recreation and Culture & Heritage - Sports Waikato contract price has increased. Waharoa Aerodrome, Te Aroha Event Centre operating and Firth Tower costs are higher due to more usage and maintenance partially offset by higher income. Te Aroha Event Centre contribution received \$45,000 at December.	35,000	91,000	56,000	31,000	92,000	61,000
Resource Consent and Monitoring - Resource consents expenditure is higher due high activity. This cost will be negated by higher income.	67,000	110,000	43,000	173,000	203,000	30,000
uilding Consent - Building consents income is higher due to high activity.	-17,000	103,000	120,000	-11,000	143,000	154,000
Animal control cost and health costs are lower than budgeted. Annual dog registration income is received at the start of the year. The increase in registration fees has contributed to this increase.	-25,000	147,000	172,000	-7,000	22,000	29,000
oading - Subsidised expenditure is underspent at this time due to timing of the contract. The expenditure will be spent in next six months. Hauraki Rail Trail maintenance cost is higher. NZTA has approved \$274,000 for footpath maintenance. Roothing - NZTA subsidy income is lower than budgeted due to lower spending in seal pavement. The total forecast is projected to be higher than budget due to increase in footpath maintenance and LED project of \$371,000. Hauraki Rail Trail extension project grant 189,000 received and \$2.5m expected to be received by end of the year.	-46,000	-434,000	-388,000	376,000	3,444,000	3,068,000
ubbish and Recycling - The total costs are \$150,000 over budget. Asset management expenditure is 70,000 below budget, however it is planned to be expended later in year. The increased contract price for extra collection vehicle \$65,000 resulted in higher cost. \$19,000 for new recycling auditor and vehicle cost will be funded from Waste Minimisation levy. Rubbish bags sale and collection at landfill is less than budgeted.	83,000	-207,000	-290,000	230,000	-220,000	-450,000
udgeted stormwater maintenance has not been required during this period. Avenue Road North stormwater disposal project has not started, so none of the \$860,000 budgeted contribution has been received.	-11,000	-430,000	-419,000	-6,000	-860,000	-854,000
aste water expenditure spent similar to last year. \$90,000 budgeted for compliance module and 50,000 budgeted for 5 yearly field irrigation maintenance, licence to occupy and Bio-remediation budgeted in this year. \$90,000 has been spent from special fund, licence to occupy has been completed and Bio-remediation project is operating on one site. Asset management expenditure is lower. Some more expenditure will be incurred during the next half of the year. We project that reticulation cost will be higher than budget by the end of the year. Income is higher due to higher trade waste volumes.	-281,000	59,000	340,000	47,000	80,000	33,000
ater - Asset management cost is lower by \$80,000 and will be spent later in year. Reticulation cost is higher by \$65,000 due to more maintenance on water mains expected to be higher by \$75,000. Treatment plant cost is higher by \$280,000 mainly due to a number of one-off extraordinary expenses above what was budgeted, including staff, sampling and reporting costs related to events, catchment risk assessments, water safety plans, compliance recovery projects, etc. Chemical and power costs are also higher due to change in chemicals and more pumping. Metered water income is lower due to lower industrial consumption and particularly OCD consumption is negligible.	265,000	-253,000	-518,000	375,000	-310,000	-685,000
strategies & Plans - Economic development, Regional policy, Regional co-ordination and District Plan monitoring and implementation expenditure has been minimal during this period. Annual Plan cost will come to charge later in the year. LTP cost is budgeted for smoothing so this expenditure will not be incurred during this year. This saving is negated by the uplifting of community grants early in year.	-194,000	1,000	195,000	-94,000	1,000	95,000
ivil Defence -TVEOA levy paid Jan - March.	20,000		-20,000	0	0	0
ommunity Leadership - election costs are budgeted for smoothing so this expenditure will not be required until next financial year. Special fund approved by council from surplus from previous years 118,000 spent during current year and expected to spend \$200,000. Community grant received during the year. Communication and events cost and income is lower as events still to come.	72,000	-4,000	-76,000	200,000	2,000	-198,000
Salary cost - is under due to medical leave and vacant positions.	-135,000		135,000	-200,000		200,000
Finance costs are lower due to less debt being required than budgeted	-46,000		46,000		100,000	100,000
Interest revenue is higher due to more cash investments being held due to the lower capital spending and the pre-funding of debt due to mature in March 2019.		248,000	248,000		280,000	280,000
Development contribution is higher than budgeted at this point, particularly due to significant development in Matamata during the period. It is unknown how much contribution may be received in the 2nd half of the year.		1,189,000	1,189,000		200,000	200,000
Loss in the valuation of interest rate swaps to date due to interest rates remaining low.	294,000	0	-294,000		0	0
Depreciation is higher than budgeted due to the revaluation of infrastructural assets.	58,000		-58,000	100,000		-100,000
Invested assets are capitalised in the 2nd half of the year.		-100,000	-100,000			0
Other minor ups and downs and variance in internal charges	632,000	-219,000	-851,000	-387,000	-606,000	-219,000
<b>Actual income and expenditure at 31 December and Projected at 30 June 2019</b>	<b>25,314,000</b>	<b>25,886,000</b>	<b>572,000</b>	<b>49,582,000</b>	<b>53,718,000</b>	<b>4,136,000</b>





Capital spend to 31 December 2018 and projected spend to 30 June 2019

Activity	Budget 2018/19	C/F from previous Years	Actual spend this year	Forecast spend next 6 months	Year end projected spend	Projected C/F to 2019/20	Comments
Roading	7,009,559	4,027,452	2,935,488	9,943,865	12,879,353	-1,842,342	TA to MM rail trail \$5.3m and LED project of \$371,000 projected to be spent during current year
Stormwater	1,460,213	124,069	127,223	115,000	242,223	1,342,059	Avenue Road North Stormwater Disposal not going ahead \$860,000
Waste Management	600,000	0	7,948	325,000	332,948	267,052	\$280,000 has been approved by council will be spent on upgrade of the Morrinsville transfer station
Wastewater - Capital	1,260,000	876,798	59,412	472,680	532,092	1,604,706	Projects have been reassigned and a number of projects have been carried forward to next year
Wastewater - Renewal	3,063,724	374,608	58,250	1,006,000	1,064,250	2,374,082	Reticulation and Plant renewal carried forward to next year
Water - Capital	1,615,000	2,356,930	481,342	2,946,755	3,428,097	543,833	Most of the projects are projected to be completed during this year
Water - Renewals	3,050,440	1,435,220	1,129,304	1,655,415	2,784,719	1,700,941	Most of the projects are completed for plant renewal. The reticulation renewal contract has been awarded but some of these will be completed next year.
Community Facility - Capital	3,782,500	888,685	306,823	916,396	1,223,219	3,447,966	Headon Stadium Upgrade project \$1.5m carried forward to next year. MV cemetery land purchased last year and spent last year. Swimzone splash pad project not going ahead
Community Facility - Renewal	1,383,877	265,366	378,678	357,000	735,678	913,565	EPH and parks renewal will not be spent during current year.
Vehicle replacement programme	333,000	889,653	789,605	460,000	1,249,605	-26,952	
I.T. Projects	513,000	416,813	386,719	314,000	700,719	229,094	
Library projects	169,000		36,658	132,300	168,958	42	
Customer services	172,000		0	172,000	172,000	0	
Furniture and fittings	60,000	31,488	80,901	0	80,901	10,587	
<b>Total</b>	<b>24,472,313</b>	<b>11,687,082</b>	<b>6,778,351</b>	<b>18,816,411</b>	<b>25,594,761</b>	<b>10,564,634</b>	



# SIX MONTH REPORT JULY - DECEMBER 2018

**MATAMATA-PIAKO**  
LIFESTYLE. OPPORTUNITIES.  
**HOME.**



# FINANCIAL SUMMARY

## WHAT WAS OUR PLANNED REVENUE FOR THE FIRST HALF OF THIS YEAR?

Council budgeted for a revenue of \$25.5 million.

## WHAT WAS OUR ACTUAL REVENUE, AND WHAT WERE THE MAIN VARIANCES?

Our actual revenue to 31 December was just slightly higher than budgeted at \$25.9 million. There were a number of ups and downs to budget across all activities. The more significant of them include:

- Development and financial contributions received to date are \$1.2 million higher than budgeted. Significant contributions have been received in respect of development activity in Matamata.
- Pools, cemeteries, Firth Tower, Aerodrome and Event Centre income is \$135,000 higher than budgeted due to higher activity.
- Trade waste income is \$59,000 higher in Morrinsville and Matamata due to greater volumes from industrial users.
- Resource consent income is \$110,000 higher, and building consent income is \$102,000 higher due to increased activity.
- Dog registration fees are received at the start of the financial year, \$140,000.
- Investment income is \$249,000 higher than budgeted as the delay in capital spending has resulted in more cash being available for investing.
- Grant received for the Te Aroha to Matamata Rail Trail \$189,000.
- These higher than budgeted revenues are offset by the following activities where revenue received was lower than budget:
- Metered water consumption from Open Country Dairy and Fonterra is \$253,000 lower than budgeted.
- NZTA subsidy income is \$639,000 lower than budgeted at this point, with the bulk of the work to be undertaken in the second half of the year.
- Lower than budgeted sales of rubbish bags \$136,000 and transfer station takings \$84,000 at this point.
- Stormwater contribution budgeted of \$860,000 for the year but there has been no progress in this area to date.

## WHAT DID WE PLAN TO SPEND FOR THE FIRST HALF OF THE YEAR?

Our expenses were budgeted to be \$24.3 million.

## WHAT DID WE ACTUALLY SPEND, AND WHAT WERE THE MAIN VARIANCES?

Our expenses were \$25.3 million, \$1 million more than budgeted. This includes \$294,000 recognised as a loss in the book value of our interest rate swap portfolio, due to the ongoing low interest rates. Across our other activities, there were some areas that have exceeded the six month budget, and others where the budget is yet to be spent.



The main activities where the budget has been exceeded include:

- Community Facilities due to unplanned maintenance, asbestos reports and removal \$265,000.
- Rubbish and Recycling due to the inflationary increase to the contract \$105,000, and \$24,000 for the Morrinsville landfill consent.
- Water due to a number of extra ordinary expenses above what was budgeted including staff, sampling and reporting costs related to events, catchment risk assessments, water safety plans and compliance recovery projects \$265,000.

There were also savings against budget to date for the following activities:

- Engagement and Strategy in the areas of Economic Development, Regional Policy, Regional co-ordination and District Plan monitoring and implementation, \$102,000.
- Wastewater where budgeted projects are expected to be undertaken in the second half of the year \$281,000.

## SPENDING ON ASSETS

\$11.7 million of capital/renewal work budgeted for in previous years was carried forward to this year. \$24.4 million of additional capital/renewal work is also budgeted to be completed this year.

To date, we have spent \$6.8 million, which significantly includes \$0.56 million on the Te Aroha to Matamata cycle trail, \$1.45 million to replace plant and IT equipment, \$2.6 million on roading renewals, \$0.6 million on water plant and reticulation.

In the next six months, we have projected we will spend a further \$18.8 million. The main projects are projected to include: \$5.3 million for the Te Aroha to Matamata Rail Trail, a further \$4.6 million for roading renewals, water renewals \$4.6 million, plant and reticulation renewals \$1 million.

## STATEMENT OF FINANCIAL POSITION - HOW DO WE STAND OVERALL?

Council is in good financial shape. Our physical assets valued at \$608 million are generally in a good state. We have a higher level of cash investments than budgeted due to the delay in capital spending to date. We also have \$5.5 million invested that has come from Local Government Funding Agency loans drawn in advance of a \$8.5 million LGFA loan that is due to be repaid in March. The pre-funding of this maturing loan has meant that we were able to secure favourable rates available at the time and avoid market funding concentration risks. We have a significant amount of planned capital work to catch up on, but we have plenty of financial capability to do so. Our current level of debt at \$30 million (that will reduce to \$21.5 million in March) is considered low for a Council of our size and nature.

## STATEMENT OF CASHFLOWS - HOW ARE WE GOING IN TERMS OF CASH RECEIVED AND PAID OUT?

Our total cash held at the end of December was \$5.1 million. We had budgeted that our cash balance would increase by \$4.4 million over the 6 month period – the actual increase was \$1.2 million. We had budgeted for \$8.3 million in cash from drawing on loans to fund our capital work. \$6.5 million in cash has been spent on capital to date, compared to a budget of \$12.2 million, so the loan funding has not been required. Rates collected to fund renewal work have been held in term investments.



# FINANCIALS

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the six months ended 31 December 2018

Annual Plan Budget December 2017	Actual December 2017		Long Term Plan Budget December 2018	Actual December 2018
(\$000)	(\$000)		(\$000)	(\$000)
<b>Revenue</b>				
17,089	16,985	Rates	17,464	17,241
3,074	2,769	Subsidies and grants	3,347	2,510
2,824	3,496	Fees and charges	3,640	3,727
129	406	Interest revenue	127	376
203	907	Development and financial contributions	685	1,874
233	138	Other revenue	231	158
<b>23,552</b>	<b>24,701</b>	<b>Total revenue</b>	<b>25,493</b>	<b>25,886</b>
<b>Expenses</b>				
7,319	6,773	Personnel costs	7,935	7,800
6,977	6,974	Depreciation and amortisation expense	7,140	7,198
883	686	Finance costs	687	641
8,024	8,735	Other expenses	8,590	9,675
<b>23,203</b>	<b>23,168</b>	<b>Total expenses</b>	<b>24,315</b>	<b>25,314</b>
-	-	Share of joint venture surplus (deficit) for the year	-	-
<b>349</b>	<b>1,533</b>	<b>Surplus (deficit)</b>	<b>1,178</b>	<b>572</b>
<b>Other comprehensive income</b>				
-	-	Property, plant and equipment revaluations	-	-
-	-	<b>Total other comprehensive revenue and expense</b>	-	-
<b>349</b>	<b>1,533</b>	<b>Total comprehensive revenue and expense</b>	<b>1,178</b>	<b>572</b>

## STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2018

Annual Plan Budget December 2017	Actual December 2017		Long Term Plan Budget December 2018	Actual December 2018
(\$000)	(\$000)		(\$000)	(\$000)
586,886	582,043	Balance at 1 July	592,151	607,701
349	1,533	Total comprehensive revenue and expense	1,178	572
<b>587,235</b>	<b>583,576</b>	<b>Balance at 30 June</b>	<b>593,329</b>	<b>608,273</b>

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

Annual Plan Budget December 2017	Actual December 2017		Long Term Plan Budget December 2018	Actual December 2018
(\$000)	(\$000)		(\$000)	(\$000)
<b>Assets</b>				
<b>Cash assets</b>				
417	2,983	Cash and cash equivalents	5,198	5,131
3,000	1,042	Receivables	2,870	1,533
-	-	Prepayments	-	-
174	1,041	Inventory	650	840
-	-	Assets held for sale	-	427
-	-	Derivative financial instruments	-	-
4,906	12,987	Other financial assets	5,263	17,205
<b>8,497</b>	<b>18,053</b>	<b>Total current assets</b>	<b>13,981</b>	<b>25,136</b>
<b>Non-current assets</b>				
-	-	Derivative financial instruments	-	-
3,062	13,447	Investments in CCOs and other similar entities	13,447	13,511
2,112	869	Other financial assets	-	939
619,919	583,922	Property, plant and equipment	605,058	607,660
918	1,002	Intangible assets	943	745
<b>626,011</b>	<b>599,240</b>	<b>Total non-current assets</b>	<b>619,448</b>	<b>622,855</b>
<b>634,508</b>	<b>617,293</b>	<b>Total assets</b>	<b>633,429</b>	<b>647,991</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
-	-	Derivative financial instruments	-	-
4,184	4,761	Payable and deferred revenue	2,451	7,084
1,300	1,333	Employee entitlements	1,500	1,424
5,192	180	Borrowings	8,500	8,500
89	92	Provisions	84	216
<b>10,765</b>	<b>6,366</b>	<b>Total current liabilities</b>	<b>12,535</b>	<b>17,224</b>
<b>Non-current liabilities</b>				
-	1,675	Derivative financial instruments	-	-
613	450	Employee entitlements	450	380
35,284	24,533	Borrowings	26,631	21,517
611	693	Provisions	484	597
<b>36,508</b>	<b>27,351</b>	<b>Total non-current liabilities</b>	<b>27,565</b>	<b>22,494</b>
<b>47,273</b>	<b>33,717</b>	<b>Total liabilities</b>	<b>40,100</b>	<b>39,718</b>
<b>587,235</b>	<b>583,576</b>	<b>Net assets (assets minus liabilities)</b>	<b>593,329</b>	<b>608,273</b>
<b>Equity</b>				
404,679	423,174	Accumulated funds	424,193	430,410
182,556	160,402	Other reserves	169,136	177,863
<b>587,235</b>	<b>583,576</b>	<b>Total equity</b>	<b>593,329</b>	<b>608,273</b>



## STATEMENT OF CASHFLOWS

For the six months ended 31 December 2018

Annual Plan Budget December 2017	Actual December 2017		Long Term Plan Budget December 2018	Actual December 2018
(\$000)	(\$000)		(\$000)	(\$000)
<b>Cashflow from operating activities</b>				
17,089	16,985	Rates revenue received	17,464	18,737
3,076	2,769	Subsidies and grants received	3,347	4,470
2,824	3,496	Fees and charges received	3,640	2,594
129	406	Interest received	127	268
133	138	Other revenue received	131	158
203	907	Development and financial contributions	685	1,874
-	(14)	GST (net)	-	-
(8,025)	(8,735)	Payments to suppliers	(8,590)	(8,420)
(7,319)	(6,773)	Payments to employees	(7,935)	(7,834)
(883)	(686)	Interest paid	(687)	(753)
<b>7,226</b>	<b>11,380</b>	<b>Net cashflow from operating activities</b>	<b>8,182</b>	<b>11,094</b>
<b>Cashflow from investing activities</b>				
108	138	Repayments of loans and advances	115	129
-	-	Sale of assets	-	-
286	5,579	Proceeds from sale/maturity of investments	-	-
(11,158)	(8,270)	Purchase of property, plant and equipment	(12,153)	(6,529)
(49)	(69)	Purchase of intangible assets	(47)	(96)
-	(385)	Acquisitions of investments	-	(5,359)
<b>(10,813)</b>	<b>(3,007)</b>	<b>Net cashflows from investing activities</b>	<b>(12,084)</b>	<b>(11,855)</b>
<b>Cashflow from financing activities</b>				
3,694	-	Proceeds from borrowings	8,266	2,000
-	(5,094)	Repayments of borrowings	-	-
<b>3,694</b>	<b>(5,094)</b>	<b>Net cashflow from financing activities</b>	<b>8,266</b>	<b>2,000</b>
<b>107</b>	<b>392</b>	<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4,363</b>	<b>1,239</b>
310	2,591	Opening cash and cash equivalents	835	3,892
<b>417</b>	<b>2983</b>	<b>Closing cash and cash equivalents</b>	<b>5,198</b>	<b>5,131</b>



## OVERALL FUNDING IMPACT STATEMENT

Funding impact statement for the six months ended 31 December 2018

Annual Plan Budget December 2017	Actual December 2017		Long Term Plan Budget December 2018	Actual December 2018	Explanation of key variances to the budget
(\$000)	(\$000)		(\$000)	(\$000)	
<b>Sources of operating funding</b>					
10,573	10,620	General rates, uniform annual general charges, rates penalties	11,265	11,270	
6,516	6,365	Targeted rates	6,199	5,975	Metered water consumption from Open Country Dairy and Fonterra is lower than budgeted.
1,328	1,324	Subsidies and grants for operating purposes	1,339	1,273	NZTA subsidy income is lower than budgeted, with a number of the maintenance projects being started in November/December.
2,604	3,341	Fees and charges	3,311	3,568	Pools, cemeteries, Firth Tower, Aerodrome and Event Centre income is higher than budgeted due to higher activity. This has been offset slightly by a lower income received from Elderly Person's Housing rental and libraries. Trade Waste income is higher in Morrinsville and Matamata due to greater volumes from industrial users. Resource and building consent income is higher due to increased activity. Animal control income is received at the start of the financial year. These increases in fees and charges are offset by lower than budgeted sales of rubbish bags and transfer station takings at this point.
129	398	Interest and dividends from investments	127	265	Investment income is higher than budgeted as the delay in capital spending has resulted in more cash being available for investing.
133	138	Local authorities fuel tax, fines, infringement fee, and other receipts	131	158	Petrol tax and dog fine income is higher than budgeted.
<b>21,283</b>	<b>22,186</b>	<b>Total operating funding (A)</b>	<b>22,370</b>	<b>22,509</b>	
<b>Applications of operating funding</b>					
15,125	15,346	Payments to staff and suppliers	16,196	16,109	Overall payments to staff and suppliers are in line with the total budget, however there are a number of ups and downs across activities. Significantly, expenses are higher than budgeted for; Community Facilities due to unplanned maintenance and increased chemical costs, Rubbish and Recycling due to the inflationary increase to the contract, Water due to a number of extraordinary expenses above what was budgeted, and a higher spend on reticulation maintenance. There are also savings to date for Engagement and Strategy in the areas of Economic Development, Regional Policy, Regional co-ordination and District Plan monitoring and implementation; and Wastewater where budgeted projects are expected to be undertaken in the second half of the year.
883	686	Finance costs	687	641	Finance cost is lower due to the delay in the capital spend and a lower opening balance of debt.
-	-	Other operating funding applications	-	-	
<b>16,008</b>	<b>13,032</b>	<b>Total applications of operating funding (B)</b>	<b>16,882</b>	<b>16,750</b>	
<b>5,275</b>	<b>6,154</b>	<b>Surplus (deficit) of operating funding (A-B)</b>	<b>5,488</b>	<b>5,759</b>	

Annual Plan Budget December 2017	Actual December 2017		Long Term Plan Budget December 2018	Actual December 2018	Explanation of key variances to the Annual Plan budget
(\$000)	(\$000)		(\$000)	(\$000)	
<b>Sources of capital funding</b>					
1,748	1,446	Subsidies and grants for capital expenditure	2,009	1,237	NZTA subsidy income is lower than budgeted due to lower spending in seal pavement and other contract work which will be undertaken in the second half of the financial year. The budget also included a contribution for the Avenue Road North stormwater disposal that did not eventuate.
203	907	Development and financial contributions	685	1,873	Higher development and financial contributions mainly due to Matamata subdivision.
3,695	(5,094)	Increase (decrease) in debt	4,016	2,416	The delay in capital spending has resulted in less debt funding being required to date.
-	-	Gross proceeds from sale of assets	-	-	
-	-	Lump sum contributions	-	-	
-	-	Other dedicated capital funding	-	-	
<b>5,646</b>	<b>(2,741)</b>	<b>Total sources of capital funding (C)</b>	<b>6,710</b>	<b>5,526</b>	
<b>Applications of capital funding</b>					
<b>Capital expenditure</b>					
141	-	- to meet additional demand	344	-	Tower Road and Eldonwood stormwater projects have yet to progress.
5,867	5,615	- to improve the level of service	4,743	1,621	Capital work on the rail trail budgeted for last financial year is underway. Water and Wastewater projects have been rescheduled based on requirements and available resources, with some projects being moved out to 2019/20. Other significant projects planned for this year that have been delayed to date include the Headon Stadium upgrade, the corporate property (offices and depots) future proofing projects, the Swim Zone splash pads, the upgrade of one of the three transfer stations and the Avenue Road Morrinsville stormwater project has not been progressed to date.
5,199	2,724	- to replace existing assets	7,112	5,004	Water and Wastewater reticulation contracts have been awarded and will be completed during the year. The bulk of the roading capital spend will be undertaken in the second half of the financial year. Planned renewal work is still to be completed in Community Facilities including the Headon Stadium building, public toilets, and work on tracks. The replacement of plant and IT equipment budgeted last financial year has occurred during this period.
(286)	653	Increase (decrease) in reserves	(1)	(413)	
-	(5,579)	Increase (decrease) in investments	-	5,073	
<b>10,921</b>	<b>3,413</b>	<b>Total applications of capital funding (D)</b>	<b>12,198</b>	<b>11,285</b>	
<b>(5,275)</b>	<b>(6,154)</b>	<b>Surplus (deficit) of capital funding</b>	<b>(5,488)</b>	<b>(5,759)</b>	
-	-	<b>Funding balance ((A - B) = (C - D))</b>	-	-	



# FUNDING IMPACT STATEMENT

## COMMUNITY FACILITIES

Funding impact statement for the six months ended 31 December 2018

Annual Plan Budget December 2017	Actual December 2017		Long Term Plan Budget December 2018	Actual December 2018	Explanation of key variances to the budget
(\$000)	(\$000)		(\$000)	(\$000)	
<b>Sources of operating funding</b>					
4,102	4,120	General rates, uniform annual general charges, rates penalties	4,411	4,413	
33	41	Targeted rates	38	50	
-	4	Subsidies and grants for operating purposes	2	5	Grant received for the year.
1,419	1,452	Fees and charges	1,388	1,521	Pools, cemeteries, Firth Tower, Aerodrome and Event Centre income is higher than budgeted due to higher activity. This has been offset slightly by a lower income received from Elderly Person's Housing rental and libraries.
84	83	Internal charges and overheads recovered	80	83	
-	-	Local authorities fuel tax, fines, infringement fee, and other receipts	-	-	
<b>5,636</b>	<b>5,700</b>	<b>Total operating funding (A)</b>	<b>5,918</b>	<b>6,072</b>	
<b>Applications of operating funding</b>					
3,540	3,617	Payments to staff and suppliers	3,857	4,065	Housing and property costs are \$130,000 higher than budgeted due to unplanned maintenance required including major maintenance in the Te Aroha domain ex bowling club due to leakage, and significant work required at the Waihou Depot including asbestos report and removal, fixing the roof of the store shed and retaining wall and data outlet work. Pools and spa costs are higher due to increased chemical costs, more maintenance and stock purchased during this period.
168	129	Finance costs	93	86	
912	921	Internal charges and overheads applied	907	923	
-	-	Other operating funding applications	-	-	
<b>4,620</b>	<b>4,667</b>	<b>Total applications of operating funding (B)</b>	<b>4,857</b>	<b>5,074</b>	
<b>1,018</b>	<b>1,033</b>	<b>Surplus (deficit) of operating funding (A-B)</b>	<b>1,062</b>	<b>998</b>	
<b>Sources of capital funding</b>					
-	125	Subsidies and grants for capital expenditure	-	45	Silver Fern Farms Events Centre donation received.
28	91	Development and financial contributions	28	182	Financial contribution received from Matamata development.
162	-	Increase (decrease) in debt	1,659	(398)	Additional borrowing not required to date due to the delayed capital spending.
-	-	Gross proceeds from sale of assets	-	-	
-	-	Lump sum contributions	-	-	
-	-	Other dedicated capital funding	-	-	
<b>190</b>	<b>216</b>	<b>Total sources of capital funding (C)</b>	<b>1,686</b>	<b>(171)</b>	

Annual Plan Budget December 2017	Actual December 2017		Long Term Plan Budget December 2018	Actual December 2018	Explanation of key variances to the budget
(\$000)	(\$000)		(\$000)	(\$000)	
<b>Applications of capital funding</b>					
Capital expenditure					
75	-	- to meet additional demand	-	-	
746	4,961	- to improve the level of service	1,854	258	Significant projects planned for this year that have been delayed to date include the Headon Stadium upgrade and the corporate property (offices and depots) future proofing projects, and the Swim Zone splash pads. The budget included \$350,000 for expansion of the Morrinsville Cemetery land, which was actually purchased last year.
437	734	- to replace existing assets	775	379	Planned renewal work is still to be completed including the Headon Stadium building, public toilets, and work on tracks.
(50)	(4,446)	Increase (decrease) in reserves	119	190	
-	-	Increase (decrease) in investments	-	-	
<b>1,208</b>	<b>1,249</b>	<b>Total application of capital funding (D)</b>	<b>2,748</b>	<b>827</b>	
<b>(1,018)</b>	<b>(1,033)</b>	<b>Surplus/(deficit) of capital funding</b>	<b>(1,062)</b>	<b>(998)</b>	
-	-	<b>Funding balance ((A - B) = (C - D))</b>	-	-	

## STRATEGY AND ENGAGEMENT

Funding impact statement for the six months ended 31 December 2018

Annual Plan Budget December 2017	Actual December 2017		Long Term Plan Budget December 2018	Actual December 2018	Explanation of key variances to the budget
(\$000)	(\$000)		(\$000)	(\$000)	
<b>Sources of operating funding</b>					
2,125	2,135	General rates, uniform annual general charges, rates penalties	2,051	2,052	
-	-	Targeted rates	-	-	
-	4	Subsidies and grants for operating purposes	-	3	
62	408	Fees and charges	65	267	Investment income is higher than budgeted as the delay in capital spending has resulted in more cash being available for investing.
258	258	Internal charges and overheads recovered	159	258	Internal interest allocation is higher due to the lower capital spending
-	-	Local authorities fuel tax, fines, infringement fee, and other receipts	-	-	
<b>2,445</b>	<b>2,805</b>	<b>Total operating funding (A)</b>	<b>2,275</b>	<b>2,580</b>	
<b>Applications of operating funding</b>					
1,295	1,031	Payments to staff and suppliers	1,414	1,282	Budgets have yet to be spent in a number of areas including Economic Development, Regional Policy, Regional co-ordination and District Plan monitoring and implementation. These savings are partially offset by grants uplifted in the first half of the year.
2	1	Finance costs	1	-	
713	725	Internal charges and overheads applied	741	723	
-	-	Other operating funding applications	-	-	
<b>2,009</b>	<b>1,757</b>	<b>Total applications of operating funding (B)</b>	<b>2,155</b>	<b>2,005</b>	
<b>435</b>	<b>1,048</b>	<b>Surplus (deficit) of operating funding (A-B)</b>	<b>120</b>	<b>575</b>	
<b>Sources of capital funding</b>					
-	-	Subsidies and grants for capital expenditure	-	-	
-	-	Development and financial contributions	-	-	
186	(5,094)	Increase (decrease) in debt	49	4,144	The calculated debt funding of this activity increased to fund the increase in investments during the period.
-	-	Gross proceeds from sale of assets	-	-	
-	-	Lump sum contributions	-	-	
-	-	Other dedicated capital funding	-	-	
<b>186</b>	<b>(5,094)</b>	<b>Total sources of capital funding (C)</b>	<b>49</b>	<b>4,144</b>	
<b>Applications of capital funding</b>					
Capital expenditure					
-	-	- to meet additional demand	-	-	
-	-	- to improve the level of service	-	-	
673	199	- to replace existing assets	539	1,450	The replacement of plant and IT equipment budgeted last financial year has occurred during this period.
(52)	(1,334)	Increase (decrease) in reserves	(371)	(1,804)	
-	(5,579)	Increase (decrease) in investments	-	5,073	
<b>621</b>	<b>(4,046)</b>	<b>Total application of capital funding (D)</b>	<b>169</b>	<b>4,719</b>	
<b>(435)</b>	<b>(1,048)</b>	<b>Surplus (deficit) of capital funding</b>	<b>(120)</b>	<b>(575)</b>	
-	-	<b>Funding balance ((A - B) = (C - D))</b>	-	-	

## ROADING

Funding impact statement for the six months ended 31 December 2018

Annual Plan Budget December 2017	Actual December 2017		Long Term Plan Budget December 2018	Actual December 2018	Explanation of key variances to the budget
(\$000)	(\$000)		(\$000)	(\$000)	
<b>Sources of operating funding</b>					
3,087	3,101	General rates, uniform annual general charges, rates penalties	3,461	3,463	
-	-	Targeted rates	-	-	
1,272	1,251	Subsidies and grants for operating purposes	1,277	1,200	NZTA subsidy income is lower than budgeted, with a number of the maintenance projects being started in November / December.
73	(6)	Fees and charges	74	22	
161	161	Internal charges and overheads recovered	124	161	
115	118	Local authorities fuel tax, fines, infringement fee, and other receipts	115	125	
<b>4,708</b>	<b>4,625</b>	<b>Total operating funding (A)</b>	<b>5,050</b>	<b>4,971</b>	
<b>Applications of operating funding</b>					
2,878	2,949	Payments to staff and suppliers	2,924	2,876	
172	132	Finance costs	212	197	
411	415	Internal charges and overheads applied	446	414	
-	-	Other operating funding applications	-	-	
<b>3,461</b>	<b>3,496</b>	<b>Total applications of operating funding (B)</b>	<b>3,581</b>	<b>3,487</b>	
<b>1,247</b>	<b>1,129</b>	<b>Surplus (deficit) of operating funding (A-B)</b>	<b>1,469</b>	<b>1,484</b>	
<b>Sources of capital funding</b>					
1,748	1,321	Subsidies and grants for capital expenditure	1,579	1,192	NZTA subsidy income is lower than budgeted due to lower spending in seal pavement and other contract work which will be undertaken in the second half of the financial year.
63	221	Development and financial contributions	164	509	Higher development contribution mainly due to Matamata subdivision.
1,732	-	Increase (decrease) in debt	342	(338)	The delay in capital spending including the Te Aroha to Matamata cycleway project has resulted in lower debt than budgeted.
-	-	Gross proceeds from sale of assets	-	-	
-	-	Lump sum contributions	-	-	
-	-	Other dedicated capital funding	-	-	
<b>3,543</b>	<b>1,542</b>	<b>Total sources of capital funding (C)</b>	<b>2,084</b>	<b>1,363</b>	
<b>Applications of capital funding</b>					
Capital expenditure					
31	-	- to meet additional demand	31	-	
2,324	215	- to improve the level of service	734	688	Capital work on the rail trail budgeted for last financial year is underway.
2,975	1,370	- to replace existing assets	2,740	1,988	The bulk of the roading capital spend will be undertaken in the second half of the financial year.
(540)	1,086	Increase (decrease) in reserves	48	171	
-	-	Increase (decrease) in investments	-	-	
<b>4,790</b>	<b>2,671</b>	<b>Total application of capital funding (D)</b>	<b>3,553</b>	<b>2,847</b>	
<b>(1,247)</b>	<b>(1,129)</b>	<b>Surplus (deficit) of capital funding</b>	<b>(1,469)</b>	<b>(1,484)</b>	
-	-	<b>Funding balance ((A - B) = (C - D))</b>	-	-	

## RUBBISH AND RECYCLING

Funding impact statement for the six months ended 31 December 2018

Annual Plan Budget December 2017	Actual December 2017		Long Term Plan Budget December 2018	Actual December 2018	Explanation of key variances to the budget
(\$000)	(\$000)		(\$000)	(\$000)	
<b>Sources of operating funding</b>					
228	228	General rates, uniform annual general charges, rates penalties	292	292	
647	649	Targeted rates	125	125	
56	65	Subsidies and grants for operating purposes	60	65	
205	255	Fees and charges	692	480	Rubbish bag and transfer station sales are lower than budgeted at this point.
1	1	Internal charges and overheads recovered	-	1	
-	-	Local authorities fuel tax, fines, infringement fee, and other receipts	-	-	
<b>1,136</b>	<b>1,198</b>	<b>Total operating funding (A)</b>	<b>1,168</b>	<b>963</b>	
<b>Applications of operating funding</b>					
994	988	Payments to staff and suppliers	1,018	1,100	The contract price for waste collection has increased based on inflation
2	1	Finance costs	6	5	
114	116	Internal charges and overheads applied	115	115	
-	-	Other operating funding applications	-	-	
<b>1,110</b>	<b>1,105</b>	<b>Total applications of operating funding (B)</b>	<b>1,138</b>	<b>1,220</b>	
<b>27</b>	<b>93</b>	<b>Surplus (deficit) of operating funding (A-B)</b>	<b>31</b>	<b>(257)</b>	
<b>Sources of capital funding</b>					
-	-	Subsidies and grants for capital expenditure	-	-	
-	-	Development and financial contributions	-	-	
-	-	Increase (decrease) in debt	287	190	The delay in capital spending has resulted in less debt funding being required to date.
-	-	Gross proceeds from sale of assets	-	-	
-	-	Lump sum contributions	-	-	
-	-	Other dedicated capital funding	-	-	
<b>-</b>	<b>-</b>	<b>Total sources of capital funding (C)</b>	<b>287</b>	<b>190</b>	
<b>Applications of capital funding</b>					
Capital expenditure					
-	-	- to meet additional demand	-	-	
-	-	- to improve the level of service	300	8	The planned upgrade of one of the three transfer stations has not yet progressed as budgeted.
-	-	- to replace existing assets	2	-	
27	93	Increase (decrease) in reserves	16	(75)	
-	-	Increase (decrease) in investments	-	-	
<b>27</b>	<b>93</b>	<b>Total application of capital funding (D)</b>	<b>317</b>	<b>(67)</b>	
<b>(27)</b>	<b>(93)</b>	<b>Surplus (deficit) of capital funding</b>	<b>(31)</b>	<b>257</b>	
<b>-</b>	<b>-</b>	<b>Funding balance ((A - B) = (C - D))</b>	<b>-</b>	<b>-</b>	

## STORMWATER

Funding impact statement for the six months ended 31 December 2018

Annual Plan Budget December 2017	Actual December 2017		Long Term Plan Budget December 2018	Actual December 2018	Explanation of key variances to the budget
(\$000)	(\$000)		(\$000)	(\$000)	
<b>Sources of operating funding</b>					
65	65	General rates, uniform annual general charges, rates penalties	61	60	
400	400	Targeted rates	371	371	
-	-	Subsidies and grants for operating purposes	-	-	
-	-	Fees and charges	-	-	
31	31	Internal charges and overheads recovered	53	31	
-	-	Local authorities fuel tax, fines, infringement fee, and other receipts	-	-	
<b>496</b>	<b>496</b>	<b>Total operating funding (A)</b>	<b>485</b>	<b>462</b>	
<b>Applications of operating funding</b>					
70	135	Payments to staff and suppliers	82	71	
32	24	Finance costs	-	-	
107	109	Internal charges and overheads applied	95	108	
-	-	Other operating funding applications	-	-	
<b>209</b>	<b>268</b>	<b>Total applications of operating funding (B)</b>	<b>176</b>	<b>179</b>	
<b>288</b>	<b>228</b>	<b>Surplus (deficit) of operating funding (A-B)</b>	<b>309</b>	<b>283</b>	
<b>Sources of capital funding</b>					
-	-	Subsidies and grants for capital expenditure	430	-	The budget included a contribution for the Avenue Road North stormwater disposal that did not eventuate.
12	110	Development and financial contributions	12	144	Higher development contribution mainly due to Matamata subdivision.
-	-	Increase (decrease) in debt	-	(199)	The delay in capital spending has resulted in less debt funding being required to date.
-	-	Gross proceeds from sale of assets	-	-	
-	-	Lump sum contributions	-	-	
-	-	Other dedicated capital funding	-	-	
<b>12</b>	<b>110</b>	<b>Total sources of capital funding (C)</b>	<b>442</b>	<b>(55)</b>	
<b>Applications of capital funding</b>					
Capital expenditure					
-	-	- to meet additional demand	200	-	Tower Road and Eldonwood projects have yet to progress.
75	66	- to improve the level of service	530	127	The Avenue Road Morrinsville project budgeted has not progressed.
-	-	- to replace existing assets	-	-	
224	272	Increase (decrease) in reserves	20	101	
-	-	Increase (decrease) in investments	-	-	
<b>299</b>	<b>338</b>	<b>Total application of capital funding (D)</b>	<b>750</b>	<b>228</b>	
<b>(287)</b>	<b>(228)</b>	<b>Surplus (deficit) of capital funding</b>	<b>(309)</b>	<b>(283)</b>	
-	-	<b>Funding balance ((A - B) = (C - D))</b>	-	-	

## WASTEWATER

Funding impact statement for the six months ended 31 December 2018

Annual Plan Budget December 2017	Actual December 2017		Long Term Plan Budget December 2018	Actual December 2018	Explanation of key variances to the budget
(\$000)	(\$000)		(\$000)	(\$000)	
<b>Sources of operating funding</b>					
-	-	General rates, uniform annual general charges, rates penalties	-	-	
3,097	3,115	Targeted rates	3,279	3,286	
-	-	Subsidies and grants for operating purposes	-	-	
320	374	Fees and charges	321	380	Trade waste income is higher in Morrinsville and Matamata due to greater volumes from industrial users. This is offset slightly by a lower income from Te Aroha.
50	50	Internal charges and overheads recovered	82	50	
-	-	Local authorities fuel tax, fines, infringement fee, and other receipts	-	-	
<b>3,467</b>	<b>3,539</b>	<b>Total operating funding (A)</b>	<b>3,682</b>	<b>3,716</b>	
<b>Applications of operating funding</b>					
1,535	1,491	Payments to staff and suppliers	1,678	1,389	Wastewater expenditure is in line with last year. \$90,000 has been budgeted for the compliance module, and \$50,000 budgeted for the five-yearly field irrigation maintenance. License to Operate and Bio-remediation will be spent later in year.
328	253	Finance costs	267	249	
-	-	Internal charges and overheads applied	234	273	
270	273	Other operating funding applications	-	-	
<b>2,133</b>	<b>2,017</b>	<b>Total applications of operating funding (B)</b>	<b>2,179</b>	<b>1,911</b>	
<b>1,334</b>	<b>1,522</b>	<b>Surplus (deficit) of operating funding (A-B)</b>	<b>1,503</b>	<b>1,805</b>	
<b>Sources of capital funding</b>					
-	-	Subsidies and grants for capital expenditure	-	-	
55	264	Development and financial contributions	313	603	Higher development contribution mainly due to Matamata subdivision.
-	-	Increase (decrease) in debt	380	(1,524)	Rescheduled capital and renewal projects has resulted in less debt funding being required to date.
-	-	Gross proceeds from sale of assets	-	-	
-	-	Lump sum contributions	-	-	
-	-	Other dedicated capital funding	-	-	
<b>55</b>	<b>264</b>	<b>Total sources of capital funding (C)</b>	<b>693</b>	<b>(921)</b>	
<b>Applications of capital funding</b>					
Capital expenditure					
15	-	- to meet additional demand	25	-	
365	75	- to improve the level of service	605	59	Capital and renewal projects have been rescheduled.
505	33	- to replace existing assets	1,532	58	
504	1,678	Increase (decrease) in reserves	33	767	
-	-	Increase (decrease) in investments	-	-	
<b>1,389</b>	<b>1,786</b>	<b>Total application of capital funding (D)</b>	<b>2,195</b>	<b>884</b>	
<b>(1,334)</b>	<b>(1,522)</b>	<b>Surplus (deficit) of capital funding</b>	<b>(1,503)</b>	<b>(1,805)</b>	
-	-	<b>Funding balance ((A - B) = (C - D))</b>	-	-	



## WATER

Funding impact statement for the six months ended 31 December 2018

Annual Plan Budget December 2017	Actual December 2017		Long Term Plan Budget December 2018	Actual December 2018	Explanation of key variances to the budget
(\$000)	(\$000)		(\$000)	(\$000)	
<b>Sources of operating funding</b>					
-	-	General rates, uniform annual general charges, rates penalties	-	-	
2,340	2,160	Targeted rates	2,387	2,143	Metered water consumption from Open Country Dairy and Fonterra is lower than budgeted
-	-	Subsidies and grants for operating purposes	-	-	
18	142	Fees and charges	18	8	
25	25	Internal charges and overheads recovered	16	25	
-	-	Local authorities fuel tax, fines, infringement fee, and other receipts	-	-	
<b>2,383</b>	<b>2,327</b>	<b>Total operating funding (A)</b>	<b>2,421</b>	<b>2,176</b>	
<b>Applications of operating funding</b>					
1,115	1,183	Payments to staff and suppliers	1,172	1,446	There were a number of one-off extraordinary expenses above what was budgeted, including staff, sampling and reporting costs related to events, catchment risk assessments, water safety plans, compliance recovery projects, etc. Reticulation costs are higher due to more spending on maintenance than budgeted at this point. Asset management costs are under spent to December but are expected to be spent in the second half of the year.
180	146	Finance costs	109	104	
264	266	Internal charges and overheads applied	249	266	
-	-	Other operating funding applications	-	-	
<b>1,559</b>	<b>1,595</b>	<b>Total applications of operating funding (B)</b>	<b>1,530</b>	<b>1,816</b>	
<b>824</b>	<b>732</b>	<b>Surplus (deficit) of operating funding (A-B)</b>	<b>891</b>	<b>360</b>	
<b>Sources of capital funding</b>					
-	-	Subsidies and grants for capital expenditure	-	-	
46	221	Development and financial contributions	169	435	Higher development contribution mainly due to Matamata subdivision.
1,616	-	Increase (decrease) in debt	1,301	541	The delay in capital spending has resulted in less debt funding being required to date.
-	-	Gross proceeds from sale of assets	-	-	
-	-	Lump sum contributions	-	-	
-	-	Other dedicated capital funding	-	-	
<b>1,662</b>	<b>221</b>	<b>Total sources of capital funding (C)</b>	<b>1,470</b>	<b>976</b>	

Annual Plan Budget December 2017	Actual December 2017		Long Term Plan Budget December 2018	Actual December 2018	Explanation of key variances to the budget
(\$000)	(\$000)		(\$000)	(\$000)	
<b>Applications of capital funding</b>					
		Capital expenditure			
20	-	- to meet additional demand	88	-	
2,358	298	- to improve the level of service	720	481	Priority has been re-assigned and some projects have been moved to 2019/20.
611	388	- to replace existing assets	1,525	1,129	Reticulation contract has been awarded and will be completed during the year. Plant renewal will be spent when required.
(503)	267	Increase (decrease) in reserves	29	(274)	
-	-	Increase (decrease) in investments	-	-	
<b>2,486</b>	<b>953</b>	<b>Total application of capital funding (D)</b>	<b>2,361</b>	<b>1,336</b>	
<b>(824)</b>	<b>(732)</b>	<b>Surplus/(deficit) of capital funding</b>	<b>(891)</b>	<b>(360)</b>	
-	-	<b>Funding balance ((A - B) = (C - D))</b>	-	-	

## CONSENTS AND LICENSING

Funding impact statement for the six months ended 31 December 2018

Annual Plan Budget December 2017	Actual December 2017		Long Term Plan Budget December 2018	Actual December 2018	Explanation of key variances to the budget
(\$000)	(\$000)		(\$000)	(\$000)	
<b>Sources of operating funding</b>					
969	971	General rates, uniform annual general charges, rates penalties	990	990	
-	-	Targeted rates	-	-	
-	-	Subsidies and grants for operating purposes	-	-	
638	1,114	Fees and charges	881	1,155	Resource and building consent income is higher due to increased activity. Animal control income received at the start of the financial year.
-	-	Internal charges and overheads recovered	-	-	
18	20	Local authorities fuel tax, fines, infringement fee, and other receipts	16	33	Dog fines received are higher than budgeted at this point.
<b>1,625</b>	<b>2,105</b>	<b>Total operating funding (A)</b>	<b>1,887</b>	<b>2,178</b>	
<b>Applications of operating funding</b>					
905	1,111	Payments to staff and suppliers	1,141	1,044	There have been no expenses arising for appeals to date, reducing costs to budget. This is offset slightly by building and resource consent costs increasing in line with the higher activity in this area.
-	-	Finance costs	-	-	
615	625	Internal charges and overheads applied	640	623	
-	-	Other operating funding applications	-	-	
<b>1,520</b>	<b>1,736</b>	<b>Total applications of operating funding (B)</b>	<b>1,781</b>	<b>1,667</b>	
<b>105</b>	<b>369</b>	<b>Surplus (deficit) of operating funding (A-B)</b>	<b>106</b>	<b>511</b>	
<b>Sources of capital funding</b>					
-	-	Subsidies and grants for capital expenditure	-	-	
-	-	Development and financial contributions	-	-	
-	-	Increase (decrease) in debt	-	-	
-	-	Gross proceeds from sale of assets	-	-	
-	-	Lump sum contributions	-	-	
-	-	Other dedicated capital funding	-	-	
-	-	<b>Total sources of capital funding (C)</b>	-	-	
<b>Applications of capital funding</b>					
-	-	Capital expenditure	-	-	
-	-	- to meet additional demand	-	-	
-	-	- to improve the level of service	-	-	
-	-	- to replace existing assets	-	-	
105	369	Increase (decrease) in reserves	106	511	
-	-	Increase (decrease) in investments	-	-	
<b>105</b>	<b>369</b>	<b>Total application of capital funding (D)</b>	<b>106</b>	<b>511</b>	
<b>(105)</b>	<b>(369)</b>	<b>Surplus (deficit) of capital funding</b>	<b>(106)</b>	<b>(511)</b>	
-	-	<b>Funding balance ((A - B) = (C - D))</b>	-	-	

# PERFORMANCE MEASURES

Below is a summary of Council's progress at the six month mark against its performance measures.

Not achieved

Not on track

On track

Information not available

PERFORMANCE MEASURE	TARGET	TRACKING
<b>Community Facilities and Property</b>		
<b>Carparks and Street Furniture</b>		
90% or more of damage, vandalism and graffiti complaints regarding Council carparks and street furniture will be responded to within the assigned timeframe. <i>One (1) complaint went over time regarding a broken bollard caused by a truck.</i>	90% or more	89% response rate. (8/9)
<b>Cemeteries</b>		
Percentage of people who have visited a Council cemetery in the last year who are satisfied with the cemeteries.	80% or more	90% of visitors were satisfied with Council cemeteries.
<b>Housing and Property Management</b>		
Percentage of elderly persons housing tenants who are satisfied with the standard of maintenance and accommodation. <i>Elderly persons survey is carried out annually and is planned for March/April 2019.</i>	80% or more satisfied	Information not available.
Rent charged for elderly persons housing will be below the market median for the district.	Rents are below the market median	Rent is below market median.
At least 95% of elderly persons housing will be occupied.	95% or more	100% of elderly persons housing was occupied.
<b>Libraries</b>		
The number of people visiting our libraries. <i>Matamata - 24,667 Morrinsville - 30,925 Te Aroha - 18,580</i>	Visitor and online user numbers will be within 5% of the five year average. (99,742 is the six month average)	101,217 visitor and online users.
The number of people accessing library information online. <i>Online users - 27,045</i>		
The number of library members who have been active (used their library card) in the last 12 months.	2018/19 benchmark	3,232 library members used their library card.
The percentage of users who are satisfied with library services.	90% satisfied or more	88% of users satisfied with Council libraries.
<b>Parks and Tracks</b>		
Percentage of users satisfied with sports fields.	80% or more of users satisfied	76% of users were satisfied with sports fields.
Percentage of users satisfied with parks and reserves.	80% or more of users satisfied	78% of users were satisfied with parks and reserves.
Playground safety will be assessed on a regular basis.	Inspections will be undertaken once every two weeks, and once every week during school holidays. An external audit will be undertaken annually to evaluate compliance with the relevant New Zealand standard.	All scheduled inspections for the second quarter have been undertaken.
<b>Pools and Spas</b>		
Four independent safety and quality audits will be carried out on Swim Zone Te Aroha, Swim Zone Matamata and Te Aroha Mineral Spas. Two independent safety and quality audits will be carried out on Swim Zone Morrinsville. <i>During the first six months Watershed has completed two audits for the Te Aroha Mineral Spas, Te Aroha and Matamata Swim Zone and one audit completed for Morrinsville Swim Zone.</i>	Achieved	On track.
Percentage of users satisfied or very satisfied with pool facilities.	80% or more of customers satisfied	68% of customers were satisfied with pool facilities.
The number of customers using our pool facilities will be maintained. <i>Swim Zone Matamata - 56,737 Swim Zone Te Aroha - 16,467 Swim Zone Morrinsville - 2,025 Te Aroha Mineral Spas - 16,410</i>	Visitor numbers will be within 5% of the five year average. (73,682 is the six month average)	91,639 visitors to our pools and spas.

Not achieved

Not on track

On track

Information not available

PERFORMANCE MEASURE	TARGET	TRACKING
<b>Public Toilets</b>		
The number of complaints received regarding dissatisfaction with the cleanliness of public toilets. <i>These complaints came from across the district. The Waharoa toilets received the most complaints with five (5).</i>	20 or fewer complaints about cleanliness per year	22 complaints.
<b>Recreation Facilities and Heritage</b>		
90% or more of damage, vandalism and graffiti complaints regarding recreation and heritage facilities will be responded to within the assigned timeframe. <i>One complaint went over time regarding a damaged picnic table.</i>	90% or more	89% response rate. (8/9)
<b>Strategy and Engagement</b>		
<b>Civil Defence</b>		
We will have sufficient trained staff within the Thames Valley Emergency Management Operating Area.	45% or more	47% capability in civil defence.
<b>Communications and Events</b>		
We will hold one function annually to recognise volunteers, ANZAC Day commemorations and two functions to contribute to economic development	We will hold on function annually to recognise volunteers, ANZAC Day commemorations and two functions to contribute to economic development	On track - the Annual Business Night Out was held on 12 October 2018, with over 250 tickets sold.
We will develop one new digital service per year to allow customer to exchange money or information with Council.	One new transaction or service per year	Information not available.
Percentage of residents who are satisfied with ease of access to Council information.	63% or more of residents satisfied	72% satisfied.
<b>Community Leadership</b>		
Percentage of the community satisfied with the leadership of the Councillors and Mayor. <i>Previous measure was PERFORMANCE of Mayor and Councillors. This year LEADERSHIP of Councillors and Mayor is measured.</i>	2018/19 Benchmark	67% satisfied.
Percentage of Te Manawhenua Forum members satisfied with progress made towards achieving the identified work streams. <i>The Annual Survey of Te Manawhenua Forum members will be undertaken in 2019.</i>	2018/19 Benchmark	Information not available.
Monthly reporting to Council showing our progress towards health and safety targets.	11 Reports to Council per year	On track - five (5) health and safety reports were presented to Council.
<b>Strategies and Plans</b>		
Percentage of the community satisfied that they have been provided with an opportunity to be involved in consultation processes.	52% (maintain 2015/16 benchmark)	66% satisfied.
State of the Environment monitoring reports will be updated on Council's website each year.	20 November each year	The State of Environment Report 2018 was published on our website by 20 November 2018.

		<div>Not achieved</div> <div>Not on track</div> <div>On track</div> <div>Information not available</div>
PERFORMANCE MEASURE	TARGET	TRACKING
<b>Infrastructure</b>		
<b>Roading</b>		
<p>The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network expressed as a number.</p> <p><i>Comparison with 2017/18 will be provided at the end of the financial year.</i></p>	A reduction in the number of fatal and serious crashes from the previous year	Information not available.
<p>The average quality of ride on a sealed local road network, measured by smooth travel exposure.</p> <p><i>This is a biannual survey, which is scheduled for early 2019.</i></p>	97% or more	Information not available.
<p>The percentage of the sealed local road network that is resurfaced.</p> <p><i>During the period 1 July- 31st December, 20km of our planned resurfacing work has been completed. This is 2% of our total 1004km network and more work will be undertaken in the next half of the year. We are expecting to reach our target of 8.5% by the end of the year.</i></p>	8.5% or more	2% of sealed local roads that are resurfaced.
<p>The percentage of footpaths within our district that fall within the level of service standard for the condition of footpaths that is set out in our relevant documents (such as our annual plan, activity management plan, asset management plan, annual works program or Long Term Plan).</p> <p><i>This is a biannual survey, which is scheduled for early 2019.</i></p>	95% or more within the acceptable level of service	Information not available.
<p>The percentage of customer service requests relating to roads and footpaths that the territorial authority responds to within the time frame specified in the Long Term Plan.</p> <p><i>Seven (7) urgent roading requests were received and 315 non-urgent roading request were received, of which 304 were responded to within assigned time frames.</i></p>	90% of urgent requests responded to within one working day	100% response rate.
	90% of non-urgent requests responded to within five working days	97% response rate.
<b>Rubbish and Recycling</b>		
Percentage of residents satisfied with kerbside, rubbish and recycling collection services and transfer stations.	80% or more satisfied or very satisfied	86% of residents satisfied with Council rubbish services.
<p>Number of complaints about kerbside refuse and recycling not collected on the usual collection day.</p> <p><i>During the period July to December we received 26 complaints about missed property.</i></p>	20 or less complaints on average per month	4.3 complaints on average per month.
<p>Total quantity of kerbside household waste sent to landfill.</p> <p><i>This information will be reported on annually.</i></p>	Reduction of 1% per person per year	Information not available.
Proportion of waste diverted (recycled or composted) from the transfer station and kerbside recycling collection service.	45% or more of the total waste diverted from landfill	35.82% of total waste from landfill was diverted.
<b>Stormwater</b>		
<p>The number of flooding events that occur in our district.</p> <p>For each flooding event, the number of habitable floors affected (expressed per 1,000 properties connected to our stormwater system).</p>	0 flooding events 0 habitable floors affected	Zero (0) received.
Compliance with our resource consents for discharge from our stormwater system. (measured by the number of abatement notices, infringement notices, enforcement orders, and convictions received in relation to those resource consents).	Zero	Zero (0) received.
The median response time to attend a flooding event, measured from the time that we receive notification to the time that the service personnel reach the site.	Median: 4 hours	Zero (0)
<p>The number of complaints we received about the performance of our stormwater system (expressed per 1,000 properties connected to our stormwater system).</p> <p>These were spread over the district.</p>	4 complaints per 1,000 connections per year (32 in total)	Twenty one (21) complaints were received.
<b>Wastewater</b>		
<p>The number of dry weather sewage overflows from our wastewater system (expressed per 1,000 connections per year to our wastewater system).</p> <p><i>These overflows occurred across the district.</i></p>	1 compliant per 1,000 connections per year (8 total)	Ten (10) dry weather overflows.
Compliance with our resource consents for discharge from our wastewater. (measured by the number of abatement notices, infringement notices, enforcement orders, and convictions received in relation to those resource consents).	Zero	Zero (0) received.
Where we attend to sewage overflows resulting from a blockage or other fault in our wastewater system, we will measure the following median response times:		
Attendance time: from the time that we receive notification to the time that service personal reach the site	Median: 4 hours	The median attendance time was 75 minutes. (1.25 hours)
Resolution time: from the time that we receive notification to the time that service personal confirm resolution of the blockage or other fault.	Median 24 hours	The median resolution time was 209 minutes. (3.4 hours)

Not achieved

Not on track

On track

Information not available

**PERFORMANCE MEASURE****TARGET****TRACKING**

The total number of complaints received by Council about any of the following (expressed as 1,000 connections per year):

Sewage odour

*Two (2) complaints regarding the sewage odour.*

Wastewater system faults

*Six (6) complaints regarding wastewater system faults.*

Wastewater system blockages

*Nine (9) complaints regarding wastewater blockages.*

Council's response to issues with our wastewater system

17 complaints per 1,000 connections (128 total)

17 complaints.

**Water**

The extent to which Council drinking water supply complies with:

Part 4 of the drinking-water standards (bacteria compliance criteria).

*The drinking water compliance report is completed annually and is expected to be completed in 2019.*

Part 5 of the drinking-water standards (protozoal compliance criteria).

*The drinking water compliance report is completed annually and is expected to be completed in 2019.*

Compliant

Information not available.

The percentage of real water loss from Council's networked reticulation system (using minimum night flow analysis).

25% or less

Information not available.

Where we attend a call-out in response to a fault or unplanned interruption to our networked reticulation system, we will measure the following median response times:

Attendance for urgent call-outs: from the time that we receive notification to the time that service personnel reach the site.

Median: 4 hours or less

3 minutes (or 0.05 hours).

Resolution of urgent call-outs: from the time that we receive notification to the time that service personnel confirm resolution of the fault or interruption.

Median: 24 hours or less

116 minutes (or 1.9 hours).

Where we attend to a call-out in response to a fault or unplanned interruption to our network reticulation system, we will measure the following median response times:

Attendance for non-urgent call-outs: from the time we receive notification to the time that service personnel reach the site

Median: 3 working days or less

One (1) working day.

Resolution of non-urgent call-outs: from the time that we receive notification to the time that service personnel confirm resolution of the fault or interruption.

*There are still four (4) requests that are open. Three (3) are in relation to leaking fire hydrants and one (1) is ongoing due to a required shut-down of an adjacent building. Negotiations with the building owner is ongoing to find suitable time for the required shut-down.*

Median: 5 working days or less

Two (2) working days.

The total number of complaints received by Council about any of the following (expressed per 1,000 connections per year):

Drinking water clarity.

*Twenty two (22) complaints regarding the drinking water clarity. 10 were from 13/09/2018 from the same incident in Te Aroha.*

Drinking water taste.

Drinking water odour.

Drinking water pressure or flow.

*Nine (9) complaints regarding the drinking water pressure or flow.*

Continuity of supply.

*Two (2) complaints regarding the continuity of supply.*

Council's response to any of these issues.

*One (1) complaint about Council's response to any of these issues.*

9 complaints per 1,000 connections across all categories (total of 72 complaints based on 8,000 connections)

34 complaints in total.

The average consumption of drinking water per day per resident within the district.

*This information will be reported on annually.*

500 litres per urban resident per day

Information not available.



		<div>Not achieved</div> <div>Not on track</div> <div>On track</div> <div>Information not available</div>
PERFORMANCE MEASURE	TARGET	TRACKING
<b>Consents and Licensing</b>		
<b>Animal Control</b>		
Complaints will be investigated within set timeframes.	95% within adopted timeframes	94.7% were responded to within adopted timeframes.
Number of property visits per year	At least 600 property visits per year	371 properties were visited.
Number of street patrols undertaken in each of the three main towns. <i>Our average street patrols per town per month is:</i> <i>Matamata - 44</i> <i>Morrinsville - 33</i> <i>Te Aroha - 23</i>	At least an average of 10 per month per town	33 patrols per month per town.
<b>Building Consents and Monitoring</b>		
Building consents processing timeframes. <i>408 building consents were received.</i>	100% of building consents will be processed within statutory timeframes	100% of building consents were processed within statutory timeframes.
Complaints to be responded to within 10 working days. <i>There are still five (5) unresolved requests currently being followed up by staff.</i>	100% of complaints to be responded to within 10 working days	81% (17/21)
<b>Licensing and Enforcement</b>		
Food premise, hairdressers and camping grounds will be inspected or audited in accordance with legislation. <i>Under the existing Health Act the majority of Health Licences are inspected in the second half of the financial year - we are on track to achieving this.</i> <i>All applications under the new Health Act 2014 which set individual anniversary dates are currently meeting statutory requirements and are on track to being inspected within the required timeframe.</i>	100% inspected or audited	On track.
On, Off and Club alcohol licenced premises will be inspected annually to ensure they comply with alcohol licensing standards. <i>We space these inspections throughout the year, we are currently on track to having these all inspected by 30 June 2019.</i>	100% inspected annually	On track.
Percentage of after-hours (between 5pm and 8am, weekends and public holidays) noise complaints responded to within two hours.	100% responded to within two hours	100% responded to within two hours.
<b>Resource Consents and Monitoring</b>		
Percentage of resource consents processed within statutory timelines. <i>Due to resourcing issues two of the consents granted in November exceeded the timeframe.</i>	100%	98% of which were processed within the statutory timeframes. (123/125)
Percentage of land use consents monitored within four months of being granted.	100%	100% landuse consents were monitored within four months of being granted. (67/67)

## Consultation Update

Trim No.: 2111905

### Executive Summary

The following report provides an overview of the Annual Plan 2019/20 and all associated documents which are to go out for public consultation March 2019.

Audit and Risk committee previously expressed a particular interest in earthquake prone buildings and how Council propose to identify earthquake prone buildings, pedestrian thoroughfares and strategic routes across the district. Council have identified earthquake prone buildings and routes and will be consulting the public on those identified. Effected building owners have been notified by letter.

The Annual Plan 2019/20 does not require public consultation. All other policies, bylaws and plans currently being reviewed or developed will go out for public consultation 20 March 2019.

### Recommendation

That:

1. The information be received.

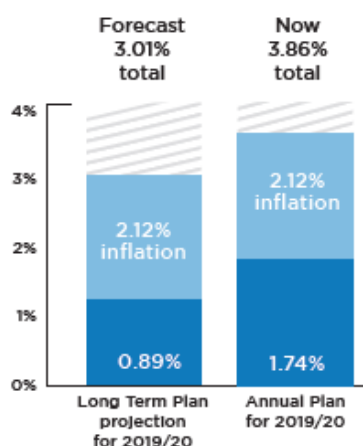
### Content

#### Background

##### Annual Plan

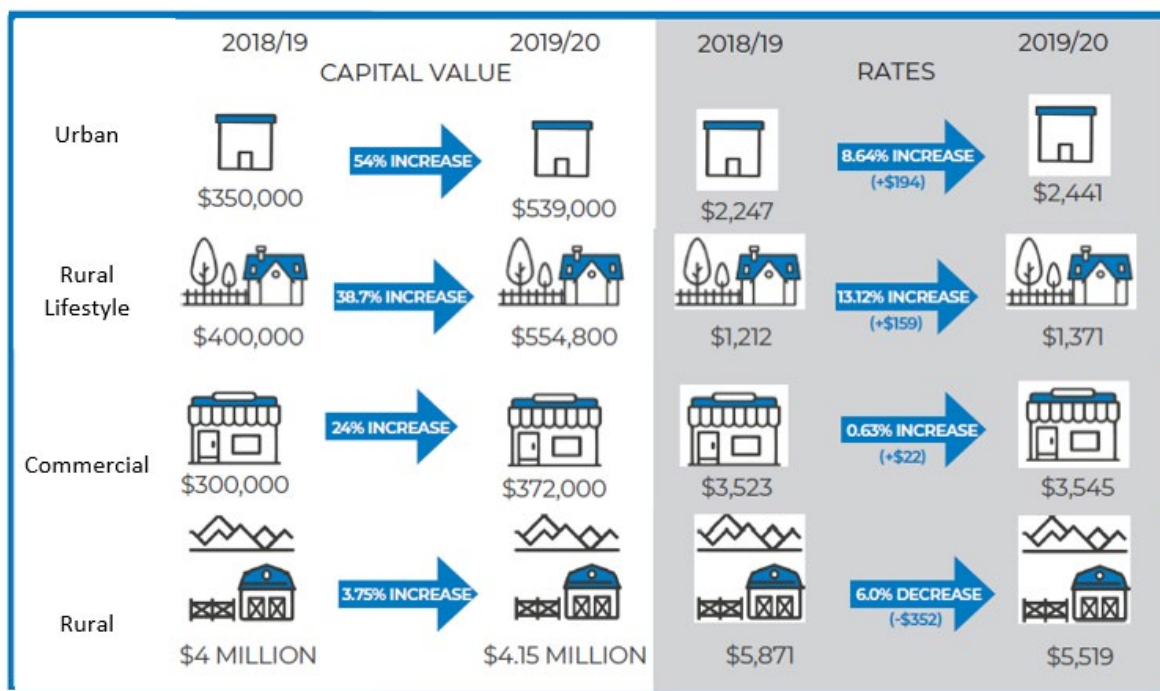
Council is required to produce an Annual Plan each year with the exception of the years when a Long Term Plan (LTP) is to be produced (triennially). 2019/20 will represent Year 2 of the LTP 2018-2028, and must be adopted by 30 June 2019. The purpose of the Annual Plan is to disclose any variation from what was proposed in the LTP.

Council is not formally consulting on this year's Annual Plan as mentioned at the last meeting due to there being no significant or material changes from the LTP however we will still inform the community of the changes. This is because the rates increase did not go over the self-imposed 4% threshold and will be 3.86% for the 2019/20 year. The below graph shows the LTP compared to the Annual Plan for 2019/20.



Rates impacts (increases and decreases for individual example properties)

Whilst the total rates variance is not considered significant or material the below illustration shows how the rates revaluation has impacted the rates depending on property type.



The documents being consulted on are

- Fees and Charges 2019/20
- Land Transport Bylaw (minor technical amendments)
- Water Supply Bylaw (minor technical amendments)
- Wastewater Bylaw (minor technical amendments)
- Public Safety Bylaw (moving smoke nuisance from Fires Bylaw)
- Gambling Venue Policy (legislative review)
- TAB Board Venue Policy (legislative review)
- Legal Highs Policy (legislative review)
- Earthquake Prone, priority vehicle and pedestrian thoroughfares and strategic routes of importance (new legislative requirement)
- General Policies Reserve Management Plan (RMP) (legislative review) (two month consultation required, open 20 February – 22 April)

All of these documents have had Council confirmation and are confirmed to go out for consultation on the 20 March (except the RMP which requires a two month consultation and went out on the 20 February).

**Issues**

The issues/risks during consultation is, over consultation, under consultation or not reaching the necessary people during consultation.

Over consultation is a risk because we don't want to lose the interest of the residents causing them to not be involved in the process. We are managing this risk by keeping it to the one month consultation requirement and keeping it to two newspaper adverts to not overwhelm residents. We

will not be sending communications (E.g. email, letters etc.) to all MPDC residents this is reserved to special groups that are directly affected by a proposal (such as the dog bylaw proposal affecting the neighbours of the dog exercise area).

Under consultation is a risk where Council doesn't do enough consultation and it can lead to/create the risk of residents and effected parties not being reached and made aware of the documents being consulted on and how they may affect them. This risk is being mitigated by Council undertaking the full month of consultation, with newspaper advertisements, social media updates, market day meetings, meetings with Grey Power, Business associations and other important groups. People specifically affected by a proposed change will receive a special communication from Council highlighting to them how they are effected and other documents that are being consulted on.

## **Analysis**

### **Options considered**

As stated above Council have considered all the impacts of over or under consulting and have mitigated the impacts as explained above.

### **Legal and statutory requirements**

Annual Plan and Fees and Charges, Bylaws and Policies - Local Government Act 2002 - Council is governed by the Local Government Act 2002 (LGA) which sets out the requirements for Council to prepare and adopt an Annual Plan and Fees and Charges. It also gives Council the powers to make, revoke, review, and amend policies and bylaws.

Earthquake Prone - Building (Earthquake-prone Buildings) Act 2016 – Council must identify thoroughfares that have sufficient vehicular or pedestrian traffic to warrant prioritisation, if a part of an unreinforced masonry building were to fall onto them in an earthquake. Consultation is required in accordance with section 133AF(2)(a) of the Act which requires council to use the special consultative procedure in section 83 of the LGA 2002 to identify those buildings.

Reserve Management Act 1977 - Requires the development of reserve management plans to establish the desired mix of use and protection for reserves and to provide the community with certainty about the function and management of each reserve. Council adopted various reserve management plans in 2009. The RMP sets generic policies that are common to all reserves and parks administered by Matamata-Piako District Council. This document is required to have a two month consultation period and started on the 20 February 2019 until the 22 April 2019.

### **Consistency with the Long Term Plan / Annual Plan**

The development on the Annual Plan, Fees and Charges and associated documents is consistent with the Long Term Plan 2018-28 as policy, bylaw and plan development and review is provided for within the Plan.

### **Impact on Significance and Engagement Policy**

In determining whether to consult on the Annual Plan or not, Council considered the Significance and Engagement Policy and found that there were no material or significant changes from the LTP.

### **Communication, consultation and decision making processes**

Council has decided it will not formally consult on the Annual Plan 2019/20 for reasons stated above. As above the rates have increased by 3.86% total for 2019/20 with is below the self-imposed limit of 4% and there are no significant and material differences.

All other documents have been reviewed and approved by Council and will go out for public consultation from the 20 March to the 22 April (except the RMP which requires a two month consultation).

### Consent issues

N/A

### Timeframes

Consultation	RMP to go out for consultation.	20/2/19-22/4/19
Consultation	Bylaws, Policies, Fees and Charges and other documents out for consultation.	20/3/19-22/4/19
Hearing	Hearing of submissions.	15/5/19
Council	Adoption of Bylaws, Policies, other documents, Annual Plan, Fees and Charges and striking the rates.	26/6/19

### Contribution to Community Outcomes

The Annual Plan and associated documents contribute to connected infrastructure, economic opportunities and healthy community's outcomes of the Long Term Plan 2018-28. The Annual Plan and Fees and Charges both support MPDC being a business friendly Council. The Gambling Venue Policy, TAB Board Venue Policy, Legal Highs Policy and the identification of EQP buildings and strategic routes all contribute greatly to ensuring our community is safe, healthy and connected. While the review of the bylaws ensures we continue to provide quality connected infrastructure that is fit for purpose.

### Financial Impact

#### i. Cost and Funding Source

All costs are covered under the existing Strategies and Plans budget.

### Attachments

A. Simplified Comms Plan

### Signatories

Author(s)	Ellie Mackintosh <b>Graduate Policy Planner</b>	
Approved by	Sandra Harris <b>Acting Strategic Policy Manager</b>	
	Don McLeod <b>Chief Executive Officer</b>	

### The Usual Suspects...

- 20 March double page newspaper ads placed in Piako Post and Matamata Chronicle
- 10<sup>th</sup> April Follow up ad and E-newsletter 1 week out from end date of consultation period
- Website content/reminders and online submissions
- Digital Signage at offices and libraries
- Letters and E-newsletters to targeted groups (see reverse)
- Regular Facebook posts to drive submissions. Also reminders when getting close to end of consultation period.

### Additional Print Media

- Councillors could write 'conversations' pieces for the local papers on their topics.

### Display materials

- Posters displayed at/on
  - Council offices
  - Libraries
  - Community notice boards
  - Pools

### Additional Digital Medial

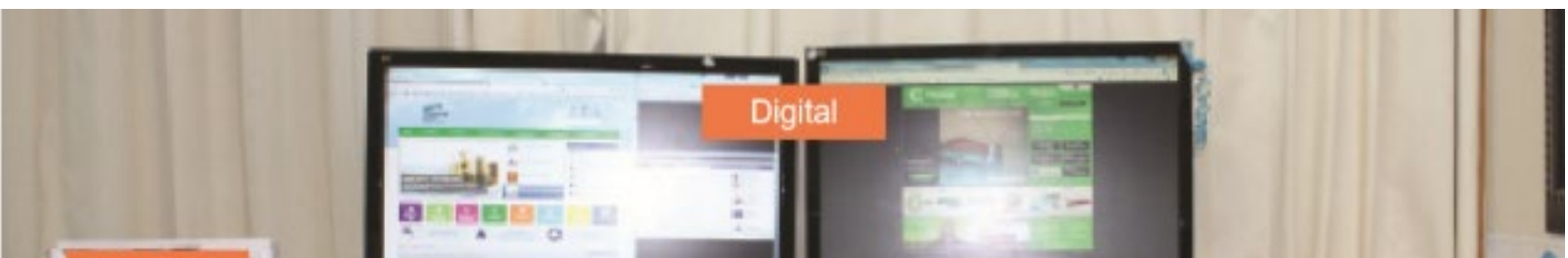
- Paid, targeted advertising on Facebook and neighbourly – if there is not enough submissions
- Short videos (approx. 30 seconds) of Councillors discussing their topic or the vision, highlighting a key issue, and driving people to make a submission. Additions to existing auto responses on web forms
- Link/info on all staff email signatures
- Council to take comments on Facebook as submissions

### Face to Face

- Meetings with specific groups (see reverse for list)
- Iwi engagement - item on next TMF agenda 5<sup>th</sup> March
- Chocolates to be available at all face to face events as an incentive
- Morrinsville Market – 6 April
- Te Aroha Conversation Café day/walking the main street and passing out submission forms.
- Matamata Market – 13 April

### Supporting information

- All full documents will be available on our website on the 'Have your say' page with a link from the home page and kiosks and computers at Council offices and libraries.
- Packs for Elected Members and TMF members containing:
  - Key messages
  - Copies of submission forms
  - Posters for distributing to any groups/ contacts.





## Individual/Targeted Communications

### Letters/Enewsletters

- Out of district ratepayers – only via e-newsletter.
- Community groups
- Economic development e.g. business associations, businesses, local event organisers
- Youth e.g. Volunteer Youth Ambassadors, high schools, Starfish, Youth Empowerment Services etc.
- Grant recipients – Email/letter stating what's included in the Annual Plan.
- Fed Farmers and other rural groups who will have a particular interest in the amendments impacting the natural environment, especially the Reserve Management Plan.
- Iwi groups
- General E-newsletter groups

### Face to Face

Dates and times still to be confirmed.

- Morrinsville Chamber of Commerce BA5
- Matamata Business Association BA5
- Te Aroha Business Association BA5
- Grey Power (all three towns)
- Federated Farmers
- Rural Women's Institute + Groups
- Volunteer Youth Ambassadors
- Iwi (guidance to be provided by TMF at upcoming meeting)

### Consultation documents:

- Dog Bylaw
- Wastewater Bylaw
- Land Transport Bylaw
- Public Safety Bylaw (including fires bylaw proposed to be revoked)
- Legal Highs Policy
- Gambling Policy
- TAB Policy
- Fees and Charges 2019/20
- Earthquake Prone Buildings - Identifying priority thoroughfares and strategic routes
- General Policies Reserve Management Plan (2 month consultation, 20 Feb - 22 April)