

# Komiti o te Ōtita me te Mōrearea | Audit & Risk Committee



## Kaupapataka Wātea | Open Agenda



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

**Date:** Tuesday 9 June 2020  
**Time:** 1pm  
**Venue:** Te Aroha Council Chambers,  
35 Kenrick Street, Te Aroha  
TE AROHA

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### Ngā Mema | Membership

<b>Chairperson</b>	John Luxton
<b>External Member</b>	Joanne Aoake
<b>Elected Members</b>	Mayor Ash Tanner
	Cr Donna Arnold
	Cr Bruce Dewhurst
	Cr Kevin Tappin
	Cr James Thomas
	Cr Adrienne Wilcock

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**1 Whakatūwheratanga o te hui | Meeting Opening**

**2 Present**

**3 Ngā whakapāha | Apologies**

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

**4 Pānui tāpiritanga take | Notification of Urgent Business**

Section 46A(7) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

“An item that is not on the agenda for a meeting may be dealt with at that meeting if-

- (a) The local authority by resolution so decides; and
- (b) The presiding member explains at the meeting, at a time when it is open to the public,-
  - (i) The reason why the item is not on the agenda; and
  - (ii) The reason why the discussion of the item cannot be delayed until a subsequent meeting.”

Section 46A(7A) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

“Where an item is not on the agenda for a meeting,-

- (a) That item may be discussed at that meeting if-
  - (i) That item is a minor matter relating to the general business of the local authority; and
  - (ii) the presiding member explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at the meeting; but
  - (iii) no resolution, decision or recommendation may be made in respect of that item except to refer that item to a subsequent meeting of the local authority for further discussion.”

**5 Whakaaetanga mēneti | Confirmation of minutes**

Minutes, as circulated, of the Ordinary Meeting of Audit & Risk Committee , held on 10 March 2020

## Treasury Policies Review

RM No.: 2293780

### Rāpopotonga Matua | 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. Council's Treasury Advisors, PWC, have recommended amendments to existing policies in line with changes occurring in the market and sector. These draft policies are now presented to the Audit and Risk Committee for their review.

### Tūtohunga | Recommendation

That:

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

### Horopaki | 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 or Committee of Council on a 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 30 April 2020 our external debt is \$26.5 million, and depending on the outcome of the 4<sup>th</sup> rates instalment for 2020, we may raise a further \$3-5 million before the end of the financial year, bringing our total to \$29.5-\$31.5 million. The budget set out in the 2019/20 Annual Plan was \$42.6 million. 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 well 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.

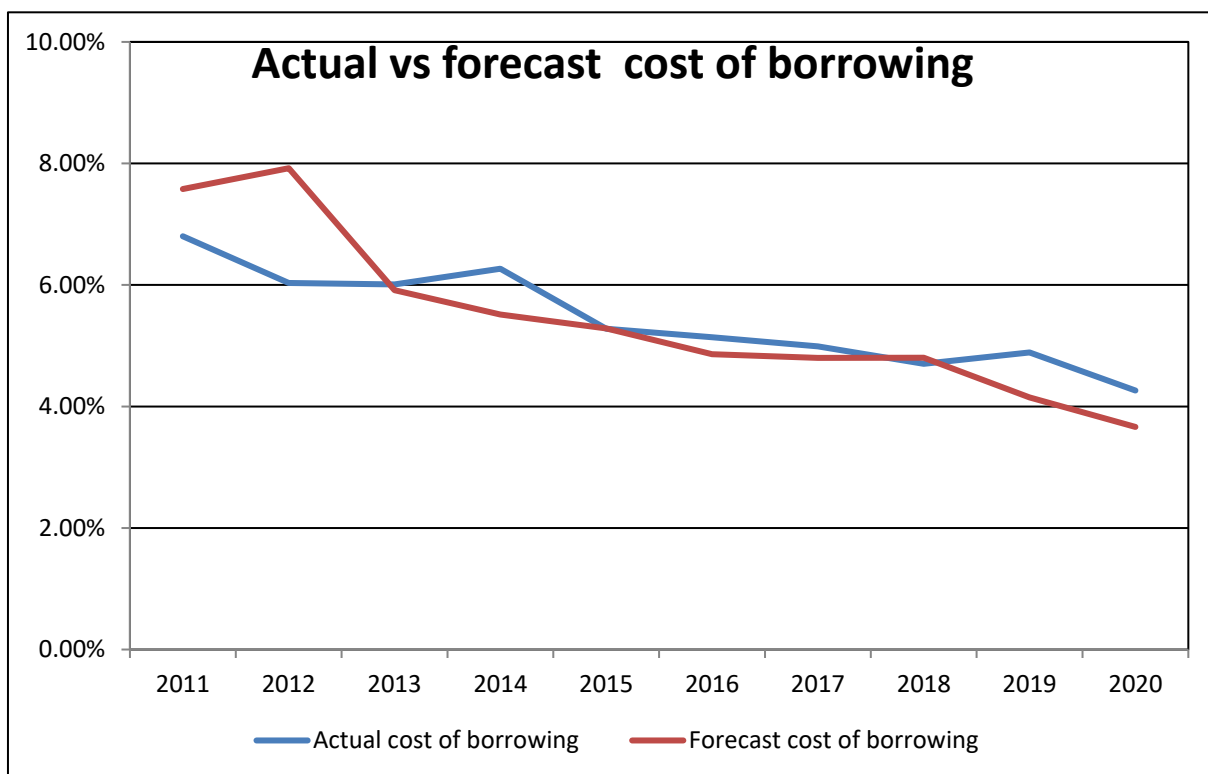


We have been very pleased with the continued low margins achieved through Council’s participation in the Local Government Funding Agency. Council’s exposure to potentially adverse interest rate movements has been minimised through the use of interest rate swaps. Further assessment of the effectiveness 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 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 (smoothing), 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.



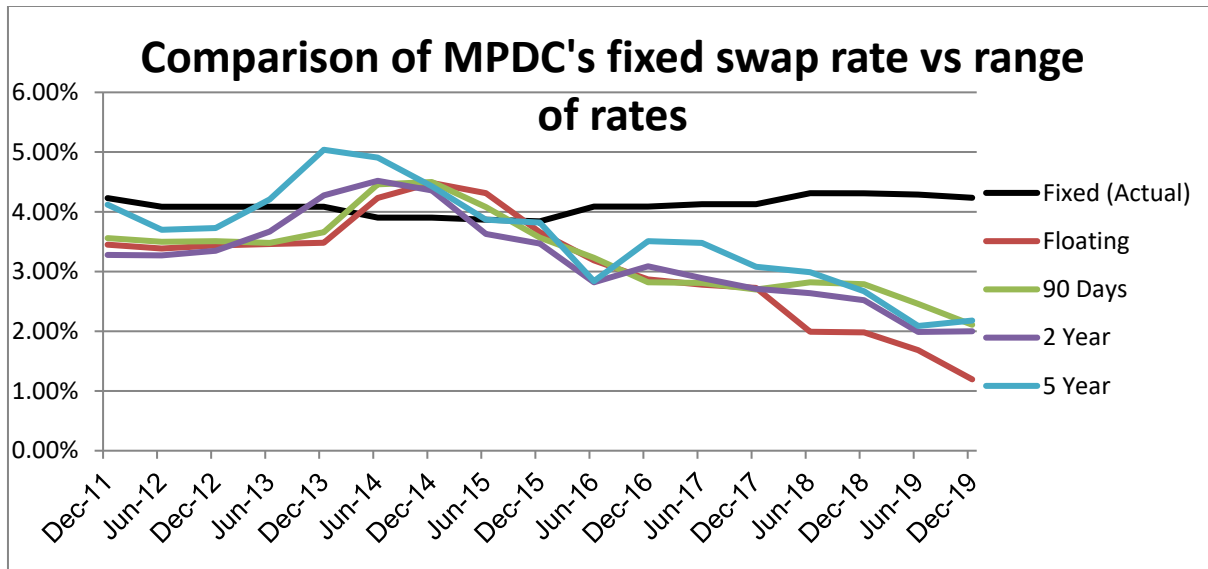
Since 2011 when Council first took up swaps, and particularly after 2014 when the bulk of the swaps became effective, Council’s ability to forecast the cost of borrowing has improved as we have more certainty over our interest rates. An identified and on-going area for improvement is in the forecasting 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> This exercise is comparable to reviewing in hindsight what costs or savings you may have made if you had fixed your home mortgage at a different fixed or floating

<sup>1</sup> In this exercise we have used the Councils 6 monthly weighted average fixed swap rate vs 6 monthly wholesale rates (sourced from Reserve Bank NZ) + average LGFA margin of 0.81863%.

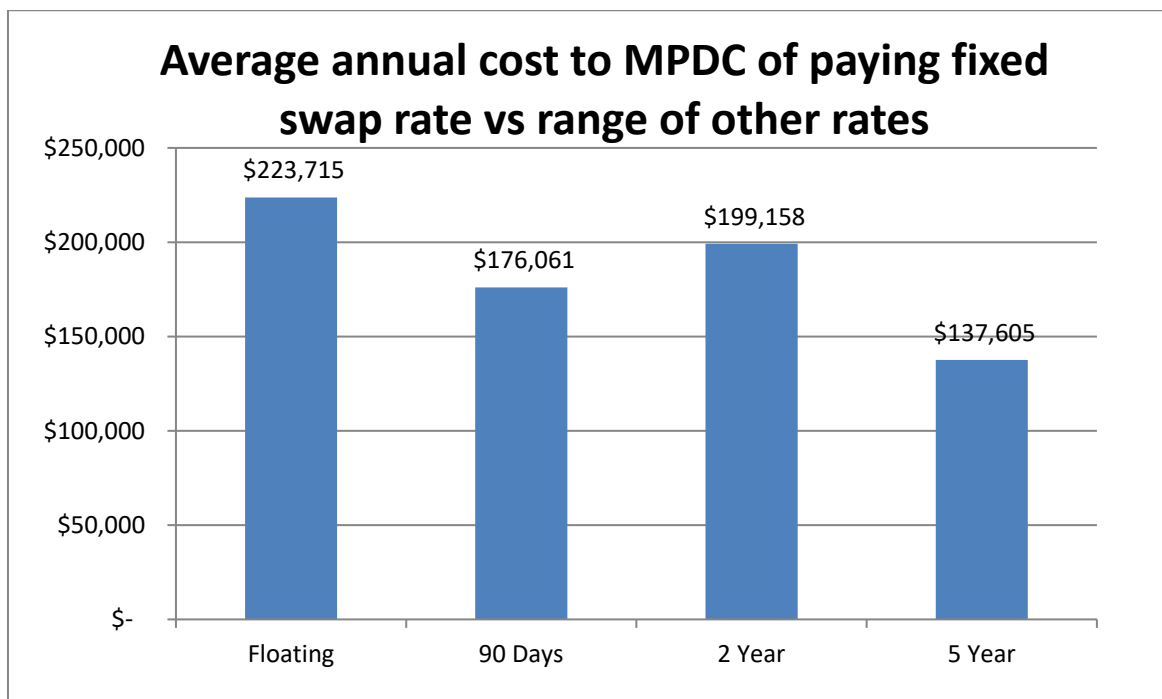
rate of interest, keeping in mind that usually your objective for fixing is to secure rates that you predict will increase in the future, and/or to give you a level of certainty with which you can plan ahead.

Item 6.1



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 dramatically.

Attachment A



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 7.85% and 11.35% on average to our overall interest costs per annum. Since Council started using swaps in 2011, the cumulative cost to Council is between \$1.1 million and \$1.59 million. Conversely, had interest rates increased over recent years, Council would have achieved interest savings against these other rates.

Overall, we are satisfied that the interest rates swaps have been effective in the key objective of minimising our exposure to movements in interest rates. With hindsight, and in an environment with record low interest rates, this has come at an increasing cost. We will continue to work with our Treasury Advisors to identify opportunities where we can obtain some beneficial savings across our portfolio.

### Liability Management Policy – Proposed amendments

Following a review, PWC have recommended some changes to the policy to better align with the changes by the Local Government Funding Agency (LGFA) as well as the changes to the local government credit rating methodology by Standard & Poor's (S&P). Despite Council not having a formal credit rating, these impacts are flowing through the sector particularly in the area of liquidity management.

PWC have also recommended a revised interest rate risk management framework which will provide greater flexibility in the medium term management of interest rates whilst continuing to meet prudent risk management requirements.

The key changes include:

1. Borrowing mechanisms of Council Controlled Organisations and Council Controlled Trading Organisations

PWC recommend a new policy section reflecting recent changes made that allow the LGFA to lend directly to CCO/CCTOs. This would provide a framework to apply if/when considering financial support in the form of debt funding directly or indirectly to CCO/CCTOs. The framework considers various factors briefly outlined below:

- Credit risk profile of the borrowing entity and the ability to timely meet repayments.
- Impact on Council's credit profile, borrowing cap amount (if any), borrowing covenants with the LGFA and bank lenders as well as Council's future borrowing capacity.
- The form and quality of security arrangements provided.
- The lending rate and terms.
- Lending arrangements must be documented in an approved term sheet.

2. Funding risk control limits

PWC recommend an adjustment to the maturity bands within the framework to allow for a 3 - 7 year and 7 year + time frame. With the development of the longer term debt funding market (through the LGFA), PWC have observed constraints around the current policy bands. Having a wider time-band creates flexibility but continues to enforce a spreading and smoothing approach to debt management.

It is recommend the Council extends the period within which we can pre-fund both new and refinanced debt from 12 months to 18 months. This change supports the increased focus on contracted liquidity management and enables existing debt amounts to be refinanced before becoming classified as current (remaining term being less than 12-months).

3. 'Corridor Policy' approach to replace the current interest rate risk management section of the policy

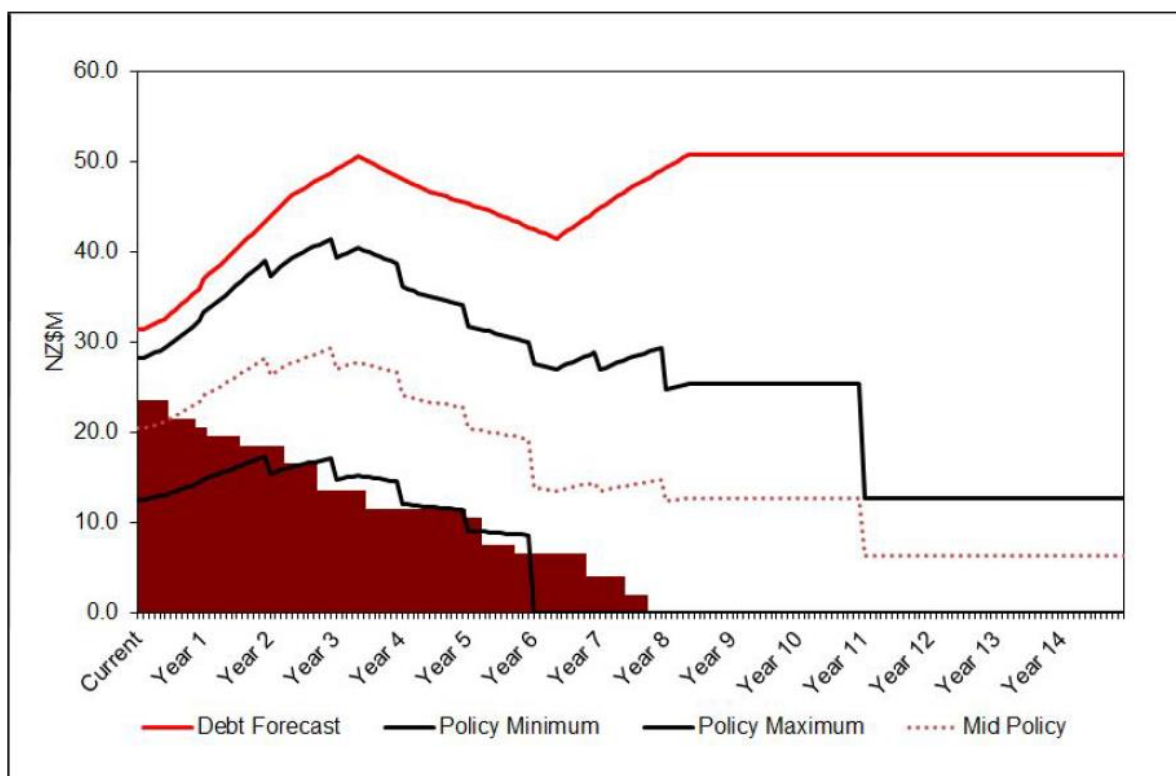
A consistent theme across the local government sector, and certainly true for our Council, is that forecast debt levels have generally overstated actual debt levels as capital projects are delayed in their delivery. This leads to councils having a greater amount of interest rate

fixing which is not immediately required. The ‘Corridor Policy’ approach adapts to these uncertainties by having a declining stepped hedge profile beyond 12 months.

PWC recommend Council consider the corridor approach to interest rate management. The corridor style of policy proposes a minimum and maximum hedge percentage for each 12-month period based on the long term debt forecast. This differs from the maturity sub-limit approach (current policy), which bases the hedging decision on the 12 month debt forecast amount. Adopting this new Policy aligns the interest rate risk management framework with the LTP and projected longer term debt path.

The ‘Corridor Policy’ continues to achieve interest cost certainty and a spreading of interest rate repricing maturities whilst allowing for flexibility to manage the uncertainty that comes with long-term debt forecasting. The ‘Corridor Policy’ broadly aligns with the previous structure of minimum and maximum fixed rate hedging limits and weighted average maturity term.

An example of Council’s interest rate profile under the new risk framework is shown below:



The approved maximum swap tenor has been aligned with the new policy framework and LGFA debt terms. This provides consistency with the management of long-dated floating rate LGFA bond maturities.

#### 4. Liquidity management

Statements within the policy have been clarified to refer to Liquid investments and Treasury investments. Liquid investments pertain to those approved investment instruments that are appropriate for the Liquidity Ratio measure only, whilst all other investments are Treasury investments. Treasury investments would typically refer to for example, the \$5.4 million fund (ex Power New Zealand fund), which would therefore not be included in our liquidity ratio calculation as we do not use these funds for day to day operations.

5. Approved financial instruments

The LGFA now offers stand-by facilities and forward starting committed debt placements. The policy description of allowable instruments is widened to encompass these new instruments but we raise these here to highlight these developments and Council's ability to access them.

6. Counterparty limits

The counterparty limits table within the Liability Management Policy has been consolidated to best manage and monitor Council's total exposure to a counterparty. The counterparty limit amount remains unchanged. For instance, no more than \$20 million of Liquid and Treasury Investments can be placed with any one bank counterparty.

## 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. On average we've held a monthly average of \$7.7 million on term deposit (including the \$5.4 million investment fund). Investment rates have been low, with the weighted average for this year to date sitting at 2.62%. The Financial Strategy in our 2018-28 LTP earmarked an expected rate of return over the next 10 years of 3.85% specifically on the \$5.4 million cash investment held. With the downturn in rates, this has not been achieved for the current or previous financial years.

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, PWC have recommended some minor changes to the policy, mostly to align with the changes recommended to the Liability Management Policy.

The key changes include:

1. Liquidity management

Statements within the policy have been clarified to refer to Liquid investments and Treasury investments. Liquid investments pertain to those approved investment instruments that are appropriate for the Liquidity Ratio measure only, whilst all other investments are Treasury investments. Treasury investments would typically refer to for example, the \$5.4 million fund (ex Power New Zealand fund), which would therefore not be included in our liquidity ratio calculation as we do not use these funds for day to day operations.

## 2. Counterparty Limits

For Treasury investments the risk category “Local Authority” has been removed given the reduced issuance of debt securities by named councils. The ability to invest in debt securities issued by the LGFA remains unchanged.

## Ngā Take | Issues / Kōrerorero | Discussion

### 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.

## Ngā Tāpiritanga | Attachments

- [A](#). Draft Liability Management Policy - recommended changes June 2020 (PDF copy)
- [B](#). Draft Investment Policy - recommended changes June 2020 (PDF copy)



**Ngā waitoho | Signatories**

Author(s)	Larnia Rushbrooke <b>Deputy Finance Manager</b>	
Approved by	Manaia Te Wiata <b>Group Manager Business Support</b>	
	Danny Anglesey <b>Finance &amp; Business Services Manager</b>	

## Liability Management Policy

### 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%
Liquidity: (Liquid investments + external debt + unutilised portion of available committed facilities) / external debt	>= 110%

### 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
  - setting risk control limits on 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 including:
  - cashflow management and forecasting,
  - maintenance of available committed bank facilities and liquid funds,
  - having risk control limits that enforce spreading of funding maturities
  - pre-funding of existing and forecast debt requirements
  - accessing long term debt where available and cost effective, to assist with spreading of term profile of funding risk

### 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. Credit exposure from derivative and other financial contracts relates

<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 non-government developer contributions and vested assets (including found assets and the revaluation of derivatives and 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.

to the default of the counterparty leading to non-payment of their contract obligations. To manage these risks, 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, LGFA stand-by facilities and wholesale/retail debt capital markets that is secured by the Debenture Trust Deed.

#### **Borrowing mechanisms for Council Controlled Organisations and Council Controlled Trading Organisations.**

To better achieve its strategic and commercial objectives, Council may provide financial support in the form of debt funding directly or indirectly to CCO/CCTO's.

Guarantees of financial indebtedness to CCTO's are prohibited, but financial support may be provided by subscribing for shares as called or uncalled capital.

All lending arrangements must be executed under legal documentation (e.g. loan, guarantee) reviewed by Council's independent legal counsel and approved by Council.

#### **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.

\_\_\_\_\_  
A Tanner  
Mayor

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

Version 3  
Council resolution date: 10 June 2020

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**

Exposure to interest rate risk is managed and mitigated through the risk control limits below. Council's forecast gross external debt should be within the following fixed/floating interest rate risk control limits.

Forecast gross external debt is the amount of total external debt for a given period. This allows for pre-hedging in advance of projected physical drawdown of new debt. When approved forecasts are changed (signed off by the Group Manager Finance and Business Services or equivalent), the amount of interest rate fixing in place may have to be adjusted to ensure compliance with the policy minimum and maximum limits.

Debt interest Rate Policy Parameters (calculated on a rolling monthly basis)

Debt Period	Debt Amount	Minimum	Maximum
Ending		Fixed	Fixed
Current		40%	90%
Year 1		40%	90%
Year 2		35%	85%
Year 3		30%	80%
Year 4		25%	75%
Year 5		20%	70%
Year 6		0%	65%
Year 7		0%	60%
Year 8		0%	50%
Year 9		0%	50%
Year 10		0%	50%
Year 11 plus		0%	25%

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 all known interest rate obligations on forecast gross external debt, including where hedging instruments have fixed movements in the applicable reset rate.

"Floating Rate" is defined as any interest rate obligation subject to movements in the applicable reset rate.

Pre-hedging in advance of projected physical drawdowns of new debt is allowed.



Fixed interest rate percentages are calculated based on the average amount of fixed interest rate obligations relative to the average forecast gross external debt amounts for the given period (as defined in the table above).

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 the maximum LGFA bond maturity 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 36 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 and/or with the LGFA.
- Maintaining financial investments in liquid instruments counterparties within credit risk limits.
- Liquid investments, and committed bank/loan facilities and external term debt are maintained at 110% over the existing external debt amount.
- Maintaining 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 18 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%	60%
3 to 7 years	25%	85%
7 years plus	0%	60%

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 any 12 month period. To minimise concentration risk, the LGFA require that no more than the greater of NZD 100 million or 33% of a council’s borrowings from the LGFA will mature in any 12 month period.

Liquid investments are defined as those investments 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

### **Borrowing Mechanisms for CCO and CCTO organisations**

Any lending arrangement (direct or indirect) to a CCO or CCTO must be approved by Council. In recommending an arrangement for approval the Group Manager Finance and Business Services considers the following:

- Credit risk profile of the borrowing entity, and the ability to repay interest and principal amount outstanding on due date
- Impact on Council's credit standing, debt cap amount (where applicable), lending covenants with the LGFA and other lenders and Council's future borrowing capacity.
- The form and quality of security arrangements provided
- The lending rate, given factors such as: CCO or CCTO credit profile, external Council borrowing rate, borrower note and liquidity buffer requirements, term etc
- Lending arrangements to CCO or CCTO must be documented on a commercial arm's length basis. A term sheet, including matters such as borrowing costs, interest payment dates, principal payment dates, security and expiry date is agreed between the parties
- Accounting and taxation impact of on-lending arrangements.

All lending arrangements must be executed under legal documentation (e.g. loan, guarantee) reviewed by Council's independent legal counsel and approved by Council.

### **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) .

In conjunction with the Investment Policy positions should be spread amongst a number of counterparties to avoid concentrations of credit exposure. The following matrix guide will determine limits:-

Counterparty	Minimum long term / short term credit rating	Maximum Investment per Counterparty (\$m)_	Risk management instrument maximum per counterparty (\$m)	Total maximum per counterparty (\$m) <sup>5</sup>
NZ Government	N/A	Unlimited	N/A	Unlimited
NZ Local Government Funding Agency (LGFA)	N/A	Unlimited	N/A	Unlimited
NZ Registered Bank	A-1/A	20.0	10.0	30.0
Corporate	A-1/A	2.0	N/A	2.0

Note these limits are a total across both the Investment Policy and Liability Management Policy and are not cumulative.

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

- 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

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



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%
Liquidity: (Liquid investments + external debt + unutilised portion of available committed facilities) / external debt	>= 110%

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

<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 non-government developer contributions and vested assets (including the revaluation of derivatives and 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

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 liquidity and terms on offer by 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 an annual 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.

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## Investment Policy

### Our vision is

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

### Council's commitment

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 investments 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.

**Reporting Requirements**

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
Liquid and treasury investments	Monthly	Liquid 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**

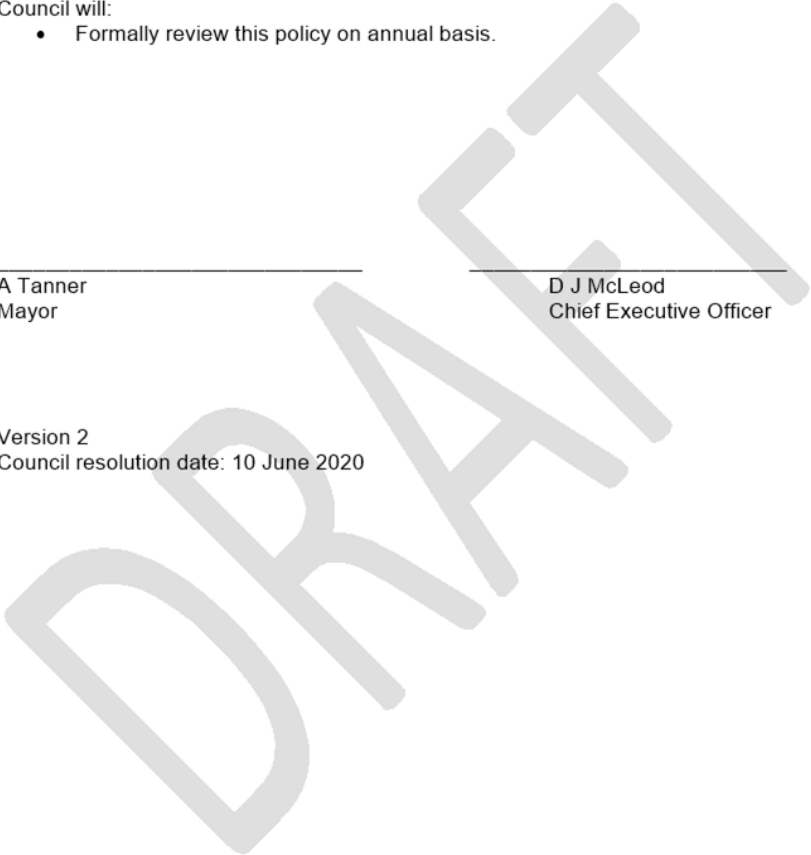
Council will:

- Formally review this policy on annual basis.

\_\_\_\_\_  
A Tanner  
Mayor

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

Version 2  
Council resolution date: 10 June 2020



## 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.

**Liquid 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 Treasury investments incorporate all investments which are not cash or liquid investments. Liquid investments 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.

**Approved investment instruments**

The approved investment instruments are as follows:

Category	Instrument
Liquid investments	Call deposits and term bank deposits no greater than 30 days Bank certificates of deposit (RCDs) less than 365 days
Treasury investments	Term bank deposits Bank certificates of deposit (RCDs) Treasury Bills Promissory notes/Commercial Paper (senior) less than 365 days Government Bonds LGFA borrower notes / Commercial Paper / Bills / Bonds 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. Credit exposure for investments relates to funds on deposit where the counterparty is not able to pay Council interest and principal amounts owing on the

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



due date. 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.

In conjunction with the limits in the Liability Management Policy, the following counterparties/issuers are approved for investment activity.

Counterparty/Issuer	Minimum short term / long term "Issue" Credit Rating	Approved Investments	Maximum % 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%
NZ Registered Bank	A-1/A	Call and term deposit, Bank Registered Certificate of Deposit (RCD), Bonds	100%
Corporate	A-1/A	Corporate Bonds, Commercial Paper,	Maximum of 20% of Total Portfolio

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

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## PWC - Treasury Advisor's Presentation

RM No.: 2248032

### Rāpopotonga Matua | Executive Summary

Treasury Advisor Representatives from PwC in attendance to present to the Audit and Risk Committee to cover general discussion on finance management and the amendments to Matamata-Piako District Council's Liability Management Policy.

### Tūtohunga | Recommendation

That:

1. The information be received.

### Signatories

Author(s)	Danny Anglesey <b>Finance &amp; Business Services Manager</b>	
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Approved by	Manaia Te Wiata <b>Group Manager Business Support</b>	
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## Local Procurement Review

RM No.: 2293298

### Rāpopotonga Matua | Executive Summary

Council has an established Procurement Policy and Manual. The release of the Governments Broader Outcomes, a review of local procurement and best practice has led to looking at options to better support local procurement. Procurement processes allow Council to not only ensure we are getting value for money, but also to take into consideration the impact of spending on local suppliers and communities. Procuring local goods or services enables to support the local economy.

This report outlines the changes made to the Procurement Manual to better support the local economy. These changes ensure Council is encouraging a competitive market. It does this in two ways. One, by ensuring we remove any barriers to engaging with Council, for example removing the need to complete a quoting template for low value procurements. Two, that when procuring we consider the broader outcomes of that procurement such as the percentage of the contract value being spent locally.

As with all factors taken into regard when procuring, broader outcomes such as local procurement, must be considered in a fair and transparent manner. Having a clear procedure around how to navigate these changes will ensure all procurements consider local procurement in a consistent and measured approach across Council.

### Tūtohunga | Recommendation

That:

1. The report be received.

### Horopaki | Background

Council has an established Procurement Policy and Manual, which outlines the way Council conducts its procurement activity. Broader outcomes relating to procurement have been a hot topic within both Local and Central Government. The new frame of thinking is that procurement “can and should be used to support wider, social, economic, cultural and environmental outcomes that go beyond the immediate purchase of goods and services.” Price will always be a relevant procurement consideration but broader outcomes also contributing to growth and prosperity in local communities.


Over the last six months, procurement data has been collected and monitored to develop a better understanding of local procurement. In addition, a review of best practice procurement for Local and Central Government was completed. This information was discussed with the Recovery Working Party to determine what changes could be made to Councils procurement processes to recognise the benefit local suppliers have on the local economy. The changes that have been made consider price, broader outcomes and what can be done to support the recovery of the local economy from a procurement perspective.

## Ngā Take | Issues / Kōrerorero | Discussion

The data below shows Councils spend via purchase order (PO) for the second quarter of 2019/2020. The data has been displayed by both value of transactions and geographical distribution of spend.

As shown in graph 1, \$2 million was spent with suppliers within the district in the second quarter, equating to almost 20% of spend. With a further \$4.86 million spend in the rest of the Waikato region.

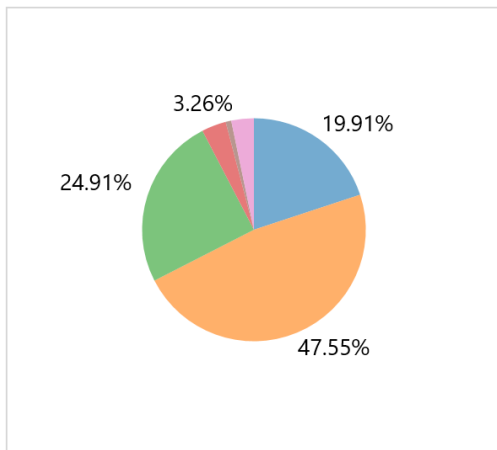
### Graph 1: Geographical spend

	Amount 	No of suppliers	Average per supplier	No of transactions	Average per transaction	No of POs
Rest of Waikato	\$4,860,959	114	\$42,640	686	\$7,086	607
Rest of North Island	\$2,546,603	219	\$11,628	937	\$2,718	685
Matamata-Piako	\$2,035,380	175	\$11,631	995	\$2,046	869
South Island	\$362,929	21	\$17,282	52	\$6,979	39
Unknown address	\$333,055	30	\$11,102	261	\$1,276	176
Outside New Zealand	\$82,900	8	\$10,362	106	\$782	5
<b>Grand Total</b>	<b>\$10,221,826</b>	<b>567</b>	<b>\$18,028</b>	<b>3,037</b>	<b>\$3,366</b>	<b>2,381</b>

*Please note: differences in the values from graph 1 to graph 3 below is because graph 1 includes contract payments and PO's. Graph 3 is just PO's.*

### Graph 2: Geographical spend - percentage



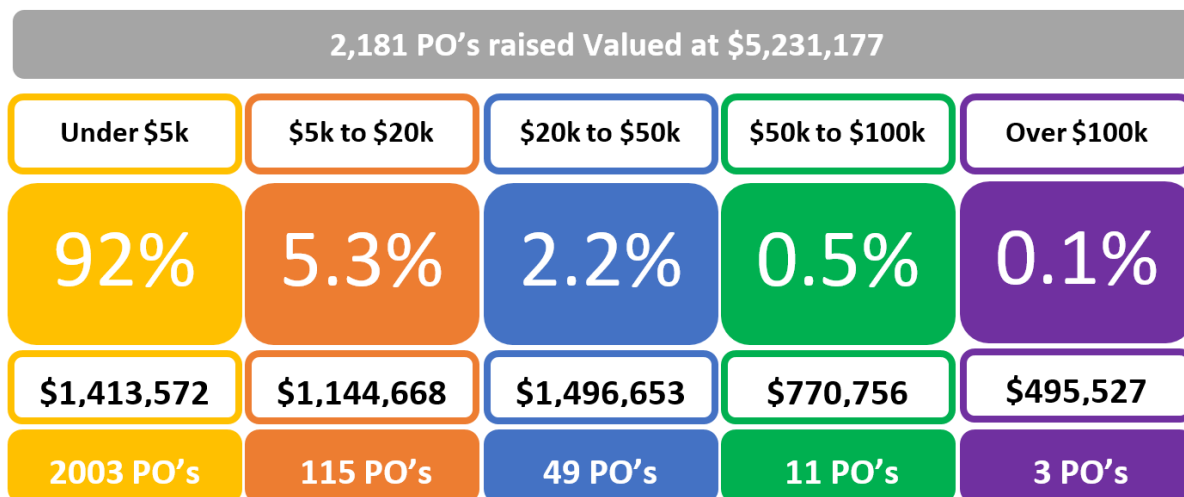


- Matamata-Piako
- Rest of Waikato
- Rest of North Island
- South Island
- Outside New Zealand
- Unknown address

As you can see the average value of the transactions, undertaken with local suppliers within our district is under \$5k. At this value a second quote is not required, enabling a local supplier to be directly appointed (the Procurement Manual encourages staff not to always go back to the same supplier to ensure they are price checking the market).

Last quarter 97.3% of purchase orders (POs) were under \$20K, with 92% of those being under \$5k. Please note this data only includes purchase orders not progress payments.

**Graph 3: Transactions by value (only POs)**



Council has an established Procurement Policy and Manual, which is subject to review and change. This requires approval by Council. The release of the Governments Broader Outcomes, a review of local procurement and best practice has led to looking at options that will better

support local procurement. The following changes to the Procurement Manual were approved by Council on May 13:

- Ensure local contractors have the opportunity. If there is a local supplier, they must be given an opportunity to quote. This is in line with current practise of considering local whenever possible.
- The requirement to use the Request for Quotation (RFQ) template in the \$5k-\$20k range was removed. This will simplify the procurement process therefore making it easier for local contractors/suppliers to quote. Purchases under \$20k would be able to provide quotes in their own (written) format.
- A local economic impact assessment was intriduced to the non-price evaluation of tenders (10% weighting). This will allow tenderers who are using local resources to be recognised for the benefit they have on the local economy.

The local economic impact assessment considers what percentage of contract value is being spent within the district. For example a contractor who is outside of the district may score well within this section, if they are utilising local sub-contractors and materials. This is because we are recognising the benefit of the use of local sub-contractors and suppliers and the percentage of the contract value that is going back into the local economy. However, a local contractor who is also using local sub-contractors and materials would score better as a higher percentage of the contract value would be spent within the district.

This is not simply a weighting that gives local contractors an extra 10%. Instead, it encourages all contractors bidding for our work to use local resources.

- A step was added to our internal procurement planning process to assess contract size to determine if splitting or bundling the contract in a different way would allow greater opportunity for local contractors/suppliers.
- Engage with NZTA to determine if the introduction of a local impact assessment to the non-price evaluation of tenders (10% weighting) is possible for NZTA subsidised contracts.

Local government is subject to strict probity practises to ensure Council is gaining the best public value for each dollar spent. The above fit within the requirements placed upon Council whilst increasing access for local contractors/suppliers.

## Mōrearea | Risk

When encouraging local procurement it is important to consider and mitigate any associated risks, including:

- Non-compliance: Council must ensure all procurement practises are fair and transparent, every dollar must be spent with best public value in mind.
- Financial: Council must ensure practises encourage a competitive market.
- Councils image: Procurement practises need to be applied consistently across Council to ensure that suppliers understand our practises

### Ngā Whiringa | Options

No options for consideration.

### Ngā take ā-ture, ā-Kaupapahere hoki | Legal and policy considerations

The Procurement Policy will need to be reviewed to determine if an update is required.

### Ngā Pāpāhonga me ngā Wātaka | Communications and timeframes

The Communications team will develop the messaging on how the changes can be promoted to local businesses – such as local news articles and website content.

### Ngā take ā-lhinga | Consent issues

Not applicable

### Te Tākoha ki ngā Hua mō te Hapori me te here ki te whakakitenga o te Kaunihera | Contribution to Community Outcomes and consistency with Council Vision

**Theme:** Economic opportunities

**Community Outcome:** Through procurement, Council has an opportunity to support and stimulate the local economy. Increasing local procurement leads to greater positive impact on the local economy and particularly the sustainability of community organisations, small and medium sized businesses.

### Pānga ki te pūtea, me te puna pūtea | Financial Cost and Funding Source

Not applicable

### Ngā Tāpiritanga | Attachments

There are no attachments for this report.

### Ngā wwaitohu | Signatories

Author(s)	Amy Pollock <b>Procurement Officer</b>	
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Approved by	Fiona Vessey <b>Group Manager Service Delivery</b>	
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# Quarterly Procurement Report

RM No.: 2293305

## Rāpopotonga Matua | Executive Summary

This report summarises procurement performance over the third quarter, whilst also comparing performance from this quarter to past quarters to track progress. Potential opportunities are highlighted and performance of recent initiatives is reported. Most of the information within this report has been created from the recently purchased Arc Blue Procurement Dashboards. This has enabled greater visibility of spend and allowed for greater analysis.

## Tūtohunga | Recommendation

That:

1. **The report be received.**

## Horopaki | Background

Analysis of purchase order data enables greater awareness of spend via person, department, all of Council or supplier. Identifying persons with large spend profiles and spends with the same supplier across different departments. This identifies opportunities for collaboration as well as staff who may need more procurement support, to ensure procurement is undertaken effectively to gain the best value over whole of life.

Recommendations and findings from previous audits have been implemented into Councils Procurement Manual and procedures to ensure all areas for improvement are addressed and recommendations are applied.

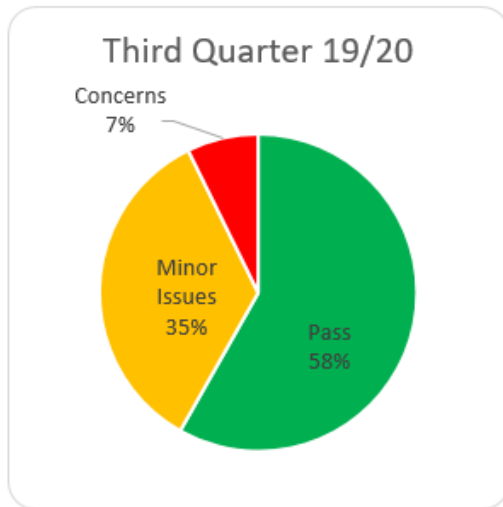
Audits and analysis of PO data will continue to be undertaken to ensure the embedding of processes into practises. Whilst working towards taking advantage of opportunities as they are identified

## Ngā Take | Issues / Kōrerorero | Discussion

### 1. Auditing Findings

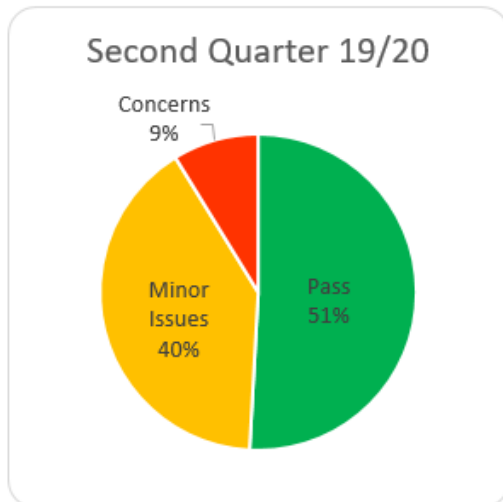
Audit findings are reported to managers to discuss with their staff. This ensures staff are made aware of any non-compliance whilst also reminding those approving requisitions, what to look for when reviewing a requisition for approval. As you can see in the graphs below, Concerns have decreased a further 2% compared to last quarter. With the overall pass rate increasing to 58%. Overall the findings suggest compliance is continuing to slowly improve with the same non-compliances are continuing to occur (e.g. not attaching quotes, not using RFQ templates, insufficient justification provided for specialised procurements) but at a reduced rate.

### *Graph 1: Auditing results categorised*



**PASS**  
Meets all audit requirements, with no areas of concern.

**MINOR ISSUES**  
Small errors in the procurement & opportunities for improvement, but they only have minor impact on the procurement and Council.



**CONCERNS**  
Many errors within a procurement or a significant error that raises concerns for compliance and increases risk to Council.

This quarter 7% (five) of audited PO's were classes as concerns. This does not mean fraud is occurring, it is a result of process not being followed. Currently all non-conforming procurements are passed onto the relevant manager.

### 1.1. Non-compliance Management

Non-compliance tends to occur in lower value purchases, typically between \$5,000 and \$20,000. Due to the consistent level of non-compliant auditing results, discussion around the current thresholds has been initiated. The following questions are being asked:

- Are the current thresholds appropriate?
- Is paperwork for all PO's over \$5k requiring too much?
- Should the requirement to complete the quoting paperwork be raised?

There will always be some non-compliance due to new staff learning and unforeseen circumstances. However, the aim is to have con-compliances sitting at under 10%.



## 2. Suppliers

### 2.1. Suppliers Identified for Potential contracts

All suppliers with spend more than \$100,000 with on an annual basis should be under a contract (excluding one off purchases). The table below outlines suppliers who we spent over \$100,000 to date in 18/19 that need to be reviewed.

Supplier	Value	Comments
Andrews Property services	\$214,739	Property are currently working on a tender to set up a panel for this type of work
Pump R&M	\$176,495	Under review with 3 Waters
Genera Ltd	\$100,939	Planned to be tendered

### 2.2. Top 10 Suppliers (PO)

The following table outlines the top 10 suppliers who had the most PO's raised this quarter. It also outlines the total spent with suppliers this quarter and the average value of PO's raised per supplier.

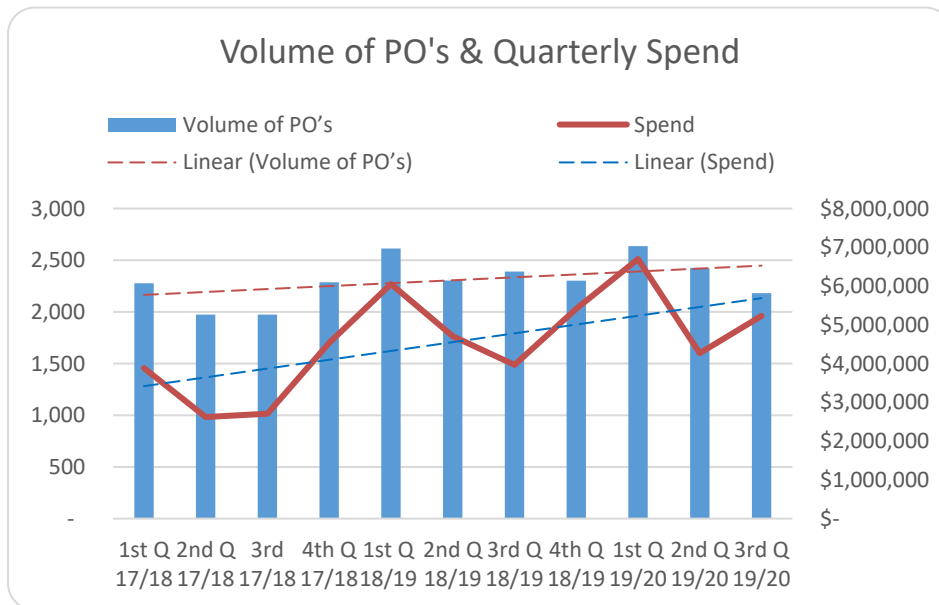
Supplier	No of transactions	Spend	Avg per transaction
OFFICEMAX NEW ZEALAND LTD	139	\$55,000	\$396
WESFARMERS INDUSTRIAL AND SAFETY (NZ) LTD	109	\$22,682	\$208
WAIHOU ENGINEERING & MECHANICAL SERVICES LTD	85	\$122,392	\$1,440
JAMES BENNETT PTY LTD	82	\$29,227	\$356
WASTE MANAGEMENT NZ LTD HAMILTON	46	\$7,732	\$168
KAISER AG LTD	43	\$21,962	\$511
CORPORATE TRAVELLER HAMILTON	41	\$9,476	\$231
PUMP R & M LTD	40	\$49,844	\$1,246
SELECT ALARMS LTD	37	\$52,609	\$1,422
GENERA LTD	35	\$62,284	\$1,780

### 3. Purchase Orders

#### 3.1. Volume of PO's

2,181 PO's were raised this quarter. The graph below compares the volume of PO's raised historically to this quarter. It appears that the volume of PO's is slightly increasing with cyclical highs in the 1<sup>st</sup> and 4<sup>th</sup> quarters.

**Graph 2: Volume of PO's & Quarterly Spend**



30% of these PO's were raised with 10 suppliers/contractors listed in 3.2 above.

#### 3.2. Number of PO's – Threshold breakdown

In the second first quarter 2,636 purchase orders were raised. See below for the thresholds breakdown. As below 91% of PO's raised fall under the \$5,000 threshold. With majority of the PO spend being low value it is vital to ensure procurement is undertaken correctly at every level.

2,181 PO's raised Valued at \$5,231,177				
Under \$5k	\$5k to \$20k	\$20k to \$50k	\$50k to \$100k	Over \$100k
92%	5.3%	2.2%	0.5%	0.1%
\$1,413,572	\$1,144,668	\$1,496,653	\$770,756	\$495,527
2003 PO's	115 PO's	49 PO's	11 PO's	3 PO's

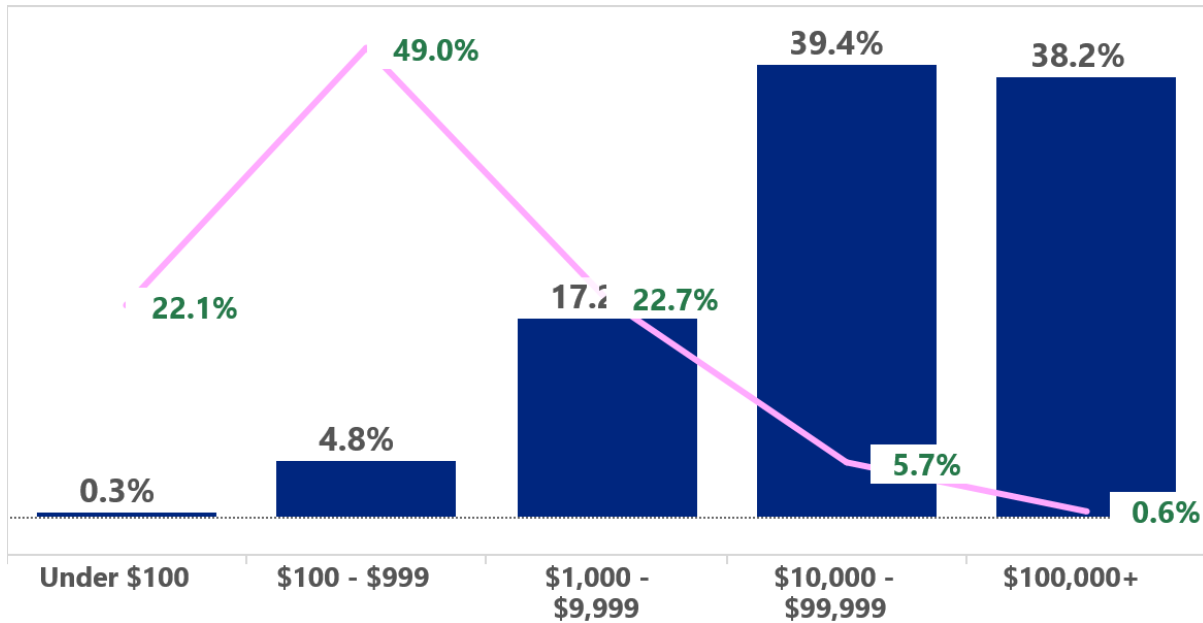
213 PO's were raised this quarter valued at under \$50. The table below contains the suppliers we have raised five or more PO's with under \$50 this quarter.

Supplier	Volume of PO's under \$50
Allied Investments Limited Hamilton	48
Kinsey Kydd Building Supplies Limited	11
Officemax New Zealand Ltd	11
Morrinsville Mitre 10	10
Mitre 10 Matamata	6
Waikato Wide Locksmith Services Limited	6
Waste Management NZ Limited Hamilton	6
J A Russell Limited Auckland	5
Te Aroha Overall Laundry Limited	5
Wesfarmers Industrial and Safety (NZ)	5

#### 4. Transactions

The graph below compares the volume of transactions (PO's and progress payments) compared to the total spend in each value range.

71.1% of all transactions are under \$1,000 but it only equates to 5.2% of the total spend.



	Source System	Under \$100	\$100 - \$999	\$1,000 - \$9,999	\$10,000 - \$99,999	\$100,000+
Amount	AP	\$31,505	\$528,833	\$1,886,885	\$4,327,535	\$4,195,303
No of transactions	AP	638	1,415	657	164	16
Average per transaction	AP	\$49.38	\$373.73	\$2,871.97	\$26,387.41	\$262,206.41

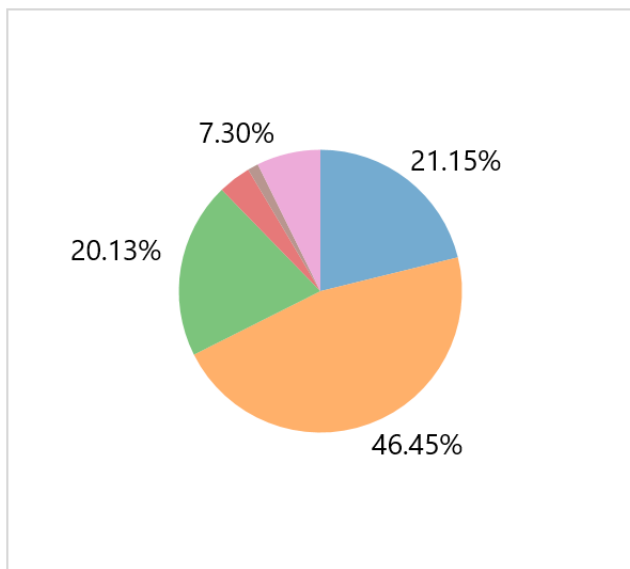
### 5. Contracts

All contracts should be entered into the contracts register regardless of value. The following provides an overview of the contracts register at the end of the first quarter (excluding the PSP).

- 96** • Active contracts in the register
- \$51.3M** • Total value of active contracts
- 11** • Maintenance and Operations contracts
- 28** • Capital and Renewal contracts
- 57** • SFA/Services contracts

## 6. Geographical Spend

With recent changes to the Government Procurement rules more emphasis has been placed on engaging with Maori, Pasifika, and regional businesses and social enterprises in order to actively contribute to our local economy. The graph below shows that 21.15% of all procurement is undertaken within Matamata-Piako District, with a further 46.45% in the rest of the Waikato. Therefore 67.6% of purchases are being undertaken in the Waikato region.



- Matamata-Piako
- Rest of Waikato
- Rest of North Island
- South Island
- Outside New Zealand
- Unknown address

## 7. Savings

Savings obtained through joining AoG, n3, WLASS contracts and establishing contracts in house are tracked below. Initiatives that have recently been entered are coloured the same as the financial year they were implemented.



Total Savings Report					
Organisation	Supplier	Estimated Savings per Year	Actual savings achieved		
			17/18	18/19	19/20
n3	J A Russell Ltd	25%	\$ 39,442	\$ 33,204	\$ 11,571
n3	Z Energy 2015	7%	\$ 14,191	\$ 10,272	\$ 14,052
n3	NZ Safety Blackwoods	37%	\$ 11,990	\$ 28,520	\$ 37,976
n3	Bridgestone New Zealand Ltd	22%	\$ 9,525	\$ 7,748	\$ 4,468
n3	Mico New Zealand Ltd	44%	\$ 6,320	\$ 7,116	\$ 4,754
n3	Argus Tracking Ltd	16%	\$ 2,664	\$ 6,860	\$ 5,333
n3	Bunnings Warehouse	17%	\$ 2,070	\$ 3,080	\$ 2,467
n3	Placemakers	21%	\$ 1,669	\$ 4,328	\$ 1,745
n3	Resene	24%	\$ 1,080	\$ 1,073	\$ 206
n3	BOC Ltd	31%	\$ 475	\$ 250	\$ 258
WLASS	Waikato Aerial Photography Syndicate (WRAPS)				
WLASS	Contractor H&S Pre-qualification				
WLASS	Infometrics online				
WLASS	Postal and Courier Services				
WLASS	Insurance Brokerage				
WLASS	Historic Aerial Photos Archive				
AoG	Banking Services	35%	\$ 3,973	\$ 4,651	\$ 3,005
AoG	Motor Vehicles	10%	\$ 51,224	\$ 39,187	\$ 1,098
AoG	Mobile Voice and Data Services	13.9%	\$ 13,500		
AoG	Office Supplies	22%	\$ 23,779	\$ 28,305	\$ 12,606
AoG	IT Hardware	\$ 10,000	Joined in 4th Q	Reporting problem	Reporting problem
AoG	Retail Fuel	\$ 18,180	\$ 3,429	\$ 24,595	\$ 17,460
AoG	Electricity				\$ 8,251
AoG	Cleaning Services	\$ 39,260			\$ 11,161
AoG	Recruitment				
WLASS	Professional Services Panel (PSP)				not reported yet
<b>TOTAL SAVINGS</b>			<b>\$ 185,331</b>	<b>\$ 199,189</b>	<b>\$ 136,412</b>

## Mōrearea | Risk

When undertaking procurement risks need to be identified, mitigated and managed. These risks include:

- Financial: ensuring Council is getting value for money
- Operational: purchasing the right outcome in the required timeframe
- Non-compliance: ensuring process non-compliance is reduced, monitored and managed
- Reputational: managing conflicts of interest and ensuring transparency and fairness

## Ngā Whiringa | Options

There are no options to be considered in this report.

## Ngā take ā-ture, ā-Kaupapahere hoki | Legal and policy considerations

The Office of the Auditor General provide the framework for good procurement practise by public entities.

Good practice principles, government policies, and rules.  
Basic principles that govern all public spending.

- Accountability
- Openness
- Value for money
- Lawfulness
- Fairness
- Integrity

### **Pānga ki te pūtea, me te puna pūtea | Financial Cost and Funding Source**

The financial cost involved with procurement is the staff time required. In some instances consultants are engaged for specialist procurement assistance. Procurement activities are funded within existing budgets.

### **Ngā Tāpiritanga | Attachments**

There are no attachments for this report.

### **Ngā waitohu | Signatories**

Author(s)	Amy Pollock <b>Procurement Officer</b>	
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Approved by	Fiona Vessey <b>Group Manager Service Delivery</b>	
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## Annual Report 2019/20 - Q3 Financial and non-financial performance and Audit NZ interim management report

Trim No.: 2295438

### Rāpopotonga Matua | Executive Summary

The Local Government Act 2002 requires Council to prepare and adopt an annual report for each financial year. 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 (Audit NZ).

During each financial year Audit NZ carries out an interim audit (completed in May/June 2019) prior to the final audit conducted in August/September. The purpose of this report is to advise the Audit and Risk Committee members of the findings of the interim audit and present the Draft Interim Management Report.

At the time of writing this report Audit NZ have not provided Council with the Draft Interim Management Report.

Staff have also taken the opportunity to present a summary of Q3 performance – given the effect of the COVID 19 pandemic on New Zealand and our local community.

### Tūtohunga | Recommendation

That:

1. **The report is received.**
2. **The Audit and Risk Committee considers providing feedback to Council**

### Content

#### Horopaki | 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 (Audit NZ).

#### Interim Audit

During each financial year Audit NZ carries out an interim audit (completed in April/May 2020) prior to the final audit conducted in August/September. The purpose of this report is to advise the Audit and Risk Committee members of the findings of the interim audit and present the Draft Interim Management Report. At the time of writing this report Audit NZ have not provided Council with the Draft Interim Management Report, this is due to the interim audit being scheduled later than usual this year. Staff will endeavour to circulate the report prior to the meeting - however if it is not available in time this item will need to be deferred.

### Q3 performance measures

Attached to this report is a summary of the performance measure monitoring to 31 March 2020. Collation of this report took place through the Level 3 and 4 lockdown period. Some data does not fully reflect the effect of the lockdown – for example pool numbers. In other areas we have had some logistical challenges collating information. Staff are currently checking performance measure data for April, and anticipate being well placed to complete this work at the end of the financial year.

### Q3 financial review

Again in light of the COVID effect on New Zealand, forecasting at Q3 was requested by the executive. These are attached to this report. Staff will be able to discuss this further with committee members at the meeting.

One matter of note is a change to the NZTA funding approach under COVID - NZTA have confirmed both maintenance and renewals and capital work not completed this year can be carried forward, but we will need to give them an update of what the financials are likely to look like at the end of the year and what we want to be carried forward so they can manage the cash flow at their end. In light of this staff are going to try and get as much work as possible within the budget this financial year. Staff are cautious of next year as it is going to be difficult to manage budgets and work load without the pressure of additional work.

### Q3 debtors/defaults

Rates Staff have added the Penalty on the 4th Instalment on 2 June. Compared to 2018/19 penalties are slightly lower and within the range Council would usually expect for late rate payments.

2019/2020		2018/2019	
Instalment 1	\$ 48,306.55	Instalment 1	\$49,273.18
Instalment 2	\$ 50,330.74	Instalment 2	\$47,337.77
Instalment 3	\$ 44,447.53	Instalment 3	\$42,094.97
Instalment 4	\$41,563.64	Instalment 4	\$43,314.42

In Sundry Debtors the balance at 31 May 2020 has debts greater than 90 days at 7.3% of the total balance owing, again not an unduly high amount. Finance staff will continue to monitor these areas of the business.

### Q3 legislative compliance review

As the third part to the review of the effect of COVID on the organisation, managers were asked to complete the legislative compliance review early – this will be circulated separately to this report and discussed by staff with the committee.

## **Analysis**

### Options considered

The Committee has the opportunity to make recommendations to Council regarding the content of the Draft Interim Management Report, and other matters raised in this report.

### Legal and statutory requirements

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

### 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.

### Ngā Tāpiritanga | Attachments

- [A↓](#). Q3 Performance measures
- [B↓](#). Q3 Financial Projections
- [C↓](#). Q3 Capital and Renewal Forecasts

### Ngā waitohu | Signatories

Author(s)	Michelle Staines-Hawthorne <b>Corporate Strategy Manager</b>	
Approved by	Manaia Te Wiata <b>Group Manager Business Support</b>	
	Don McLeod <b>Chief Executive Officer</b>	

# PERFORMANCE MEASURES

Below is a summary of Council's progress for July 2019 - March 2020.

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>During the period 1 July to 31 March we received 13 complaints about damage, vandalism and graffiti regarding Council carparks and street furniture. All of these were responded to within the assigned timeframe, including one urgent complaint. The majority of complaints were regarding graffiti across the district.</i>	90% or more	100%
<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	88%
<b>Housing and Property Management</b>		
Percentage of elderly persons housing tenants who are satisfied with the standard of maintenance and accommodation. <i>The elderly persons survey has been carried out but not collated, results will be available for the end of year report.</i>	80% or more satisfied	Information not available
Rent charged for elderly persons housing will be below the market median for the district. <i>The market median rent for a one bedroom flat was \$200 in the lower quartile as at 31 December 2019. Tenancy Services has stopped calculating median median rent for one bedroom flats due to low supply, our one bedroom flats are \$180 per week. The market median rent for a two bedroom flat was \$265, our two bedroom flats are \$240 per week.</i>	Rents are below the market median	Rents are below the market median
At least 95% of elderly persons housing will be occupied.	95% or more	93% occupied
<b>Libraries</b>		
The number of people visiting our libraries. <i>Matamata - 34,171, Morrinsville - 42,353, Te Aroha - 24,580</i>	Visitor and online user numbers will be within 5% of the five year average. (149,612 is the third quarter target)	155,662
The number of people accessing library information online. <i>Online users - 54,558</i> <i>Note due to the closure of the libraries during the COVID-19 lockdown this target may not be achieved.</i>	12,569 members - 2018/19 benchmark (9,427 is the third quarter target)	7,725
The number of library members who have been active (used their library card) in the last 12 months. <i>Note due to the closure of the libraries during the COVID-19 lockdown this target may not be achieved.</i>	90% satisfied or more	84%
The percentage of users who are satisfied with library services. <i>Of the 125 people who had used a library in the last 12 months, 84% were satisfied or very satisfied, 9% were neither satisfied nor dissatisfied, 6% were dissatisfied or very dissatisfied and 1% were unsure. There were three comments received for dissatisfaction in the third quarter, these related to lack of book selection and cost of hireage, parking at the Morrinsville Library and difficulty of using the electronic system and unhelpful staff.</i>	80% or more of users satisfied	78%
<b>Parks and Tracks</b>		
Percentage of users satisfied with sports fields. <i>Of the 187 people who had used a sports field, 78% were satisfied or very satisfied, 14% were neither satisfied nor dissatisfied, 8% were dissatisfied or very dissatisfied. There were five comments received for dissatisfaction in the third quarter, these related to wanting a new stadium in Matamata, problems with vandalism e.g. broken glass, wanting to do more with Morrinsville Recreation Ground and wanting more options for growth.</i>	80% or more of users satisfied	78%
Percentage of users satisfied with parks and reserves. <i>Of the 186 people who had used a park or reserve, 78% were satisfied or very satisfied, 17% were neither satisfied nor dissatisfied, 5% were dissatisfied or very dissatisfied and 1% were unsure. There were three comments received for dissatisfaction services in the third quarter, these related to weed control or being overgrown and the water area at Howie Park being dirty.</i>	80% or more of users satisfied	78%
Playground safety will be assessed on a regular basis. <i>All scheduled inspections up until 20 March 2020 were undertaken. No inspections were able to be undertaken during the COVID-19 lockdown, all playgrounds have been closed which has been communicated publicly via a number of methods and playgrounds have 'closed' signs on them where possible so any safety risks should be mitigated. We will need to conduct inspections to ensure safety before playgrounds are re-opened following the COVID-19 lockdown.</i>	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 NZ standard.	On track until COVID-19 lockdown
<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.	Achieved	Achieved
The number of customers using our pool facilities will be maintained. <i>Due to the COVID-19 lockdown we are unable to obtain this information until staff are allowed back on site at pool and spa facilities as records are held on site. At the six month mark we were on track to achieve this target (63% of target achieved) and this was heading into Summer, however due to being closed during the lockdown and we are not sure when they will be able to open again this target may not be achieved.</i>	Visitor numbers will be within 5% of the five year average. (40,551.6 is the first quarter average based on the five year average divided into four)	Information not available



2 Hūrae - Poutū-te-rangi | July - March

PERFORMANCE MEASURE	TARGET	TRACKING
<p>Percentage of users satisfied or very satisfied with pool facilities.</p> <p><i>Of the 91 people who had used an aquatic facility, 75% were satisfied or very satisfied, 14% were neither satisfied nor dissatisfied, 7% were dissatisfied or very dissatisfied and 4% were unsure. There were four comments received for dissatisfaction in the third quarter, two of these related to the Morrinsville opening hours, one related to the lack of parking in Te Aroha and one was about the pool being too small.</i></p>	80% or more of customers satisfied	75%
<b>Public Toilets</b>		
<p>The number of complaints received regarding dissatisfaction with the cleanliness of public toilets.</p> <p><i>Four of these complaints were regarding the Herries Park toilet, one at Lawrence Ave Te Aroha, one at the Matamata Office, one at the Matamata Cemetery, one at Hetana Street and one at Waharoa</i></p>	20 or fewer complaints about cleanliness per year	Nine complaints
<b>Recreation Facilities and Heritage</b>		
<p>90% or more of damage, vandalism and graffiti complaints regarding recreation and heritage facilities will be responded to within the assigned timeframe.</p> <p><i>There were six complaints received and five of these were responded to within the assigned timeframe. The one complaint that was not completed in time was regarding broken glass etc at Headon Stadium in Matamata, this call was completed the following day.</i></p>	90% or more	83%
<b>Strategy and Engagement</b>		
<b>Civil Defence</b>		
<p>We will have sufficient trained staff within the Thames Valley Emergency Management Operating Area.</p> <p><i>The Thames Valley Emergency Management Operating Area was disbanded as of 1 July 2019. Due to the COVID-19 lockdown staff are unable to report on this until we can return to the office. The result was 40% as of 31 December 2019.</i></p>	45% or more	Information not available
<b>Communications and Events</b>		
<p>We will hold one function annually to recognise volunteers, ANZAC Day commemorations and two functions to contribute to economic development.</p> <p><i>The Annual Business Night Out was held in September 2019, the new Business Growth Service in partnership with Te Waka offering one-on-one business clinics with a Business Growth Advisor was launched, ANZAC Day Civic Ceremonies were cancelled nationally due to the COVID-19 pandemic. Council instead promoted the national Stand at Dawn initiative, shared a video speech and tribute from Mayor Ash, and created a video showing ANZAC Day tributes from around the district. Note we are currently unsure whether our event to recognise volunteers will be able to go ahead due to the COVID-19 lockdown.</i></p>	We will hold one function annually to recognise volunteers, ANZAC Day commemorations and two functions to contribute to economic development	On track
<p>We will develop one new digital service per year to allow customer to exchange money or information with Council.</p> <p><i>We are on track for launching Alpha One (the new system for lodging and processing building consents) by the end of this financial year. This project was a result of a Local Authority Shared Services initiative to try and get a more consistent customer experience for companies lodging building consents across the Waikato. We also implemented online Council meetings during the COVID-19 lockdown. Meetings were live streamed to YouTube, providing the community with improved access to Council information and decision making.</i></p>	One new transaction or service per year	On Track
<p>Percentage of residents who are satisfied with ease of access to Council information.</p> <p><i>60% were satisfied or very satisfied, 24% were neither satisfied nor dissatisfied, 8% were dissatisfied or very dissatisfied and 8% were unsure. Common responses included not being able to find information on the website or not having issues answered or dealt with.</i></p>	63% or more of residents satisfied	60%
<b>Community Leadership</b>		
<p>Percentage of the community satisfied with the leadership of the Councillors and Mayor.</p> <p><i>48% were either satisfied or very satisfied, 28% were neither satisfied nor dissatisfied, 5% either dissatisfied or very dissatisfied and 19% were unsure.</i></p>	55% or more satisfied	48%
<p>Percentage of Te Manawhenua Forum members satisfied with progress made towards achieving the identified work streams.</p> <p><i>The Annual Survey of Te Manawhenua Forum members will be undertaken in 2020.</i></p>	16.66% or more of members satisfied (2018/19 Benchmark)	Information not available
<p>Monthly reporting to Council showing our progress towards health and safety targets.</p> <p><i>7 reports have been taken to Council for the July-March period, due to the COVID-19 pandemic the February and March reports were reported to Council in April.</i></p>	11 Reports to Council per year	7 reports
<b>Strategies and Plans</b>		
<p>Percentage of the community satisfied that they have been provided with an opportunity to be involved in consultation processes.</p> <p><i>39% were satisfied or very satisfied, 53% were neither satisfied nor dissatisfied, 8% were dissatisfied or very dissatisfied and 20% were unsure. Common responses included feeling like it was a waste of time or not knowing about them. Note Council had planned to do much more community based consultation for the Annual Plan however the majority of these events had to be cancelled due to COVID-19. We're currently developing a Communications and Engagement Strategy to try and improve engagement with the community.</i></p>	52% (maintain 2015/16 benchmark)	39%
<p>State of the Environment monitoring reports will be updated on Council's website each year.</p> <p><i>Due to staff resources the State of the Environment Report was published on the 21 November 2019</i></p>	20 November each year	21 November

PERFORMANCE MEASURE	TARGET	TRACKING
<b>Infrastructure</b>		
<b>Roading</b>		
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. <i>Comparison with 2018/19 will be provided at the end of the financial year.</i>	A reduction in the number of fatal and serious crashes from the previous year	Information not available
The average quality of ride on a sealed local road network, measured by smooth travel exposure. <i>This was scheduled for early 2020 however has been delayed due to the COVID-19 lockdown, we are still working with our provider on an anticipated timeframe.</i>	97% or more	Information not available
The percentage of the sealed local road network that is resurfaced. <i>Note we will not achieve the 8.5% this year due to the COVID-19 lockdown, the remainder will be carried over into the 2020/21 years programme.</i>	8.5% or more	5.5%
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). <i>This is a biennial survey, which is scheduled for the 2020/21 financial year.</i>	95% or more within the acceptable level of service	Not measured
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. <i>We responded to two urgent requests within timeframe and 403 out of 422 non-urgent requests within timeframe. There are 10 outstanding requests being investigated which are not yet counted in this figure.</i>	90% of urgent requests responded to within one working day 90% of non-urgent requests responded to within five working days	100% 95.5%
<b>Rubbish and Recycling</b>		
Percentage of residents satisfied with kerbside, rubbish and recycling collection services and transfer stations. <i>76% were satisfied or very satisfied, 9% were neither satisfied nor dissatisfied, 5% were dissatisfied or very dissatisfied and 10% were unsure. Common responses included the high cost of transfer stations and not wanting to pay for rubbish bags.</i>	80% or more satisfied or very satisfied	76%
Number of complaints about kerbside refuse and recycling not collected on the usual collection day. <i>During the period 1 July to 31 March we received 41 complaints about missed property. Note there are three outstanding complaints being investigated not yet counted in this figure.</i>	20 or less complaints on average per month	4.6 per month
Total quantity of kerbside household waste sent to landfill. <i>This information will be reported on annually.</i>	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. <i>During the period July to March we diverted 36% of total waste from landfill. The reason for the low diversion rate is due to the recycling items 3-7 now slowly being phased out due to the very low commodity rate. The items will end up in landfill unless another viable market for these items are found. Note due to the large scale changes required to rubbish and recycling services due to the COVID-19 pandemic we are unlikely to meet a number of these targets due to requirements outside of our control.</i>	45% or more of the total waste diverted from landfill	36%
<b>Stormwater</b>		
The number of flooding events that occur in our district. For each flooding event, the number of habitable floors affected (expressed per 1,000 properties connected to our stormwater system).	0 flooding events 0 habitable floors affected	Zero
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
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
The number of complaints we received about the performance of our stormwater system (expressed per 1,000 properties connected to our stormwater system). <i>These were spread over the district, the majority of complaints related to leaves blocking the drains during heavy rain. Note there is one outstanding complaint being investigated which is not yet counted in this figure.</i>	4 complaints per 1,000 connections per year (32 in total)	30 complaints
<b>Wastewater</b>		
The number of dry weather sewage overflows from our wastewater system (expressed per 1,000 connections per year to our wastewater system). <i>These overflows occurred across the district.</i>	1 complaint per 1,000 connections per year (8 total)	Six
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). <i>We received one conviction under the Resource Management Act 1991 related to the break of a wastewater pipe near Sequoia Place in Morrinsville.</i>	Zero	One
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 Resolution time: from the time that we receive notification to the time that service personal confirm resolution of the blockage or other fault. <i>Information not currently available due to COVID-19 but will be made available as soon as possible.</i>	Median: 4 hours Median 24 hours	Information not available

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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 <i>Six complaints regarding the sewage odour.</i>		23 complaints
Wastewater system faults <i>Two complaints regarding wastewater system faults.</i>	17 complaints per 1,000 connections (128 total)	
Wastewater system blockages <i>15 complaints regarding wastewater blockages.</i>		
Council's response to issues with our wastewater system <i>Zero Complaints regarding Council's response to issues with our wastewater system.</i>		
<b>Water</b>		
The extent to which Council drinking water supply complies with:		
Part 4 of the drinking-water standards (bacteria compliance criteria). <i>The drinking water compliance report is completed annually and is expected to be completed in 2020.</i>	Compliant	Not measured
The percentage of real water loss from Council's networked reticulation system (using minimum night flow analysis). <i>This information will be reported on annually.</i>	25% or less	Not measured
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:		Information not available
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	
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	
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	
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. <i>Information not currently available due to COVID-19 but will be made available as soon as possible.</i>	Median: 5 working days or less	
The total number of complaints received by Council about any of the following (expressed per 1,000 connections per year):		
Drinking water clarity. <i>Six complaints regarding drinking water clarity.</i>	9 complaints per 1,000 connections across all categories (total of 72 complaints based on 8,000 connections)	20 complaints
Drinking water taste. <i>Two complaints regarding drinking water taste.</i>		
Drinking water odour. <i>Zero complaints regarding drinking water odour.</i>		
Drinking water pressure or flow. <i>Ten complaints regarding the drinking water pressure or flow.</i>		
Continuity of supply. <i>One complaint regarding the continuity of supply.</i>		
Council's response to any of these issues. <i>One complaint about Council's response to any of these issues.</i>		
The average consumption of drinking water per day per resident within the district. <i>This information will be reported on annually.</i>		

PERFORMANCE MEASURE	TARGET	TRACKING
<b>Consents and Licensing</b>		
<b>Animal Control</b>		
Complaints will be investigated within set timeframes. <i>We received 491 animal control complaints during the period 1 July to 31 March. Of these 471 (95.9%) were responded to within the assigned timeframes. This includes dogs and stock control complaints.</i>	95% within adopted timeframes	95.9%
Number of property visits per year	At least 600 property visits per year	471
Number of street patrols undertaken in each of the three main towns. <i>During the first nine months of the year our animal control officers carried out 883 Street Patrols across the district. Our average street patrol per town per month is: Matamata - 35 Morrinsville - 40 Te Aroha - 23</i>	At least an average of 10 per month per town	Achieved
<b>Building Consents and Monitoring</b>		
Building consents processing timeframes. <i>During the first nine months of the year we processed 585 building consents. 582 of these were processed within statutory timeframes.</i>	100% of building consents will be processed within statutory timeframes	99.3%
Complaints to be responded to within 10 working days. <i>We received 22 complaints about alleged illegal buildings and illegal swimming pools. 13/22 complaints were responded to within 10 days. Note this was due to staff shortages, any complaints that we considered to cause a danger to the public were responded to within the timeframe.</i>	100% of complaints to be responded to within 10 working days	59.1%
<b>Licensing and Enforcement</b>		
Food premise, hairdressers and camping grounds will be inspected or audited in accordance with legislation. <i>Under the Health Act 1986, all Health Licences are required to be registered by 31 May or 30 June. As a result, all premises are usually inspected March / April and May to meet this requirement. The COVID-19 lockdown has had a significant effect on our scheduled inspections for this activity. However as all these premises are currently closed, there have been no risks identified if our inspections are delayed. All applications under the Food Act 2014 have individual anniversary dates and compliance with the statutory requirements was achieved up until the COVID-19 lockdown. As the majority of the businesses we audit are closed we will commence audits once the lockdown has lifted and we can return to work.</i>	100% inspected or audited	Inspections delayed due to COVID-19
On, Off and Club alcohol licensed premises will be inspected annually to ensure they comply with alcohol licensing standards. <i>As of the end of February we had completed 65% of inspections. Due to COVID-19 we have not been able to undertake inspections and therefore we are behind in our compliance checking and are currently re-scheduling the inspections to see if we can achieve this prior to 30 June 2020.</i>	100% inspected annually	65% completed as at February, remainder delayed due to COVID-19
Percentage of after-hours (between 5pm and 8am, weekends and public holidays) noise complaints responded to within two hours. <i>We received 213 after hours noise complaints during the period 1 July to 31 March. 100% of these were responded to within two hours.</i>	100% responded to within two hours	100%
<b>Resource Consents and Monitoring</b>		
Percentage of resource consents processed within statutory timelines. <i>From 1 July to 31 March we received 194 resource consent applications. 99.5% (194/195) of these were processed within the specified timeframes.</i>	100%	99.5%
Percentage of land use consents monitored within four months of being granted. <i>From 1 July to 31 March 100% (119/119) landuse consents were monitored within four months of being granted.</i>	100%	100%



**Variances to the Annual Plan budget to 31 March 2019, and projected variances through to 30 June 2020**

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 9 month point. There may be seasonal factors and COVID 19 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 2020. The income statement at 31 March 2020 shows a shortfall of \$77,000. By 30 June 2020, we project that our shortfall will be approximately \$114,000 noting however that we have not projected for vested assets.

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

Variances	9 month result			Projection to 30 June 2020		
	Expenditure	Income	Net result	Expenditure	Income	Net result
<b>Budgeted per Annual Plan 2019-20</b>	<b>37,796,000</b>	<b>39,557,000</b>	<b>1,761,000</b>	<b>50,394,667</b>	<b>52,742,667</b>	<b>2,348,000</b>
Housing and property cost is higher than budgeted \$323,000 includes Hall costs of \$78,000. This includes payment for Skyline storage and building repair to Mangateparu and Tahuna Hall. Cleaning cost, insurance and unplanned tree removal resulted in higher coporate property cost. Matamata lease income is higher than planned as the sale of land has not happened and leased income received earlier. Income from pensioner housing is also higher.	322,854	76,000	-246,854	362,873	82,000	-280,873
Library cost is higher due to subscription and software licences paid for the year upfront. Library income is lower than budgeted due to less rental, fine and discarded book income than budgeted. We have assumed that most library services won't be available during COVID 19 lockdown	16,815	-15,000	-31,815	1,815	-43,000	-44,815
Parks and Tracks cost is higher.	301,629	-11,000	-312,629	236,629	-14,000	-250,629
Pools and Spa costs are higher due to increase in activity and increase in cost of chemical, insurance, power and maintenance costs. Te Aroha Mineral Spa income is higher by \$63,000 mainly due to increase in demand for romance package and higher admission. Matamata Swimzone, and Morrinsville pool income is higher. We assumed that Spa and pool will remain closed most period up to June due to COVID 19.	62,032	88,000	25,968	19,031	-67,000	-106,031
Public Amenity - Street furniture costs are lower than budgeted to date as level of service increases will either be spent later in the year or re-allocated to other activities. Cemeteries costs are higher due to a higher number of burials and contractor costs for digging graves. Public toilet operating costs are higher than budgeted due to higher level of service. Income from cemeteries is higher due to more burial and sale of plots. An unbudgeted grant of \$12,000 was received from the tourism infrastructure fund. Cost will remain lower during April to June due to Covid 19 and only essential services would be carried out.	38,676	6,000	-32,676	26,676	15,000	-11,676
Recreation and Culture & Heritage - Higher activity has resulted in increased maintenance and cleaning costs for a number of facilities including the Waharoa Aerodrome, the Silver Fern Farms Events Centre, Morrinsville Events Centre and Firth Tower. The higher activity is also reflected in the higher income from these facilities for the period to date. We assumed that Firth tower, i site, event centre, civic centre have minimum activity during most period up to June due to COVID 19.	141,388	21,000	-120,388	137,388	12,000	-125,388
Resource Consents and Monitoring - Resource consents expenditure is higher than budgeted due to the high level of development activity in the district. The high activity is also reflected in higher than budgeted income from this activity. Significant income has also been received from private plan changes 50, 51 and 52 during the period.	333,482	452,000	118,518	367,482	435,000	67,518
Building Consent - Due to the high level of activity in the district, building consent processing costs are higher than the level budgeted. This is offset by increased income for this activity.	60,000	126,000	66,000	51,000	95,000	44,000
Dog registration fees are received at the start of the year which is higher than budgeted negated by lower income on infringement	-22,000	73,000	95,000	-10,000	14,000	24,000
Licensing and enforcement -contractor (health licence) and district licence committee cost has not incurred during this period.	-30,000	-13,000	17,000	-8,000	-10,000	-2,000
Roading - Subsidised expenditure is slightly lower than budgeted. . Roothing subsidy is lower by \$296,000 up to date. We are forecasting higher subsidy as some of carried forward work from last year will be completed during this period. Other income is higher than budget	189,165	-255,000	-444,165	392,165	477,000	84,835
Grants received \$1,053,000 in respect of the Hauraki Rail Trail project		1,053,000	1,053,000		1,053,000	1,053,000
Rubbish and Recycling - The refuse collection contract price has increased due to inflation. Rubbish bag sales income and transfer stations is lower than budgeted	197,413	-293,000	-490,413	333,413	-430,000	-763,413
Storm water maintenance has not been required during this period to date. The budgeted contribution for Morrinsville's Avenue Road North storm water disposal project has not been received as this project has not progressed.	-18,612	-645,000	-626,388	8,388	-860,000	-868,388
Wastewater - Some of the budgeted maintenance has not been required to date is negated by an increase in spending on reticulation compared to budget.	244,087	18,000	-226,087	217,086	-10,000	-227,086
Water - Treatment plant costs are higher by \$781,000 due to an increase in chemical cost and lab analysis costs.power cost, the Compliance recovery programme, additional costs for Topehaehae reservoir profiling, water safety plan, Hazardous chemical assessment, water take consent, surface water study in Morrinsville and scada maintenance. Reticulation maintenance costs are also \$122,000 higher at this point. Metered water consumption from large industries is lower than budgeted. March income for metered water has not been accounted for in 9 month results as meter reading has not happened due to lockdown but will happen before the end of the year.	1,336,641	-209,000	-1,545,641	1,026,642	-190,000	-1,216,642
Strategy & Engagement - \$164,000 has been spent from special funds ( Surplus from previous year) on various projects approved by Council including the Digital strategy, HR strategy, Event Centre facilitators and a variation of consent conditions for Silver Fern Farms Events Centre Being afunded from surplus not forecasted for year end. Partnership grants have been uplifted earlier in year \$72,000 and regional co-ordination cost for MPDC's share of Waikato Plan and WLASS membership have been paid for the year. Waharoa and Te Aroha PGF expenses of \$375,000 have been paid during the period that will be offset by external funding. Audit fees, economic deelopment and Regional policy costs will be paid towards the end of the year. Communication and Event cost is lower as events (eg Industry Training Graduation and ANZAC day) did not happen during this year. Civil defence cost is lower than budget.	511,429	19,000	-492,429	244,429	16,000	-228,429

Asset Management cost has not been spent to date but the majority is expected to by the end of the year.	-191,000	0	191,000	0	0	0		
Salary cost - is under overall due to medical leave and vacant positions that have not been filled	-880,000	0	880,000	-311,000	0	311,000		
Finance costs are slightly higher than budgeted.	62,000	0	-62,000	80,000	0	-80,000		
Interest and dividend from Investment is slightly higher than budgeted.	0	41,000	41,000	0	45,000	45,000		
Higher development and financial contributions received from significant Matamata and Morrinsville development activity.	0	310,000	310,000	0	310,000	310,000	-310,000	
General rates income is higher due to growth in properties compared to the level budgeted and penalty income \$115,000	0	376,000	376,000	0	400,000	400,000		
Depreciation is lower due to a reduced valuation compared to the level budgeted and due to the delay in completion of the capital programme	-249,000	0	249,000	-200,000	0	200,000	-200,000	
Loss on interest rate swaps	483,000		-483,000	800,000		-800,000	800,000	
Vested Asset have not been bought into account at the 6 month point.	0	-150,000	-150,000	0	0	0		
Other variances across activities internal charges variance	0	4,000	4,000		4,000	4,000	97,000	
<b>Actual income and expenditure at 31 March and projected to 30 June 2020</b>	<b>40,706,000</b>	<b>40,629,000</b>	<b>-77,000</b>	<b>54,170,684</b>	<b>54,056,667</b>	<b>-114,017</b>	<b>-114,017</b>	
							Cash result:	-17,017



Activity	Sub Activity	Project Title	2018-19 /Cfd	2019-20 AP Budget	Actual Spent up to March	Year End Projection as on 31/12/2019	Next 3 month Forecast	Year End Projection	Comments
Comm Fac	Carparks & Street Furniture								
Carparks & Street Furniture		Howie Park entrance, carparking and loop track upgrade - Phase II		150,000		30,000	5,000	5,000	
Carparks & Street Furniture		MM Streetscape Redevelopment?		750,000		200,000	100,000	100,000	Physical works now delayed until Hietana Street trial undertaken and masterplan produced
Carparks & Street Furniture		Waharoa Rest Area - Carpark Upgrade		200,000		30,000	15,000	15,000	
Carparks & Street Furniture	37276	Waiere Falls Carpark Expansion Project	119,379		28,502	27,186		28,502	Completed
Carparks & Street Furniture	38870	Te Miro Forest - Additional Carparking (LTP Project)	13,019		1,105	21,105	0	1,105	Council has granted \$20K to Te Miro Mountain Bike Club
Carparks & Street Furniture	38869	Raputapu Reserve Redevelopment (LTP Project)	33,469		0	33,469	0	0	
Carparks & Street Furniture	37635	CF Bulk Funds Car Parks and Street Furniture 2015/16 District Boundary Signs (Carry Forward)				0		0	
Carparks & Street Furniture	46503	Wairere Falls New Toilets 2019/20 Council Contribution \$135000 Tourism Infrastructure Grant \$133850				0	10,000	10,000	
	44381	Renewal - Carparks and Street Furniture 2018/19	78,300	93,300		15,000	0	0	
<b>Carparks &amp; Street Furniture Total</b>			<b>244,167</b>	<b>1,193,300</b>	<b>29,607</b>	<b>356,760</b>	<b>130,000</b>	<b>159,607</b>	
Cemetery	45232	Additional Ashes Walls (District-wide)		45,000	22,599	43,870	15,000	37,599	
Cemetery	34603	TA Cemetery Expansion - Planning and Scoping of Project	182,471		40,154	30,442	20,000	60,154	
Cemetery	40091	Cemetery Bulk Funds 2018/19 (LTP 2018-2028) Te Aroha Cemetery additional ashes wall	38,400		35,800	35,800		35,800	
Cemetery		Piako Cemetery: develop new shed / land fit for purpose - install gate, fence between neighbour, install water & power connections, install sand & soil bins... utilise money set aside for Ashes Wall?				0		0	Assume this has been put forward by KVS. Has not been discussed with AS&P yet.
	Cemeteries ( Building Renewal)	Cemeteries ( Building Renewal)		573		0		0	
<b>Cemetery Total</b>			<b>220,871</b>	<b>45,573</b>	<b>98,553</b>	<b>110,112</b>	<b>35,000</b>	<b>133,553</b>	
Housing / depot	Housing / depot	Future proof corporate property (offices & depots)		400,000		10,000	10,000	10,000	Will need a complete review of accommodation needs post COVID 19 as some staff may continue to work from home.
Housing / depot		Surveillances camera at Waihou depot		25,000		0		0	
Housing / depot	39591	MV office/Library and Te Aroha Office upgrade 2018/19 - E team (Corporate Offices) Future proof corporate property	213,599		57,200	100,200		57,200	Council has approved 200K for Building operating budget in AP2020-21
Housing / depot	39544	HOP Corporate Property Capital Funds 2018/19 - Rebranding of MV office/Library. Council decision 14.11.2018.	5,000		0	5,000		0	
Housing / depot		Wainou Depot improvements: women's toilet upgrade, roof cover, office accommodation, oven, emergency power (recommended by IT), line marking, lining of works shed ceiling & walls, doors on retic sheds... utilise a portion of the money set aside for coporate / depot future proofing.				0		0	Assume this has been put forward by KVS. Has not been discussed with AS&P yet.
	46375	Installation of Solar Panels MM Civic Centre 2019/20			30,403		1,200	31,603	99% complete prior to lockdown
	46290	Morrinsville Event Centre A/C for Upstairs Lounge			17,670			17,670	
	46243	Supply & instal 1 x Panasonic 2-35 Heat Pump in the lunch room at the Te aroha Library			2,799			2,799	
	46488	KVS Depot CCTV Surveillance Cameras 2019/20			95		5,000	5,095	
Housing / depot		Corporate properties ( Renewal)	30,000	292,617	27,577	145,000		27,577	
Housing / depot		EPH ( Renewal)	162,562	146,688	246,137	334,000	90,000	336,137	Eteam to sign off procurement plan
Housing / depot		Staff Housing ( Renewal)		87,601	33,297	68,000	10,000	43,297	Eteam to sign off procurement plan

Next year

Housing / depot		General Property (Renewal)	67,300	42,272	19,311	70,000		19,311	Team to sign off procurement plan
<b>Housing / depot Total</b>			<b>478,461</b>	<b>994,178</b>	<b>434,489</b>	<b>682,200</b>	<b>116,200</b>	<b>550,689</b>	
Library	44377	Future proofing Libraries	87,000	100,000		0		0	
Library	45523	Replace Morrinsville Library Mezzanine area windows 2019/20			11,055	8,151		11,055	
	45679	Upgrade Kiosk Districtwide funded from Book Renewals			9,360			9,360	
<b>Library Total</b>			<b>87,000</b>	<b>100,000</b>	<b>20,415</b>	<b>8,151</b>	<b>0</b>	<b>20,415</b>	
		<b>Parks &amp; Tracks</b>							
Parks & Tracks	44364	Boyd Park Turf Irrigation		50,000	0	0		0	
Parks & Tracks	44367	Signage for Parks and Facilities	7,500	7,500	0	7,500	1,000	1,000	Removed by council
Parks & Tracks	44368	Waharoa playground ( Funded from Surplus / Bulk fund)		75,000	0	1,000	0	0	
Parks & Tracks	44289	Morrinsville River Walk Extension 2019/20		270,000	7,442	21,061	20,000	27,442	Design, consent & geotech, build next year
Parks & Tracks		Waharoa - Land acquisition		50,000	0	50,000	0	0	
Parks & Tracks	38208	Land acquisitions for linkage parks as per Open Spaces Strategy - Te Aroha	50,000		0	0	0	0	
Parks & Tracks	23096	Hauraki Rail Trail Extension to TA Domain 2014/15 ( Was bulk fund project now funded from seddon street)	74,155		0	5,000	0	0	Eric
Parks & Tracks	33853	Matamata Inner Walkway Project ( Pahe Land purchase)	149,450	300,000	0	100,000	0	0	
Parks & Tracks	30069	Land acquisitions for linkage parks as per Open Spaces Strategy - Morrinsville River Walkway Extension	285,000		17,028			17,028	
Parks & Tracks	29372	CF Bulk Fund - Track Renewals District-Wide (Annual)	15,000		0	15,000	5,000	5,000	Project no longer going ahead - remove
Parks & Tracks	29429	CF Bulk Fund - Carpark & Street Furniture 2015/16 - Timber barrier at Walton Reserve	2,000		0			0	Remove this project
Parks & Tracks	30061	Tracks Bulk fund 2015/16 - Te Aroha BMX track earthworks	20,000		0			0	
Parks & Tracks					0			0	
Parks & Tracks	35581	Parks & Reserves Bulk Funds 2017/18 - MV river walkway extension to Studholm Street. Council approved.			0			0	
Parks & Tracks	38871	Banks Road Reserve Development (LTP Project)		150,000		77,660		0	Move budget to 41715
Parks & Tracks	41715	Parks & Tracks Capital Project 2018/19 - Capital Project LTP budget Approved set aside by LTP. To develop a new playground area at Banks Road Reserve Matamata.				-46,245	5,000	5,000	
Parks & Tracks	38860	Howe Park Redevelopment (LTP project)	141,609		18,334	21,360	0	18,334	
Parks & Tracks	39542	Parks & Tracks Capital Bulk Funds 2018/19 - Te Aroha Domain retaining wall and drainage improvement (near gallery). Council decision	15,000		1,870	15,000	5,000	6,870	
Parks & Tracks (Renewal)	44378	Tracks and structure ( building Renewal)	63,762	61,826		30,000	5,000	5,000	
Parks & Tracks (Renewal)	44379	Playgrounds - renewal	45,000			45,000	20,000	20,000	
Parks & Tracks (Renewal)	44380	Tracks Renewal	10,000	15,000	0	10,000	10,000	10,000	
Parks & Tracks (Renewal)	29421	Bridge Renewal Tui Domain Track	10,500		0			0	
Parks & Tracks (Renewal)	29422	Bridge Renewal Crusher Track	3,750		0			0	
Parks & Tracks (Renewal)	29423	Barrier Renewal Crusher Track 2015/16	1,800		0			0	
Parks & Tracks (Renewal)	38396	Parks & Tracks Renewals 2018/19 - Crusher Track to replace barrier and steps (P92049644)	5,000		0			0	
Parks & Tracks (Renewal)	39232	Renew portion of Tui-Domain track affected by landslide	4,594		0			0	
<b>Parks &amp; Tracks Total</b>			<b>904,120</b>	<b>979,326</b>	<b>44,674</b>	<b>302,336</b>	<b>71,000</b>	<b>115,674</b>	
		<b>Pools &amp; Spas</b>							
Pools & Spas	44371	Swimzone Splash Pads		210,000	0	0		0	
Pools & Spas	44372	Filtration systems		60,000	0	0		0	

Pools & Spas	11248	Hot Water Source for No 2 Bath House at Te Aroha Leisure Pools	199,883	148,000	127,091	355,516	25,000	152,091	
Pools & Spas	38580	Pools & Spas Capital Funds 2018/19 - To upgrade changing rooms and toilets at Morrinsville Swimzone	32,262		98,000	0		98,000	Completed
Pools & Spas (Renewal)		Aquatic - Plant		75,900		0		0	
Pools & Spas (Renewal)		Aquatic Facility - Building Renewal		70,217		0		0	
Pools & Spas (Renewal)	44263	Pool Blankets for 25m Outdoor Pool Matamata 2019/20			18,949	18,949		18,949	
Pools & Spas (Renewal)	21605	Capital Renewal 2014/15 Te Aroha Mineral Spas - Remove two concrete tanks, existing pipes and valves. Supply and install two new timber tanks, pipes, and valves and an access track for installation of pipes.	84,904		0	0		0	
Pools & Spas (Renewal)	36816	Pools & Spas Plant Renewals 2017/18 - 25m outdoor pool covers for	25,000		0	19,000		0	Completed
Pools & Spas (Renewal)	37430	Pools & Spas Building Renewals 2017/18 - MM Swimzone to replace tank	6,000		0	0		0	
Pools & Spas (Renewal)		Pools & Spas Building Renewals 2016/17 - MM Swimzone replacement Butynol roofing membrane	15,000		0	15,000	15,000	15,000	
Pools & Spas (Renewal)	37746	Pools & Spa Building Renewals 2017/18 - Te Aroha Mineral Spa to replace vinyl in Room 3 & 5 (PB1922064 - variation)	6,000		0	6,000	6,000	6,000	
Pools & Spas (Renewal)	36611	Pools & Spas Building Renewal 2017/18 - Matamata Swimzone to replace the pole light fittings in the carpark area	2,648		0	2,648		0	
Pools & Spas (Renewal)	31069	Pools & Spas Building Renewal 2016/17 - TA Mineral Spas No.6 Room	37,831			0		0	
Pools & Spas (Renewal)	40903	Pools & Spas Building Plant Renewals 2018/19 - TA swimzone to	5,000		0	0		0	
Pools & Spas (Renewal)	38516	Pools & Spas Building Renewals 2018/19 - Matamata Swimzone to repair spa pool (plant)	4,323			-5,677		0	
Pools & Spas (Renewal)	39364	Pools & Spas Building Plant Renewals 2018/19 - To replace HWC and shower mixers in the Ladies Squash Area changing room	9,000		0	0		0	
Pools & Spas (Renewal)	39870	Pools & Spas Building Renewals 2018/19 - Matamata Swimzone fire alarm system upgrade	17,000		19,429	19,429		19,429	
Pools & Spas (Renewal)	40085	Pools & Spas Plant Renewals 2018/19 - Te Aroha Swimzone to replace shade umbrella covers	5,237		0	0		0	
Pools & Spas (Renewal)	40974	Pools & Spas Building Renewals 2018/19 - MM Swimzone roof repair butynol system zone A, Reception and Gym area	17,767		17,767	17,767		17,767	
Pools & Spas (Renewal)	40719	Pools & Spas Renewals 2018/19 - MM Swimzone truck entrance			0	0		0	
Pools & Spas (Renewal)	41633	Pools & Spas Building Renewals 2018/19 - Te Aroha Spas replace	5,200		4,243	4,243		4,243	
	41549	Pools & Spas Renewals 2019/20 - MM Swimzone replace roof and			3,139	3,139		3,139	
	44505	Pool Plants Renewals 2019/20 - Swimzone MM to replace outdoor pool floodlights			4,770	4,770		4,770	
	44242	Pools & Spas Renewals 2019/20 - TA Mineral Spas No.7 Spa room to			7,131	0		7,131	
	41719	Pools & Spas Renewals 2018/19 - MM Swimzone truck entrance			468	19,468	19,000	19,468	
<b>Pools &amp; Spas Total</b>			<b>473,055</b>	<b>564,117</b>	<b>300,986</b>	<b>480,252</b>	<b>65,000</b>	<b>365,986</b>	
	<b>Public Toilets</b>								
Public Toilets	44398	MV Studholm St Toilets		100,000	0	10,000	0	0	
Public Toilets	44362	Public Toilets - Baby Change Tables	10,000	10,000	0	10,000	0	0	
Public Toilets	44363	Toilet renewals/replacements	100,000	100,000	0	20,000	0	0	
Public Toilets		Waharoa Toilets		200,000	0	30,000	0	0	
Public Toilets	46575	Waharoa Rest Area (Bruce Clothier Memorial Park) New Toilets Council Contributions \$200000 Tourism Infrastructure Fund \$59000			0		20,000	20,000	
Public Toilets		TA Domain toilet				0	0	0	
Public Toilets		PUBLIC TOILET - Building Renewal		14,129		10,000	5,000	5,000	
Public Toilets		PUBLIC TOILET - other Renewal		70,000		0	10,000	10,000	
Public Toilets	43227	MV CBD Toilets - Options Investigation 2019/20			1,050	1,050		1,050	
<b>Public Toilets Total</b>			<b>110,000</b>	<b>494,129</b>	<b>1,050</b>	<b>81,050</b>	<b>35,000</b>	<b>36,050</b>	
	<b>Recreation &amp; Heritage</b>								

Recreation & Heritage	44369	Headon Stadium Upgrade	1,000,000	500,000	564,596	1,483,000	900,000	1,464,596	ASK MANAIA	
Recreation & Heritage		Indoor Sports Facility for Matamata		2,000,000			0			
Recreation & Heritage	39543	Rec Facility and Heritage Capital Bulk Funds 2018/19 - Rebranding of Matamata Civic Centre. Council decision 14.11.18	4,843		6,255	6,255		6,255		
		Rec & heritage facilities - Building Renewal		166,795			0			
	38816	Rec & Culture Renewals 2018/19 - Matamata Aerodrome House to replace	20,000		0	0	0	0	needs to be closed replaced with 41824 - Completed	
<b>Recreation &amp; Heritage Total</b>			<b>1,024,843</b>	<b>2,666,795</b>	<b>570,851</b>	<b>1,489,255</b>	<b>900,000</b>	<b>1,470,851</b>		
Bulk Fund	Bulk Fund	Bulk Fund		95,000		60,000	30,000	30,000		
<b>Bulk Fund Total</b>			<b>0</b>	<b>95,000</b>	<b>0</b>	<b>60,000</b>	<b>30,000</b>	<b>30,000</b>		
<b>Comm Fac Total</b>			<b>3,542,517</b>	<b>7,132,418</b>	<b>1,500,625</b>	<b>3,570,115</b>	<b>1,382,200</b>	<b>2,882,825</b>		
<b>Roading</b>	<b>Roading</b>									
Roading		Low cost / Low Risk (Minor) Improvement	205,000	850,000	391,303	1,055,000	335,697	727,000	Adjusted the figure to match with the amount approved by NZTA. Balance \$328,000.00 to be carried forward to 2020/21	328000
Roading		Matamata Bypass - design		1,000,000	0	100,000		0		
Roading		New Footpath		55,000	0	55,000		0		
Roading		New Kerb and Channel		55,000	59	55,000		59		
Roading		New Streetlighting		160,000	72,467	161,557		72,467		
Roading		Seal widening		160,000	1,575	160,000	158,425	160,000		
Roading		Stirling Street widening north		90,000	0	90,000		0		
Roading		TA to MM cycleway 2015/16 to 2018/19	1,962,563	250,000	1,790,459	1,154,314	150,000	1,940,459		
Roading		Waheroa - Factory Road upgrade				0		0		
Roading		MM pedestrian connectivity				0		0	Question why 0 budget when this is needed? From sue	
Roading		Tower Road area - Intersection work				0		0	Question why 0 budget when this is needed? From Sue	
Roading		MV - Hangawera to Snell Street additional widening				0		0		
Roading		Drainage Renewals	7,500	365,559	345,497	373,000	134,062	479,559	Changed as per the NZTA approved programme. Will be completed by 30 May 2020	
Roading		Pavement Rehab	349,986	2,000,000	2,100,014	2,349,986	143,616	2,243,630	Changed as per the NZTA approved programme. Will be completed by 30 May 2020	
Roading		Sealed Road Resurfacing	48,000	2,400,000	1,489,695	2,448,000	683,305	2,173,000	Changed as per the NZTA approved programme. Will be completed by 30 May 2020 Balance \$275,000 to be carried forward to 2020/21	275000
Roading		Structures Component Replacements		65,000	48,078	66,300	113,981	162,059	Changed as per the NZTA approved programme. Will be completed by 30 June 2020	
Roading		Lighting Renewals / traffic service Renewal	7,800	390,000	216,394	397,800	114,726	331,120	Changed as per the NZTA approved programme. Will be completed by 30 June 2020	
Roading		Unsealed Road Metalling		70,000	21,397	71,400	50,003	71,400	Changed as per the NZTA approved programme. Will be completed by 30 June 2020	
Roading		Footpath Maintenance	110,000	189,000	114,447	300,000	185,553	300,000	Allocated this amount out of \$431,106 approved by NZTA for renewal. Still to discuss with KVS likely will spend another \$30k and carry the rest forward.	
Roading		Road improvement (LED Project)	29,128		29,064		64	29,128		
<b>Roading Total</b>			<b>2,719,977</b>	<b>8,099,559</b>	<b>6,620,449</b>	<b>8,940,162</b>	<b>2,069,432</b>	<b>8,589,881</b>		<b>2,255,904</b>
<b>Utility</b>	<b>Storm Water</b>									
Storm Water	28416	SW Improvements District Wide 2015/2016 construct new soakholes or other stormwater assets to improve the capacity to the current network			13,824	0		13,824		
Storm Water						100,000	0	0		
Storm Water	44333	Tower Road Development	400,000			0		0		
Storm Water	44334	Eldonwood South -Development	100,000			0		0		
Storm Water	44335	Avenue Road North Stormwater Disposal		860,000		0		0		
Storm Water	37856	Proposed drainage pipes Meadow View and Andrew Hilton Drive		15,000	11,416	0		11,416		
Storm Water	39561	To optimize the current culvert under Mangawhero Road as part of the adjoining subdivision 2018/19 (25% Growth)				0		0		
Storm Water	40640	Terrace Avenue/Young Street Morrinsville Intersection SW Investigation 2018/19		35,000	12,384	10,322		12,384		
Storm Water	40641	Ulpsey Street/ Lawrence Street Intersection SW Investigation 2018/19		48,000		1,247		0		
Stormwater	45079	43 F 43 Fairway Drive Morrinsville SW Kerb Connection 2019/20 Funded for Work order 28416		2,000	1,247	0		1,247		
Stormwater - Renewal	39332	PS upgrade for the closed landfill	45,000					0		
<b>Storm Water Total</b>			<b>545,000</b>	<b>960,000</b>	<b>38,871</b>	<b>111,569</b>	<b>0</b>	<b>38,871</b>		
<b>Waste Management</b>	<b>Waste Management</b>									
Waste Management	44332	Transfer Station Upgrades 2018/19 - Morrinsville RTS		550,000		250,000	50,000	50,000	To be confirmed with George	
Waste Management	11515	Matamata Transfer Station Upgrade		44,359	82,154	82,154		82,154		
Waste Management	11517	Waihou Transfer Station Upgrade	35,168	600,000		250,000		0		
Waste Management -Renewal		Waste Mgmt Building Renewal	10,931			0		0		
						0		0		
<b>Waste Management Total</b>			<b>90,458</b>	<b>1,150,000</b>	<b>82,154</b>	<b>582,154</b>	<b>50,000</b>	<b>132,154</b>		
	<b>Waste Water</b>									



Waste Water	44282	Feed forward Systems	60,000			60,000			0	cf \$60k
Waste Water	44283	Remote control of Pump stations	0	100,000		100,000			0	cf \$100k. Work has started. PM Ian
Waste Water	40376	Wastewater Retic Upgrades associated with Subdivisions 2018/19	50,000	50,000		50,000			0	
Waste Water	40386	Wastewater Retic Upgrades associated with Renewals 2018/19 & 2019/20	100,000	100,000	2,941	50,000		2,941		Carry forward \$97k
Waste Water	34138	Portable Generator	28,988		5,330	5,330		5,330		Not plan to spend up to June
Waste Water	20915	Matamata Reticulation Diversion - Vosper St	48,500			0		0		Not with W & WW
Waste Water	29938	MM Wastewater - Generator Cover	10,319			0		0		
Waste Water		Matamata WWTP Upgrade funding - funding from carry forwards W23012, W20695, W1790 & W23013		523,203		0		0		Not plan to spend up to June
Waste Water	44329	Matamata Wastewater Treatment Plant - Inlet Works Upgrade 2019/20 - \$350,000 Capital and \$90,000 from Renewals		450,000	9,736	440,000	70,000	79,736		cf \$370k. Project underway. PM Ian
Waste Water		Allen Street odour		70,000		65,000		0		
Waste Water	29901	Morrinsville WWTP Permanent sludge pipe to Pond C and Mixer - funded from carry forwards W16027, W23012	90,000			0	10,000	10,000		Scope of works and consultants brief. To be done in conjunction with pond lining.
Waste Water	41108	Morrinsville WWTP installing the down draft mixer and removing 2 of the current mixers 2018/19	21,000	50,000	13,458	35,458		13,458		
Waste Water		North Morrinsville Trunk Sewer Main		1,400,000		500,000	50,000	50,000		01/05/2020. Aaron. This is to be done in two stages: 1. Connect into Bank St (by Dec 2020, est. \$200,000). 2. Complete installation to Allen St PS. Current estimate is \$2,800,000 total, a bit dependant on subdivision growth but likely spent by 1 Dec 2021.
Waste Water	38283	Tahuna WWTP Flow Meters	12,000			12,000		0		Carry forward \$12k
Waste Water	34137	Tahuna WWTP Roading	30,000			0		0		delete
Waste Water	44285	Lengthen 225 s'west along Ritchie St to Stanley Ave. Divert Aroha View Ave rising main directly into new Ritchie St 225 line.	0	300,000		0		0		
Waste Water	44286	Main sewer from west side of Te Aroha	0	150,000		0		0		
Waste Water	44288	Equipment for chemical dosing at Te Aroha plant	100,000			0		0		cf \$100k.
Waste Water	29904	Telemetry and Scada Upgrades	431,631		6,419	220,000		6,419		Change from Annual Plan
Waste Water	44415	Upgrade of Te Aroha falling main. Do not carry forward as budget allowance already made in 2020/21		3,000,000		150,000	0	0		As part of an assessment of the line considerable work needs to be done before we decide on the required capacity and any major capital works, primarily: 1. I & I reduction. 2. Estimation/measurement of overflows. 3. Completion of the cleaning, CCTV and condition assessment which is underway.
Waste Water		Upgrade Terminus Street pump station Do not carry forward as budget allowance already made in 2020/21		150,000		0		0		
Wastewater	Wastewater	safety/security fencing to limit access to water pipe bridges				0		0		
W Water		Building Renewal	19,501	18,220		0		0		
	28584	MV Wastewater Building Renewals 2015/16 - Renew old operations	10,000			0		0		
W Water		Retic	430	827,940		0		0		
	41863	1000 Litre 10 Matamata Sewer Relining Job 2018/2019	8,178			0		0		Completed.
	40169	Morrinsville Sewer Reticulation Renewals 2018/19 - Renewal of pipe assets identified in the Sewer Reticulation Renewals Program.	764,001			740,606		0		Can be closed & capitalised (Blaze)
	41650	Morrinsville Sewer Reticulation Renewals 2018/19 - Renewal of pipe assets identified in the Sewer Reticulation Renewals Program. Morrinsville North	175,617		127,370	450,917		127,370		Can be closed & capitalised (Blaze)
	41651	Morrinsville Sewer Reticulation Renewals 2018/19 - Renewal of pipe assets identified in the Sewer Reticulation Renewals Program. Morrinsville West	298,695		228,215	275,300		228,215		Can be closed & capitalised (Blaze)
	41652	Morrinsville Sewer Reticulation Renewals 2018/19 - Renewal of pipe assets identified in the Sewer Reticulation Renewals Program. Morrinsville East	184,493		175,601	184,493		175,601		Can be closed & capitalised (Blaze)
	45983	3 year Wastewater Reticulation renewals program 2019/2020		600,000	9,530		30,000	39,530		cf \$560k PM Blaze
W Water		Plant	776,191	509,032		580,000		0		Change due to extension of plant life
39621	39621	Tahuna Wastewater Treatment Plant 2018/19 - Compressor Gantry/Rail	8,000		0	0		0		
	39353	Replacement Hi-wall Alcon. Unit in the Server/Control Room at the Tahuna WWTP	3,500		0	0		0		Carry forward \$3k
	39597	Matamata Sewer Treatment Plant 2018/19 - Control Electrical	17,246		0	0		0		

	41581	Seddon Street Waharoa Waste Water Pump Station 2018/19 - Replace	8,949		4,949	4,949		4,949	Closed for postings
	41582	Eldonwood Matamata Waste Water Pump Station 2018/19 - Replace	23,321		19,321	19,321		19,321	Closed for postings
	41105	Plant Server Rack/Cabinet Replacement Wastewater 2018/19	21,445		8,340	8,340		8,340	
	39615	Mansuka Street Pump Station Matamata 2018/19 - Non Return Valve	4,000		0	0		0	
	41579	Anzac Avenue Morrinsville Waste Water Pump Station Upgrade 2018/19	5,704		2,438	5,704		2,438	Closed for postings
	35257	Wastewater Treatment plant Renewals - Gordon Ave Pump Station - Level 2017/18	4,000			4,000		0	
	39622	Te Aroha Sewer Treatment Plant 2018/19 - Gantry/Rail - Ball	18,587		531	18,587		531	
	39620	Storage Shed 2018/19 - Submersible Pump Waihou	9,000			9,000		0	
	39608	Rewi Street Pump Station Te Aroha 2018/19 - Electrical and Equipment Control	10,000			10,000		0	
	39624	Waharoa Road Pump Station 2018/19 - Non Return Valve	4,000		113	4,000		113	
	41716	Morrinsville Avenue Road Pump Station Controller Replacement 2019/20		20,000	19,141	19,141		19,141	
	44789	Morrinsville Wastewater Treatment Plant UV Lamps 2019/20		57,000	56,865	56,865		56,865	can be closed and capitalised
	45294	Te Aroha Wastewater Treatment Plant Inlet Pump 2 2019/20		16,000	16,321			16,321	can be closed and capitalised
	45427	Wastewater Treatment Plant Renewals 2019/20		570,000	53,577		280,000	333,577	cf S200k PM Blaze
W Water		TA WWTP Intouch		25,000		0		0	
W Water		Tahuna Intouch		30,000		0		0	
<b>Waste Water Total</b>			<b>3,412,289</b>	<b>8,961,395</b>	<b>760,195</b>	<b>4,079,006</b>	<b>440,000</b>	<b>1,200,195</b>	
		<b>Water</b>							
Water	40377	Upgrades associated with renewals	75,000	75,000		75,000		0	Aaron
Water	40379	Upgrades associated with subdivisions	56,000	75,000		75,000		0	Aaron
Water	44291	Implement Water Loss Strategy	50,000	50,000		50,000		0	Aaron
Water	44292	Water and Waste control centre - technology	100,000			0		0	
Water		To increase balance tank and automate raw water valve				0		0	
Water	34130	Tahuna WTP Relocate pumps	88,317		49,105	475,000	125,000	174,105	Carry forward \$175k. Is being done in conjunction with 40494. Project Mangaia is Blaze
Water	44293	Matamata Tills road wtp. If this can be put in for a budget of 40 to 50k early years	345,000			374,344		0	
Water	15800	Matamata New Reservoir - Tills road	175,586		107,803	22,977	150,000	257,803	Work completed by FY end, then can be capitalised and closed
Water	38202	Matamata South WTP New UV 2018/19 - BUDGET STILL TO BE CONFIRMED	47,727		9,997	10,027		9,997	
Water	38201	Tahuna WTP New UV 2018/19 - BUDGET STILL TO BE CONFIRMED	41,051		15,900	15,929		15,900	
Water	40506	Matamata WTP Instrumentation, Pumps, Valves, and Actuators.	11,390	500,000	266,380	500,009	250,000	516,380	
Water	45442	Top of Turnberry Cres 63mm water ring main 2019/20			5,170	111		5,170	
Water	44295	Tahuna Rd Industrial Ringmain. Carry forward to next year up to \$50k as \$150k in 2020/21.	0	400,000		50,000		0	Aaron
Water	39388	Morrinsville WTP UV	21,692		17,344	17,344		17,344	
Water		minor project							
Water	6166	Morrinsville Backwash Treatment/Recovery	658			0		0	
Water	8662	Morrinsville; Mt Misery Reservoir assessment	790		460	384		460	
	38729	Mt Misery Morrinsville carry forward \$260970.00	40,000		28,286				
Water	36549	District Water Tankers filling points 2017	99,043		23,994	22,057		23,994	
Water	38203	Scotts Rd New UV 2018/19 - BUDGET STILL TO BE CONFIRMED	44,501		44,396	15,460		44,396	
Water	40505	Morrinsville WTP Instrumentation, Pumps, Valves, and Actuators.	17,729	1,000,000	718,474	44,426	100,000	818,474	cf \$200k
Water	40782	Morrinsville Test Bore 2018/19 (MV - new bore drill)	99,540		194,200	99,400		194,200	George - Email 23/01/2020
Water	41977	Scott Road Pipe work Layout - Phase 2 2019/20		250,000	60,581	498,545	60,000	120,581	cf \$150k. PM Blaze
Water		MV - new bore consent		100,000		0		0	
Water		Morrinsville WTP UV				0		0	
Water	15794	Te Aroha Backwash Treatment Recovery	135,304		23,232	355,000		23,232	Carry forward \$100k. Waiting on decision from SAG & S&P for scope.
Water	39389	Te Aroha Water Treatment Plant UV Disinfection System	14,705		13,394	13,394		13,394	
Water	40507	Te Aroha WTP Instrumentation, Pumps, Valves, and Actuators.	20,074	250,000	176,439	269,327	50,000	226,439	cf \$50k



Water		34134	Te Aroha West - Connection	33,438		110,801	27,059		110,801	
Water		33745	Morrinsville Water Treatment Plant Supernatant Return line	45,737		20,072	95,000		20,072	On Hold
Water	Water		safety/security fencing to limit access to water pipe bridges				0		0	
Water	Retic			772,765			50,000		0	
		40374	Managawhero Road Waterline Renewal 2018/19	39,939			39,939		0	
		44613	Rawhiti to Ratcliffe Matamata Waterline Abandonment 2019/20				0		0	
		38600	Studholme Street Morrinsville 300 Water Trunkmain Renewal	65,000		63,687	63,687		63,687	
		40773	Waterline Renewals 2018/19 Lorne Street Morrinsville	45,323		50,282	43,782		50,282	Can be closed & capitalised (Andrew/Wil)
		40771	Waterline Renewals 2018/19 Cureton Street Morrinsville	57,463		35,728	57,463		35,728	Can be closed & capitalised (Andrew/Wil)
		40772	Waterline Renewals 2018/19 Lear Street Morrinsville	45,505		49,861	43,034		49,861	Can be closed & capitalised (Andrew/Wil)
		40769	Waterline Renewals 2018/19 Anzac Avenue Morrinsville	72,004		58,705	51,169		58,705	Can be closed & capitalised (Andrew/Wil)
		40770	Waterline Renewals 2018/19 Clifford Street Morrinsville	24,423		92,121	48,052		92,121	Can be closed & capitalised (Andrew/Wil)
		40774	Waterline Renewals 2018/19 Moana Place Morrinsville	36,488		48,841	42,317		48,841	Can be closed & capitalised (Andrew/Wil)
		40776	Waterline Renewals 2018/19 Sanders Avenue Morrinsville	55,600		61,450	54,956		61,450	Can be closed & capitalised (Andrew/Wil)
		40777	Waterline Renewals 2018/19 Snell Street Morrinsville	84,329		79,027	72,533		79,027	Can be closed & capitalised (Andrew/Wil)
		40778	Waterline Renewals 2018/19 Strathmore Street Morrinsville	174,391		128,069	174,391		128,069	Can be closed & capitalised (Andrew/Wil)
		44783	Cobham Drive Morrinsville Ridermain Installation	70,000		38,768	70,000		38,768	
		30124	Mount Ave Water Main Renewal (from Stanley) 2016/17 Capital content	40,368			0		0	
		43231	Te Aroha West Pipe Renewal/Upgrade 2019/2020	39,000		38,534	38,534		38,534	Can be closed & capitalised (Blaze)
		41732	Managawhero Road 63mm Water Ridermain 2019/20	21,924		4,840	0		4,840	
Water	Plant			20,225	142,000		0		0	
		40495	Hinuera WTP Instrumentation, Pumps, Valves and	31,479		40,334	26,948	20,000	60,334	
		40491	Matamata WTP Instrumentation, Pumps, Valves and	5,291	500,000	183,645	103,663	20,000	203,645	cf \$300k
		40497	Tawari Street WTP Instrumentation, Pumps, Valves and	28,452	22,000	17,524	11,650	30,000	47,524	
		37399	Morrinsville Water Treatment Plant, Waterworks Road - Replacement of Switch Board			159,837	529	300,000	459,837	Contract 2218 underway and completed by August 2020. PM Ian
		40489	Morrinsville WTP Instrumentation, Pumps, Valves and	200,053	500,000	762,144	618,274	40,000	802,144	
		40490	Te Aroha WTP Instrumentation, Pumps, Valves and	7,411	143,000	196,376	120,813	200,000	396,376	
		32284	Pohimihi Reservoir Magflow replacement IDs 97, 87 2016/17		17,000	89	89		89	
		40494	Tahuna WTP Instrumentation, Pumps, Valves and	2,481	48,000	27,601	13,219	20,000	47,601	cf \$3k
		40493	Te Poi WTP Instrumentation, Pumps, Valves and	22,479	128,000	56,633	40,912	20,000	76,633	cf \$75k
		45453	Replace Bore and Obtain New Consent 2019/20		600,000	73,186	1,087		73,186	
			Building renewal	45,144			0		0	
							0		0	
<b>Water Total</b>				<b>2,578,949</b>	<b>5,791,909</b>	<b>4,153,310</b>	<b>6,860,760</b>	<b>1,385,000</b>	<b>5,520,024</b>	
<b>Utility Total</b>				<b>6,626,696</b>	<b>16,863,304</b>	<b>5,034,530</b>	<b>11,633,489</b>	<b>1,875,000</b>	<b>6,881,244</b>	
<b>Others</b>										
			IT	142,910	600,000	234,250	600,000	70,000	304,250	\$340,000 carried forward to next year for cabling for office review and switch board review.
			Customer Services - Zeacom and headsets	191,622	44,000	85,996	189,500	80,000	165,996	\$28,000 spent 18 February 2020 for the upfront professional services costs - Mitel Phone System (PO 111237) \$71,496.09 spent 18 February 2020 Hardware costs for new Mitel phone system (PO 111239) Project was due for completion by Easter 2020 however was pushed back due to the COVID-19 Lockdown. Counter upgrades were put on hold - were to be considered with the decision making for the Te Aroha and Morrinsville office space utilization.
			Fleet & Plant	475,894	557,000	787,000	551,089	150,000	937,000	Still to finalise requirements for three vehicles, two should be ordered before end of financial year; fit for purpose requirements still to be determined for third
			Library books		160,000	108,572	232,232	30,000	138,572	
			Office Equipment		60,000	53,220	32,478		53,220	
		38281	Capital funding 2018/19 - Presentation and other equipment for the council			53,809	53,809		53,809	
<b>Corporate Total</b>				<b>810,426</b>	<b>1,421,000</b>	<b>1,322,847</b>	<b>1,659,108</b>	<b>330,000</b>	<b>1,652,847</b>	
<b>Grand Total</b>			<b>Total Capital &amp; Renewal</b>	<b>13,699,616</b>	<b>33,516,281</b>	<b>14,478,451</b>	<b>25,802,874</b>	<b>5,656,632</b>	<b>20,106,797</b>	
								5,329,457	28,286	

Activity	2018-19 /Cfd	2019-20 AP Budget	Actual Spent up to March	Year End Projection as on 31/12/2019	Next 3 month Forecast	Expected Spent 2019-20	Year End Projection	Comments
<b>Carparks &amp; Street Furniture Total</b>	244,167	1,193,300	29,607	356,760	130,000	663,281	159,607	Major projects such as Howie Park entrance, car parking and loop track upgrade & MM Streetscape Redevelopment delayed due to COVID19
<b>Cemetery Total</b>	220,871	45,573	98,553	110,112	35,000	149,973	133,553	Additional Ashes wall, TA Cemetery Expansion - Planning and Scoping of Project and Piako Cemetery: develop new shed / land fit for purpose - install gate, fence between neighbor delayed
<b>Housing / depot Total</b>	478,461	994,178	434,489	682,200	116,200	1,250,000	550,689	Future proof corporate property (offices & depots) Future proof corporate property (offices & depots) - Will need a complete review of accommodation needs post COVID 19 as some staff may continue to work from home. Some renewal work is delayed
<b>Library Total</b>	87,000	100,000	20,415	8,151	0	0	20,415	Future proofing Library budget underspent.
<b>Parks &amp; Tracks Total</b>	904,120	979,326	44,674	302,336	71,000	638,144	115,674	Morrinsville River Walk Extension 2019/20, Matamata Inner Walkway Project (Phase I and phase II) and land acquisition projects delayed
<b>Pools &amp; Spas Total</b>	473,055	564,117	300,986	480,252	65,000	581,767	365,986	Filtration system and splash pad project - will not happen this year
<b>Public Toilets Total</b>	110,000	494,129	1,050	81,050	35,000	510,000	36,050	Most capital and renewal project have been delayed - MV Studholm St Toilets, Waharoa Toilets etc
<b>Recreation &amp; Heritage Total</b>	1,024,843	2,666,795	570,851	1,489,255	900,000	1,500,000	1,470,851	Headon Stadium Upgrade will be carried on to next year. Building renewal may not happen this year
<b>Bulk Fund Total</b>	0	95,000	0	60,000	30,000	95,000	30,000	
<b>Comm Fac Total</b>	3,542,517	7,132,418	1,500,625	3,570,115	1,382,200	5,388,165	2,882,825	
<b>Roading Total</b>	2,719,977	8,099,559	6,620,449	8,940,162	2,069,432	9,843,049	8,689,881	A to MM cycleway 2015/16 to 2018/19 will be completed. Minor improvement \$328,000.00 and \$275,000 for Sealed Road Resurfacing to be carried forward to 2020/21
<b>Storm Water Total</b>	545,000	960,000	38,871	111,569	0	100,000	38,871	
<b>Waste Management Total</b>	90,458	1,150,000	82,154	582,154	50,000	550,000	132,154	Transfer station upgrade is delayed
<b>Waste Water Total</b>	3,412,289	8,961,395	760,195	4,079,006	440,000	5,866,983	1,200,195	1. Matamata Wastewater Treatment Plant - Inlet Works Upgrade 2019/20 has started but won't be completed - \$370K to c/fd. Matamata WWTP Upgrade Budgeted \$525,000 will not be spent. North Morrinsville Trunk Sewer Main - \$1.4M : This is to be done in two stages: 1. Connect into Bank St (by Dec 2020, est. \$200,000). 2. Complete installation to Allen St PS. Current estimate is \$2,800,000 total, a bit dependent on subdivision growth but likely spent by 1 Dec 2021. Upgrade of Te Aroha falling main budgeted in 2020/21. Plant and reticulation renewal budget will be underspent as not required. (Change in life of Plant) - \$760,000 wants to be carried forward to next year. Equipment for chemical dosing \$100K be done next year.
<b>Water Total</b>	2,578,949	5,791,909	4,153,310	6,860,760	1,385,000	5,342,844	5,510,024	Tabuna WTP Relocate pumps \$175,000 c/fd to next year. Taharoa Rd Industrial Ringmain will be completed next year \$400K. Matamata / Morrinsville WTP Instrumentation, Pumps, Valves and Activators, \$500,000 Some other projects will be carried forward to next year as it will not be completed during the year.
<b>IT</b>	142,910	600,000	234,250	600,000	70,000	540,000	304,250	NOTE: Due to delay in last WCLASS Aerial photography project 80k moved from 19/20 to 20/21 (ie 80k cf) +\$10K for Digital strategy
<b>Customer Services - Zeacom and headsets</b>	191,622	44,000	85,956	189,500	80,000	190,000	165,996	\$14,000 spent in August 2019 for the Fibre installation in preparation for phone system replacement. Phone system replacement project commencing September 2019. The Counter upgrade money was to be used at the same time the Morrinsville Office/Library upgrade was to take place. Have asked Roger for an update on where this project is at.
<b>Fleet &amp; Plant</b>	475,894	557,000	787,000	551,089	150,000	550,000	937,000	Approx estimate - still to obtain approval from E Team on which vehicles to be replaced for 2019/20; also starting to investigate feasibility of introducing EV to the fleet.
<b>Library books</b>		160,000	108,572	232,232	30,000	169,000	138,572	
<b>Office equipment</b>		60,000	53,220	32,478		60,000	53,220	
<b>Capital funding 2018/19 - Presentation and other equipment for the council</b>			53,809	53,809			53,809	
	13,699,616	33,516,281	14,478,451	25,802,874	5,656,632	28,600,041	20,106,797	21,413,023

## Audit Plan for the year ending 30 June 2020

RM No.: 2231587

### Rāpopotonga Matua | Executive Summary

This report seeks approval of the draft Audit Plan for the year ending 30 June 2020.

#### Tūtohunga | Recommendation

That:

1. **The Committee receive the draft Audit Plan for the year ending 2020 and provide any feedback to Council.**

#### Horopaki | 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.

#### Ngā Take | Issues

Attached to the report are:

- the draft 2020 Audit Plan, which formally sets out arrangements for this year's audit;
- the draft 2020-2022 Audit Engagement Letter (AEL), which agrees the terms and limitations of the annual audit engagements, as well as the responsibilities of all parties; and
- the draft 2020-2022 Audit Proposal Letter (APL), which includes the hours and fees of the audit for 2020, as well as assumptions related to these.

There are a few points to note:

- the audit fee has been set for one year only, and the reasons for this are explained in the APL; and
- the Audit Plan does not reflect the impact of Covid-19 on the Council and our audit, with this still being worked through at this stage. It does however reflect the uncertainty around audit timing which might result.

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.

Of specific note this year is the note relating to the COVID-19 pandemic. "The impact of COVID-19 on our audit risks/issues and our audit response has not yet being determined. We expect to complete our determination of the impact of COVID 19 by 30 June 2020. Where Audit identify additional COVID-19 related audit risks or issues they will advise of these separately."

Staff are currently liaising with Audit NZ in regards to the timing of the final audit, these dates will be updated in the final version.

## Analysis

### Options considered

The Committee has the option of providing feedback to Council on the Audit Plan for the year ending 30 June 2020.

### 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.

## 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. Audit New Zealand are currently reviewing their fees.

Staff requested information on audit fees for similar size councils, Audit have looked through the 2019 annual reports to find district councils with similar sized revenue and expenditure, and have provided a comparison below.

Council	From annual report 2019		
	Operating revenue	Operating expenses	Audit fee
Masterton District Council	\$ 48,551	\$ 46,013	111
Hurunui District Council	\$ 47,030	\$ 49,615	117
Tararua District Council	\$ 41,309	\$ 39,566	118
Rangitikei District Council	\$ 34,710	\$ 31,811	122
<b>Matamata-Piako District Council</b>	<b>\$ 57,125</b>	<b>\$ 54,105</b>	<b>125</b>
Hauraki District Council	\$ 39,164	\$ 39,708	132
Whakatane District Council	\$ 74,302	\$ 61,631	133
Westland District Council	\$ 27,028	\$ 25,945	140
Manawatu District Council	\$ 54,487	\$ 54,699	147
Ruapehu District Council	\$ 39,367	\$ 35,609	148
Horowhenua District Council	\$ 53,894	\$ 59,608	157

Councils auditors have commented that - While not a complete list, as there is a clearly a good deal of variation and unknown factors about the audits which really challenges the value of the comparison. For example, there is likely additional complexities for some councils at the higher end of the scale that aren't captured by a comparison based on income statement alone.

There is another factor which Councillors may wish to consider when comparing fees against these and other councils. Audit NZ has communicated with the OAG that it is clear that audit fees for some councils have not kept pace with the real costs of the audit over recent years. Audit NZ are comfortable that MPDC's fee is close to where it should be, given the size and complexity of the audit. However, a number of other councils would likely have been facing a significant increase in their fee proposals for this year, had the Auditor-General not held the increase to 1.5% across the board in the COVID 19 environment.

**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.

**Ngā Tāpiritanga | Attachments**

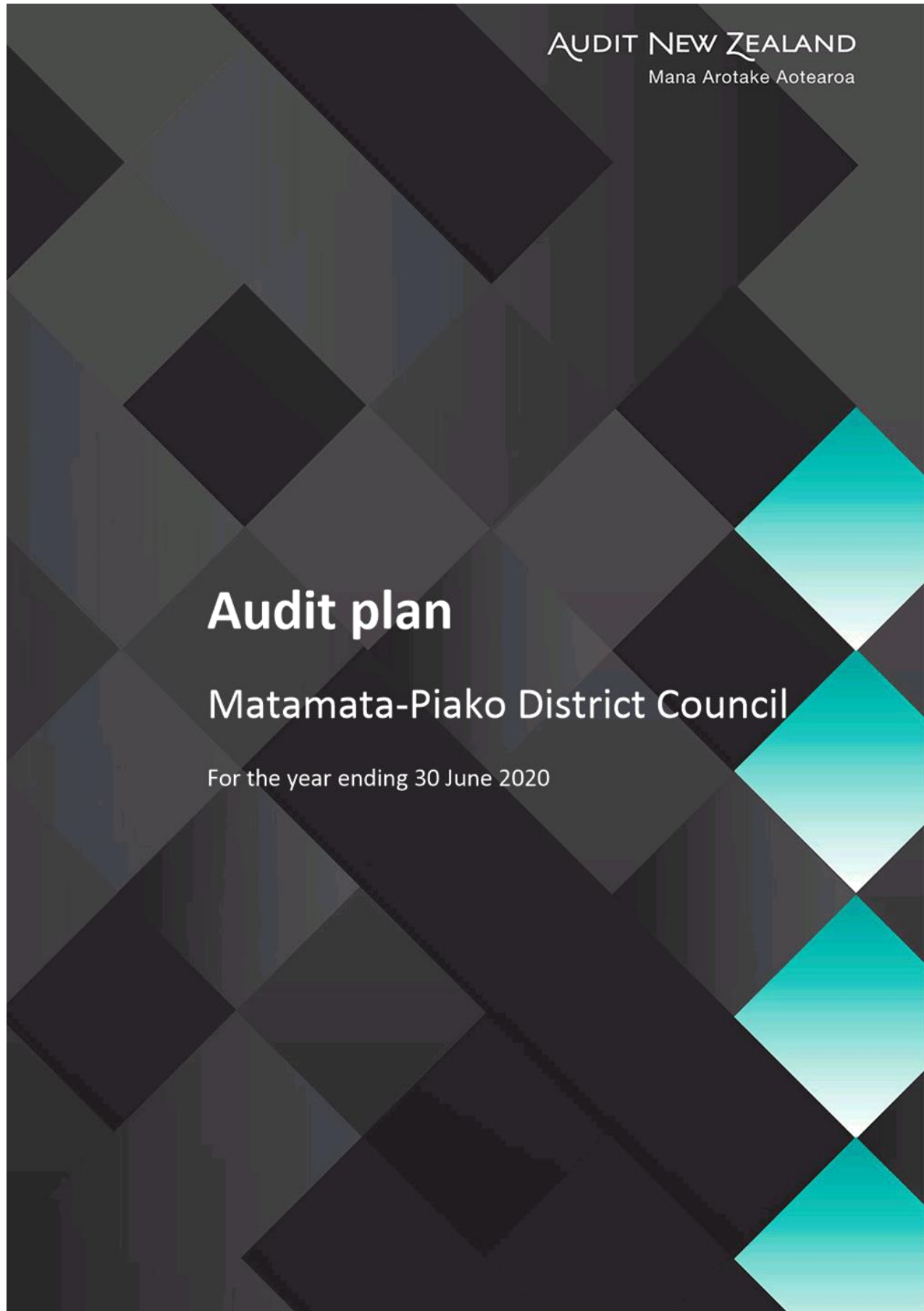
- A↓. [Draft Audit Plan - AR 2020](#)
- B↓. [Audit Fee Proposal](#)
- C↓. [Audit Engagement Letter](#)

**Ngā waitohu | Signatories**

Author(s)	Ellie Mackintosh <b>Graduate Policy Planner</b>	
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Approved by	Michelle Staines-Hawthorne <b>Corporate Strategy Manager</b>	
	Manaia Te Wiata <b>Group Manager Business Support</b>	
	Don McLeod <b>Chief Executive Officer</b>	





Item 6.6

Attachment A



## Audit plan

I am pleased to present our audit plan for the audit of Matamata-Piako District Council for the year ending 30 June 2020. The purpose of this audit plan is to discuss:

Audit risks and issues.....	2
Our audit process.....	8
Reporting protocols .....	12
Audit logistics.....	13
Expectations.....	15

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

The COVID-19 outbreak, and the national response to this outbreak, has created significant uncertainty for many of our clients. While we expect this will create audit issues, we have not attempted to reflect these in the audit plan, given events and implications can change rapidly at this time.

We remain committed to delivering a high-quality audit and to working collaboratively and safely with Council. We plan to continue to meet with the District Council staff where possible, and as appropriate keep up to date with the implications of COVID-19 for the District Council.

Our audit continues to be a risk based public sector audit, which means that we focus on the areas that are most important in that context.

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

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

Yours sincerely

Lauren Clark  
Appointed Auditor  
[date to be finalised]

## Audit risks and issues

### Focus areas



Based on the planning work and discussions that we have completed to date, we set out in the table below the main audit risks and issues. These will be the main focus areas during the audit of Matamata-Piako District Council (the District Council).

Audit risk/issue	Our audit response
<b>The risk of management override of internal controls – mandatory significant risk for all audits</b>	
<p>Management is in a unique position to perpetrate fraud because of management’s ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it results in an inherent risk of material misstatement due to fraud, which audit standards require us to consider in every audit.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> <li>• testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;</li> <li>• reviewing accounting estimates for indications of bias; and</li> <li>• evaluating any significant transactions that are outside the normal course of business, or that otherwise appear to be unusual, including those with related parties.</li> </ul>
<b>Property plant and equipment valuations</b>	
<p><b>Revaluations and fair value assessments</b></p> <p>The District Council periodically revalues its land and buildings, roading, and utility assets. PBE IPSAS 17, <i>Property, Plant and Equipment</i> requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.</p> <p>The District Council last revalued its roading and utility assets as at 1 July 2019. Operational and restricted land and buildings were last revalued as at 1 July 2017.</p> <p>Management must ensure the adjustments and disclosures made as a result of the roading and utilities asset revaluations comply with professional valuation and accounting standards.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> <li>• Seeking assurance from the valuer that the valuation has been completed in accordance with the appropriate valuation and accounting standards.</li> <li>• Reviewing the scope of the valuation and assessing the competence of the valuer, the completeness of the data and reasonableness of the assumptions underlying the valuation.</li> <li>• Reviewing the revaluation adjustments and ensure these have been correctly accounted for. We will also review the compliance of accounting adjustments and disclosures made against PBE IPSAS 17.</li> </ul>

Audit risk/issue	Our audit response
<p>The District Council will need to complete a fair value assessment of all asset classes carried on a revaluation basis as at 30 June 2020, to ensure that the carrying amount of these assets does not differ materially from their fair value.</p> <p><b>Impairment</b></p> <p>Management must undertake an assessment of indicators of impairment across all asset classes in accordance with the accounting standards.</p> <p>This is to ensure the carrying amount of an asset does not differ materially from its recoverable amount.</p> <p><b>Work-in-progress balances</b></p> <p>Work-in-progress (WIP) balances on projects that span an extended period of time should be assessed regularly for impairment over the period of the project. Any costs that should be written off as an expense should be recognised in a timely manner.</p> <p>In addition, management should regularly review the status of capital WIP balances to ensure that projects already completed or available for use are transferred to the appropriate class of asset and depreciated accordingly.</p>	<ul style="list-style-type: none"> <li>Reviewing the District Council’s assessment of whether there is any material difference between the carrying amount and fair value of its assets.</li> </ul> <p>Additionally, we will review the processes used by management to assess and account for Work in Progress (WIP), as well as how impairment assessments over all classes of Property Plant and Equipment (PPE) have been made.</p>

**Additional areas of focus across the sector identified by the Auditor-General**

There are a number of other risks that are common across the local government sector. This table sets out these risks and our audit response.

Audit risk/issue	Our audit response
<b>Rates</b>	
<p>Rates are the District Council’s primary funding source. Compliance with the Local Government (Rating) Act 2002 (the LGRA) in rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge.</p>	<p>We will consider the District Council’s compliance with aspects of the LGRA that materially impact on the financial statements. Principally this means a focus on the rates setting process – the consistency and completeness of the resolution and the Funding Impact Statement (FIS), and reviewing a sample of differentially set and/or targeted rates to assess whether the matters and factors used are consistent with the LGRA.</p> <p>We stress that our review of compliance with legislation is completed for the purposes of expressing our audit opinion. It is not, and should not be seen, as a comprehensive legal review. This is beyond the scope of the audit, and our expertise as auditors. The Council and management have the responsibility to ensure the District Council complies with applicable laws and regulations.</p>
<b>Four well-beings</b>	
<p>The Government has reinstated the “four well-beings” to the Local Government Act 2002 (the Act). The purpose of local government is once again “to promote the social, economic, environmental, and cultural well-being of communities”.</p> <p>The Act now requires a local authority’s annual report to describe any identified effects that any activity within the group of activities has had on the social, economic, environmental, or cultural well-being of the community, as opposed to the previous more general requirement to describe those effects on “the community”.</p>	<p>We will review the disclosures made in the annual report to ensure compliance with Schedule 10 of the Act.</p>

Audit risk/issue	Our audit response
<b>Elected members remuneration</b>	
<p>The Local Government Act 2002 gives the Remuneration Authority (the Authority) responsibility for setting the remuneration of local government elected members. The Authority also has the role of approving a local authority's policy on allowances and expenses.</p> <p>The District Council's annual report must disclose the total remuneration received by or payable to each member of the local authority in the reporting period. A local authority must disclose remuneration paid or payable to each member from both the local authority and any council organisation of the local authority.</p>	<p>We will assess the District Council's compliance with the requirement to disclose the remuneration of each member of the local authority in the annual report against the relevant Local Government Members Determination 2019/20 and any amendment to that Determination.</p>
<b>Local Authorities (Members Interest) Act 1968</b>	
<p>The Local Authorities (Members' Interests) Act 1968 controls the making of contracts between councillors and the District Council and prevents councillors from participating in District Council matters in which they have a pecuniary interest.</p> <p>The Auditor-General's 2010 report Guidance for members of local authorities about the Local Authorities (Members' Interests) Act 1968 provides useful guidance for both the District Council and elected members on their requirements under the Act.</p>	<p>It is primarily the District Council and elected member's responsibility to ensure the requirements of the Local Authorities (Members' Interests) Act 1968 are complied with.</p> <p>We will update our understanding of the District Council's policies and processes in relation to members' interests and in the course of our usual audit work we will remain alert for any potential breaches of the Act.</p>

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

#### COVID-19

The impact of COVID-19 on our audit risks/issues and our audit response has not yet being determined. We expect to complete our determination of the impact of COVID 19 by 30 June 2020. Where we identify additional COVID-19 related audit risks or issues we will advise you of these separately.

#### New accounting standards

The following standards came into effect for this financial year:

- PBE IPSAS 34 *Separate Financial Statements*;

- PBE IPSAS 35 *Consolidated Financial Statements*;
- PBE IPSAS 36 *Investments in Associates and Joint Ventures*;
- PBE IPSAS 37 *Joint Arrangements*; and
- PBE IPSAS 38 *Disclosure of Interests in Other entities*.

The District Council should carry out an early assessment of whether its investment in entities is affected by this new suite of standards, including whether any entities not previously consolidated now meet the definition of being controlled by the District Council. This assessment may be complex and should be completed as early as possible.

Other standards that have come into effect this financial year:

- PBE IPSAS 21 and PBE IPSAS 26 (Revalued PPE scoped into PBE impairment accounting standards); and
- PBE IPSAS 39 *Employee benefits*.

The District Council should also carry out an assessment of PBE IPSAS 21, 26 and 39 and ensure that the impact of these standards is appropriately accounted for in the 2019/20 financial statements.



### Fraud risk

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

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

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

### Our responsibility

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

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

The Auditor-General has published useful information on fraud that can be found at [oag.govt.nz/reports/fraud-reports](https://oag.govt.nz/reports/fraud-reports).

## Our audit process



### Enhancing year-end processes

The year-end financial statement close process and the preparation of the annual report requires a large number of resources to be committed to complete it effectively. This diverts the attention of your staff away from the current financial year and focuses them on past events. We want the audit process to run smoothly and we will work with management to achieve this through bringing forward the timing of audit procedures.

### Bringing forward audit procedures

Substantive audit procedures are traditionally performed after the year-end. Where possible, we will aim to carry out some substantive audit procedures earlier in the year. Completion of these tests earlier in the year should allow for more timely identification and resolution of errors.

We will work with management to determine what work can be brought forward, and facilitate getting the information required at the right time. We will communicate with management if information is not available as agreed, including any impact on the year-end audit.

### Materiality

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

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

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

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

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

### **Misstatements**

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

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

### **Professional judgement and professional scepticism**

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

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

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

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

### **How we consider compliance with laws and regulations**

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

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

### Wider public sector considerations

A public sector audit also examines whether:

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

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## Reporting protocols

### Communication with management and the Council



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

### Reports to Council



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

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

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## Audit logistics

### Our team



Our engagement team is selected to ensure that we have the right subject matter expertise and sector knowledge. Each member of the audit team has received tailored training to develop their expertise.

Our senior audit team members are:

Lauren Clark	Appointed Auditor
Carl Wessels	Engagement Quality Review Director
Kataraina Macown	Audit Manager
Robyn Dearlove	Information Systems Audit and Assurance Manager
Jason Biggins	Tax Director

The Engagement Quality Review (EQR) Director forms an important part of our internal quality assurance process to maintain and enhance the quality of your audit. The EQR Director is an experienced Audit Director who has sufficient and appropriate experience to objectively evaluate the judgements made by the audit team. They are independent from the day to day audit field work, and so can provide an independent challenge to the audit team on their judgements. The EQR will work with your Appointed Auditor and the audit team, but will not have direct contact with you.

## Timetable



Our proposed timetable is noted below.

We have left most dates to be confirmed while we evaluate the impact of the COVID-19 pandemic on the audit timetable. This evaluation will also be informed by management's assessment of the impact on the reporting timetable. We will advise you as soon as we can confirm our timetable.

Interim audit begins	23 April 2020
Draft report to Council issued	08 May 2020
Draft financial statements available for audit (including notes to the financial statements) with actual year-end figures	18 August 2020
Final audit begins	TBC
Final financial statements available, incorporating all the amendments agreed to between us	TBC
Annual report available, including any Chair and Chief Executive's overview or reports	TBC
Verbal audit clearance given	TBC
Draft report to Council issued	TBC
Audit opinion issued	TBC
Management comments on draft report to Council provided	TBC
Final report to Council issued	TBC

## Expectations



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

Our respective responsibilities are set out in our audit engagement letter.

We expect that:

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

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit.



### Health and safety



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

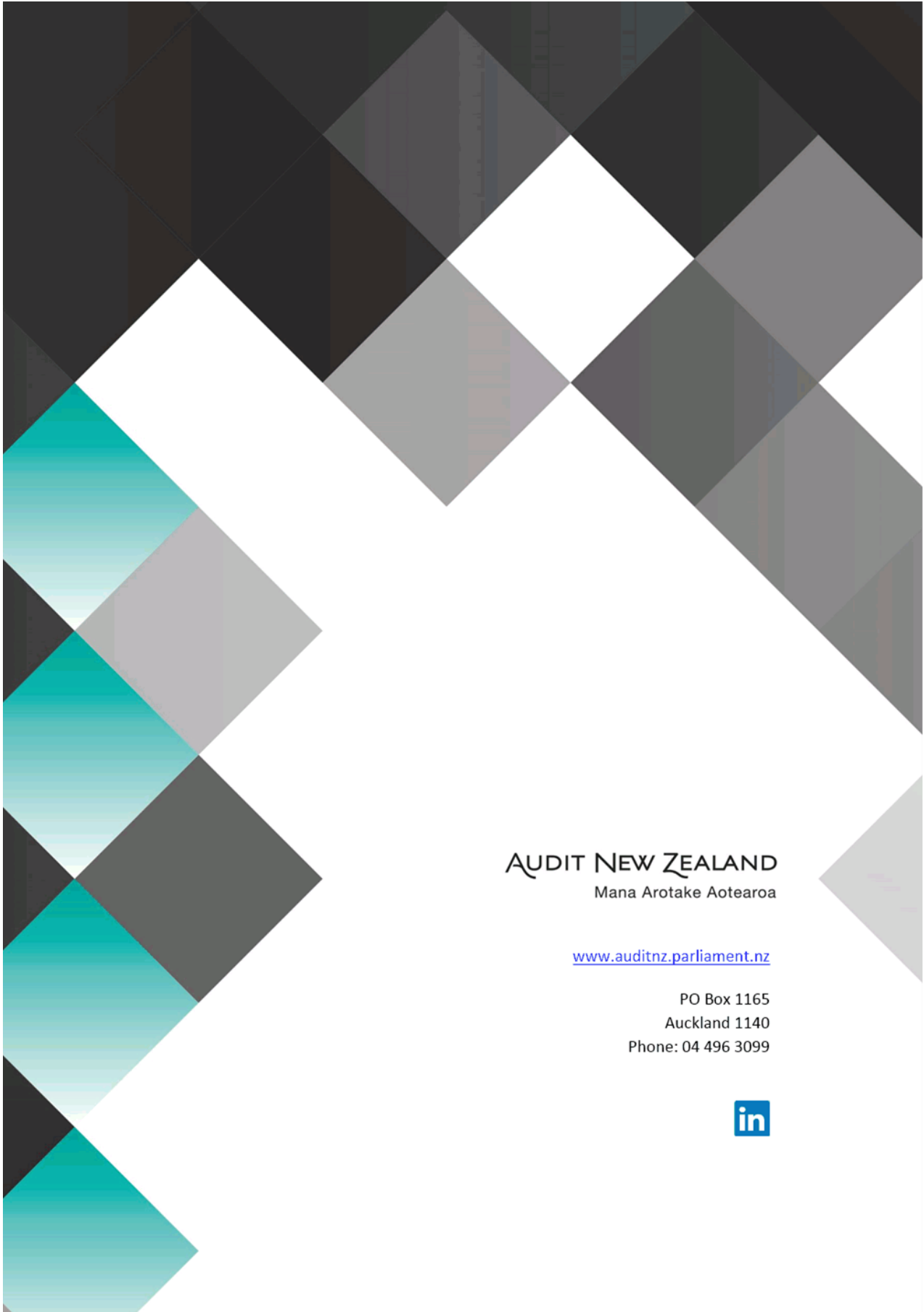
Under the Health and Safety at Work Act 2015, we need to make arrangements with management to keep our audit staff safe while they are working at your premises.

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

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Item 6.6

Attachment A



AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

[www.auditnz.parliament.nz](http://www.auditnz.parliament.nz)

PO Box 1165  
Auckland 1140  
Phone: 04 496 3099





AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

Level 6, 280 Queen Street  
PO Box 1165, Auckland 1140  
Ph 04 496 3099

[Date to be finalised]

Ash Tanner  
Mayor  
Matamata-Piako District Council  
PO Box 266  
Te Aroha 3342

Ref: EN/LCA/3-0025 H616  
Copy: Director Auditor Appointments  
Office of the Auditor-General  
PO Box 3928  
Wellington 60140

Dear Ash

**Proposal to conduct the audit of Matamata-Piako District Council on behalf of the Auditor-General for the 2020, 2021 and 2022 financial years**

**1 Introduction**

The Auditor-General proposes to appoint me to carry out the audit of your organisation for the next three years. As required by the Office of the Auditor-General (OAG), I set out below information relating to the audit for the three financial years ending 30 June 2020, 2021 and 2022. The purpose of this proposal is to provide information on:

- the statutory basis for the audit and how audit fees are set;
- the entities covered by this proposal;
- key members of the audit team;
- the hours we plan to spend on the audit and reasons for any change in hours;
- our proposed fees for the audit for the financial year ending 30 June 2020 and reasons for any change. We will agree the fees for the financial years ending 30 June 2021 and 30 June 2022 at a future date;
- assumptions relating to the proposed audit fees, including what we expect of your organisation;
- what the OAG Audit Standards and Quality Support fee (previously OAG Overhead charge) provides;
- certification required by the Auditor-General; and
- our commitment to conduct the audit in accordance with the Auditor-General's Auditing Standards.



## 2 Statutory basis for the audit and how audit fees are set

The audit of your organisation is carried out under Section 15 of the Public Audit Act 2001 (the Act), which states that “the Auditor General must from time to time audit the financial statements, accounts, and other information that a public entity is required to have audited”.

Fees for audits of public entities are set by the Auditor General under section 42 of the Act. The Act requires the Auditor-General to make sure that audit fees are “reasonable” for both the auditors who complete the audits for the Auditor-General, and for each of the entities audited. The Auditor-General wrote to your Council recently letting you know that he has carefully considered the matter of annual audit fees for all Councils who do not currently have a contract in place. He has decided that for the 30 June 2020 audit, audit fees are to be held to a 1.5% increase over the agreed fee for the 30 June 2019 audit. This attempts to balance the very real cost pressures that your Council and his Office currently face. The Auditor-General also noted that he expects that there will be a range of effects of the COVID-19 pandemic that may require additional audit work, and that auditors will need to discuss recovery of costs for that with Councils in due course, once these costs are known.

The Auditor-General also advised that for a number of years there has been a significant and growing under recovery of audit fees across much of the local government sector, for a range of reasons. Because Parliament has indicated that it expects the cost of annual audits under the Act (including an OAG Audit Standards and Quality Support fee) to be funded by public entities, this is clearly not a sustainable position. It is also potentially creating a very real risk to maintaining consistent audit quality over time, which has been raised by audit regulatory bodies here and overseas.

Audit fees will, in the future, need to be increased to reflect the real costs. These increases will vary depending on the reasonableness of the current fee. So for the subsequent years of the contract, 2021 and 2022, your Council and I will in, due course, have the opportunity to discuss those real costs, and endeavour to reach agreement about reasonable fees that can be recommended to the Auditor-General for approval. The Auditor General, with assistance from the OAG, will directly set audit fees, but only if we fail to reach agreement.

To ensure that the level of audit effort required (and the reasons for it) are visible to your Council, this proposal includes an estimate of the total hours and indicative cost required to complete an efficient and quality audit of your Council (this is set out in sections 5 and 6). We expect to incur these hours in 2020, although the constrained fees will clearly not reflect the full cost of them.

## 3 Entities covered by this proposal

This proposal covers the audit of Matamata-Piako District Council.

#### 4 Key members of the audit team

Appointed Auditor	Lauren Clark
Engagement Quality Reviewer (EQR)	Carl Wessels
Audit Manager	Kataraina Macown
Information System Specialist	Robyn Dearlove

#### 5 Estimated audit hours

We estimate that the following hours will be required to carry out the 30 June 2020 audit (compared to the budgeted hours set out in your last APL and actual data from the previous financial year):

Audit team member	2019 budget	2019 actual*	2020
Appointed Auditor	60	71	50
EQR Director			10
Audit Manager	95	88	95
Other CA qualified staff	120	74	120
Non CA qualified staff	444	564	444
Sector specialist support	7	0	7
Information systems specialists	20	23	20
Tax specialists	2	1	2
<b>Total audit hours</b>	<b>748</b>	<b>821</b>	<b>748</b>

\*Note – actual hours are all hours incurred. These hours have not been adjusted to eliminate any hours that were due to auditor inefficiencies.

## 6 Proposed audit fees

Our proposed fees for the 2020 audit (compared to budgeted and actual data from the previous financial year) is:

Structure of audit fees	2019 budget fees	2019 actual fees charged (*)	2020
	\$	\$	\$
Net audit fee	114,361	114,361	116,077
OAG Audit Standards and Quality Support fee	10,678	10,678	10,838
<b>Total audit fee (excluding disbursements)</b>	<b>125,039</b>	<b>125,039</b>	<b>126,915</b>
Estimated disbursements	4,000	3,540	4,000
<b>Total billable audit fees and charges</b>	<b>129,039</b>	<b>128,579</b>	<b>130,915</b>
GST	19,356	19,287	19,637
<b>Total (including GST)</b>	<b>148,395</b>	<b>147,866</b>	<b>150,552</b>

**\* Note** – 2019 actual audit fees charged were \$114,361, compared to our 2019 audit costs of \$128,654. These costs have not been adjusted to eliminate any matters arising from auditor inefficiencies.

The estimated net audit cost of an efficient audit on a full recovery basis for your Council in 2020 is in the range of \$119,000 - \$124,000 (excluding OAG Audit Standards and Quality Support fees, disbursements and GST), and your audit fees are already close to that range. Other than a small adjustment over the next 1 - 2 years for that, we expect that fee increases, other than for cost inflation, will only be necessary for changes or growth in your Council, or in audit requirements.

The audit fees allow for the audit team to carry out specific tasks identified in the OAG Sector Brief and for the OAG Audit Standards and Quality Support fees. As set out in section 2, these fees are have been held at a 1.5% increase over the agreed audit fee for 2019.

We have also estimated the reasonable cost of disbursements (including travel and accommodation where necessary). Disbursement costs are indicative only and will be charged on an actual and reasonable basis.

## 7 Assumptions relating to our audit fee

You are responsible for the production of your financial statements and anything else that must be audited. Our proposed audit fees are based on the assumption that:

- you will provide to us, in accordance with the agreed timetable, the complete information required by us to conduct the audit;
- your staff will provide us with an appropriate level of assistance;
- your organisation's annual report (including financial statements and statements of service performance) will be subject to appropriate levels of quality review by you before being submitted to us for audit;
- your organisation's financial statements will include all relevant disclosures;
- we will review up to two sets of draft annual reports, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report (for publication on your website);
- there are no significant changes to the structure and/or scale of operations of the entities covered by this proposal (other than as already advised to us);
- there are no significant changes to mandatory accounting standards or the financial reporting framework that require additional work (other than as specified in tables 5.1 and 6.1);
- there are no significant changes to mandatory auditing standards that require additional work other than items specifically identified in the tables above; and
- there are no significant changes to the agreed audit arrangements that change the scope of, timing of, or disbursements related to, this audit.

If the scope and/or amount of work changes significantly, including as a result of the effects of the COVID-19 pandemic, we will discuss the issues and potential recovery of costs with you and the OAG at the time. In order to minimise additional auditor time on the potential effects of COVID-19 on your financial statements and service performance information, the Council should ensure that it considers those potential effects as early as possible and discusses them with the appointed auditor to ensure "no surprises" to either party.

### 7.1 Exclusions

The proposed hours set out in section 5.1, and our fees do not include the potential impact of the following, which may affect your entity in 2020, 2021, and/or 2022, as we are unable to assess their impact at this time:

- The future impact of changes to accounting standards, including:
  - PBE IPSASs 34 to 38;

- PBE FRS 48.
- Changes to auditing standards including NZ AS 1, ISA (NZ) 315 and ISA (NZ) 540.
- The government's three waters review, including its announcement of a Crown Entity to regulate drinking water.
- Any future impact on the Council's reporting due to the re-introduction of the four well-beings into the Local Government Act in May 2019.
- The Productivity Commission's review of local government funding and financing.
- The impacts of future growth within the Council's area.
- The impacts of any new initiatives or funding sources related to either the Provincial Growth Fund or the Housing Infrastructure Fund.

## 8 What the OAG Audit Standards and Quality Support fees cover

Parliament has indicated that it expects the cost of annual audits under the Public Audit Act (including an OAG Audit Standards and Quality Support fees) to be funded by public entities.

The OAG Audit Standards and Quality Support fees partially fund a range of work that supports auditors and entities, including:

- development and maintenance of auditing standards;
- technical support for auditors on specific accounting and auditing issues;
- ongoing auditor training on specific public sector issues;
- preparation of sector briefs to ensure a consistent approach to annual audits;
- development and maintenance of strategic audit plans; and
- carrying out quality assurance reviews of all auditors, and their audits and staff on a regular (generally, three-year) cycle.

Appointed Auditors are required to return the OAG Audit Standards and Quality Support fees portion of the total audit fee, to the OAG.

## 9 Certifications required by the Auditor-General

We certify that:

- the undertakings, methodology, and quality control procedures that we have declared to the OAG continue to apply;
- our professional indemnity insurance policy covers this engagement; and
- the audit will be conducted in accordance with the terms and conditions of engagement set out in the audit engagement agreement and schedules.

## 10 Conclusion

As the Appointed Auditor, I am committed to providing you and the Auditor-General with the highest level of professional service. I intend to work with you, the OAG, and the Auditor-General in a partnership environment to resolve any issues that may arise.

If you require any further information, please do not hesitate to contact me.

Please counter-sign this letter (below) to confirm that you, and the governing body of your organisation, agree with its contents. This letter will then form the basis for a recommendation to the Auditor-General on the audit fee that should be set. The schedules of audit hours and fees will also be incorporated into my audit engagement agreement with the Auditor-General to carry out the audit of your organisation as the agent of the Auditor-General.

Yours sincerely

Lauren Clark  
Appointed Auditor  
Audit New Zealand



I accept the audit fees for the audit of the financial year ending 30 June 2020 as stated above.

Full name: Ash Tanner Position: Mayor  
Authorised signature: \_\_\_\_\_ Date: \_\_\_\_\_  
Entity name: Matamata-Piako District Council

**Actions to take when agreement has been reached:**

- 1 Make a copy of this signed proposal and keep it for your file.
- 2 Send the original to:  
Lauren Clark  
Appointed Auditor  
Audit New Zealand  
PO Box 1165  
Auckland 1140



AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

[Date to be finalised]

Level 6, 280 Queen Street, Auckland 1010  
PO Box 1165, Auckland 1140

Ash Tanner  
Mayor  
Matamata-Piako District Council  
PO Box 266  
Te Aroha 3342

Dear Ash

### Audit Engagement Letter

This audit engagement letter is sent to you on behalf of the Auditor-General who is the auditor of all “public entities”, including Matamata-Piako District Council (the District Council), under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, Lauren Clark, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Act, to carry out the annual audits of the District Council’s financial statements and performance information. We will be carrying out these annual audits on the Auditor-General’s behalf, for the years ending 30 June 2020 to 30 June 2022.

This letter outlines:

- the terms of the audit engagement and the nature, and limitations, of the annual audit; and
- the respective responsibilities of the Council and me, as the Appointed Auditor, for the financial statements and performance information.

The objectives of the annual audit are:

- to provide an independent opinion on the District Council’s financial statements and performance information; and
- to report on other matters that come to our attention as part of the annual audit (typically those matters will relate to issues of financial management and accountability).

We will carry out the audit in accordance with the Auditor-General’s Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board (collectively the Auditing Standards). The Auditing Standards require that we comply with ethical requirements, and

plan and perform the annual audit to obtain reasonable assurance about whether the District Council's financial statements and performance information are free from material misstatement. The Auditing Standards also require that we remain alert to issues of concern to the Auditor-General. Such issues tend to relate to matters of financial management and accountability.

#### Your responsibilities

Our audit will be carried out on the basis that the Council acknowledges that it has responsibility for:

- preparing the financial statements and performance information in accordance with any applicable legal requirements and financial reporting standards; and
- having such internal control as determined necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error;
- providing us with:
  - access to all information relevant to preparing the financial statements and performance information such as records, documentation, and other information;
  - all other information, in addition to the financial statements and performance information, to be included in the annual report;
  - additional information that we may request from the District Council for the purpose of the audit;
  - unrestricted access to Council members and employees that we consider necessary; and
  - written confirmation concerning representations made to us in connection with the audit.

In addition, the Council is responsible:

- for the preparation of the summary financial statements and summary performance information;
- for making the audited summary financial statements and summary performance information readily available to the intended users of that information; and
- for including our audit report on the summary financial statements and summary performance information in any document that contains that information and that indicates that we have reported on that information.

The Council's responsibilities extend to all resources, activities, and entities under its control. We expect that the Council will ensure:

- the resources, activities, and entities under its control have been operating effectively and efficiently;
- it has complied with its statutory obligations including laws, regulations, and contractual requirements;
- it has carried out its decisions and actions with due regard to minimising waste;
- it has met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector in that it has carried out its decisions and actions with due regard to probity; and
- its decisions and actions have been taken with due regard to financial prudence.

We expect the Council and/or the individuals within the District Council with delegated authority, to immediately inform us of any suspected fraud, where there is a reasonable basis that suspected fraud has occurred – regardless of the amount involved. Suspected fraud also includes instances of bribery and/or corruption.

The Council has certain responsibilities relating to the preparation of the financial statements and performance information and in respect of financial management and accountability matters. These specific responsibilities are set out in Appendix 1. Appendix 2 contains some additional responsibilities relating to the health and safety of audit staff. We expect members of the Council to be familiar with those responsibilities and, where necessary, have obtained advice about them.

The Council should have documented policies and procedures to support its responsibilities. It should also regularly monitor performance against its objectives.

### **Our responsibilities**

#### ***Carrying out the audit***

We are responsible for forming an independent opinion on whether:

- the financial statements of the District Council:
  - present fairly, in all material respects:
    - its financial position; and
    - its financial performance and cash flows for the financial year; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards;

- the funding impact statement of the District Council presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Long-term plan or annual plan;
- the statement about capital expenditure for each group of activities of the District Council presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council's Long-term plan or annual plan; and
- the funding impact statement for each group of activities of the District Council presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Long-term plan.

We are also responsible for forming an independent opinion on whether the performance information of the District Council:

- presents fairly, in all material respects, the level of service for each group of activities for the financial year, including:
  - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved; and
  - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
- complies with generally accepted accounting practice in New Zealand.

In addition, I am also responsible for reporting on:

- whether the District Council has complied with the requirements of schedule 10 of the Local Government Act 2002 as they relate to the annual report; and
- the completeness and accuracy of the District Council's disclosures about performance against benchmarks required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements and performance information. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the financial statements and performance information, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements and performance information.

We do not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material

misstatements may not be detected, even though the audit is properly planned and performed in accordance with the Auditing Standards.

During the audit, we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District Council's internal controls. However, we will communicate to you in writing about any significant deficiencies in internal control relevant to the audit of the financial statements and performance information that we identify during the audit.

During the audit, the audit team will:

- be alert for issues of effectiveness and efficiency – in particular, how the Council have carried out their activities;
- consider laws and regulations relevant to the audit;
- be alert for issues of waste – in particular, whether the Council obtained and applied the resources of the District Council in an economical manner, and whether any resources are being wasted;
- be alert for issues of a lack of probity – in particular, whether the Council have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector; and
- be alert for issues of a lack of financial prudence.

#### ***Our independence***

It is essential that the audit team and Audit New Zealand remain both economically and attitudinally independent of the District Council; including being independent of management personnel and members of the Council. This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with the objectivity of the audit team and the Audit New Zealand.

To protect our independence, specific limitations are placed on us in accepting engagements with the Council other than the annual audit. We may accept certain types of other engagements, subject to the requirements of the Auditing Standards. Any other engagements must be the subject of a separate written arrangement between the Council and me or Audit New Zealand.

#### ***Reporting***

We will issue an independent audit report that will be attached to the financial statements and performance information. This report contains our opinion on the fair presentation of the financial statements and performance information and whether they comply with the applicable reporting requirements. The audit report may also include comment on other financial management and accountability matters that we consider may be of interest to the addressee of the audit report.



In addition, we will issue an audit report that will be attached to the summary financial statements and summary performance information. This audit report will contain an opinion that provides the same level of assurance as the audit report on the full financial statements and full performance information.

We will also issue a report to the Council. This report communicates any matters that come to our attention during the audit that, in our opinion, are relevant to the Council. Typically those matters will relate to issues of financial management and accountability. We may also provide other reports to the District Council from time to time. We will inform the Council of any other reports we have issued.

Please note that the Auditor-General may publicly report matters that are identified in the annual audit, in keeping with section 21 of the Public Audit Act 2001.

**Next steps**

Please acknowledge receipt of this letter and the terms of the audit engagement by signing the letter in the space provided and returning a copy to me. The terms will remain effective until a new Audit Engagement Letter is issued.

If you have any questions about the audit generally, or have any concerns about the quality of the audit, you should contact me as soon as possible. If after contacting me you still have concerns, you should contact the Director of Auditor Appointments at the Office of the Auditor-General on (04) 917 1500.

If you require any further information, or wish to discuss the terms of the audit engagement further before replying, please do not hesitate to contact me.

Yours faithfully

Lauren Clark  
Appointed Auditor  
On behalf of the Auditor-General

I acknowledge the terms of this engagement and that I have the required authority on behalf of the Council.

Signature:

Name: .....

Title: ..... Date: .....

## Appendix 1: Respective specific responsibilities of the Council and the Appointed Auditor

Responsibilities of the Council	Responsibility of the Appointed Auditor
<b>Responsibilities for the financial statements and performance information</b>	
<p>You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards.</p> <p>You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information.</p> <p>You are required by legislation to prepare the financial statements and performance information and provide that information to us before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines. To meet the reporting deadlines, we are dependent on receiving the financial statements and performance information ready for audit and in enough time to enable the audit to be completed. "Ready for audit" means that the financial statements and performance information have been prepared in accordance with legal requirements and financial reporting standards, and are supported by proper accounting records and complete evidential documentation.</p>	<p>We are responsible for carrying out an annual audit, on behalf of the Auditor-General. We are responsible for forming an independent opinion on whether:</p> <ul style="list-style-type: none"> <li>• the financial statements:                             <ul style="list-style-type: none"> <li>◦ present fairly, in all material respects:                                     <ul style="list-style-type: none"> <li>• the financial position; and</li> <li>• the financial performance and cash flows for the financial year; and</li> </ul> </li> <li>◦ comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards;</li> </ul> </li> <li>• the funding impact statement of the District Council presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Long-term plan or annual plan;</li> <li>• the statement about capital expenditure for each group of activities of the District Council presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council's Long-term plan or annual plan; and</li> </ul>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<ul style="list-style-type: none"> <li>• the funding impact statement for each group of activities of the District Council presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council’s Long-term plan.</li> </ul> <p>We are also responsible for forming an independent opinion on whether the performance information:</p> <ul style="list-style-type: none"> <li>• presents fairly, in all material respects, the performance for the financial year, including:                             <ul style="list-style-type: none"> <li>○ the performance achievements as compared with forecasts included in the forecast performance report for the financial year; and</li> <li>○ the actual revenue and expenses as compared with the forecasts included in the forecast performance report for the financial year; and</li> </ul> </li> <li>• complies with generally accepted accounting practice in New Zealand.</li> </ul> <p>We will also read the other information accompanying the financial statements and performance information and consider whether there are material inconsistencies with the audited financial statements and performance information.</p> <p>Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error. Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence the audit report addressee’s overall understanding of the financial statements and performance information.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General's preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion.</p> <p>An audit also involves evaluating:</p> <ul style="list-style-type: none"> <li>• the appropriateness of accounting policies used and whether they have been consistently applied;</li> <li>• the reasonableness of the significant accounting estimates and judgements made by those charged with governance;</li> <li>• the appropriateness of the content and measures in any performance information;</li> <li>• the adequacy of the disclosures in the financial statements and performance information; and</li> <li>• the overall presentation of the financial statements and performance information.</li> </ul> <p>We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that:</p> <ul style="list-style-type: none"> <li>• the adoption of the going concern basis of accounting is appropriate;</li> <li>• all material transactions have been recorded and are reflected in the financial statements and performance information;</li> <li>• all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to us; and</li> <li>• uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information.</li> </ul> <p>Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>We will ensure that the annual audit is completed by the reporting deadline or, if that is not practicable because of the non-receipt or condition of the financial statements and performance information, or for some other reason beyond our control, as soon as possible after that.</p> <p>The work papers that we produce in carrying out the audit are the property of the Auditor-General. Work papers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.</p>
<b>Responsibilities for the accounting records</b>	
<p>You are responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> <li>• correctly record and explain the transactions of the District Council;</li> <li>• enable you to monitor the resources, activities, and entities under your control;</li> <li>• enable the District Council's financial position to be determined with reasonable accuracy at any time;</li> <li>• enable you to prepare financial statements and performance information that comply with legislation (and that allow the financial statements and performance information to be readily and properly audited); and</li> <li>• are in keeping with the requirements of the Commissioner of Inland Revenue.</li> </ul>	<p>We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information.</p> <p>If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
<b>Responsibilities for accounting and internal control systems</b>	
<p>You are responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the District Council), supported by written policies and procedures, designed to provide reasonable assurance as to the integrity and reliability of financial and performance information reporting.</p>	<p>The annual audit is not designed to identify all significant weaknesses in your accounting and internal control systems. We will review the accounting and internal control systems only to the extent required to express an opinion on the financial statements and performance information.</p> <p>We will report to you separately, on any significant weaknesses in the accounting and internal control systems that come to our notice and that we consider may be relevant to you. Any such report will provide constructive recommendations to assist you to address those weaknesses.</p>
<b>Responsibilities for preventing and detecting fraud and error</b>	
<p>The responsibility for the prevention and detection of fraud and error rests with you, through the implementation and continued operation of adequate internal control systems (appropriate to the size of the District Council) supported by written policies and procedures.</p> <p>We expect you to formally address the matter of fraud, and formulate an appropriate policy on how to minimise it and (if it occurs) how it will be dealt with. Fraud also includes bribery and corruption.</p> <p>We expect you to consider reporting all instances of actual, suspected, or alleged fraud to the appropriate law enforcement agency, which will decide whether proceedings for a criminal offence should be instituted. We expect you to immediately inform us of any suspected fraud where you, and/or any individuals within the District Council with delegated authority have a reasonable basis that suspected fraud has occurred - regardless of the amount involved.</p>	<p>We design our audit to obtain reasonable, but not absolute, assurance of detecting fraud or error that would have a material effect on the financial statements and performance information. We will review the accounting and internal control systems only to the extent required for them to express an opinion on the financial statements and performance information, but we will:</p> <ul style="list-style-type: none"> <li>• obtain an understanding of internal control and assess its ability for preventing and detecting material fraud and error; and</li> <li>• report to you any significant weaknesses in internal control that come to our notice.</li> </ul> <p>We are required to immediately advise the Office of the Auditor-General of all instances of actual, suspected, or alleged fraud.</p> <p>As part of the audit, you will be asked for written confirmation that you have disclosed all known instances of actual, suspected, or alleged fraud to us.</p>



Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>If we become aware of the possible existence of fraud, whether through applying audit procedures, advice from you, or management, or by any other means, we will communicate this to you with the expectation that you will consider whether it is appropriate to report the fraud to the appropriate law enforcement agency. In the event that you do not report the fraud to the appropriate law enforcement agency, the Auditor-General will consider doing so, if it is appropriate for the purposes of protecting the interests of the public.</p>
<p><b>Responsibilities for compliance with laws and regulations</b></p>	
<p>You are responsible for ensuring that the District Council has systems, policies, and procedures (appropriate to the size of the Council) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of the District Council are complied with. Such systems, policies, and procedures should be documented.</p>	<p>We will obtain an understanding of the systems, policies, and procedures put in place for the purpose of ensuring compliance with those legislative and regulatory requirements that are relevant to the audit. Our consideration of specific laws and regulations will depend on a number of factors, including:</p> <ul style="list-style-type: none"> <li>• the relevance of the law or regulation to the audit;</li> <li>• our assessment of the risk of non-compliance; and</li> <li>• the impact of non-compliance for the addressee of the audit report.</li> </ul> <p>The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or significance. We will report to you and to the Auditor-General all material and significant instances of non-compliance.</p> <p>We will also report to you any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws and regulations.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
<b>Responsibilities to establish and maintain appropriate standards of conduct and personal integrity</b>	
<p>You should at all times take all practicable steps to ensure that your members and employees maintain high standards of conduct and personal integrity. You should document your expected standards of conduct and personal integrity in a “Code of Conduct” and, where applicable, support the “Code of Conduct” with policies and procedures.</p> <p>The expected standards of conduct and personal integrity should be determined by reference to accepted “Codes of Conduct” that apply to the public sector.</p>	<p>We will have regard to whether you maintain high standards of conduct and personal integrity – particularly in matters relating to financial management and accountability. Specifically, we will be alert for significant instances where members and employees of the District Council may not have acted in accordance with the standards of conduct and personal integrity expected of them.</p> <p>The way in which we will report instances that come to our attention will depend on significance. We will report to you and to the Auditor-General all significant departures from expected standards of conduct and personal integrity that come to our attention during the audit.</p> <p>The Auditor-General, on receiving a report from us, may, at his discretion and with consideration of its significance, decide to conduct a performance audit of, or an inquiry into, the matters raised. The performance audit or inquiry will be subject to specific terms of reference, in consultation with you. Alternatively, the Auditor-General may decide to publicly report the matter without carrying out a performance audit or inquiry.</p>
<b>Responsibilities for conflicts of interest and related parties</b>	
<p>You should have policies and procedures to ensure that your members and employees carry out their duties free from bias.</p> <p>You should maintain a full and complete record of related parties and their interests. It is your responsibility to record and disclose related-party transactions in the financial statements and performance information in accordance with generally accepted accounting practice.</p>	<p>To help determine whether your members and employees have carried out their duties free from bias, we will review information provided by you that identifies related parties, and will be alert for other material related-party transactions. Depending on the circumstances, we may enquire whether you have complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and performance information.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
<b>Responsibilities for publishing the audited financial statements on a website</b>	
<p>You are responsible for the electronic presentation of the financial statements and performance information on the public entity's website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the data presented.</p> <p>If the audit report is reproduced in any medium, you should present the complete financial statements, including notes, accounting policies, and any other accountability statements.</p>	<p>Examining the controls over the electronic presentation of audited financial statements and performance information, and the associated audit report, on your website is beyond the scope of the annual audit.</p>

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## Appendix 2: Health and safety of audit staff

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015 we need to make arrangements with you to keep our audit staff safe while they are working at your premises. We expect you to provide a safe work environment for our audit staff. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

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## Debenture Trust Deed - Letter of Engagement

RM No.: 2295412

### Rāpopotonga Matua | Executive Summary

This report seeks to provide the Committee with the letter of engagement for the limited independent assurance report of the Debenture Trust Deed to be undertaken by the Council's auditors.

### Tūtohunga | Recommendation

That:

1. The information be received;

### Content

#### Horopaki | Background

Several years ago, Council restructured its security arrangements for debt using a debenture trust deed. This deed alters how security is given for debt and allows Council more flexibility in structuring its debt than previous mechanisms.

As part of Council's annual audit of accounts and performance, our auditors undertake an audit of the trust deed arrangements in accordance with the requirements of the Trust Deed.

#### Ngā Take | Issues

Attached to this report is a copy of the engagement letter for the limited independent assurance report to be undertaken by our auditors. The letter sets out the scope of the audit, the Council's and the Trustee's responsibilities.

The outcome of the Debenture Trust Deed Audit will be available from our Auditors in October.

### Ngā Tāpiritanga | Attachments

[A](#). Debenture Trust Deed Letter of Engagement

### Ngā waitohu | Signatories

Author(s)	Michelle Staines-Hawthorne <b>Corporate Strategy Manager</b>	
Approved by	Larnia Rushbrooke <b>Deputy Finance Manager</b>	
	Manaia Te Wiata <b>Group Manager Business Support</b>	
	Don McLeod	

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	<b>Chief Executive Officer</b>	
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AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

[Date to be confirmed]

The Council  
Matamata-Piako District Council  
PO Box 266  
Te Aroha 3342

Level 6, 280 Queen Street  
PO Box 1165, Auckland 1140

The Board Members  
Trustees Executors Limited  
PO Box 3222  
Wellington 6140

Dear Councillors and Trustees Executors Limited Board Members

### **Confirmation of Engagement – Limited Independent Assurance Report in respect of Matamata-Piako District Council’s Debenture Trust Deed**

The purpose of this letter is to confirm our understanding of our mutual responsibilities arising from your request to provide a report (the Report) under clause 10.2.6 of the Debenture Trust Deed between Trustees Executors Limited, (the Trustee) and Matamata-Piako District Council dated 9 May 2011 (the Trust Deed). References in this letter are also made to the Deed of Amendment between Trustees Executors Limited, (the Trustee) and Matamata-Piako District Council dated 13 February 2013 (the Deed of Amendment).

The purpose of this letter is to confirm the terms of our Limited Independent Assurance Engagement and the nature of, and limitations to the services that we will provide. All services are provided subject to the terms and limitations set out in this letter (including any appendices).

#### **Scope of the engagement**

The Auditor-General is the auditor of Matamata-Piako District Council pursuant to the Public Audit Act 2001. The Auditor-General has appointed me Lauren Clark, using the staff and resources of Audit New Zealand to carry out the audit of the annual financial statements and performance information of Matamata-Piako District Council.

The objective of the audit of the annual financial statements and performance information, which is the subject of a separate letter of engagement with Matamata-Piako District Council dated 12 May 2020 (attached as Appendix 2), is to report our opinion on those annual financial statements and performance information on behalf of the Auditor-General.

As auditors appointed for the audit of the annual financial statements and performance information, we are not responsible for:

- the preparation of the annual financial statements and performance information of Matamata-Piako District Council;
- any Reporting Certificate(s) issued to the Trustee by Matamata-Piako District Council;
- Matamata-Piako District Council's compliance with the Trust Deed; or
- the obligations of the Trustee, as defined in the Trust Deed and relevant legislation, or the Trustee's execution of those responsibilities in accordance with the Trust Deed and relevant legislation.

The procedures performed when carrying out the audit of the annual financial statements and performance information of the Matamata-Piako District Council are not designed to assess whether the Matamata-Piako District Council has complied with the Trust Deed or to make an evaluation of the Reporting Certificate(s) Matamata-Piako District Council issued to the Trustee.

The scope of this Limited Independent Assurance Engagement is to report on certain matters stated in clause 10.2.6 of the Trust Deed based on information obtained as a by-product of the audit of the annual financial statements and performance information of Matamata-Piako District Council for the year ending 30 June 2020.

For the purpose of providing our Report, (other than as expressly stated in the section below titled "Scope of the Auditor's Responsibilities under the Trust Deed"), we will not perform any further procedures beyond those required to complete the audit of the annual financial statements and performance information of Matamata-Piako District Council.

In the performance of our duties as auditors, unless expressly stated, we do not perform any work at the time Matamata-Piako District Council's Reporting Certificate for the year ended 30 June 2020 is prepared. Accordingly, our statements contained in the Report in relation to the matters addressed in clause 10.2.6 of the Trust Deed must be viewed in that context.

### **Scope of Matamata-Piako District Council's responsibilities**

Matamata-Piako District Council is required to provide a copy of the annual report, which includes the audited financial statements and performance information of Matamata-Piako District Council and our audit opinion, to the Trustee under clause 10.2.1 of the Trust Deed.

Matamata-Piako District Council is responsible for preparing Reporting Certificates to the Trustee in accordance with clause 2.1.f of the Deed of Amendment. Matamata-Piako District Council is responsible for such internal control as is determined necessary to ensure compliance with the requirements of the Trust Deed and also to enable the preparation of Reporting Certificates that are free from material misstatement, whether due to fraud or error.

Matamata-Piako District Council is responsible for keeping the Register and ensuring that it is separately audited in accordance with clause 4.2.8 of the Trust Deed.

Matamata-Piako District Council is required to comply with the full requirements of the Trust Deed, including the continuing covenants and reporting requirements.

Matamata-Piako District Council is responsible for interpreting the clauses and definitions in the Trust Deed. We make no representations as to whether these interpretations of the Trust Deed are appropriate.

### **Scope of the Trustee's responsibilities**

The Trustee monitors the Matamata-Piako District Council's compliance under the terms of the Trust Deed. The terms of the Trust Deed were agreed by the Trustee and Matamata-Piako District Council. We are not a signatory to the Trust Deed and we were not consulted about the terms of the Trust Deed. We therefore take no responsibility for the adequacy of the terms of the Trust Deed for monitoring Matamata-Piako District Council.

The receipt of the Limited Independent Assurance Report and the audited annual financial statements and performance information of Matamata-Piako District Council, and any reliance on the audit opinion contained in our auditor's report attached to those audited annual financial statements and performance information, does not relieve the Trustee of its responsibilities under the Trust Deed and relevant legislation.

The Financial Markets Authority (FMA) issued a guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors"<sup>1</sup>. This guidance note sets out the FMA's expectations about how Trustees will carry out their monitoring functions effectively. Where applicable, it is the Trustee's responsibility to meet the FMA's expectations as set out in the guidance note.

### **Scope of the Auditor's responsibilities under the Trust Deed**

We will conduct our Limited Independent Assurance Engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the External Reporting Board. A copy of this standard is available on the External Reporting Board's website. A Limited Independent Assurance Engagement is not an audit and the procedures that have been performed are less than for an audit. As a result, the level of assurance that has been obtained is substantially lower than the assurance that would have been obtained had an audit been performed.

This standard requires that we comply with ethical requirements and plan and perform our Limited Independent Assurance Engagement to obtain limited assurance about whether anything has come to our attention to indicate that the Reporting Certificate for the year ended 30 June 2020 has not been prepared in accordance with the requirements of clause 10.2.6 of the Trust Deed.

We will report to you on the following specific matters under clause 10.2.6 of the Trust Deed:

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<sup>1</sup> Please refer to the FMA website for a copy of the guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors" (2013).

- From our perusal of the Reporting Certificate dated 30 June 2020 given on behalf of Matamata-Piako District Council pursuant to clause 2.1.f of the Deed of Amendment and, as far as matters that we will observe in the performance of our duties as auditors are concerned, whether anything is brought to our attention to indicate that the statements made in such Reporting Certificate are not materially correct.

In meeting this responsibility we will agree the total amount of all categories of stock in the Reporting Certificate dated 30 June 2020 with Computershare Investor Services and the Local Government Funding Agency.

With reference to the other assertions the Chief Executive will make in the Reporting Certificate our procedures will be limited to talking to management and considering any issues which might have come to our attention as a by-product of the Statutory Audit Engagement.

- Whether, in performing our duties as auditors, we have:
  - become aware of any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee; and
  - disclosed any matter that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders.

In meeting this responsibility, our procedures will be limited to talking to management and considering any issues which might come to our attention as a by-product of the audit of the annual financial statements and performance information.

- As at the end of the financial year, from the audit procedures performed as part of the audit of the annual financial statements and performance information, whether anything came to our attention to indicate that, in all material respects, principal money due and payable on the Stock and interest due and payable on the Stock, had not been paid.

We will not test that each individual Stockholder has received all monies due and payable to them.

We will report to you on the following matters under clause 10.2.6 of the Trust Deed:

- Whether Matamata-Piako District Council's agents have maintained the Register in accordance with the requirements of the Trust Deed.

Matamata-Piako District Council is responsible for maintaining the Register and ensuring it is separately audited in accordance with clause 4.2.8.

We will not audit the Register for the year ended 30 June 2020. Our procedures will be limited to asking Matamata-Piako District Council for a copy of the audit report about the audit of the Register.

- As at 30 June 2020:



- the amount of Stock and how much is Security Stock and Bearer Stock; and
- the Principal Money owing or secured under the Stock distinguishing between Security Stock and other categories of Stock.

In meeting this responsibility, we will agree the total of all categories of Stock with Computershare Investor Services and the Local Government Funding Agency. We will not test that each individual Stockholder has received all monies due and payable to them.

Our Limited Independent Assurance Engagement to provide the Report will be completed in accordance with the scope defined in this letter and any reliance on the Report can only be in the context of the scope as defined. The Report will therefore not be suitable for any other purpose.

#### **Timetable**

Our work will be completed concurrently with the audit of the annual financial statements and performance information. We will complete our Report as soon as possible once Matamata-Piako District Council has signed the annual financial statements and performance information and provided us with the Reporting Certificate given on behalf of Matamata-Piako District Council pursuant to clause 10.2.6 of the Trust Deed.

#### **Restriction on use and distribution of our Report**

Our Report will be addressed to Matamata-Piako District Council and the Trustee for the sole purpose of meeting the requirements of clause 10.2.6 of the Trust Deed.

Our Report is not to be used for any other purpose, copied or made available (in whole or in part), or recited or referred to in any document, made available to any other person, without our prior written consent except as may be required by law. In addition, we will take no responsibility for, nor do we report on, any part of the Trust Deed not specifically mentioned in the report.

#### **Fees**

The fee will be payable by Matamata-Piako District Council for this Limited Independent Assurance Engagement. The total fee is estimated to be \$5,000.

#### **Supporting documentation required**

In order to complete this engagement we will need access certain information and documentation that council should have in its files supporting its reporting certificate. Please refer to Appendix 3 for details of the information and documentation we will need.

### Agreement

If you have any questions about this letter, please contact me. Please confirm your agreement to the terms and limitations of this engagement letter by signing below and returning a copy to us.

Yours faithfully

Lauren Clark  
Audit New Zealand  
On behalf of the Auditor-General  
Auckland, New Zealand

### Matamata-Piako District Council acceptance

Matamata-Piako District Council confirms and accepts the engagement of Audit New Zealand to provide the services on the terms and conditions set out in this engagement letter.

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Position)



### Trustee acceptance

Trustees Executors Limited as Trustee for Matamata-Piako District Council confirms and accepts the engagement of Audit New Zealand to provide the services on the terms and conditions set out in this engagement letter.

Trustees Executors Limited has entered into this letter of engagement in its capacity as Trustee of Matamata-Piako District Council and accordingly its liability shall not be personal and unlimited but shall be limited to the assets of Matamata-Piako District Council available to it from time to time in that capacity.

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Position)

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## Appendix 1: Indicative Report

### Limited Independent Assurance Report

#### To Matamata-Piako District Council and to Trustees Executors Limited in respect of Matamata-Piako District Council's Debenture Trust Deed for the year ended 30 June 2020

The Auditor-General is the auditor of Matamata-Piako District Council pursuant to the Public Audit Act 2001. The Auditor-General has appointed me, Lauren Clark, using the staff and resources of Audit New Zealand to carry out the audit of the annual financial statements and performance information of Matamata-Piako District Council. On behalf of the Auditor-General, I have also carried out this Limited Independent Assurance Engagement, using the staff and resources of Audit New Zealand, as referred to in the Debenture Trust Deed dated 9 May 2011 (the Trust Deed).

#### Matamata-Piako District Council's Responsibilities

Matamata-Piako District Council is required to provide a copy of the annual report, which includes the audited financial statements and performance information of Matamata-Piako District Council and our audit opinion, to the Trustees Executors Limited (Trustee) under clause 10.2.1 of the Trust Deed.

Matamata-Piako District Council is responsible for preparing Reporting Certificates to the Trustee in accordance with clause 2.1.f of the Deed of Amendment. Matamata-Piako District Council is responsible for such internal control as is determined necessary to ensure compliance with the requirements of the Trust Deed and also to enable the preparation of Reporting Certificates that are free from material misstatement, whether due to fraud or error.

Matamata-Piako District Council is responsible for keeping the Register and ensuring that it is separately audited in accordance with clause 4.2.8 of the Trust Deed.

Matamata-Piako District Council is required to comply with the full requirements of the Trust Deed, including the continuing covenants and reporting requirements.

Matamata-Piako District Council is responsible for interpreting the clauses and definitions in the Trust Deed. We make no representations as to whether these interpretations of the Trust Deed are appropriate.

#### Trustee's Responsibilities

The Trustee monitors Matamata-Piako District Council's compliance under the terms of the Trust Deed. The terms of the Trust Deed were agreed by the Trustee and Matamata-Piako District Council. We are not a signatory to the Trust Deed and we were not consulted about the terms of the Trust Deed. We therefore take no responsibility for the adequacy of the terms of the Trust Deed for monitoring Matamata-Piako District Council.

The receipt of this Limited Independent Assurance Report (Report) and the audited financial statements and performance information of the Matamata-Piako District Council, and any reliance on the audit opinion contained in our auditor's report attached to those audited financial statements and performance information, does not relieve the Trustee of its responsibilities under the Trust Deed and relevant legislation.

The Financial Markets Authority (FMA) issued a guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors"<sup>2</sup>. This guidance note sets out the FMA's expectations about how Trustees will carry out their monitoring functions effectively. Where applicable, it is the Trustee's responsibility to meet the FMA's expectations as set out in the guidance note.

### Our Responsibilities

We conducted our Limited Independent Assurance Engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the External Reporting Board. A copy of this standard is available on the External Reporting Board's website. A Limited Independent Assurance Engagement is not an audit and the procedures that have been performed are less than for an audit. As a result, the level of assurance that has been obtained is substantially lower than the assurance that would have been obtained had an audit been performed.

This standard requires that we comply with ethical requirements and plan and perform our Limited Independent Assurance Engagement to obtain limited assurance about whether anything has come to our attention to indicate the Reporting Certificate prepared for the year ended 30 June 2020 has not been prepared in accordance with the requirements of clause 10.2.6 of the Trust Deed.

The procedures performed when carrying out the audit of the annual financial statements and performance information of Matamata-Piako District Council are not designed to assess whether Matamata-Piako District Council has complied with the Trust Deed or to make an evaluation of the Reporting Certificate(s) Matamata-Piako District Council issued to the Trustee.

The scope of this Limited Independent Assurance Engagement is to report on certain matters stated in clause 10.2.6 of the Trust Deed based on information obtained as a by-product of our engagement to perform the audit of the annual financial statements and performance information of Matamata-Piako District Council for the year ended 30 June 2020.

For the purpose of providing our Report, unless expressly stated, we have not performed any further procedures beyond those required to complete our engagement to perform the audit of the annual financial statements and performance information of Matamata-Piako District Council.

In the performance of our duties as auditors, unless expressly stated, we do not perform any work at the time the Reporting Certificate for the year ended 30 June 2020 is prepared by Matamata-Piako District Council. Accordingly, our statements contained in the Report in relation to the matters addressed in clause 10.2.6 of the Trust Deed must be viewed in that context.

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<sup>2</sup> Please refer to the FMA website for a copy of the guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors" (2013).

Our responsibility under clause 10.2.6 of the Trust Deed is to:

- From our perusal of the Reporting Certificate dated 30 June 2020 given on behalf of Matamata-Piako District Council pursuant to clause 2.1.f of the Deed of Amendment and, as far as matters that we will observe in the performance of our duties as auditors are concerned, report whether anything is brought to our attention to indicate that the statements made in such Reporting Certificate are not materially correct.

In meeting this responsibility we agreed the total amount of all categories of Stock in the Reporting Certificate dated 30 June 2020 with Computershare Investor Services and the Local Government Funding Agency.

With reference to the other assertions made by the Chief Executive in the Reporting Certificate our procedures have been limited to talking to management and considering any issues which might have come to our attention as a by-product of our engagement to perform the audit of the annual financial statements and performance information of Matamata-Piako District Council.

- Report whether, in performing our duties as auditors, we have:
  - become aware of any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee; and
  - disclosed any matter that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders.

In meeting this responsibility, our procedures have been limited to talking to management and considering any issues which might have come to our attention as a by-product of our engagement to perform the audit of the annual financial statements and performance information of Matamata-Piako District Council.

- Report, as at the end of the financial year, from the audit procedures performed as part of our engagement to perform the audit of the annual financial statements and performance information of Matamata-Piako District Council, whether anything came to our attention to indicate that, in all material respects, principal money due and payable on the Stock and interest due and payable on the Stock, had not been paid.

We have not tested that each individual Stockholder has received all monies due and payable to them.

- Report whether the Matamata-Piako District Council's agents have maintained the Register in accordance with the requirements of the Trust Deed.

Matamata-Piako District Council is responsible for maintaining the Register and ensuring it is separately audited in accordance with clause 4.2.8.

The audit of the Register is a separate engagement in the same way the engagement to perform the audit of the annual financial statements and performance information is a separate engagement. Our procedures were limited to asking Matamata-Piako District Council for a copy of the audit report about the Register.

- Report as at 30 June 2020:
  - the amount of Stock and how much is Security Stock and Bearer Stock; and
  - the Principal Money owing or secured under the Stock distinguishing between Security Stock and other categories of Stock.

In meeting this responsibility, we have agreed the total of all categories of Stock with Computershare Investor Services and the Local Government Funding Agency. We have not tested that each individual Stockholder has received all monies due and payable to them.

### Limitations and Use of this Report

This Limited Independent Assurance Report has been prepared solely for Matamata-Piako District Council and the Trustee in accordance with the Trust Deed. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than Matamata-Piako District Council and the Trustee or for any purpose other than that for which it was prepared.

We report to you as accountants, not lawyers. Accordingly we are not aware of all the powers and duties of trustees which may exist in statute, regulation, case law, legal precedent or otherwise.

Other than as expressly stated, we have not undertaken any additional audit work after signing our audit report on Matamata-Piako District Council's financial statements and performance information. We explain the scope of our audit engagement in our audit report on Matamata-Piako District Council's financial statements and performance information for the year ended 30 June 2020.

Because of the inherent limitations in evidence gathering procedures, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement are not performed continuously throughout the period and the procedures performed in respect of Matamata-Piako District Council's compliance with the Trust Deed are undertaken on a test basis (that is, we do not check every transaction), our Limited Independent Assurance Engagement cannot be relied on to detect all instances where Matamata-Piako District Council may not have complied with the requirements of the Trust Deed. Our Conclusion has been formed on the above basis.



## Unqualified Conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that:

- The statements made by Matamata-Piako District Council in the Reporting Certificate dated 30 June 2020 pursuant to clause 2.1.f of the Deed of Amendment are materially incorrect (Reporting Certificate dated 30 June 2020 is given in appendix one).
- There are any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee.
- There are any matters that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders.
- In all material respects, that Matamata-Piako District Council has not paid all principal money due and payable on the Stock and all interest due and payable on the Stock.

Our Limited Independent Assurance Engagement was completed on [date] and our conclusion is expressed as at that date.

## The Register and Stock

Matamata-Piako District Council has provided us with a copy of the audit report about the Register(s). Please refer to appendix two for a copy of the audit report about the Register(s).

Based on the work described in this Report, as at 30 June 2020 the following balances are given:

- Total stock of [TBC]
- This is comprised of:
- Security stock of [TBC]
  - Bearer stock of [TBC]
  - Other stock of [TBC]
  - Security stock (Local Government Funding Agency stock) of [TBC]

Based on the work described in this Report, as at 30 June 2020 the following balances are given:

- Total Principal Money owing and secured under the stock of [TBC]
- This is comprised of:
- Security stock of [TBC]
  - Bearer Stock of [TBC]
  - Other stock of [TBC]
  - Security stock (Local Government Funding Agency stock) of [TBC]

Matamata-Piako District Council is a one of a group of guarantors of the Local Government Funding Agency. As at 30 June 2020 the Matamata-Piako District Council had [TBC] units of Security Stock on issue associated with the guarantee.



The difference between Security Stock on issue associated with the guarantee and total borrowings of the Local Government Funding Agency at 30 June 2020 is as follows:

[TBC]	Units of Security Stock on issue associated with the guarantee
[TBC]	Accrued interest
[TBC]	Treasury Stock <sup>3</sup> held by the Local Government Funding Agency
[TBC]	Treasury Stock lent to the market via repurchase agreements by the Local Government Funding Agency
[TBC]	Total borrowings of the Local Government Funding Agency at 30 June 2020

### Independence and quality control

When carrying out the engagement, we complied with the Auditor-General's:

- Independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board.
- Quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

Other than this engagement and our audit of Matamata-Piako District Council's annual financial statements and performance information, we have no relationship with or interests in Matamata-Piako District Council or any of its subsidiaries or the Trustee.

Lauren Clark  
Audit New Zealand  
On behalf of the Auditor-General  
Auckland, New Zealand

<sup>3</sup> Treasury Stock is stock which is bought back by the issuing entity reducing the amount of outstanding stock on the open market. When an entity repurchases its stock, it reduces its liabilities.

Appendix one

Copy of the reporting certificate dated [date to be confirmed]

[To insert copy of reporting certificate]

Appendix two

Copy of the audit report about the Register

[To insert copy of audit report about the Register]

DRAFT

Draft Tripartite engagement letter - Debenture Trust Deeds.docx

**Appendix 2: Engagement Letter – Audit of the annual  
financial statements and performance information**

[To be inserted when finalised]

DRAFT

Draft Tripartite engagement letter - Debenture Trust Deeds.docx

### Appendix 3: Supporting documentation required

We will need access to the following information and documentation from council's records supporting the reporting certificate:

- A copy of the debenture trust deed.
- The signed reporting certificate for the debenture trust deed for 30 June 2020.
- The LGFA floating nominal amount confirmation as at 30 June 2020.
- Copies of all security stock certificates, including all security stock recorded on the register as 1 cent/1 unit security stocks.
- A security stock listing, indicating who the holders of each security stock are.
- Debt terms sheets for all debenture stock outstanding.
- Written confirmation that all stock that was due to be repaid during the financial was in fact repaid.
- Written confirmation that any interest due for payment on the stock was in fact paid.

Please note that items requested above may not represent all of the information that we need, and additional requests for information and documentation may follow during the course of the engagement depending on the circumstances.

## Long Term Plan 2021-31 Project Update

RM No.: 2287181

### Rāpopotonga Matua | Executive Summary

Council is required to prepare and adopt a Long Term Plan under the Local Government Act 2002 (LGA) every three years.

The purpose of this report is to provide an update on the Long Term Plan project and the associated risk register.

At the time of writing the Audit Arrangement Letter and Fees from Audit NZ had not yet been received.

### Tūtohunga | Recommendation

That:

1. The information be received.
2. Any views on the Long Term Plan 2021-31 project and risk register are provided.

### Horopaki | Background

Council is required to prepare and adopt a Long Term Plan under the LGA. The Long Term Plan sets out the activities, budgets, Financial Strategy and key financial policies of the Council for the next 10 years and the Infrastructure Strategy for the next 30 years. The Long Term Plan is required to be updated every three years, with the last Long Term Plan being approved in 2018 (available online <https://www.mpdc.govt.nz/plans/long-term-plan>).

The Long Term Plan:

- describes the type of district our communities have told us they want – our community outcomes
- identifies the key projects to take place over the next 10 years
- provides an overview of each activity we will carry out and the services we will provide for the next ten years
- determines how much this will cost and how we will fund it.

We also do it to give our community the opportunity to have a say on where we are heading and to ensure our planning is robust. In completing the plan we are required to do a number of things, including:

- take a sustainable development approach and promote community interests
- carry out our business in a clear, transparent and accountable manner
- operate in an efficient and effective manner, using sound business practices
- take into account community views by offering clear information and the opportunity to present views
- provide opportunities for Māori to contribute to decision making
- collaborate and co-operate with other agencies and councils to achieve desired outcomes.

The Long Term Plan is a complex document covering all activities of Council, major strategic documents, financial policies, auditing and a large consultation component with the community.

The Long Term Plan must be adopted prior to 30 June 2021. The project timeline for a Long Term Plan is typically 18 months or more, and involves staff across the whole organisation, Councillors and the community. A high level overview of the timeline is set out under Communication and Timeline below.

## **Ngā Take | Issues / Kōrerorero | Discussion**

### Project Timeline

Due to Covid-19, nationwide lockdown and responding to the emergency taking priority, some of the project milestones and timelines have had to be revised. The project remains on track to achieve its target date of Adoption of the Long Term Plan by 30 June 2021, however some of the workstreams have had to be condensed to enable this;

- Budget preparation; In past LTP projects staff have prepared first cut budgets for discussion with Council in July/August. This has allowed multiple reiterations of the budgets prior to approving a Draft budget for consultation. Due to Covid-19 and the subsequent response including reviewing the Council position on the 2020/21 Annual Plan, the Project Team has agreed to only do ONE run of the budgets, which will be prepared for Council discussion in October/November. This means that budget managers will have the latest information available on starting position (2020/21 Annual Plan will be adopted by 30 June 2020). Council is also considering undertaking pre-consultation with the community on the financial strategy, which will inform the budget managers in preparing their relevant budgets.

### Forecasting Assumptions

Work is underway to prepare the forecasting assumptions for the Long Term Plan. With the current Covid-19 situation, some of our assumptions will come with a high degree of uncertainty, as the full impact, both locally and globally, of the Covid-19 remains unknown. The Draft Forecasting Assumptions will be reported to the Committee in October for comments and feedback.

This is reflected in the updated Risk Register attached to this report.

### Population projections

Infometrics Limited has prepared the population projections for our district to 2051. The projections were prepared during the months of December to February, prior to Covid-19. The projections do not account for any real or potential impact of Covid-19. However staff asked Infometrics to consider the current situation when making their recommendation with regards to which scenario to adopt as the underlying assumption for the purpose of the Long term Plan.

Infometrics presented to Council at a workshop 22 April, and recommended that Council adopts the Medium growth scenario.



As a result of COVID-19, international net migration is likely to be negligible for 2020 and 2021, and employment in Matamata-Piako District will decline slightly. Overall, net migration into Matamata-Piako is likely to be lower than projected until 2025. Given the soft outlook for net migration, the high projection scenario is not recommended as it is unlikely to be achieved in the near term. Furthermore, even when projected growth rates resume after 2025, they will be starting from a lower point, meaning that long term levels set out in the high projection are unlikely to be achieved either.

Near term growth rates are likely to be commensurate with the low projection. However, with lower growth in the low scenario, this may encourage decisions that preclude future growth. Therefore, it is recommended that the medium scenario be adopted by MPDC. The medium scenario provides an appropriate balance given the uncertainty in the near term due to COVID-19.

The Medium Growth Projections scenario was adopted by Council 13 May 2020.

#### Financial Strategy and Benchmark Limits

Initial workshop with Council was held in February. Council provided high level direction on the various Financial Prudence Benchmark limits, including indicating a rates increase limit of LGCI plus X%.

Over the past few months the economic environment and financial situation of our community have changed significantly. Council re-viewed its position on the Annual Plan 2020/21, which will have a flow on effect into the Long Term Plan. Both in terms of starting point and longer term effect of 'catch-ups' on work that was deferred or postponed as a result of Covid-19.

Council is currently considering how to engage with our communities to gauge their views on what the Financial Strategy should look like for the Long Term Plan. A verbal update to the committee will be provided at the time of the meeting.

#### Universal water metering

On 5 February 2020 Council held a workshop to discuss the rates structure and development contributions policy. This discussion was led by consultant Fraser Colegrave of Insight Economics. At that workshop elected members requested more information on universal water metering to understand the issues and option around this.

Staff have worked with Fraser to complete a report on Universal Water metering.

Overall the report concludes the Matamata-Piako district is facing the challenge of sustained growth in water demand due to increased economic activity and population growth, with industrial processing activity also having a large impact on water use. The report details options to improve the efficient use of water across the district.

Universal water metering is one possible option. While universal water metering (UWM) can be a powerful tool for reducing water consumption, the financial benefits to the district are limited.

The Council is currently undertaking various initiatives to help improve its understanding of various facets of its water network. Once better information about the network is available a more informed decision can be made about the best way to improve the efficiency of future district water use. The report ultimately recommends the Council consider parking this issue for now and revisiting it at the next LTP review in three years' time when it has better information about its own network and when current economic uncertainties due to Covid-19 have been resolved.

Council endorsed this recommendation at its meeting 13 May, and will not progress with the UWM at this point in time.

## Mōrearea | Risk

A risk register is maintained for the Long Term Plan project. This is reported to the Audit and Risk Committee quarterly, and is attached to this report.

## Ngā Whiringa | Options

The Committee is asked to provide feedback on the Project and the attached Risk Register.

## Ngā take ā-ture, ā-Kaupapahere hoki | Legal and policy considerations

### Requirement for a Long Term Plan

The preparation of the Long Term Plan is a requirement under the Local Government Act 2002. [Schedule 10](#) of the LGA sets out the requirements for a LTP. The LTP must include information about;

- Community Outcomes
- Groups of Activities
- Capital Expenditure for groups of activities
- Statement of service provision
- Funding impact statement for groups of activities
- Variation between territorial authority's longer term plan and assessment of water and sanitary services and waste management plans
- Council controlled organisations
- Development of Māori capacity to contribute to decision-making processes
- Financial strategy and Infrastructure Strategy
- Revenue and financing policy
- Significant and engagement policy
- Forecast financial statements
- Financial statements for previous year
- Statement concerning balancing of budget
- Funding impact statement
- Rating base information
- Reserve funds
- Significant forecasting assumption

### Local Government Wellbeing Amendment Act 2019

The Local Government Wellbeing Amendment Act 2019 came into force in May 2019, re-introducing the four well-beings into legislation. This means Council must promote the social, economic, environmental and economic wellbeing of communities in the present and for the future. Council must report on how we are contributing towards the well-beings.

### Mayoral Powers

Under LGA [s41A](#), *"it is the role of a mayor to lead the development of the territorial authority's plans (including the long-term plan and the annual plan), policies, and budgets for consideration by the members of the territorial authority."*

### Council policies and strategies

As part of the preparation of the Long Term Plan, Activity and Asset Management Plans will be checked against Council's key strategic and policy documents and wider regional and national documents for strategic fit. The preparation of the Long Term Plan may lead to the review of some Council policy documents.

### Ngā Pāpāhonga me ngā Wātaka | Communications and timeframes

The Long Term Plan project is one of Council's key opportunities to engage with our communities to find out what their aspirations and priorities are. The LTP is subject to the special consultative process under the LGA ([s83](#)). The special consultative process is a structured one month submission process with a hearing for those who have submitted and wish to speak to their submission.

The Long Term Plan project timeline also provides for a 'pre-consultation' process with the community referred to as the Right Debate where Council can ask for feedback on key issues it is considering for the Long Term Plan.

The timeline for the project centres on key dates for completion of the draft documents in December 2020, auditing in January / February 2021 and consultation in March / April 2021. The Project On A Page (attached) provides an overview of the different building blocks and the associated timelines for the project. The below table provides a summary of key milestones and timelines.

Description	Start	Finish
Briefing Papers		COMPLETE
Demographic/Growth/Economic/Assumptions	Oct 2019	COMPLETE
Revaluation of Assets	Jan 2020	June 2020
Community Outcomes Review (if required) <i>Council adopted the existing Vision and Outcomes (refer Council minutes 11 March 2020)</i>	Jan 2020	COMPLETE
Rates Structure	April 2020	June 2020
Activity Plans (including budgets)	April 2020	Nov 2020
Right Debate (pre-consultation)	April 2020	Aug 2020
Infrastructure and Financial Strategy	April 2020	Oct 2020
Asset Management Plans	Feb 2020	Oct 2020
Policy Review	April 2020	Oct 2020
Council controlled organisation section	July 2020	Nov 2020
Māori participation in decision making	July 2020	Oct 2020
Budgets/ Financials/ Notes	July 2020	Dec 2020
Document development	July 2020	Dec 2020
Quality checks and administration	July 2020	Dec 2020
Communications Strategy and implementation	Feb 2020	Dec 2020
External Audit Process	Jan 2021	June 2021
Special Consultative Procedure	Jan 2021	June 2021

### Pānga ki te pūtea, me te puna pūtea | Financial Cost and Funding Source

The development of and consultation on the Long Term Plan is funded from the Strategy and Engagement Activity Operating budget.

### Ngā Tāpiritanga | Attachments

- A. Long Term Plan 2021-31 - The One Page Project Plan (PDF copy)
- B. LTP Risk Log 19 May 2020

### Ngā waitohu | Signatories

Author(s)	Ann-Jorun Hunter <b>Policy Planner</b>	
Approved by	Michelle Staines-Hawthorne <b>Corporate Strategy Manager</b>	
	Don McLeod <b>Chief Executive Officer</b>	



### The Long Term Plan – putting the pieces together Council workshop 20 November 2019

The purpose of the Long Term Plan is to describe our activities and community outcomes and provide:

- for integrated decision-making and co-ordination of our resources
- a long-term focus for our decisions and activities
- a basis for accountability to the community
- an opportunity for participation by the public our decision-making processes

**Briefing Papers – Issues & Opportunities 11 Dec 2019**  
The purpose of these Briefing Papers is to provide a high level overview of issues, challenges and opportunities facing Council going forward.

<b>Council - ongoing</b> <ul style="list-style-type: none"> <li>• Vision</li> <li>• Engagement</li> <li>• Decision making</li> </ul>	<b>Financial Strategy (s101A) Feb - July 2020</b> (checked throughout the project) <ul style="list-style-type: none"> <li>• facilitate prudent financial management</li> <li>• make transparent the effect on services, rates, debt, and investments.</li> </ul> The financial strategy must include <ul style="list-style-type: none"> <li>• factors that have a significant impact - population, land use &amp; the cost of providing for change;</li> <li>• capital expenditure on network infrastructure to maintain existing levels of service</li> <li>• significant factors affecting ability to maintain levels of service and to meet additional demand;</li> <li>• quantified limits on rates, rate increases, and borrowing;</li> <li>• our ability to maintain existing levels of service and meet additional demands within those limits;</li> <li>• policy on the giving of securities for borrowing;</li> <li>• objectives for holding financial investments and equity securities and targets for returns</li> </ul> (Financial Strategy to be completed in conjunction with Infrastructure Strategy)	<b>Community Outcomes sch10 Feb – Mar 2020</b> <ul style="list-style-type: none"> <li>• Review against purpose of LG with the reintroduction of the Four Well-beings</li> </ul>
<b>Legislative compliance – ongoing</b> <ul style="list-style-type: none"> <li>• LGA 2002</li> <li>• Local Government Rating Act</li> <li>• Accounting standards s111</li> </ul>	<b>Significant Forecasting Assumptions, Growth &amp; economic profile (Sch 10) Feb – June 2020</b> Identify the significant forecasting assumptions and risks underlying the financial estimates including: <ul style="list-style-type: none"> <li>• assumptions on the useful life of significant assets;</li> <li>• sources of funds for the replacement of significant assets;</li> <li>• identification of high levels of uncertainty; and the potential effects of that uncertainty on the financial estimates.</li> </ul>	<b>The Right Debate April – Aug 2020</b> <ul style="list-style-type: none"> <li>• Key issues</li> <li>• Communication plan</li> <li>• Consultation</li> <li>• Consideration of responses</li> </ul>
<b>Revaluation of assets Jan – June 2020</b> <ul style="list-style-type: none"> <li>• Reval of asset classes</li> </ul>	<b>Rates structure review – Feb-March 2020</b> <ul style="list-style-type: none"> <li>• How do we structure our rates</li> <li>• Any changes contemplated?</li> <li>• Compliance with Rating Act?</li> </ul>	<b>Activity group review Feb – May 2020</b> <ul style="list-style-type: none"> <li>• What activities have we identified?</li> <li>• Templates</li> </ul>
<b>Infrastructure Strategy Feb - October 2020</b> <ul style="list-style-type: none"> <li>• Cover a period of at least 30 years</li> <li>• outline the management of infrastructure assets, taking into account:                             <ul style="list-style-type: none"> <li>○ renewal or replacement of existing assets;</li> <li>○ growth /decline in the demand for services;</li> <li>○ increases/decreases in levels of service;</li> <li>○ the need to maintain, improve or mitigate adverse effects on public health and environmental outcomes</li> <li>○ the resilience of infrastructure assets in the event of natural disasters by identifying, managing and making financial provision for risks</li> </ul> </li> <li>• include indicative estimates of projected capital and operating expenditure and the following assumptions (including high levels of uncertainty and effects):                             <ul style="list-style-type: none"> <li>○ the life cycle of significant infrastructure assets</li> <li>○ growth or decline in the demand for services</li> <li>○ increases or decreases in levels of service</li> </ul> </li> </ul> (Infrastructure Strategy to be completed in conjunction with Financial Strategy)	<b>Business plans April – August 2020</b> <ul style="list-style-type: none"> <li>• identify the activities &amp; the rationale for delivery</li> <li>• identify budgets</li> <li>• fees and charges reviewed</li> <li>• establish overheads for the organisation</li> </ul>	<b>Asset management plans and activity plans (Sch 10) Feb – September 2020</b> <ul style="list-style-type: none"> <li>• identify the activities within the group of activities (including mandatory groups) &amp; the rationale for delivery of the activities(including the community outcomes to which the group of activities primarily contributes)</li> <li>• outline any significant negative effects</li> <li>• identify the amount of capital expenditure budgeted to                             <ul style="list-style-type: none"> <li>○ meet additional demand for an activity</li> <li>○ improve the level of service</li> <li>○ replace existing assets</li> </ul> </li> <li>• include a statement of service provision with performance measures (including mandatory PMs), targets, changes to levels of service and reasons for material changes in cost of service</li> <li>• include a funding impact statement for each group of activities</li> <li>• identify any variations between the LTP and our assessment of water/sanitary services and waste management plans</li> <li>• fees and charges reviewed</li> </ul>
<b>Development Contributions Policy (s102(2), 106, 101(3), 201, 202, Sch 13) Feb – October 2020</b> <ul style="list-style-type: none"> <li>• Cap ex identified to meet the increased demand from growth;</li> <li>• Proportion of &amp; reason for cap ex funded by DCs etc</li> <li>• Activities to be funded</li> <li>• Explanation of calculation of DCs, significant assumptions, Conditions and criteria, valuation of allotments or land, triggers, catchments, units of demand</li> <li>• Range of assets DCs can be used for narrowed (core infrastructure halls, play equipment, toilets, reserves on non-residential developments)</li> <li>• Additional disclosures on work funded required</li> </ul>	<b>Financial Policies May-October 2020</b> <ul style="list-style-type: none"> <li>• Revenue and financing policy s103 – sources of funding for cap &amp; op ex</li> <li>• Investment policy s105 – mix and acquisition of investments, management and</li> <li>• Liability Management Policy s104 – managing borrowing, interest rate &amp; credit exposure &amp; debt repayment</li> <li>• Remission and postponement of rates on Maori freehold land s108</li> <li>• Rates remission policy (optional) s109</li> <li>• Rates postponement policy (optional) s110</li> </ul>	<b>Significance and engagement policy review (s76AA, Sch10) May – October 2020</b> <ul style="list-style-type: none"> <li>• general approach to determining the significance of proposals</li> <li>• criteria, procedures used in assessing significance</li> <li>• how we will respond to community preferences about engagement on decisions relating to specific issues, assets</li> <li>• how we engage with communities on other matters.</li> <li>• list strategic assets</li> <li>• Include a summary in the LTP</li> </ul>
<b>LTP document Feb–Dec 2020</b> <ul style="list-style-type: none"> <li>• LTP document</li> <li>• Consultation Document</li> <li>• Drafted and finalised</li> </ul>	<b>Maori participation in decision making (Sch 10) Mar – October 2020</b> Set out any steps that the local authority intends to take to foster the development of Māori capacity to contribute to our decision-making processes	<b>Financial Statements July – December 2020</b> <ul style="list-style-type: none"> <li>• Forecast Financial Statements (Sch 10) – previous and next 10yrs</li> <li>• Balanced Budget Statement (revenue = expenses) (s100 &amp; Sch 10)</li> <li>• Funding Impact statement – sources, amounts &amp; application of funds, detail of rates (Sch 10)</li> <li>• Reserve Funds - Purpose, activities and balances (Sch 10)</li> </ul>
<b>Audit November 2020 and Jan - June 2021 TBC</b> <ul style="list-style-type: none"> <li>• Audit AMPs &amp; accounts</li> <li>• Audit draft LTP &amp; opinion</li> <li>• Audit final LTP &amp; opinion</li> </ul>	<b>Special Consultative Procedure February – June 2020</b> <ul style="list-style-type: none"> <li>• Distribution of consultation document</li> <li>• Consultation</li> <li>• Hearing</li> <li>• Adoption of LTP</li> </ul>	<b>Communications Strategy Feb – Dec 2020</b> <ul style="list-style-type: none"> <li>• Right Debate and Consultation Document</li> <li>• The right tools? • The right audience?</li> <li>• The right messages?</li> </ul>
<b>Council controlled organisations (Sch 10) July – October 2020</b> <ul style="list-style-type: none"> <li>• Name the CCO and any subsidiary</li> <li>• Identify the local authority's significant policies and objectives in relation to ownership and control of the CCO</li> <li>• Identify the nature and scope of the activities to be provided by the CCO</li> <li>• Identify the performance targets &amp; measures by which performance is to be judged.</li> </ul>	<b>Quality checks – ongoing</b> <ul style="list-style-type: none"> <li>• Consistency and quality of documents</li> </ul>	

**Implementation**



## 2021-31 Long Term Plan Project Risk Register

Risk #	Description	Date raised	Raised by	Gross Risk rating			Mitigating Actions	Residual Risk rating			Owner	Review Date	Status	Comments
				Likelihood	Impact (Severity)	Gross Risk		Likelihood	Impact (Severity)	Net Risk				
1.	<p><b>Inappropriate focus for elected members</b></p> <p>There is a risk the Long-Term Plan development does not establish the appropriate focus for elected member's political involvement, for example by not focusing on the issues that require decisions.</p>		Project team	Possible	Significant	Moderate	Elected members will be briefed on current Long-Term Plan and other projects, current and future national and regional strategic direction, local issues, and provided with an understanding of demographic factors (age structure, population projections, specific areas of growth and decline, household size, dwelling types) and performance measures. This will ensure the level of detail within the Long-Term Plan project does not mean elected members lose focus on the important issues and matters requiring decisions.	Possible	Moderate	Minor	Corporate Strategy Manager		Open	26 Mar 2020 – COVID-19 is the focus of everyone at the moment, and it can be difficult to consider a 10 year plan while the immediate future is uncertain.
2.	<p><b>Inadequate budget control</b></p> <p>\$45,000 is provided each financial year for the Long-Term Plan (GL 3036). Any unused funds are carried over for the Long-Term Plan year to smooth the rates impact of the project. This includes demographic work, document design, printing, advertising and other costs associated with consultation on both the right debate (pre-consultation) and consultation document. In addition to this, funding is provided through Asset/Policy for the preparation of asset management plans and related documents and another budget to provide for Audit fees. Costs provided for the audit of the Long Term Plan 2021-31 will be outlined in the audit arrangements letter.</p> <p>Provision of insufficient budgets could adversely affect the quality of supporting information and the consultation process with the community.</p>		Project team	Possible	Significant	Moderate	<p>The project manager is responsible for monitoring the budget and advising the executive team of any issues. Budgets are set based on knowledge of previous project costs, taking in to consideration any likely increases in cost and any cost savings that can be achieved.</p> <p>At this stage we are confident that the project can be completed comfortably within the project budget.</p>	Highly unlikely	Significant	Minor	Corporate Strategy Manager		Open	



Risk #	Description	Date raised	Raised by	Gross Risk rating			Mitigating Actions	Residual Risk rating			Owner	Review Date	Status	Comments
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	<p>Poor management of budgets could result in insufficient funding to complete key processes around document production and engagement with the community.</p> <p>Poor management of budgets could detrimentally affect political/community views of the project and Council as a whole regarding a high profile planning/budgeting document.</p>													
3.	<p><b>Poor community engagement</b> The Long Term Plan and consultation document are the primary vehicles for talking to the community about the Council's plans for the next 10 years. Key conversations regarding levels of service, rates and debt need to take place within this framework. While it is not expected that all individuals within the community will agree with Council proposals, we expect to achieve a level of understanding of the issues the Council faces and why it has made the decisions that it has.</p> <p>A lack of engagement with the community at an early stage in the project may lead to a misunderstanding of what both Council and the community perceive the key choices Council needs to make.</p> <p>Failure to convey messages around Council's proposal for the next 10 years, why these decisions have been made and the alternatives available to the community may lead to a lack of understanding/ engagement with the community on key issues.</p>		Project team	Possible	Significant	Moderate	<p>Pre-consultation may be undertaken on the key issues identified as part of the Long Term Plan.</p> <p>The intent of these exercises is to achieve a level of understanding with the community on the issues facing Council prior to their inclusion in the long term plan budgets.</p> <p>A Communication Strategy for the project is being developed and will be discussed with Council in Feb/Mar 2020.</p>	Possible	Significant	Moderate	Corporate Strategy Manager		Open	<p>19 May 2020 – Pre-consultation with the wider community and in particular the business community is being considered. The first consultation topic is planned to be around the financial strategy to gauge community views on how Council through its plans can help and support the community recovery and provide financial stimulus to the local economy.</p> <p>26 Mar 2020 – COVID-19 is the focus of everyone at the moment, and it can be difficult to have a meaningful conversation with the community about the long term plans when their immediate future is uncertain.</p>

Risk #	Description	Date raised	Raised by	Gross Risk rating			Mitigating Actions	Residual Risk rating			Owner	Review Date	Status	Comments
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4.	<p><b>Lack of document control/quality</b> The Long Term Plan, Consultation Document and the associated strategies and policies are intended to tell a cohesive story about what Council plans to do. The documents draw from a wide range of sources, with parts written by a number of people across the organisation.</p> <p>There is a risk that the Long Term Plan, Consultation Document and the associated strategies and policies could lack cohesion and contain inconsistencies and errors.</p>		Project team	Moderate	Significant	Significant	<p>All documents are reviewed by a core group of the project team, including the PM, Communications, Finance and Asset Management to ensure consistency of language, projects and financials throughout the documents.</p> <p>Time for internal Q&amp;A has been allocated in January 2021 prior to the commencement of the audit.</p> <p>Communications staff provide 'plain englishing' of the Long-Term Plan for readability and consistency.</p> <p>All Activity Managers are involved with the development of the Activity Plans and are asked to proof read their sections of the LTP.</p>	Possible	Significant	Moderate	Corporate Strategy Manager		Open	
5.	<p><b>Weak level of governance engagement</b> The Long Term Plan and consultation document are the primary vehicles for talking to the community about the Council's plans for the next 10 years. This document requires ownership by the elected members and it should reflect their collective decisions for the community.</p> <p>A lack of engagement with the elected members in the project may lead to a misrepresentation of what they collectively see as they key issues for the community and a lack of ownership of the document.</p>		Project team	Moderate	Moderate	Moderate	<p>Staff will be engaging with Council explaining the work streams as a 'project on a page'. While returning Councillors were assumed to have an existing level of understanding of the requirements of the Long Term Plan, all Councillors have been taken through the same material. Workshops on a number of items and Council reports will be undertaken to ensure understanding of the key issues.</p> <p>At the start of the project, elected members will be provided with high level briefings of the overall strategic direction at a national, regional and local level.</p>	Possible	Moderate	Moderate	Corporate Strategy Manager		Open	

Risk #	Description	Date raised	Raised by	Gross Risk rating			Mitigating Actions	Residual Risk rating			Owner	Review Date	Status	Comments
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6.	<p><b>Lack of resourcing/loss of key staff</b> The preparation of the Long Term Plan represents a higher workload for financial and planning staff than managed in years where an Annual Plan is prepared.</p> <p>Lack of resourcing and/or loss of key staff could adversely impact project timelines and document quality. Staff loss may also be for short-term period for example annual leave, injury.</p>		Project team	Likely	Moderate	Significant	<p>The project team remains largely the same as previous LTP and has a good understanding and experience with the Project Management and individual work streams within the project. A loss of one or two key staff, while not ideal for the project, is not likely to have a significant impact.</p> <p>A project management resource is to be employed to support project management practice across the organisation. A full time Infrastructure Assets Project Officer has been employed to prepare business cases for LTP and other projects.</p> <p>Replacement of staff would follow standard HR processes; staff must give a minimum of one month's notice of resignation – giving an opportunity for handover of any critical issues before their departure.</p> <p>In the event of loss of staff, the budgets can accommodate some use of consultants to assist with document preparation.</p>	Possible	Moderate	High	Corporate Strategy Manager		Open	<p>19 May 2020 – Most staff are back working their normal duties, be it from home or in the office. The COVID-19 crises has triggered a review of the 2020/21 Annual Plan, which has required finance staff in particular to focus on modelling for that plan before they can turn their attention to the Long Term Plan. The AP timeline has also been extended with the Hearing now planned for 27 May (2 weeks later than originally planned).</p> <p>26 Mar 2020 – COVID-19 has triggered the government to declare state of emergency, and civil defence centres have been activated. This means that some staff will be required to support CD efforts and pulled away from the project. Also, staff are now working from home for the foreseeable future, and therefore has limited access to some of the resources such as the corporate software systems.</p>



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7.	<p><b>Not addressing legislative changes or meeting legislative compliance</b></p> <p>Central government has undertaken a series of amendments to key local government legislation, some of which was only passed mid-2014, while the previous LTP project was in progress and further legislative change has been signalled and may come into effect within the life of this project. SOLGM has indicated it will be “touch and go” whether the current legislative change proposals will be enacted in time to take effect for the 2018 Long-Term Plan. Key changes previously made relate to:</p> <ul style="list-style-type: none"> <li>• Mandatory performance measures</li> <li>• The Consultation Document</li> <li>• Changes to the Audit approach</li> <li>• The Infrastructure Strategy</li> <li>• The Significance and engagement policy</li> </ul> <p>A lack of understanding of changes to legislation could result in non-compliance with legislative requirements.</p> <p>There’s a risk that Non-compliance with legislative requirements may result in a challenge to Council processes and decision making regarding the setting of budgets, rates and policy.</p>		Project team	Likely	Significant	Significant	<p>Changes to legislation will be signalled to Councillors as part of the ‘project on a plan’ as work streams from the project have progress Councillors have received update on the relevant legislation to ensure they understand the Council’s obligations.</p> <p>The Society of Local Government managers (SOLGM) issues guidance, a health check and a checklist - recently updated to incorporate legislative changes. These guidance documents will be referred to by staff throughout the project. SOLGM also offers education programmes, which this year have focussed on changes to legislation as it applies to the LTP. Council staff will also consider developing a quality assurance plan as suggested by SOLGM. The local government sector also operates a series of list-serves which allow staff to discuss issues with people in similar roles across the local government sector.</p> <p>Staff regularly review publications by the Office of the Auditor General (OAG) relating the Long Term. Council’s auditors request the completion of a self-assessment prior to the commencement of the audit.</p>	Possible	Significant	Minor	<p>Corporate Strategy Manager</p> <p>Finance Manager</p> <p>Asset Manager</p> <p>Strategy &amp; Policy</p>			19 May 2020 – In response to the COVID-19 Parliament passed various legislation relating to local government timeframes. None of these related to the Long Term Plan process. Staff continue to monitor this space and will provide updates to Council and ARC as appropriate.
8.	<p><b>Not achieving timeframes</b></p> <p>The Long Term Plan must be adopted prior to 30 June 2021. The project timeline for a Long Term Plan is typically around 18 months. 8-12 months is allocated to preparation of activity/asset management plans, revaluations, budgets, and other supporting documents. The remaining 6 months is allocated to the auditing process, adoption and consultation on</p>		Project team	Moderate	Significant	Significant	<p>A project timeline was developed for the project in conjunction with key staff. This is critical to ensuring adequate resources are available and buy-in from the project team on document delivery.</p> <p>The project will be delivered to Councillors as a ‘project on a page’ identifying the key work streams and indicative timeframes for delivery of material.</p>	Possible	Significant	Minor	Corporate Strategy Manager			<p>19 May 2020 – The Project Timeline has been reviewed. To ensure the project can still achieve key milestones of audit, special consultative procedure and adoption by 30 June 2021, some of the workstreams have been condensed rather than deferred or postponed.</p> <p>26 Mar 2020 – COVID-19 has interrupted all businesses and organisations, and the LTP Project timeline is being reviewed in light of this. The original timeline made allowance for</p>

Risk #	Description	Date raised	Raised by	Gross Risk rating			Mitigating Actions	Residual Risk rating			Owner	Review Date	Status	Comments
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	<p>the documents, hearings, amendments and adoption of the final documents.</p> <p>Slippage in critical timeframes could adversely impact document quality, Council and community engagement in the development of the Long Term Plan and legislative compliance.</p>						<p>The revaluations of assets - a critical component of budget development was brought forward, meeting the needs of our Annual Report project and the Long Term Plan.</p> <p>The project timeline has been designed for 'early delivery' of the Long Term Plan. This means that the draft documents have been delivered and scheduled for auditing slightly ahead of when they would usually be completed in the Local Government sector, this means there is for some slippage in project timeframes</p>							multiple workshops, and some of these may not happen with matters going to Council in formal report instead to ensure the key milestones can be reached within the required timeframes.
9.	<p><b>Incorrect underlying information/assumptions</b></p> <p>The underlying assumptions are critical to the completion of the long Term Plan, it is essential that we work with the best information available.</p> <p>If underlying information and assumptions are significantly incorrect, this will adversely affect our planning and budgeting for the Long Term Plan. This can result in the over/under allocation of resource to provide for the long term growth of our communities.</p>			Moderate	Moderate	Moderate	<p>Information on the underlying information and assumptions will be obtained through expert demographers and using approved inflation assumptions.</p> <p>At the start of the project, elected members will be briefed on demographic projections (age structure, population projections, specific areas of growth and decline, household size, dwelling types), district economy and lifestyle trends. External advice on some of the key assumptions is obtained.</p>	Certain	Very High	Extreme	<p>Corporate Strategy Manager</p> <p>Finance Manager</p> <p>Asset Manager Strategy &amp; Policy</p>		Open	<p>19 May 2020 – The full impact of COVID-19 on our community and the local as well as global economy remains largely unknown. The project team will continue to have conversations with our auditors around how we can best prepare the Long Term Plan when some of the underlying assumptions may be inaccurate or carry a high risk of uncertainty.</p> <p>26 Mar 2020 – COVID-19 and the government response will significantly impact on the economic environment at all levels. The impact of COVID-19 will remain unknown for some time, and it is impossible to predict or forecast how the local community will respond and recover. The impact on the lending/borrowing environment as well as invests remains unknown. The travel restrictions and the financial impact will also impact on population projections, which again will impact on our forecasting assumptions around growth in rating base income from other sources such as DCs and consents and licensing, and what capital expenditure will be required when.</p>

## Annual Plan 2020/21 and associated documents update

RM No.: 2291704

### Rāpopotonga Matua | Executive Summary

Consultation on the draft Annual Plan 2020/21, Fees and Charges 2020/21, Introductory and Land Transport Bylaws was open from 18 March to 19 April 2020, the Trade Waste Bylaw was open from 18 March to 19 May 2020 to allow a two month consultation. Council received 114 submissions within the consultation period and a number of further submissions were received after the consultation period.

Council held a Hearing on Wednesday 27 March to hear those who identified they wished to present their submissions, and consider all the submissions received.

Mayor, Councillors and staff to provide an update on the Hearing at the meeting.

### Tūtohunga | Recommendation

That:

1. **The information be received.**

### Horopaki | Background

On 11 March 2020 Council approved the various documents for public consultation which was open from 18 March to 19 April (or 19 May for the Trade Waste Bylaw to allow a two month consultation).

The Annual Plan outlines any major variation to what was proposed in the Long Term Plan and is Council's budget for the financial year 1 July to 30 June. The draft proposed a 6.4% rates increase made up of a combination of fixed costs (like inflation), increasing costs (like insurance, power, and contract prices), growth (giving us new assets to manage), and plans to improve a number of our services. Staff and Council had spent several months working on our plans for the next financial year – but the world changed dramatically in the space of a few weeks with the Covid-19 pandemic. Given this Council then asked staff to revisit the budgets, model rates options and what this would mean for Council services.

The Fees and Charges details all fees that Council charge ranging from swimming pool entry to building consent fees. The majority of the fees and charges have remained the same or have been increased based on inflation data from Business and Economic Research Ltd (BERL) and then rounded accordingly. Major changes include updating fees for our Event Centres, Building Consents and Rubbish.

The Introductory and Tradewaste Bylaws proposed only minor amendments. The Land Transport Bylaw proposed a number of speed limit changes across the district.

Council have voted in favour of a zero increase to general rates this year following COVID-19. While general rates will not increase, there will be a \$12 increase to rates for rubbish and



recycling, and a \$49.50 increase for water. These increases are to targeted rates, so will only affect ratepayers who receive those services.

Councillors reviewed over 115 submissions, and heard presentations from 12 submitters at the hearing on Wednesday before making decisions on rates and fees and charges for the next financial year (starting 1 July).

Council also voted to establish a COVID-19 Response Fund of up to \$2 million (using funding from reserves) to help the district recover. Council holds money from previous investment and asset sales in “community purposes reserves”, which are used for one off significant projects in the community – such as the current Provincial Growth Fund projects. These reserves mean we can progress some major projects without having a significant impact on rates. They also form part of Council’s strong financial position, providing funds that we can access in an emergency.

At the hearing Council passed the following resolution:

*That:*

1. *The information be received.*
2. *The late submissions received are accepted.*
3. *Council hears all submitters who wish to be heard.*

*That:*

4. *Council has heard those submitters that wished to be heard and has considered all submissions received.*
5. *Decisions have been made and recorded in relation to each submission*
6. *Council approve:*
  - *a zero increase in the general rate;*
  - *an approximate total rate increase of \$49.50 per annum on the targeted water rate;*
  - *an approximate total rate increase of \$12 per annum on the targeted solid waste rate.*
7. *Council approve the designation of up to \$2M from reserve funds as COVID19 Response fund for use in one-off, fixed term investments which may include:*
  - *expanding Council’s capacity to complete capital projects such as project managers and support;*
  - *engaging fixed term staff to move forward on the Council’s digital strategy;*
  - *Cultural, and socio economic relief for our community as a result of the COVID19 pandemic.*
8. *Council staff inform each submitter of the decision as per the schedule of decisions.*

The above decision is considered to be prudent and for those activities with budget pressures provides a sustainable level of funding.

## Mōrearea | Risk

In 2014 amendments were made to the Local Government Act 2002 changing the requirement for mandatory consultation on the Annual Plan. Section 95 of the Local Government Act 2002 now states that if the proposed Annual Plan does not include significant or material differences from the content of the Long Term Plan for the financial year to which the proposed Annual Plan relates then Council does not need to consult. Council made the decision to consult early March and consultation began mid March not long before the COVID-19 lockdown and we are confident in meeting all legislative requirements in regards to consultation.

The budget is prepared using the best available information. Council, under normal circumstances faces a certain level of risk when setting its budgets. General risks that were identified as part of the budget discussions are listed below.

- Project timing and cost, whether we will be able to complete projects when scheduled.
- Water income – our metered water is not guaranteed and is mainly contributed by six large industry providers, the loss of one of those industries would have a large impact on Councils total rate take.
- Solid waste income – may be less than forecast and costs greater than budgeted.
- Overall revenue could be less than budgeted
- Interest rates could change
- Economic and other factors may result in growth being less than has been estimated.
- There could be legislative changes come through over the next year that have an impact on our budgets that have not been accounted for.

The effect of COVID -19 and the central government responses to the pandemic have exacerbated these existing risks and created new ones. In particular -

- Reduced fees and charges revenue, not reflected by corresponding cuts in fixed costs, e.g. swimming pools, spas, building and resource consents
- Reduced development contributions revenue
- Difficulties in collecting rates revenue
- Unknown levels of funding for community and business recovery efforts
- Infrastructure catch up investments.

In terms of mitigation several potential actions have been identified – these will be discussed further with Council if required and as we move in to the new financial year.

- Use of reserves/debt or increased funding in future years to manage shortfalls in income
- Review of fixed costs, levels of service again to limit shortfalls in income
- Reallocation of funds within activities that are funded from the same source

## Ngā take ā-ture, ā-Kaupapahere hoki | Legal and policy considerations

The COVID-19 Response (Further Management Measures) Legislation Bill was introduced on 5 May and has passed through parliament, this bill has three main parts to it affecting Annual Plans and Long Term Plans:

- Streamlines the process for amending a Long Term Plan – so that, where an amendment to the Long Term Plan is needed as a result of COVID-19 the consultation document can be adopted without an audit report if necessary.
- Public Notices - amending various legislation to remove the strict requirement that a public notice be placed in a newspaper circulating in the district, but requiring internet publication in all cases. There is a risk that disruption to local newspaper distribution during the COVID-19 response may make it unreasonably expensive or ineffective to publish in newspapers.

- Special Consultative Procedure - adding flexibility so that, to the extent that is reasonably necessary in the circumstances, the consultation period can be reduced below the current minimum of one month and/or hearings of submitters are not required.

As stated earlier our Council had already initiated consultation when the lockdown occurred and are confident in meeting all legislative requirements.

The assessment by staff is that the changes to the Annual Plan do not trigger a need to re-consult or amend the Long Term Plan, further, any risk around this process is considered to be extremely low.

### **Ngā Pāpāhonga me ngā Wātea | Communications and timeframes**

Draft documents were approved on 11 March 2020, open for consultation from 18 March to 19 April 2020 (19 May for the Tradewaste Bylaw) with the Hearing scheduled for 27 May 2020.

Following the Hearing it is proposed staff inform each submitter of the overall decisions and their specific decision (if required) as well as the wider public of the overall decisions. Staff then incorporate the decisions into the appropriate documents and these final documents are then brought back to Council in June 2020 for adoption and striking of the rates for 2020/21.

Prior to the Covid-19 lockdown Council sent letters or emails to those directly impacted by the changes proposed. Additionally there were newspaper adverts, videos posted on Councils website and Facebook page and posts on the Facebook page that consultation was open and where to go to make a submission.

Staff had organised community consultation with two market days (one which we were able to attend before lockdown), meetings with 12 community groups/events (one which we were able to meet with Federated Farmers before lockdown). The community groups included attending a Hui with important stakeholders and raising consultation to the Te Manawhenua Forum members who were all contacted.

We had also organised to hold six drop-in days at the libraries in our three towns, where community members could come and talk to staff about any questions or concerns they had. Unfortunately these all had to be cancelled, besides the two mentioned above, due to the lockdown that occurred and prior to the lockdown groups were cancelling events as they held more people than what was recommended by the Government at the time. When this happened we increased our online communication with posts on the Facebook page, and videos from Mayor Ash. Once Council started modelling new rates for 2020/21 we increased our online communication again to assure our community we were listening to what they had to say amidst the ever evolving Covid-19 pandemic and advised of our new proposed direction and adjusted our communication strategy accordingly with what we were able to achieve within the lockdown rules.

### **Te Tākoha ki ngā Hua mō te Hapori me te here ki te whakakitenga o te Kaunihera | Contribution to Community Outcomes and consistency with Council Vision**

Council has developed a vision for the Long Term Plan 2018-28 as: *Matamata-Piako – The Place of choice – Lifestyle. Opportunities. Home.* A set of Community Outcomes have been developed to support this vision.

The outcomes relevant to this process are:

#### Healthy Communities

We encourage community engagement and provide sound and visionary decision making.

#### Economic Opportunities

We provide leadership and advocacy is provided to enable our communities to grow.

Our future planning enables sustainable growth in our district.

Vibrant Cultural Values

We value and encourage strong relationships with iwi and other cultures, recognising waahi tapu and taonga/significant and treasured sites and whakapapa/ ancestral heritage.

Tangata Whenua with Manawhenua status (those with authority over the land under Maaori lore) have meaningful involvement in decision making.

**Ngā Tāpiritanga | Attachments**

There are no attachments for this report.

**Ngā waitohu | Signatories**

Author(s)	Sandra Harris <b>Senior Policy Planner</b>	
Approved by	Michelle Staines-Hawthorne <b>Corporate Strategy Manager</b>	
	Manaia Te Wiata <b>Group Manager Business Support</b>	
	Don McLeod <b>Chief Executive Officer</b>	

## Council's response and recovery efforts to Covid-19

RM No.: 2292497

### Rāpopotonga Matua | Executive Summary

The COVID 19 Pandemic and lock down will have a profound ongoing effect on the Community wellbeing in every sense.

In the post COVID lock down situation the effectiveness and speed of recovery will be dependent on many factors – some within Council's control and others not.

The purpose of this report is to provide the committee with an overview and update on how Council is responding to the ongoing Covid-19 situation, and supporting our communities in their road to recovery.

Council has set up a section on the website for all information relating to Covid-19 (<https://www.mpdc.govt.nz/covid-19>). This section is continuously updated as new information becomes available.

How the current situation impact on specific projects such as the Annual Plan, Long Term Plan and the Annual Report is covered in the respective reports on those projects.

### Tūtohunga | Recommendation

That:

1. **The information is received**
2. **The Committee provides any comments or feedback.**

### Horopaki | Background

The global Covid-19 pandemic continues to develop across the world, with more than 4 million people infected, and over 300,00 people dying from the virus worldwide (at the time of writing). In response to the pandemic and threat to public health New Zealand went into lockdown on Wednesday 25 March 11.59pm. As the lockdown started to take effect in terms of health outcomes, the economic impact of closed borders and international lockdown became more and more evident.

While New Zealand is currently slowly opening up its economy again, the impact on local, regional and national economies are yet to be confirmed. Many businesses have had to make staff redundant or close up shop all together as their income has dwindled.

As a result some forecasters' project that the unemployment rate will reach double-digits over the coming months, as the full impact of the lockdown and global down-turn is felt.

It is expected that the social, cultural and economic wellbeing of New Zealanders will continue to be compromised for some time, while the country and the world work towards recovery.

### Council's role in recovery



Local Government alongside Central Government is seen to play a pivotal role in community recovery. In particular in terms of maintaining cash flow to the community and local businesses and provide financial stimulus to the local economy, through its capital works programme and operations. Council also plays a role in making grant funding available, and providing for rates remission/postponement in certain circumstances.

### **Ngā Take | Issues / Kōrerorero | Discussion**

#### **Emergency Response**

Council has an Incident Management Team and is coordinating with Civil Defence, Ministry of Health and other agencies.

Matamata-Piako District Council, Hauraki District Council and Thames Coromandel District Council initially joined forces to operate an Eastern Waikato Emergency Operations Centre to co-ordinate community support during the COVID-19 National State of Emergency.

This EOC closed on 1 May, and in addition to the Councils above, we are now working Waikato District Council and Hamilton City Council in a Northern Waikato EOC based out of Hamilton.

This Civil Defence operation's focus was primarily on welfare – ensuring people were looked after and had everything they need (food, medication etc) to get through the lockdown. Council is also providing staff to the Group Emergency Coordination Centre in Hamilton (the Civil Defence response for the whole of the Waikato)

The public health response is being led by the Ministry of Health and District Health Boards, but at a local level there is a raft of community support requirements to be managed as the nation deals with the wider wellbeing needs of residents and visitors.

#### **National Recovery**

At the time of writing Central Government had yet to announce details about the national recovery programme and how this will be coordinated.

A proposal to use the Waikato Plan Leadership Committee (WPLC) of the Waikato regional Council to coordinate the regional recovery efforts is currently being discussed with other councils and community leaders. Matamata-Piako District Council has a joint representative (Toby Adams) on this committee with Thames-Coromandel and Hauraki District councils.

Council will support and contribute as appropriate once this has been established.

#### **Planning for Recovery**

Council has set up a new working group to identify and promote opportunities to support the district's recovery, following the Covid-19 lockdown.

The new working group is made up of Mayor Ash Tanner, Deputy Mayor Neil Goodger (Morrinsville ward), Councillor Teena Cornes (Te Aroha ward), Councillor Kevin Tappin (Matamata ward), supported by staff.

The focus of this working group is to work alongside Civil Defence in the recovery for our district, and proactively identify opportunities to stimulate the local economy.

#### **Council's current recovery work includes:**

- Supporting and promoting the Shop Local campaign

- Current capital projects in the 20/21 Annual Plan are still funded.
- Council procurement processes are being reviewed to support use of local businesses
- Rates penalties remissions will be dealt with under current policy – but this will be monitored.
- Rates remissions and postponements not currently being considered – again this will be monitored.
- Ratepayers encouraged to talk to us early about payments.

Council has also made several applications for capital funding from Central Government through various avenues including drought funding from NEMA, and funding for so-called shovel ready projects through MBIE. An update on those applications will be provided at the time of the meeting.

Council is also aware of, and working with other agencies on the joint regional response and recovery efforts.

#### Te Waka – Waikato’s Regional Economic Development agency

As part of the Government to response to COVID-19 they have announced a \$4million regional support package for SMEs which will be delivered using the Regional Business Partners Network. Te Waka’s Business Growth Team will deliver this programme with the support of the service provider network, regional organisations and district councils.

Te Waka has also made various resources available to businesses via their website <https://www.tewaka.nz/>

#### **Mōrearea | Risk**

There is a risk that a lack of engagement and collaboration across the community may reduce the effectiveness of any recovery efforts.

There is an inherent risk associated with the uncertain environment in which we are currently operating. Council is reviewing and re-assessing project specific risks on an ongoing basis to ensure decisions are made based on the best available information at the time.

#### **Ngā Whiringa | Options**

The Forum can choose to make comments or provide feedback on the information provided.

#### **Ngā take ā-ture, ā-Kaupapahere hoki | Legal and policy considerations**

There are no legal or policy considerations in relation to this report.

#### **Ngā Pāpāhonga me ngā Wātaka | Communications and timeframes**

Council has set up a separate section for Covid-19 information on the mpdc website (<https://www.mpdc.govt.nz/covid-19>). This includes what services are available at what level, how council is working to support community recovery, how people can support local businesses and more. Council provides regular updates via its Antenna app and the Facebook page, and also sends out a weekly e-newsletters. From end of May Council will also be publishing information in the local community newspapers.

### Ngā take ā-lhinga | Consent issues

There are no consent issues.

### Te Tākoha ki ngā Hua mō te Hapori me te here ki te whakakitenga o te Kaunihera | Contribution to Community Outcomes and consistency with Council Vision

**Theme:** Economic Opportunities

**Community Outcome:** We provide leadership and advocacy is provided to enable our communities to grow.

### Pānga ki te pūtea, me te puna pūtea | Financial Cost and Funding Source

The Recovery Plan is funded from existing operational budgets

### Ngā Tāpiritanga | Attachments

There are no attachments for this report.

### Ngā waitohu | Signatories

Author(s)	Ann-Jorun Hunter <b>Policy Planner</b>	
Approved by	Michelle Staines-Hawthorne <b>Corporate Strategy Manager</b>	
	Don McLeod <b>Chief Executive Officer</b>	

## Exclusion of the Public: Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following part(s) of the proceedings of this meeting.

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

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

### C1 Report of Fraud to the Audit and Risk Committee

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person. . s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations). .	s48(1)(a)  The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.

### C2 Weathertight Buildings Update

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege. . s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations). .	s48(1)(a)  The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.