



NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri

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AUDIT AND RISK COMMITTEE

Open Agenda

Meeting Date: Friday 20 March 2020

Time: 1pm

Venue: Council Chamber
Hawke's Bay Regional Council
159 Dalton Street
Napier

Committee Members John Palairt (In the Chair), Mayor Kirsten Wise, David Pearson, Councillor Nigel Simpson and Councillor Graeme Taylor

Officer Responsible Director Corporate Services

Administration Governance Team

**Next Audit and Risk Committee Meeting
Friday 12 June 2020**

ORDER OF BUSINESS

Apologies

Nil

Conflicts of interest

Public forum

Nil

Announcements by the Mayor

Announcements by the Chairperson

Announcements by the management

Confirmation of minutes

Minor matters not on the agenda – discussion (if any)

That the Minutes of the Audit and Risk Committee meeting held on Thursday, 5 December 2019 be taken as a true and accurate record of the meeting.183

Agenda items

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AGENDA ITEMS

1. AUDIT AND RISK CHARTER REVIEW

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	898773
<i>Reporting Officer/s & Unit:</i>	Caroline Thomson, Chief Financial Officer

1.1 Purpose of Report

As set out in the Audit and Risk Committee Charter, the Committee will review this Charter in consultation with the Council at least once a year. Any substantive changes to the Charter will be recommended by the Committee, and formally approved by the Council. The last review of the Charter was undertaken July 2018.

Officer's Recommendation

The Audit and Risk Committee:

- a. Review the Audit and Risk Committee Charter
- b. Provide any recommended changes for Council approval

Chairperson's Recommendation

That the Committee resolve that the officer's recommendation be adopted.

1.2 Background Summary

The Officers have reviewed the Audit and Risk Committee Charter and have inserted a section under Risk Management to include the Committee's responsibility to Health and Safety as recommended at the Audit and Risk Committee meeting on 5 December 2019.

1.3 Attachments

- A Audit and Risk Committee Charter - revised March 2020 [↓](#)

CHARTER



Audit and Risk Committee Charter			
Approved by	Council		
Department	Corporate Services		
Original Approved Date	18 September 2018	Review Approval Date	20 March 2020
Next Review Deadline	18 September 2020	Control Doc ID	325090
Relevant Legislation	Local Government Act 2002		
NCC Documents Referenced	Code of Ethics		

a. Objective

The objective of the Audit and Risk Committee (the Committee) is to provide independent, objective assurance and assistance to the Napier City Council (the Council) on the Council's governance, risk management, internal control and compliance frameworks, and its external accountability responsibilities.

b. Authority

The Napier City Council, at its meeting on 2 November 2016, re-established the Audit and Risk Committee for the 2016-19 triennial. The Council authorises the Committee, within the scope of its role and responsibilities, to:

- obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);
- discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations);
- request the attendance of any employee, including the Chief Executive, the Director of Corporate Services and the Chief Financial Officer at Committee meetings; and
- obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at the Council's expense.

c. Composition and Tenure

The Committee will consist of five members appointed by the Council. These must include the Mayor, the Chair of the Finance Committee and the Deputy Chair of the Finance Committee (or other nominated person). The Council will also select two independent members.

The Napier City Council will appoint the chairperson of the Committee.

Members will be appointed for an initial period not exceeding three years after which they will be eligible for extension or re-appointment, after a formal review of their performance.

Council representatives on the Committee will carry out their duties as outlined in the Charter, recognizing the difference in role of the Committee compared to Councillor community advocate.

The Chief Executive, the Director of Corporate Services and the Chief Financial Officer will not be members of the Committee, but may attend meetings as observers as determined by the Chairperson.

The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the Council. At least one independent member of the Committee should have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.

d. Role and Responsibilities

The Committee has no executive powers and will conduct itself in accordance with the values and ethics of the Council.

The Committee is directly responsible and accountable to the Council for the exercise of its responsibilities. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of the Council rests with the Chief Executive.

The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the Napier City Council from time to time.

e. Risk Management

The Committee's responsibilities are to:

- review whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of Napier City Council's financial and business risks, including fraud;
- review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings;
- review the effect of the Council's risk management framework on its control environment and insurance arrangements;
- review whether a sound and effective approach has been followed in establishing the Council's business continuity planning arrangements, including whether disaster recovery plans have been tested periodically; and
- review the Council's internal controls in relation to preventing fraud and satisfy itself that the Council has appropriate processes and systems in place to capture and effectively investigate fraud-related information and to ensure appropriate action is taken against known perpetrators of fraud.

f. Health and Safety

The Committee's responsibilities are to:

- review key risks of the Council in the areas of safety, occupational health and environmental issues
- review management's approach to maintaining and continual improvement to providing a safe working environment is sound and effective
- review compliance of relevant laws, regulations and operational policies and standards
- review the establishment and tracking of measurable workplace health, safety and environment key targets

g. Control Framework

The Committee's responsibilities are to:

- review whether management's approach to maintaining an effective internal control framework, including over external parties such as contractors and advisers, is sound and effective;
- review whether management has in place relevant policies and procedures, and that these are periodically reviewed and updated;
- determine whether the appropriate processes are in place to assess, at least once a year, whether policies and procedures are complied with;
- review whether appropriate policies and procedures are in place for the management and exercise of delegations;
- consider how management identifies any required changes to the design or implementation of internal controls; and
- review whether management has taken steps to embed a culture which is committed to ethical and lawful behavior.

h. External Accountability

The Committee's responsibilities are to:

- review the financial statements and provide advice to the Council, including whether appropriate action has been taken in response to audit recommendations and adjustments;
- satisfy itself that the financial statements are supported by appropriate management sign-off on the statements and on the adequacy of the systems of internal controls;
- review the processes in place designed to ensure that financial information included in the Council's annual report is consistent with the signed financial statements;
- review the processes and risk assessment are in place for the development and adoption of the Council's Long Term Plan;
- satisfy itself that the Council has appropriate mechanisms in place to review and implement, where appropriate, relevant external audit reports and recommendations; and
- satisfy itself that the Council has a performance management framework that is linked to organisational objectives and outcomes.

i. Legislative Compliance

The Committee's responsibilities are to:

- determine whether management has appropriately considered legal and compliance risks as part of the Council's risk assessment and management arrangements; and
- review the effectiveness of the system for monitoring the Council's compliance with relevant laws, regulations, and associated government policies.

j. Internal Audit

The Committee's responsibilities are to:

- act as a forum for communication between the Chief Executive, senior management, and internal and external auditors;

- review the internal audit coverage and annual work plan, ensure that the plan is based on the Council's risk management plan, and recommend approval of the plan on behalf of the Council;
- advise the Mayor and Chief Executive on the adequacy of resources to carry out the internal audit, including completion of the approved internal audit plan;
- oversee the co-ordination of audit programs conducted by the internal and external auditors and other review functions;
- review all audit reports and provide advice to the Council on significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of good practice;
- monitor management's implementation of the internal auditor's recommendations;
- review the internal audit charter to ensure that appropriate organisational structures, authority, access, and reporting arrangements are in place;
- provide advice to the Council on the appointment of the Head of Internal Audit (in the case of an in-house internal audit function);
- recommend the appointment of the internal auditor;
- periodically review the performance and effectiveness of the internal auditor; and
- be satisfied that any dismissal of the Head of Internal Audit is based on proper and appropriate reasons, to safeguard the independence of the audit function.

k. External Audit

The Committee's responsibilities are to:

- act as a forum for communication between the Chief Executive, senior management, and internal and external auditors;
- provide input and feedback on the financial statements and the audit coverage proposed by the external auditor, and provide feedback on the audit services provided;
- review all external plans and reports for planned or completed audits and monitor management's implementation of audit recommendations;
- oversee the co-ordination of audit programs conducted by the internal and external auditors and other review functions: and
- provide advice to the Council and Chief executive on action taken on significant issues raised in relevant external audit reports and good practice guides.

l. Governance

Responsibilities of Committee Members

Members of the Committee are expected to:

- contribute the time needed to study and understand the papers provided;
- apply good analytical skills, objectivity, and good judgment; and
- express opinions frankly, ask questions that go to the core of the issue, and pursue independent lines of enquiry.

Reporting

The Committee will regularly, but at least once a year, report to the Council on its operation and activities

during the year. The report should include:

- a summary of the work the Committee performed to fully discharge its responsibilities during the preceding year;
- a summary of the Council's progress in addressing the findings and recommendations made in internal and external audit reports, and the Auditor-General's reports (if applicable);
- an overall assessment of the Council's risk, control, and compliance framework, including details of any significant emerging risks or legislative changes; and
- details of meetings, including the number of meetings held during the relevant period and the number of meetings each member attended.

The Committee may, at any time, report to the Chief Executive or the Council any other matter it deems of sufficient importance to do so. In addition, at any time an individual Committee member may request a meeting with the Chief Executive or the Council.

m. Administrative Arrangements

Meetings

The Committee will meet at least four times each year. A special meeting may be held to review the annual report.

The Chairperson is required to call a meeting if requested to do so by the Council, Chief Executive or another Committee member.

A meeting plan, including dates and agenda items, will be agreed by the Committee each year. The meeting plan will cover all of the Committee's responsibilities as detailed in this charter.

Attendance at Meetings and Quorums

A quorum will consist of a majority of Committee members including at least one independent member.

Meetings can be held in person, by telephone, or by video conference.

The Head of Internal Audit and external audit representatives will be invited to attend each meeting, unless requested not to do so by the Chairperson of the Committee.

The Chief Executive may be invited to attend Committee meetings to participate in specific discussions or provide strategic briefings to the Committee. The Committee may also ask other employees to attend Committee meetings or participate for certain agenda items.

The Committee will meet separately with both the internal and external auditors at least once a year.

Secretariat

The Chief Executive will appoint a person to provide secretariat support to the Committee. The Secretariat will ensure that the agenda for each meeting and supporting papers are circulated, after approval from the Chairperson, at least one week before the meeting, and ensure that the minutes of the meetings are prepared and maintained. Minutes must be approved by the Chairperson and circulated within two weeks of the meeting to each member and Committee observers, as appropriate.

Conflicts of Interest

Once a year, Committee members will provide written declarations to the Mayor, stating they do not have any conflicts of interest that would preclude them from being members of the Committee.

Committee members must declare any conflicts of interest at the start of each meeting or before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately recorded in the minutes.

Where any member is deemed to have a real, or perceived, conflict of interest at a Committee meeting, it may be appropriate that they are excused from Committee deliberations on the issue where the conflict of interest exists.

Induction

New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

Assessment Arrangements

The Chairperson of the Committee, in consultation with the Mayor, will initiate a review of the performance of the Committee at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the Mayor) with appropriate input sought from the Chief Executive, the internal and external auditors, management, and any other relevant stakeholders, as determined by the Mayor in discussion with the chairperson of the Committee.

Review of Charter

At least once every 2 years, the Committee will review this charter. This review will include consultation with the Council. Any substantive changes to the charter will be recommended by the Committee and formally approved by the Council.

Policy Review

The review timeframe of this policy will be no longer than every two years.

Document Control History

Version	Reviewer	Change Detail	Date
1.0.0	Caroline Thomson	Initial publication	14 December 2016
2.0.0	Caroline Thomson	Review process	01 August 2018
3.0.0	Caroline Thomson	Republication (nb: version control issues)	18 September 2018
4.0.0	Raewyn Robertson	Review process and add in Health and Safety	20 March 2020

2. HEALTH AND SAFETY REPORT

Type of Report: Operational

Legal Reference: N/A

Document ID: 908475

Reporting Officer/s & Unit: Sue Matkin, Manager People & Capability

2.1 Purpose of Report

The purpose of the report is to provide the Audit and Risk Committee with an overview of the health and safety performance as at 31 January 2020.

Officer's Recommendation

The Audit and Risk Committee:

- a. Receive the Health and Safety report as at 31 January 2020

Chairperson's Recommendation

That the Committee resolve that the officer's recommendation be adopted.

2.2 Background Summary

The Health and Safety report as at 31 January 2020 is shown at **Attachment A**

2.3 Attachments

- A Health & Safety Report 31 January 2020 [↓](#)

INFORMATION PAPER

TO:	NCC Staff
REPORT DATE:	1 February 2020
PREPARED BY:	Michelle Warren
SUBJECT:	HEALTH & SAFETY STATISTICS
AGENDA ITEM	JANUARY H&S REPORTING

PURPOSE

The purpose of this report is to provide all NCC Staff, Council and Risk & Audit with an overview of the health and safety performance as at 31ST January 2020.

SUMMARY – KEY PERFORMANCE INDICATORS

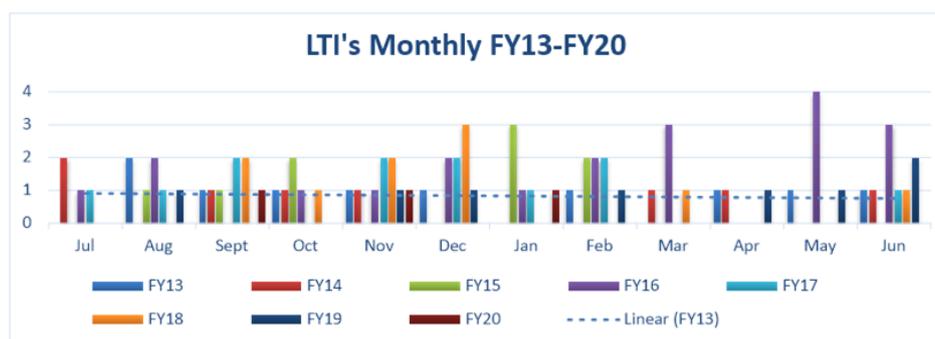
January LTIs = 1

Reported Incidents (Total Company)	Nov 2018	Nov 2019	Dec 2018	Dec 2019	Jan 2019	Jan 2020	YTD 2019	YTD 2020	Targets FY20	On Target
Lost time injuries (LTIs):	1	1	1	1	0	1	3	3	<=8	●
Medically treated injuries (MTIs):	0	3	4	1	2	1	15	8	<=40	●
Total recordable injuries (MTIs + LTIs):	1	4	5	1	2	2	18	11	<=48	●
Near miss/hit & property damage reporting	7	8	4	7	3	10	64	73	>=180	●
Incidents involving Public using our facilities	7	5	18	8	4	26	67	69	<=200	●
Significant Incidents or Accidents involving Contractors	0	1	0	1	0	0	3	4	<=5	●

LTIs and MTIs YTD as at 31 January 2020 (Comparison between FY19 and FY20)

- No change to LTIs **14 days since last LTI**
- 46.6% decrease MTIs
- 38.8% decrease in TRIs

	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
FY13	0	2	1	1	1	1	0	1	0	1	1	1	10
FY14	2	0	1	1	1	0	0	0	1	1	0	1	8
FY15	0	1	1	2	0	0	3	2	0	0	0	0	9
FY16	1	2	0	1	1	2	1	2	3	0	4	3	20
FY17	1	1	2	0	2	2	1	2	0	0	0	1	12
FY18	0	0	2	1	2	3	0	0	1	0	0	1	10
FY19	0	1	0	0	1	1	0	1	0	1	1	2	8
FY20	0	0	1	0	1	0	1						3



HEALTH AND SAFETY PERFORMANCE LEAD INDICATORS AS AT 31 JANUARY 2020

Lead Indicators	Detail	Nov 19	Dec 19	Jan 20	YTD FY20	Full Year Target FY20	On Target
Body discomfort reporting (1 in 5 people)	An early intervention programme to resolve the cause of the discomfort in the workplace and/or medical treatment before developing into chronic pain and an injury. Online e-learning videos are part of the programme. Resolutions:	6	1	1	18	=>50	
Work Station Assessments (10 / 10)	New employees receive workstation assessments and e-learning videos. Re assessments completed as required or where new areas or equipment set up. <ul style="list-style-type: none"> New Employees Existing Employees in different BU/Area/New desks or chairs 	11	6	7	40	100%	
Near miss incident reporting	Near miss incidents reported	8	7	10	83	180	
Incident investigations	All LTIs and MTIs investigations commenced within seven days of the event. <ul style="list-style-type: none"> Depot – Cut hand with Stanley knife got stitches 10 days off work 	1	0	1	2	100%	
Health and Safety Meetings	Health and safety meetings at each workplace. <ul style="list-style-type: none"> City Services 	2	1	1	16	30	
Internal Health and Safety Audits (1 per week)	Health and safety audit of health and safety management system at nominated workplaces. <ul style="list-style-type: none"> N/A 	0	0	0	11	48	
Contractor Health & Safety Audits and/or Safety Observations	Contractor Audits / Safety Observations <ul style="list-style-type: none"> Rocket Scaffolding 	1	0	1	19	26	
Planned visible leadership - workplace health & safety observation & conversation	Workplace health and safety observations, including a conversation with staff during a workplace visit by a core management team member. Walk around chats HS safety observation 1 per quarter Attend HS mtgs e.g. toolbox 3 per year	55	33	35	244	273	
Planned visible leadership – participating in a health and safety meeting	SLT team member participating in a workplace or work group health and safety meeting at the workplace or joining a conference call.	28	23	17	189	250	
Inductions	New Staff inducted to Napier City Council or staff who have moved business unit and re-inducted	11	21	15	75	100%	
Safety Alerts	Safety alerts published to educate and prevent the same or similar injury occurring again. <ul style="list-style-type: none"> N/A 	0	0	0	0	6	

HEALTH AND SAFETY OTHER REPORTING

Other	Detail	Nov 19	Dec 19	Jan 20	Full Year Target FY20
Significant incident	An event in a different circumstance may result in a notifiable event (serious harm). • N/A	0	0	0	0
Significant Issues or Incidents Involving Contractors	An event involving a Contractors causing significant concern. • N/A	1	0	0	1
HSWA, Regulations, WorkSafe Updates and/or notifications	Any updates communicated to management. • Workplace Exposure Standard Changes to the WES around lowering levels of exposure around silica – this may impact how we do our work. HS investigating	0	1	1	N/A
Return To Work in Progress	Employees who are on a return to work programme. • MTG 1 • Depot 2 • Office 1	9	7	4	N/A

Training	No Staff
First Aid	11
Total trainings	11
Other Trainings	0

Wellbeing

- **Health Monitoring**
 - Hearing Screening 132 workers screened
 - Lung Function Screening 147 workers screened
 - Asbestos annual medical 37 workers sent to their GP for medical
 - Lead Blood testing 4 workers tested
 - Trace metals testing 5 workers tested
 - **Total 325 workers through health monitoring**

Updates

Workplace Exposure Standards (WES)

- The new WES guidelines were out in late November. Key points are that the levels have been lowered around silica. H&S are investigating how this will impact how we do work when cutting concrete.

3. INSURANCE ARRANGEMENTS

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	908314
<i>Reporting Officer/s & Unit:</i>	Bryan Faulknor, Manager Property

3.1 Purpose of Report

To outline Council's current insurance programme, discuss any issues and to provide the opportunity for the Committee to provide feedback for insurance arrangements for the upcoming financial year 2020/21.

Officer's Recommendation

The Audit and Risk Committee:

- a. Resolve to receive the report on current insurance arrangements.
- b. That any feedback from the committee be considered for incorporation into the insurance arrangements for the insurance year commencing 1 July 2020.

Chairperson's Recommendation

That the Committee resolve that the officer's recommendation be adopted.

3.2 Background Summary

Napier City Council is part of the Hawke's Bay Councils Collective Insurance Group. A number of policies have shared limits. Major policies outside of the Collective are Public Liability and Professional Indemnity, and Underground Infrastructure. Officers need to place insurance arrangements by 1 July each year. Terms are arranged in conjunction with the group's insurance broker Marsh Ltd. and after discussions within the collective group of Councils.

Summary of current Insurance 1 July 2019 to 30 June 2020:

Material Damage

Covering Buildings, Contents, Plant & Machinery and other property as listed in the Insurance Property Schedule. No shared limited with other Councils.

Sum Insured \$440.4m.

Excess – Perils \$10,000 per claim. Earthquake 2.5% site sum insured and where pre 1936 or earthquake prone 10% of site sum insured.

Material Damage – Residential

Covering Residential Dwellings and Community Housing as listed \$74.6m. Excess as above. No Shared limit with other Councils.

Business Interruption

Policy linked to Material Damage.

Loss of Revenue- \$12.9m covering - Halls, Pools, Aquarium, Par2, Conference Centre, Municipal Theatre, I-site, Kennedy Park, MTG.

Additional expenses- \$20m (shared limit with other Councils).

Indemnity period – Additional expenses 36 months, Loss of revenue 24 months.

Motor Vehicle & Third Party

All vehicles, other mobile plant and equipment. Excess \$1,000 per claim. No shared limit with other Councils.

Crime Insurance

Insures loss of money and property resulting from fraud or dishonesty of Employees.

Limit of Indemnity \$2m, Excess \$25,000. No shared limit with other Councils.

Employers Liability

Indemnity in respect of claims made by employees against employer for personal injury falling outside any Workers Compensation legislation. Limit of indemnity \$1m. Shared limit with other Councils.

Statutory Liability Insurance

Indemnity for Defence costs and fines as a result of an alleged breach of any Act of Parliament other than “Excluded Acts”. Limit of Indemnity \$4m (shared limit with other Councils). Excess \$5,000.

Cover is included for statutory breaches of the Resource Management Act with an excess of \$50,000.

Overseas Travel

Covering employees and elected members for overseas travel. No shared limit.

Marine Hull

National Aquarium of NZ Boat

Hall Hirers Insurance

Public Liability Insurance for uninsured users of Council facilities. No shared limit.

Fine Arts Collection Insurance

HB Museums Trust Collection \$40.1m. Excess \$2,500.

Trustee Liability

HB Museums Trust, \$5m any one claim and in the aggregate during policy period.

Excess \$5,000.

Public Liability and Professional Indemnity

Current Cover:

\$300m any one claim and in the aggregate during the policy period. (Excludes claims against Council in relation to weather tightness issues). Excess \$10,000 PI and \$5,000 PL. No shared limit.

Future:

At this point Council has received no indications from Insurers that current cover will not continue. However Council’s Insurance Brokers advise that, due to various recent

matters surrounding building weather tightness insurance issues, there may still be potential ramifications for Council. These possible effects include any or a combination of significant premium increases, claims arising from Council's building control function being excluded, or Insurers withdrawing cover all together. Matters will become clearer at renewal time in May/June.

Underground Infrastructure

For 2019/20 Council placed cover as per previous years. Cover is based on a Probable Maximum Loss (PML) of \$120m based on a total replacement value of underground infrastructure of \$587.8m. Actual insurance cover is based on the assumption that Central Government assistance will be available in a major disaster and will provide for 60% of the eligible costs. Council therefore has insurance cover for \$40% of \$120m with a \$10m excess.

See below for further comments under 1.3 Issues.

Contract Works Insurance

This is taken out as required for construction projects. In general where a project consists of alterations and improvements to an existing insured asset then Council takes out contract works insurance directly. For green fields construction the contractor is required pursuant to the construction contract to take out cover.

Uninsured Assets

Uninsured assets include roads, bridges and associated assets. In the event of a major disaster support is anticipated to come from Central Government to reinstate the roading network.

Other uninsured assets consist of land, playground equipment, sports fields and reserves, turf, plants and trees, paved surfaces, associated roads, irrigation and other land improvements. Lagoon Farm livestock, hay, water supply and other improvements. Paved surfaces and roading relating to the Depot, Housing Villages, and Transfer Station.

Funding of Uninsured Risks and amounts over and above any insurance recovery and Government support would be provided from a combination of reserve funds, debt, and reprioritisation of Council's planned capital and operating expenditure.

3.3 Issues

Underground Infrastructure: As mentioned above, subject to Cabinet approval, upon a major disaster it is assumed that the Government will provide a 60% subsidy for eligible Infrastructure recovery costs. Council must demonstrate that it is able to meet the remaining 40% through insurance or other financial means. Attached are relevant Government financial support factsheets produced by the Ministry of Civil Defence & Emergency Management, these are also available on the Ministry's website.

It is obviously important to have an understanding of a Probable Maximum Loss (PML) on which to base Council's insurance, as not all the infrastructure would be damaged in a major event.

A natural catastrophe modelling exercise in respect of below ground assets was last carried out for Napier City Council in 2015.

As a first step in enabling an updated loss modelling exercise to be carried out the 5 Hawke's Bay Council's in conjunction with the Manawatu Councils participated in a valuation benchmarking exercise in 2019. The exercise revealed potential improvements in the current process adopted by each Council and showed that replacement cost unit rates are inconsistent between Councils.

In response to the benchmarking exercise the Council's intend to engage professional advice around the process that the Hawke's Bay Councils should follow in deciding appropriate values for its insurance cover. It is intended that this will occur by the end of May 2020. The focus is to develop accurate and consistent valuation methodologies that form the foundations of our risk financing solutions to:

- Feed into the loss models
- Determine financial exposure
- Optimise the risk transfer programme
- Reduce insurers uncertainty
- Enhance claim resolution

3.4 Significance and Engagement

N/A

3.5 Implications

Financial

Insurance premiums are budgeted each year but do fluctuate depending on market conditions.

Social & Policy

N/A

Risk

Insurance is an important aspect of managing Council's risk. There are no indications that cover will not be available for the 2020/21 year.

3.6 Options

The options available to Council are as follows:

- a. To receive the report
- b. To receive the report and suggest changes to the insurance renewal programme for 2020/21.

3.7 Development of Preferred Option

N/A

3.8 Attachments

- A Government financial support factsheets - produced by the Ministry of Civil Defence & Emergency Management [↓](#)



Ministry of Civil Defence
& Emergency Management
Te Rākau Whakamarumarū

Eligibility for essential infrastructure repair or rebuild following an emergency

Essential infrastructure rebuild or repair following an emergency event

Following an emergency, subject to Cabinet approval, the Government funds 60 percent of eligible costs (above the local authority's threshold) to rebuild or repair damaged essential infrastructure, river management systems and community assets in accordance with Section 33 of the Guide to the National CDEM Plan.

Essential infrastructure assets include sewerage, water supply, storm water, electrical and gas facilities and other structures such as retaining walls and tunnels upon which essential services depend.

Essential infrastructure eligibility

To be eligible for the 60 percent Government contribution, rebuild or repair work, the asset must be local authority-owned and damaged as the result of an emergency and must meet at least one of the following two criteria:

1. *The damage impacts on the ability of the network/asset to perform and function as intended; or*
2. *If the damage has not yet resulted in performance issues, failure of the asset is likely to be imminent.*

If the damage does not meet either of the two criteria above, then the following will also be considered as part of the risk implication / assessment, to help determine the funding eligibility of the work scope. These considerations are as follows:

3. *Is it a critical asset i.e. main pipeline, lifeline or life safety asset?*
4. *Is the asset in a critical location, or does it service critical community infrastructure (e.g. a hospital or school)?*
5. *Has the damage resulted in unacceptably high operating expenditure for the local authority?; and*

6. Are there critical interdependencies?

Ideally, rebuild and repair projects should be assessed against the eligibility criteria before work begins, with assistance from the Ministry of Civil Defence & Emergency Management (MCDEM). This will provide work scope eligibility and funding certainty to both the local authority and MCDEM.

The **flowchart and key questions** on page 3 provide more guidance regarding the eligibility criteria, considerations and the decision-making process.

Insurance cover or any insurance settlement that relates to a damaged asset will be considered when determining the level of Government funding.

How these criteria were developed

The criteria and considerations were developed based on the experience gained during the Christchurch three-waters Horizontal Infrastructure Programme (sewerage, water supply and stormwater assets). The criteria focus on a 'network performance' approach to determine the work to be carried out, as opposed to repairing all damage, regardless of whether the damage impacts on the ability of the asset to perform or function as intended.

The same criteria and considerations have been applied to the rebuild and repair of essential infrastructure that was damaged as a result of the Kaikōura Earthquake in November 2016. The criteria and considerations have since been applied to all subsequent essential infrastructure recovery programmes following emergencies, and will be applied in all future emergencies.

Betterment

'Betterment' refers to any rebuild and repair work to essential infrastructure assets that constitutes a change to the original infrastructure, over and above a 'like-for-like' repair or replacement (e.g. increases in capacity and resilience, or improved or additional components).

Betterment may be 'deliberate' or 'unintentional'.

Unintentional betterment is where an asset or network is improved as an unintentional result of restoring the performance, functionality or serviceability of the asset. In these cases, the 60 percent Government funding contribution will be considered.

The use of modern materials and construction techniques is not considered to be deliberate betterment and can be eligible for the government contribution

Deliberate betterment is repair work that is intended to increase capacity, resilience, or add better components over and above that required to restore like-for-like network/asset performance.

In general, deliberate betterment is not eligible for the 60 percent Government funding contribution. However, local authorities may make an application for special policy financial support, in accordance with Section 33.6.1 of the Guide to the National CDEM Plan.

Local authorities have the option to fully fund betterment components of the work carried out.

Deliberate betterment components and costs will be separately identified and will not be eligible for Government funding, unless approved by Cabinet.

Temporary repairs

Temporary repairs are interim repair work necessary to keep essential infrastructure networks operational, and provide an acceptable level of service until a permanent solution can be put in place. This type of work can also result in a permanent repair.

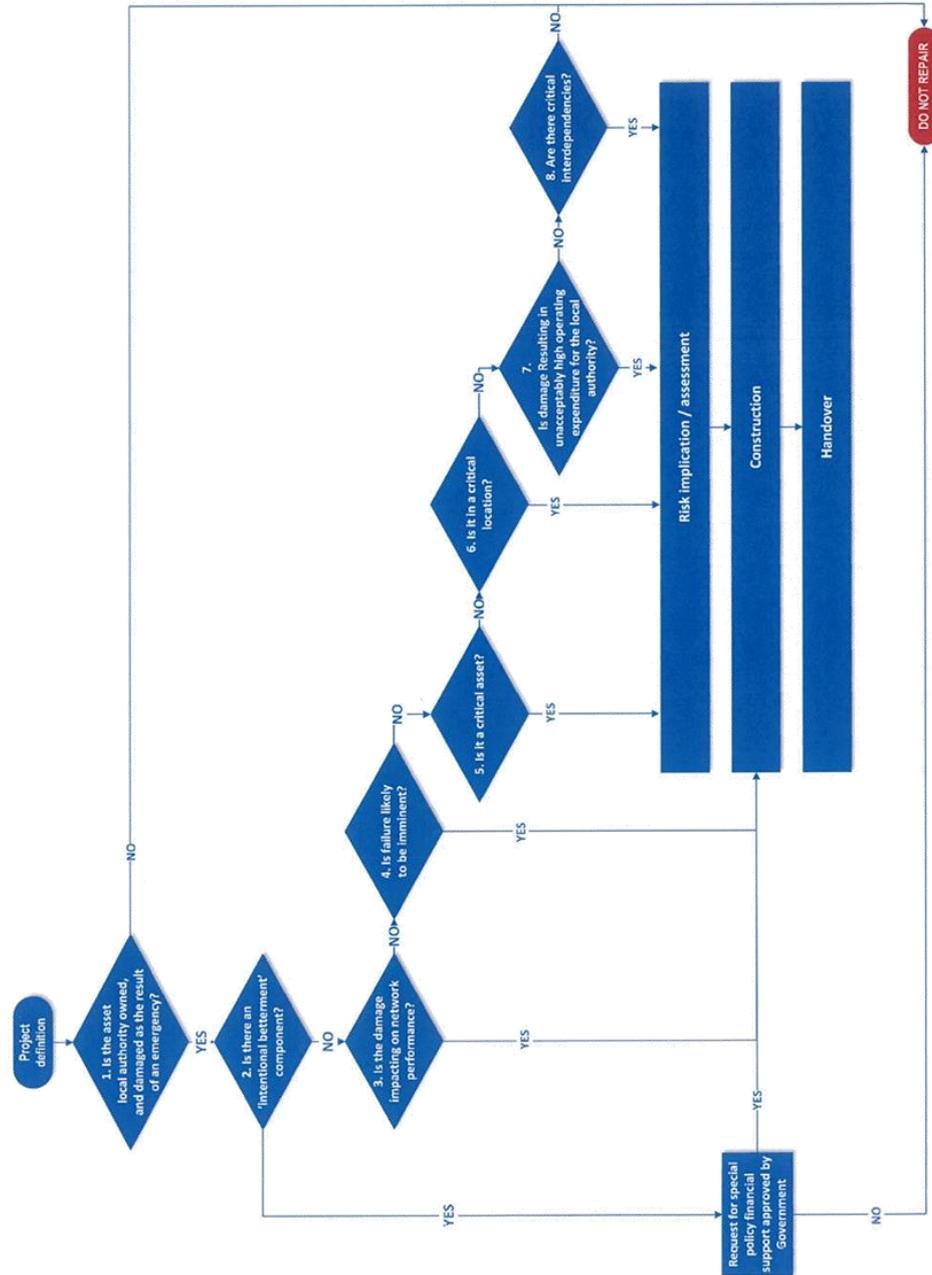
Temporary repairs are usually completed during the response phase, following an emergency event.

To be eligible for the 60 percent Government contribution, temporary repairs must meet the eligibility criteria and/or the considerations on page 1.

However, a temporary repair will not be eligible for funding if it:

- is required on an asset where permanent repair work has already been completed
- relates to addressing land drainage issues where there is/was no infrastructure (e.g. flooding, or clean up after flooding)
- would not qualify for funding under the eligibility criteria or considerations for infrastructure repair
- is work that has already been assessed as not eligible.

Key eligibility criteria and considerations for government funding



September 2018

www.civildefence.govt.nz

Eligibility criteria and considerations**1. Is the asset local authority-owned, and damaged as the result of an emergency?**

The asset:

- Is a local authority-owned community asset and has been properly maintained.
- Existed prior to the emergency, and was damaged by that emergency ('emergency' is defined in the CDEM Act 2002).

2. Is there a 'betterment' component?

'Unintentional betterment' can be eligible for the 60 percent Government contribution when:

- The work results in changes to the original infrastructure where the changes (e.g. changed alignment, alternative or additional components to those that existed previously) are required in order to restore network/asset performance, functionality and serviceability. The use of modern materials and construction techniques is not considered to be 'deliberate betterment' and can be eligible for the Government funding contribution.

Betterment is not eligible for the 60 percent Government funding contribution when:

- There is 'deliberate betterment', where betterment is intended to increase capacity, resilience, add additional components or is carried out to meet higher compliance standards that is over and above that required to restore the performance, functionality and serviceability of an asset or network.
- The local authority has the option to fully fund the deliberate betterment component of any work.
- Any funding contribution from the Government for deliberate betterment will need to be the subject of an application for special policy financial support and will require specific approval by Cabinet.

Note: any betterment component and costs will need to be separately identified, and will be the subject of separate discussions between the local authority and MCDEM.

3. Is the damage impacting on network/asset performance?

- Is the performance of the network/asset being impacted by the damage?
- Is the asset serviceable and able to function as intended?

4. Is failure likely to be imminent?

If the damage has not resulted in performance issues, is the damage likely to result in imminent failure, resulting in the inability of the network/asset to perform and function as intended.

5. Is it a critical asset?

- Is the damaged asset a significant asset, e.g. large diameter water main or sewerage pipeline (a community lifeline) servicing a large number of customers, as opposed to a small local service with very few customers?
- Is the damaged asset critical to network performance and functionality?
- Is the damaged asset a life safety feature (e.g. stop bank)?

6. Is it in a critical location?

- Is the damaged asset servicing critical community infrastructure (schools, hospitals, fire stations etc.)
- Is the damaged asset servicing commercial or industrial activities?
- Would failure of the damaged asset, because of its location, result in damage to other infrastructure or property?

7. Is damage causing unacceptably high operating expenditure?

- Are there significant operating expenditure implications?

8. Are there critical interdependencies?

- Is there significant roading work to be carried out?
- Are there other assets programmed for rebuilding and repair in the same area / general alignment?

9. Construction

Project construction progresses.

10. Handover

- A project will be signed off as having reached practical completion when construction has been completed and 'as built plans' and other documentation is handed over to the local authority.
- A project will be signed off as complete at the end of the 12 month defects liability period. The 12 month defects liability period may be the responsibility of the local authority.



Ministry of Civil Defence
& Emergency Management
Te Rākau Whakamarumaru

Insurance cover and Government funding assistance relating to the rebuild or repair of damaged below ground and above ground essential infrastructure

Insured essential infrastructure assets

The Guide to the National CDEM Plan states that Government assistance will not normally be available for damaged essential infrastructure assets that receive a subsidy from any other source.

The maximum Government contribution for eligible damaged essential infrastructure is 60 percent of the rebuild or repair cost.

Below ground essential infrastructure

A local authority's 40 percent funding contribution is generally made up of an insurance settlement, with the local authority funding any shortfall.

If the settlement is greater than 40 percent of the rebuild or repair cost, the Government contribution will be limited to the shortfall up to the maximum of 60 percent.

For below ground assets and stop banks etc. that are insured up to a maximum of 40 percent of the cost to repair or rebuild, the cost of the work is eligible for the 60 percent Government funding contribution.

Above ground essential infrastructure

In order to receive a Government contribution, the asset must have been comprehensively insured (if insurance was available) or the local authority reasonably expected the insurance cover to be comprehensive, or where insurance cover has been limited by an insurance company to provide 40 percent of the cost of the work.

The Government will make a 60 percent funding contribution towards the shortfall between an insurance cash settlement and the cost of the repair or rebuilding of any comprehensively insured eligible damaged asset.

An eligible uninsured above ground asset can still receive Government financial assistance up to 60 percent of the cost of the work, if a local authority can clearly show that it was unable to obtain insurance for any reason.

4. SENSITIVE EXPENDITURE: MAYOR AND CHIEF EXECUTIVE

<i>Type of Report:</i>	Operational and Procedural
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	896888
<i>Reporting Officer/s & Unit:</i>	Caroline Thomson, Chief Financial Officer

4.1 Purpose of Report

To provide the information required for the Committee to review Sensitive Expenditure of the Mayor and Chief Executive for compliance with Council's Sensitive Expenditure Policy.

Officer's Recommendation

The Audit and Risk Committee:

- a. Receive the report of Sensitive Expenditure for the Mayor and Chief Executive and review for compliance with the Sensitive Expenditure Policy.

Chairperson's Recommendation

That the Committee resolve that the officer's recommendation be adopted.

4.2 Background Summary

The Sensitive Expenditure Policy approved by the Senior Leadership Team on 17 September 2019 requires a report of all sensitive expenditure by the Chief Executive and by the Mayor to Audit and Risk Committee meetings (clauses 6.3 and 6.4). The policy also states that the expenditure items will be reviewed by the Chairperson or the Deputy Chairperson of the Audit and Risk Committee for compliance with this policy.

4.3 Issues

No issues.

4.4 Significance and Engagement

N/A

4.5 Implications

Financial

N/A

Social & Policy

N/A

Risk

N/A

4.6 Attachments

- A Sensitive Expenditure item Q2 - Mayor and Chief Executive [↓](#)
- B NCC Sensitive Expenditure Policy [↓](#)

Chief Executive Sensitive Expenditure

Report for Audit and Risk Committee Meeting

Transactions processed from 1 Oct 2019 to 31 Dec 2019

Transaction Date	Supplier	Value	Details in Ledger	Compliant with Policy
Other operating expenditure				
14/10/2019	Expense Claim	\$ 22.61	SLT meeting expenses	✓
15/10/2019	Design Cuisine Limited	\$ 198.00	SLT Lunch for Governance Struct Mtg 9.10	✓
15/10/2019	Design Cuisine Limited	\$ 72.00	SLT Training Morning Tea	✓
2/11/2019	Mastercard	\$ 7.39	Refreshments for Simpson Grierson 31.10.2019	✓
12/11/2019	Design Cuisine Limited	\$ 420.00	Morning Tea 4 items Faraday/Councillor Morning Tea	✓
15/11/2019	Expense Claim	\$ 70.00	SLT Morning tea for Planning Mtg 15/11	✓
15/11/2019	Expense Claim	\$ 59.57	Refreshments and food SLT Planning mtg	✓
15/11/2019	Expense Claim	\$ 3.48	Refreshments SLT Planning meeting 15/11	✓
27/11/2019	Cafe DMP Limited	\$ 60.00	Southland District Council lunch meeting	✓
4/12/2019	Design Cuisine Limited	\$ 374.50	CE & Mayoral forum lunch/Mtea 25 Nov	✓
Total other operating expenditure		\$ 1,287.55		
Travel and Accommodation				
30/09/2019	Orbit Travel Wellington	\$ 444.34	Jack Wayne Mr NPE To WLG	✓
2/10/2019	Mastercard	\$ 46.09	CE - cab arrival in Wgtn for Aquatic Court Hearing	✓
2/10/2019	Mastercard	\$ 10.35	CE - Taxi Wellington for Aquatic Hearing	✓
2/10/2019	Mastercard	\$ 114.78	CE - Dinner Mayor and CE for Aquatic Ct Hearing	✓
3/10/2019	Mastercard	\$ 50.43	CE Cab Wellington for Aquatic Hearing	✓
3/10/2019	Mastercard	\$ 10.61	CE - Taxi Wellington Aquatic Court Hearing	✓
4/10/2019	Mastercard	\$ 222.61	CE - Rural & Provincial Accm 21 November	✓
4/10/2019	Mastercard	\$ 29.57	CE - Hawkes Bay Airport Parking Aquatic Hearing	✓
5/10/2019	Mastercard	\$ 41.30	CE - Dinner at Airport CE and Mayor	✓
5/10/2019	Mastercard	\$ 19.57	CE - Refreshments Wgtn Airport Mayor and CE	✓
16/10/2019	Mastercard	\$ 24.93	CE - breakfast for R&P Mtg November Wellington	✓
19/10/2019	Mastercard	\$ 60.96	CE - Bayleys Wine awards, showgrounds to home	✓
31/10/2019	Orbit Travel Wellington	\$ 30.43	WLG	✓
31/10/2019	Orbit Travel Wellington	\$ 204.95	WLG	✓
5/11/2019	Mastercard	\$ 47.18	CE - Uber home FAWC 1 November	✓
5/11/2019	Mastercard	\$ 46.70	CE Travel FAWC launch party Blackbarn to hom	✓
16/11/2019	Mastercard	\$ 38.26	CE - Taxi Wgtn for CEG Mtg 14 November	✓
19/11/2019	Mastercard	\$ 14.78	CE - HB Airport parking 14 Nov 2019 CEG Mtg Wgtn	✓
23/11/2019	Mastercard	\$ 55.48	CE & Mayor Airport Transfer for Rural and Provinci	✓
26/11/2019	Mastercard	\$ 29.57	CE Airport Parking Rural and provincial 21 Nov 201	✓
30/11/2019	Orbit Travel Wellington	\$ 56.00	Travel November 2019 Corporate Cabs Jack Wayne Mr AKL	✓
30/11/2019	Orbit Travel Wellington	\$ 277.20	Travel November 2019 Air NZ Jack Wayne Mr WLG To NPE	✓
30/11/2019	Orbit Travel Wellington	\$ 128.26	Travel November 2019 Air NZ Jack Wayne Mr NPE To WLG	✓
30/11/2019	Orbit Travel Wellington	\$ 411.49	Travel November 2019 Air NZ Jack Wayne Mr NPE To WLG	✓
30/11/2019	Corporate Cabs Limited	\$ 34.97	Taxi Wayne Jack - Wgtn x1 - 22 Nov 2019	✓
6/12/2019	Palmerston North City Council	\$ 100.87	CE & Mayor Zone 3 Dinner PNth 28 Nov	✓
Total Travel and Accommodation		\$ 2,551.68		
Total For Quarter		\$ 3,839.23		



Sensitive Expenditure Policy			
Approved by	Director Corporate Services		
Department	Finance		
Original Approval Date	12 June 2011	Review Approval Date	17 Sept 2019
Next Review Deadline	17 Sept 2021	Document ID	346084
Relevant Legislation	Local Government Act 2002, Local Authority (Members' Interest) Act 1968, Public Audit Act 2001		
NCC Documents Referenced	Procurement Policy, Motor Vehicle Policy, Recognition Policy, Gifts Received Policy, Credit Card Policy, Conflicts of Interest Policy, Travel Policy		

Purpose

The purpose of this policy is to provide elected members and Council employees with a clear framework for managing sensitive expenditure. The most fundamental fact applicable to all expenditure by Council is that money used is ratepayers' funds. Consequently, sensitive expenditure needs to be consistent with the standards of probity and prudence that are expected of a public entity and be able to withstand elected members and public scrutiny.

Definition of sensitive expenditure: Expenditure by a public entity that provides, has the potential to provide, or has the perceived potential to provide a private benefit to an individual staff member of a public entity that is additional to the business benefit to the entity of the expenditure. It also includes expenditure by a public entity that could be considered unusual for the entity's purpose and/or functions.

Policy

1. Principles applicable to sensitive expenditure

In order to satisfy the requirements above, the Council expects all employees involved in arranging, making for approving expenditure to:

- do so only for Council purposes (i.e. expenditure is consistent with the Long Term Plan or Annual Plan);
- exercise integrity, prudence and professionalism
- not derive personal financial gain (unless a conflict of interest has been declared and the transaction is managed in according to the procedure agreed in the declaration of the conflict of interest);
- act impartially;
- ensure the expenditure is moderate and conservative in the extent of the given situation;
- ensure the transaction is made transparently
- have read and adhered to this and other relevant Council policies (particularly the Conflicts of Interest Policy);
- are appropriate in all respects.

The above principles and Council policies should be applied comprehensively (i.e. no single principle or policy should be excluded)

2. Deciding when sensitive spending is appropriate

- 2.1. For all expenditure, consideration needs to be given to FBT requirements.
- 2.2. In deciding what appropriate sensitive expenditure is, elected members and employees need to take account of both individual transactions and total value of sensitive expenditure.
- 2.3. Even when sensitive expenditure decisions can be justified at the item level, the combined amount of spend on a category of expenditure may be such that, when viewed in total, the entity could be considered extravagant and wasteful.

3. Responsibilities of the Mayor, Councillors and Directors

- 3.1. To be truly effective, this sensitive expenditure policy, procedures and other controls must be embedded in the Council's values, philosophy practices and business processes. When this occurs, everyone at Council becomes involved in the proper and prudent management of sensitive expenditure.
- 3.2. Overall responsibility for this policy rests with the Mayor, Councillors and the Senior Leadership Team (SLT). This group is required to make it clear to employees what is and is not 'acceptable sensitive expenditure' and model these behaviours to the highest standard.

4. Good controls and judgement

- 4.1. While the good controls at Council will assist with good sensitive expenditure conditions, good judgement will also be required. This is because it is not possible or desirable to attempt to set rules for every possible situation that may arise. In the absence of a specific rule for a given situation, the Mayor, Councillors and SLT are expected to exercise good judgement by taking the principles in this policy into account in the context of the given situation.
- 4.2. The SLT, Mayor and Councillors are required to ensure transparency in both sensitive expenditure and remuneration systems, to avoid any trade-off between the two. Items of expenditure that may not be justified under the principles of this policy should not be included as part of the employee's remuneration for the purposes of avoiding scrutiny against sensitive expenditure principles.

5. General controls for reimbursement

- 5.1. All claims must be submitted promptly after the expenditure is incurred. Except in exceptional circumstances this means within one month.
- 5.2. Sensitive expenditure will only be reimbursed if it is deemed reasonable, actual and has been incurred directly in relation to Council business.
- 5.3. Valid, original GST compliant invoices/receipts and other supporting documentation must be maintained/submitted for all sensitive expenditure. Credit card statements and Eftpos receipts do not constitute adequate documentation for reimbursement.
- 5.4. All claims must clearly state the business purpose of the expenditure where it is not clear from the supplier documentation supporting the claim.
- 5.5. All claims must document the date, amount, description, and purpose for minor expenditure (<\$20) when receipts are not available.
- 5.6. Wherever possible, Councils preferred suppliers are to be used (refer NCC's Procurement Policy.)

6. Approval for sensitive expenditure

- 6.1. Approval for sensitive expenditure must be:
- Given only when the person approving the expenditure is satisfied that a justified business purpose and other principles have been adequately met.
 - Given before the expenditure is incurred, whenever practical.
 - Made only when budgetary provisions and delegated authority exist.
 - Given by the person senior to the person who will benefit or might be perceived to benefit from the sensitive expenditure.
- 6.2. Expenditure which is incurred (but not explicitly approved by Council) by elected members will be reviewed by the Mayor for compliance with this policy.
- 6.3. Expenditure by the Mayor which is incurred (but not explicitly approved by Council) will be reviewed by the Chairperson or the Deputy Chairperson of the Audit and Risk Committee for compliance with this policy. A report of all sensitive expenditure by the Mayor will be provided to Audit and Risk Committee meetings.
- 6.4. In the case of the Chief Executive, the Mayor shall approve expenditure. A report of all sensitive expenditure by the Chief Executive will be provided to Audit and Risk Committee meetings.

Specific Areas of Expenditure**7. Credit cards**

Using credit cards is not a type of sensitive expenditure. However, they are a common method of payment for such expenditure. Employees issued with Credit Cards need to refer to NCC's Credit Card Policy (Doc ID 224194)

8. Travel

- 8.1. For information specific to Travel refer to the Travel Policy (Doc ID 753431). The Travel Policy covers use of private vehicles for Council business, rental cars, taxis/shuttles and public transport, accommodation, air travel, and other travel related expenditure.

9. Entertainment and Hospitality

Entertainment and hospitality can cover a range of items from tea, coffee and biscuits to catering, such as meals and alcohol. It also includes non-catering related items such as Council funded entry to sporting or cultural events.

- 9.1. The principles of a justified business purpose, moderate and conservative expenditure, should be applied.
- 9.2. Council expenditure on entertainment and hospitality should be limited to the following business justifications:
- Building relationships
 - Representing the organisations
 - Reciprocity of hospitality where this has a clear business purpose and is within normal bounds – acceptance of hospitality is expected to be consistent with the principles and guidance for provision of hospitality.
 - Recognising significant business achievement
 - Building revenue

- 9.3. Given the many non-commercial functions of Council, there will only be limited justification for expenditure under some of the five purposes of entertainment and hospitality above, except in commercial business units.
- 9.4. Supporting the Council's internal organisational development may, in occasional circumstances, also be a legitimate business purpose for moderate expenditure.
- 9.5. All entertainment and hospitality expenditure must be pre-authorised by an SLT member, the Mayor or Chief Executive where practical and always supported by clear documentation. This documentation must identify the date, venue, costs, recipients and benefits derived and/or reasons for the event.
- 9.6. The most senior person present (with delegated authority) should approve and confirm the expenditure as being appropriate. Refer also to Council's Receiving Gifts and Hospitality policy (Doc ID 223396).

Goods and Services Expenditure

10. Disposal of Surplus Assets

As part of normal business, council will from time to time dispose of surplus assets. Typically, this is when assets have become obsolete, worn out or surplus to requirements. Council's disposals are intended to be transparent and fair.

- 10.1. To ensure transparency, fairness and the best value for Council, the disposal of assets which have become obsolete, worn out or surplus to requirements, shall normally be conducted on the open market or by way of trade-in on a replacement asset.
- 10.2. Without the express prior approval of SLT, the Chief Executive or Mayor, no surplus assets with a market value of more than \$500 per item will be sold directly to elected members, employees or their friends, acquaintances or family.
- 10.3. For assets with a value under \$500, the following principles shall apply:
 - Employees involved in selling the asset shall not benefit from the disposal
 - Sales must maximise the return to the Council; and
 - Be sold at no less than the market value determined by an appropriate valuation e.g. Trade Me

11. Loyalty reward scheme benefits

Loyalty reward schemes provide a benefit to the customer for continuing to use a particular supplier of goods and services. Generally, the rewards tend to be given in the name of the individual who obtains the goods and services, regardless of who has paid for them.

- 11.1. Except in the case of Airline loyalty rewards (covered in the NCC Travel Policy) and loyalty schemes such as Fly buys etc. Council treats loyalty rewards accruing to employees carrying out their official duties as property of the Council.
- 11.2. Where a reward/prize is obtained by chance and without inducement, it may be retained by the individual, otherwise it would be the property of Council. E.g. a reward is offered to select one supplier over another.
- 11.3. Exceptions are prizes received from competitions at training or conference events or through membership of professional bodies which are the property of the individual. However, when their value exceeds \$100 they are to be disclosed to a Manager and in the Gifts register in accordance with the NCC's Receiving Gifts and Hospitality Policy.
- 11.4. Council requires employees leaving the Council with unpaid loyalty rewards, to transfer the benefits to Council or buy the unapplied rewards from Council at the market rate. Where neither of these is practical, arrangements are to be made with the supplier to cancel the unapplied rewards.

12. Private use of Councils assets

- 12.1. Any physical item owned, leased or borrowed by Council is considered an asset for the purpose of this policy. This includes plant items, tools, photocopiers, mobiles, means of accessing the internet, and stationery.
- 12.2. The principles of transparency, moderate and conservative expenditure, are particularly relevant. Private use for personal purposes will only be permitted in limited circumstances and with approval from a Director.
- 12.3. The costs to Council of private use will be recovered, unless it is impractical or uneconomic to separately identify those costs.
- 12.4. Private use of Council assets can incur FBT so the impact of this must be considered before approval is granted.

13. Private use of Council suppliers

- 13.1. The private use of Council's official procurement processes is not permitted. Council will not enable employees or elected members to obtain goods or services from a supplier on the same or similar basis to Council except in the limited way provided for below. This is to ensure that they may not receive preferential access to goods and services, and potentially a preferential price, which is not available to the public.
- 13.2. Staff may however, make moderate use of any access to goods or services through Councils suppliers only under the approved Staff Discount scheme. All transactions are directly with suppliers and on a cash sale basis only. Staff may not use Council purchasing privileges on behalf of any third party. This includes family members or friends.
- 13.3. Employees are able to purchase goods from the Council store at the Austin Street depot. Payment for goods is deducted from the employees pay on completion of a Staff Purchase Sheet.
- 13.4. In rare circumstances a Council order may cover expenditure with a personal component e.g a travel or accommodation booking. In this case payment to Council for the personal component must be made on the earlier of the confirmation of costs or receipt of the invoice from the supplier.

14. Council Use of Private Assets

- 14.1. Council may decide that reimbursing for use of Private Assets is appropriate for reasons such as cost, convenience or availability. Council may also decide to do this in circumstances where it would not fully use an asset of the same type if it acquired it directly. Examples include private motor vehicles, private mobiles and private computers or BYOD (buy your own device).
- 14.2. Insurance for the private asset being utilised is the responsibility of the employee.
- 14.3. To reduce the risk of the Council paying reimbursement costs that benefit the employee or elected member, pre-approval by a Director is required. In assessing the request particular attention is to be paid to the principles of a justified business purpose and preserving impartiality and integrity.
- 14.4. Reimbursement will be set at actual and reasonable costs. All claims require supporting documentation.
- 14.5. Employees must not approve or administer payments to themselves for the Council's use of their private assets.

Employee Support and Welfare Expenditure**15. Clothing**

- 15.1. Other than official uniforms and health and safety related clothing, staff will not be clothed at the Council's expense when they are engaged in normal business activity.

16. Care of dependants

- 16.1. The Chief Executive may authorise in exceptional circumstances the reimbursement of actual and reasonable costs in relation to the care of dependents. Some possible examples are when the employee is unexpectedly required to perform additional duties at very short notice, or a dependant unexpectedly requires additional care that the employee cannot provide because of the essential nature of their duties at the time. In all other instances care of dependants is to be treated as a personal and private expense of the employee.

17. Financing Social Club Activities

- 17.1. Council may make a prudent and reasonable monetary contribution to the Council Social Club. The contribution may be a grant or subsidy for a specific event or item and must be approved by the Chief Executive.

18. Farewells and retirements

- 18.1. Expenditure on farewells, long service and retirements includes spending on functions, gifts and other items and should not be extravagant or inappropriate to the occasion. Refer to the NCC Recognition Policy.

19. Sponsorship of staff and others

- 19.1. Staff taking part in an activity that is not part of their job, such as a sporting event, may be sponsored by their entity through the provision of, or payment for goods and services (for example a t-shirt or entry fee)
- 19.2. Sponsorship should have a justified business purpose, which could include both publicity for the entity and its objectives, and organisational development. The cost to Council must be moderate and conservative.
- 19.3. In normal circumstances, sponsorship will be provided through a social club rather than directly to the staff member.
- 19.4. Sponsorship of people who are not staff must be undertaken in a manner that is transparent. It is also preferable that, if non-staff are sponsored, the sponsorship is of an organisation they belong to, rather than directly to the individual.

20. Professional Memberships

Membership to a professional body is sensitive expenditure due to its personal nature.

- 20.1. Payment of professional fees by Council on behalf of an employee must be:

- Approved by the Director or Chief Executive in the case of employees. In the case of the Chief Executive or elected members, the Mayor is required to give approval;
- clearly relevant to the performance of the employee's duties and responsibilities;
- for the employee alone and is not to cover members of their family or other persons;
- for no longer than one-year in duration unless significant discounts are available and it is reasonable to expect a two-year membership to be an advantage to the Council;
- for the benefit of the Council and are not intended to be a personal benefit to employees, and accordingly are not liable for Fringe Benefit Tax;
- refunded directly to the Council if the membership is cancelled

Other types of expenditure**21. Donations and Koha**

A donation or a koha is a payment (in money or by way of goods or services) made voluntarily and without the expectation of receiving goods or services in return.

21.1. Council requires donations to be:

- Lawful in all respects:
- Disclosed in aggregate in the Council's annual report:
- Made to a recognised organisation by normal commercial means (not to an individual):
- Not in cash (except as a koha. Amounts under \$250 to be approved by a Director):
- Non-political (i.e. politically neutral).

21.2. The amount given on behalf of Council should reflect the occasion and the prestige of Council in its relations with Tangata Whenua. Amounts of \$250 and over are to be approved by the Chief Executive.

22. Communications technology

22.1. Communications technology – such as mobiles, telephones, email and internet access, are widely used in the Council workplace. While some personal use of this technology is unavoidable, excessive use incurs costs, including lost productivity to Council.

22.2. Council's policies on the use of communications equipment are contained within Councils IT Acceptable Use Policy (Doc ID 216222).

23. Gifts given

23.1. A gift is usually given as a token of recognition of something provided by the recipient. Gifts given to employees are covered in the Recognition Policy (Doc ID 220599).

24. Gifts received

24.1. The receiving of a gift is not strictly sensitive expenditure however; it is nevertheless a sensitive issue. Refer to the Gifts and Benefits Policy (Doc ID 223396).

Policy Review

The review timeframe of this policy will be no longer than every two years.

Document History

Version	Reviewer	Change Detail	Date
3.0.0	Talia Foster	Review in line with Travel Policy	17 Sept 2019

5. INTERNAL AUDIT: FRAUD GAP ANALYSIS

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	823532
<i>Reporting Officer/s & Unit:</i>	Caroline Thomson, Chief Financial Officer

5.1 Purpose of Report

To table to the Committee the internal audit on fraud gap analysis undertaken by Council's internal auditors, Crowe.

Officer's Recommendation

The Audit and Risk Committee:

- a. Receive the report from Crowe titled 'Fraud Gap Analysis'

Chairperson's Recommendation

That the Committee resolve that the officer's recommendation be adopted.

5.2 Background Summary

Napier City Council is a significant employer serving the Napier Community. Council has a responsibility to ensure that:

- It maintains good and effective governance: this includes financial responsibility, compliance and a good employer.
- It identifies and mitigates risks to both Council and staff. This necessarily extends to the health and safety of all staff.
- Appropriate policies, procedures, practices and controls are in place and complied with.
- Legislation and contractual arrangements are complied with.

Council continues to monitor and review its compliance through its Internal Audit programme.

5.3 Issues

A fraud risk analysis was undertaken to assess the effectiveness of the existing fraud risk management strategies in terms of prevention, detection and investigation of fraud.

The review concluded that whilst specific fraud policies and processes specifically designed to prevent, detect and respond to fraud exist, further development of these plans and strategies is required.

There were two recommendations that are considered high priority:

- Council to perform a full assessment of the risk of fraud, bribery and corruption. These risk assessments should be undertaken on an ongoing periodic basis to

ensure that new and merging risk continue to be identified assessed and actioned.

- Fraud awareness training delivered to appropriate employees on induction and on a regular basis.

The report provides a clear action plan on how to deal with identified performance gaps.

Attachment A contains detailed findings and practical recommendations for improvement across the identified areas together with management actions for the 2 high, 3 medium and 5 low risks identified.

5.4 Significance and Engagement

N/A

5.5 Implications

Financial

N/A

Social & Policy

N/A

Risk

N/A

5.6 Attachments

- A Internal Audit - Fraud Gap Analysis [↓](#)
- B NCC Fraud Policy [↓](#)



July 2019

Fraud Gap Analysis

Napier City Council

Audit / Tax / Advisory

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1. Executive Summary



1.1. Objectives and scope

As part of our 2018/19 Annual Internal Audit Plan at the Napier City Council (hereafter “NCC” or “the Council”) we have undertaken a Fraud Risk Analysis which seeks to assess the effectiveness of the existing fraud risk management strategies, in terms of prevention, detection and investigation of fraud, and aims to provide a clear action plan on how to deal with identified performance gaps.

The review did not involve fraud investigation or detection work and there was no attempt to verify individual transactions or test individual controls.

1.2. Approach and Methodology

Our methodology involved a review of existing high-level fraud control policies and procedures in place and assessed these against 15 key attributes of a better practice fraud control program derived from the following guidance:

- AS 8001-2008 Fraud and Corruption Control¹;
- AS 8002-2003 Organisational Codes of Conduct¹ and;
- AS 8004-2003 Whistleblower Protection Programs for Entities¹; and
- Our own experience in this area

We note that it would be exceptional for all attributes to operating at a best practice level prior to a review being undertaken. The 15 key attributes can be placed under 4 general headings and are the following:

Heading	Attribute
Strategy	<ul style="list-style-type: none"> • Fraud control strategy • Senior management commitment - 'tone at the top' • Responsibility structures
Prevention	<ul style="list-style-type: none"> • Ethical frameworks • Fraud risk assessment • Fraud awareness • Internal controls • Pre-employment screening • Third party due diligence
Detection	<ul style="list-style-type: none"> • Fraud detection programme • Line manager responsibility • Internal audit
Response	<ul style="list-style-type: none"> • Fraud reporting systems • Fraud Investigations • Insurance

¹ Issued by Standards Australia

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1.4. Audit Conclusion

Our review leads us to the overall conclusion that, whilst specific fraud policies and processes specifically designed to prevent, detect and respond to fraud exist, further development of these plans and strategies is required.

The Council should perform a fraud risk assessment to better understand its exposure to the risk of fraud, bribery and corruption. The results of this fraud risk assessment will help the Council develop a practical and cost-effective anti-fraud approach.

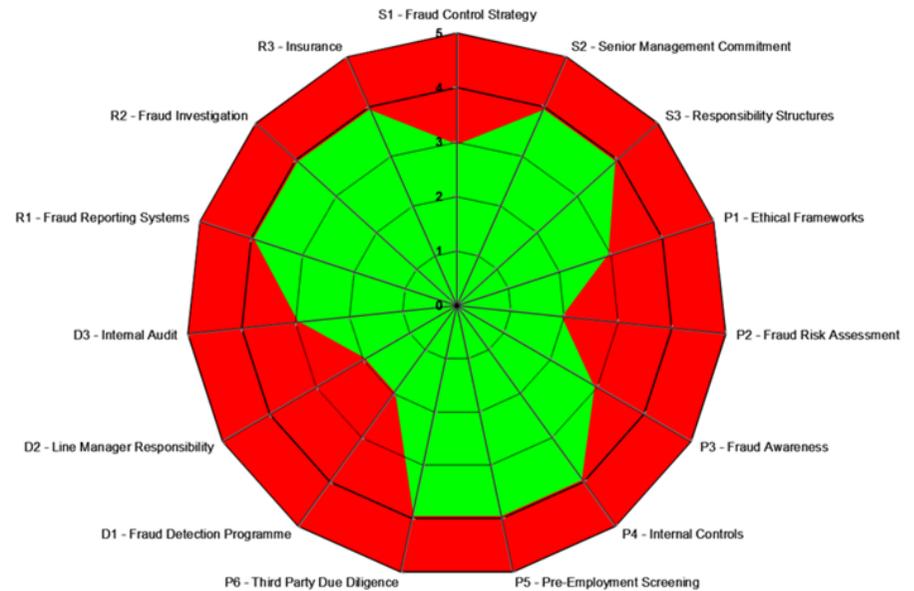
The Council should also put more efforts into raising its staff awareness of the existing fraud-related policies and the Council's anti-fraud plans, controls and strategies.

The diagram below summarises against each attribute inherent within the better practice model for fraud control strategies (S), fraud prevention (P), fraud detection (D) and fraud response (R) to fraud.

We have rated the elements of our better practice model on a one to five rating system (with one being the lowest score with a rating of "inadequate" and five being the highest score with a rating of "equivalent to best practice").

The diagram should be read in accordance with the following colour coding:

- **Green Area** - current performance against the better practice model.
- **Red Area** - the difference between current performance and the better practice model.



The table below provides a high-level summary of the recommendations relating to the observation that we consider to be high priority.

We have provided, in Section 2, more detailed findings and practical recommendations for improvement across the identified areas. Details of the methodology applied to rate audit findings are provided in Appendix 2.

Attribute	Recommendation
Fraud Risk Assessment (see Finding 5 on page 12)	The Council should perform a full assessment of the risk of fraud, bribery and corruption. As part of this exercise, the Council should: <ul style="list-style-type: none"> • Identify fraud risks relevant to the Council and its operations (e.g. submitting false invoices, making payment for services not provided, corruption in awarding contracts, etc.). It is important to consider all aspects of Council's operations, not only financial processes. • Evaluate the existing procedures, processes and controls that the Council has in place to prevent, detect and investigate instances of fraud, bribery and corruption. • Identify areas where the existing anti-fraud response mechanisms are not sufficient to mitigate the risk to the level acceptable to the Council and develop appropriate and practical steps to reduce the risk. • It should be ensured that risk assessments continue to be undertaken on an ongoing periodic basis to ensure that new and merging risk continue to be identified assessed and actioned.
Fraud Awareness (see Finding 6 on page 13)	<ul style="list-style-type: none"> • Fraud awareness training should be delivered to appropriate employees on induction and on a regular basis (at least annually). This will assist in the prevention and control of fraud by raising the general awareness of employees to the risk of fraud. • Such training should include examples of fraud types, early warning signs and how to respond if fraud or misconduct is suspected and should be delivered to staff with management responsibilities in the first instance. • Communications should be made and/or awareness sessions held to ensure staff are aware of the existence and content of the Council's fraud related policies, procedures and strategies. • It should be ensured that the training includes management and staff responsibilities for maintaining an appropriate level of scepticism in identifying suspicious or fraudulent activity.

1.5. Basis and use of report

This report has been prepared in accordance with the objectives and approach set out in the proposal dated 29 April 2019, and subject to the limitations set out in Appendix 3 "Basis and Use of Report".

2. Observations and Recommendations



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1. Fraud Control Strategy		Rating of finding: Low
Finding	Recommendations	Agreed Management action(s)
<p>Standard excerpts:</p> <ul style="list-style-type: none"> - Entities should develop and implement a Fraud and Corruption Control Policy that details the entity's intended action in implementing and monitoring the entity's fraud and corruption prevention, detection and response initiatives. - Accountability for the implementation and ongoing monitoring of the plan should be allocated to a person with appropriate seniority. - An entity's fraud and corruption control plan should be reviewed and amended at appropriate intervals, but at a minimum, once every two years. <p>The Council has a documented Fraud Policy. There are also a number of other documented fraud related policies and procedures including, but not limited to:</p> <ul style="list-style-type: none"> • Delegated Financial Authority • Code of Conduct • Protected Disclosures Policy • Conflicts of Interest Policy • Information Systems Acceptable Use Policy. <p>The Fraud Policy contains the key elements that would be expected to be included in a Fraud Policy including:</p> <ul style="list-style-type: none"> • A categorical statement that the Council has zero tolerance to fraud should be included. • A statement that all staff are responsible to disclose any suspicious activities they become aware of should be included. • Examples of the types of behaviour the Council considers to be fraudulent should be given. • An overview of fraud investigation processes and responsibilities. • The consequences for perpetrating fraud. <p>The following was however noted with regard to the related policies and procedures:</p> <ul style="list-style-type: none"> • No description of specific prevention and detection procedures that are employed to manage fraud risk, such as, fraud awareness training, specific transactional reviews, data analytics etc 	<p>A significant amount of occupational fraud and corruption is opportunistic in nature and informing employees that the Council has detailed fraud and corruption control strategies can act as an effective deterrent to fraudulent activity.</p> <p>We recommend the following improvements are made to the current fraud related policies and procedures:</p> <ul style="list-style-type: none"> • Updating the Fraud Policy to include the description of the Council's existing fraud and corruption prevention, detection and response initiatives and controls. • Periodic reminders of fraud risk and prevention policies and procedures should be communicated to all staff. 	<p>To review the Fraud Policy and update as per recommendations provided.</p>
		Responsible Person
		Raewyn Robertson, Accounting Manager
		Date of Implementation
		May 2020

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2. Senior Management Commitment		Rating of finding: N/A
Finding	Recommendations	Agreed Management action(s)
<p>Standard excerpts:</p> <ul style="list-style-type: none"> - A high level of risk consciousness for the risks of fraud and corruption should be present across the board and senior management group and, if found to be absent, should be the focus of awareness training at senior levels. - Senior management should, at a minimum, understand: <ul style="list-style-type: none"> - The types of fraud common within the local government sector. - the types of fraud detected within the entity in the past 5 years and how those matters were dealt with in terms of disciplinary action and internal control enhancement. - The entity's own fraud prevention control strategy. <p>Management has demonstrated commitment to focusing on fraud awareness and prevention via engaging this assignment and performing ad hoc fraud risk awareness trainings in the past two years.</p> <p>Interviews with managers across the Operations, Finance, HR and IT functions have indicated awareness of the types of fraud common within the local government sector and of the potential risks within their areas of responsibility.</p>	<p>No Recommendation.</p> <p>Senior management should continue to demonstrate commitment to fraud control by ensuring they regularly communicate fraud control measures and continue to review and monitor policies and procedures.</p>	<p>Responsible Person</p> <p>Date of Implementation</p>

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3. Responsibility Structures		Rating of finding: Low
Finding	Recommendations	Agreed Management action(s)
<p>Standard excerpts:</p> <ul style="list-style-type: none"> - A large entity should demonstrate its commitment to fraud and corruption control by allocating to a senior person (ideally no more than two levels removed from the CEO or, alternatively, with a direct line of reporting to the CEO on fraud and corruption control issues), overall responsibility for implementing and overseeing the fraud and corruption control program. - Entities should consider the recruitment of specialist resources (internal or external to the entity) with the requisite skills and experience or alternatively, training existing personnel in this role. <p>The Fraud Policy does not specifically delegate overall responsibility for the management of the fraud to any particular individual within the Council. The role, however, is implicitly allocated to the Director Corporate Services, who fully accepts this role.</p> <p>The Fraud Policy also established a Fraud Management Group consisting of the Chief Executive, Director Corporate Services, Manager People and Capability and the Internal Auditor (independent). These delegations of responsibility are appropriate for an organisation of the size of NCC and are in line with good practice expectations.</p>	<p>The Council should formally assign overall responsibility for implementing and overseeing the fraud and corruption control program to the Director Corporate Services. This could be done either through updating the Fraud Policy or through the Director's job description.</p> <p>The Council should also develop Terms of Reference for the Fraud Management Group to assist the Group in better fulfilling its role as prescribed in the Fraud Policy. The Terms of Reference could be a standalone document or could be incorporated in the Fraud Policy.</p>	<p>The Fraud Policy is due for review in May 2020 and this recommendation will be considered as part of this review.</p>
		<p>Responsible Person</p> <p>Adele Henderson, Director Corporate Services</p>
		<p>Date of implementation</p> <p>May 2020</p>

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4. Ethical Frameworks		Rating of finding: Moderate
Finding	Recommendations	Agreed Management action(s)
<p>Standard excerpts:</p> <ul style="list-style-type: none"> • A key strategy in managing the risk of fraud within an entity is the implementation and maintenance of a sound ethical culture. • If an entity's observable ethical culture falls below acceptable levels, remedial action including a broad based communication and training program should be undertaken as a priority. • All employees, including management and directors should be required to confirm in writing annually, that they have, over the previous twelve months complied with the entity's Code of Conduct and fraud policies and will so comply over the ensuing twelve months. <p>The Council has an established Code of Conduct which is included in the induction pack provided to new employees on induction.</p> <p>All employees sign a checklist that they have read and understood the induction policies. There is, however, no requirement to confirm on any subsequent basis that the standards have been or will be complied with and there is no further communication of the code on an ongoing basis after induction.</p> <p>AS 8002-2003 Organisational Codes of Conduct provides detailed guidance on an effective Code of Conduct. This guidance states that incorporating a description of the underlying values of the Organisation and a statement from the Chief Executive in support of these values should be included in the Code of Conduct along with clarification of unacceptable behaviours and the consequences of non-compliance with the code.</p> <p>It is noted that a description of underlying values of the Council and the Code of Conduct includes both statements on expected behaviours as well as examples of misconduct and the consequences of misconduct.</p>	<p>One of the key factors leading to fraud is the perpetrator's rationalisation of their actions (with examples such as being overlooked for promotion, the idea that "everyone does it", "the Council can afford it", "I'll only do it once" etc.)</p> <p>The maintenance of a sound ethical culture counteracts this risk and reminds employees of the organisation's values and the behaviours expected of staff. Ongoing communication of ethical expectations and requirements is, however, required rather than a one-off induction session that may have taken place many years ago.</p> <p>Reminding staff on a regular basis of their obligations and expected ethical behaviours, and the consequences of not doing so, can act as an effective deterrent to fraudulent behaviour.</p> <p>Whilst the suggestion in Standard AS 8001-2008 Fraud and Corruption Control that all employees, including management and directors should be required to confirm in writing annually, that they have, over the previous twelve months complied with the entity's Code of Conduct and fraud policies is seen as the optimal practice, this may not be operationally practicable.</p> <p>Nevertheless, we recommend that the Code of Conduct and expected behaviours should be communicated to staff on a regular and scheduled basis. This could be done as part of the overall staff fraud awareness programme (refer below).</p>	<p>Communication of the Code of Conduct and expected behaviours will be included as part of the overall staff fraud awareness programme to be implemented (refer below).</p> <p>Responsible Person</p> <p>Raewyn Robertson, Accounting Manager</p> <p>Date of Implementation</p> <p>30 September 2020</p>

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5. Fraud Risk Assessment		Rating of finding: High
Finding	Recommendations	Agreed Management action(s)
<p>Standard excerpts:</p> <ul style="list-style-type: none"> • Entities should adopt a policy and processes for the systematic identification, analysis and evaluation (“risk assessment”) of fraud and corruption risk. • The overarching principle of the risk assessment process should be an assessment of consequences and likelihood for each risk relative to other fraud risks and other enterprise risks. <p>The Council has not performed a comprehensive assessment of the fraud risk. The fraud risk forms a part of a much wider financial loss risk in the Council's risk register.</p> <p>We understand the Council is planning to create a Risk Manager role soon. This person will be responsible for managing all Council's risks, including the fraud, bribery and corruption risk.</p>	<p>We recommend that the detailed analysis of fraud and corruption risk should be undertaken.</p> <p>The Council should perform a full assessment of the risk of fraud, bribery and corruption. As part of this exercise, the Council should:</p> <ul style="list-style-type: none"> • Identify fraud risks relevant to the Council and its operations (e.g. submitting false invoices, making payment for services not provided, corruption in awarding contracts, etc.). It is important to consider all aspects of Council's operations, not only financial processes. • Evaluate the existing procedures, processes and controls that the Council has in place to prevent, detect and investigate instances of fraud, bribery and corruption. • Identify areas where the existing anti-fraud response mechanisms are not sufficient to mitigate the risk to the level acceptable to the Council and develop appropriate and practical steps to reduce the risk. <p>It should be ensured that risk assessments continue to be undertaken on an ongoing periodic basis to ensure that new and merging risk continue to be identified assessed and actioned.</p>	<p>A full risk assessment of fraud, bribery and corruption to be undertaken by Council's Risk Lead. This will be documented using the Sytle Risk Register software.</p>
		Responsible Person
		Risk Lead
		Date of Implementation
		Currently recruiting this position. This position is expected to be filled by April 2020.

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6. Fraud Awareness		Rating of finding: High					
Finding	Recommendations	Agreed Management action(s)					
<p>Standard excerpts:</p> <ul style="list-style-type: none"> • Every staff member (management and non-management) should have general awareness of fraud and corruption and how he or she should respond if this type of activity is detected or suspected. • Entities should regularly communicate to staff a clear definition of the types of behaviour that constitute fraudulent or corrupt practice, the fraud detection measures that are in place and an unequivocal statement that fraudulent and corrupt practices within the entity will not be tolerated. <p>The Council organises ad hoc staff fraud awareness sessions and the Finance team performs financial controls training which cover some fraud controls aspects.</p> <p>Formal fraud awareness sessions were provided by Crowe Horwath in October 2017 and September 2018. Our interviews as part of this engagement confirmed that they were very well received by the Council's personnel.</p> <p>These activities however do not cover all Council's personnel and are organised on an irregular basis. There is no regular communication to all Council's staff about the Council's fraud policies, zero tolerance culture, existing anti-fraud measures, possible fraud scenarios, etc.</p>	<p>The following is recommended with regard to these findings:</p> <ul style="list-style-type: none"> • Fraud awareness training should be delivered to appropriate employees on induction and on a regular basis (at least annually). This will assist in the prevention and control of fraud by raising the general awareness of employees to the risk of fraud. Such training should include examples of fraud types, early warning signs and how to respond if fraud or misconduct is suspected and should be delivered to staff with management responsibilities in the first instance. • Communications should be made and/or awareness sessions held to ensure staff are aware of the existence and content of the Council's fraud related policies, procedures and strategies. • It should be ensured that the training includes management and staff responsibilities for maintaining an appropriate level of scepticism in identifying suspicious or fraudulent activity. 	<p>NCC have run two fraud awareness training sessions for employees over the last two years. We acknowledge and agree that this should be a regular occurrence and be included in the annual workplan of all employees.</p> <p>As part of the induction of new employees we will work with our P&C department to ensure this is included in the induction programme for all new employees.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="background-color: #ffcc00;">Responsible Person</th> </tr> <tr> <td>Raewyn Robertson, Accounting Manager</td> </tr> <tr> <th style="background-color: #ffcc00;">Date of Implementation</th> </tr> <tr> <td>New inductees – 30 April 2020</td> </tr> <tr> <td>Annual training – 30 November 2020</td> </tr> </table>	Responsible Person	Raewyn Robertson, Accounting Manager	Date of Implementation	New inductees – 30 April 2020	Annual training – 30 November 2020
Responsible Person							
Raewyn Robertson, Accounting Manager							
Date of Implementation							
New inductees – 30 April 2020							
Annual training – 30 November 2020							

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7. Internal Control		Rating of finding: N/A
Finding	Recommendations	Agreed Management action(s)
<p>Standard excerpts:</p> <ul style="list-style-type: none"> - Entities should ensure that all business processes, particularly those assessed as having a higher predisposition to the risks of fraud and corruption, are subject to a rigorous system of internal controls that are well documented, updated regularly and understood by all personnel should adopt a policy and processes for the systematic identification, analysis and evaluation. <p>Strong internal controls are generally seen to be the first line of defence against fraud. The overriding of internal controls or poor internal controls generally represents the most important pre-condition for fraud to occur.</p> <p>As part of this fraud gap analysis, we have interviewed the key members of the Finance and IT teams to gain a high-level understanding of the key controls across the core financial processes.</p> <p>Important note: It should be noted that our assessment was performed on an enquiry basis and our high-level evaluation should be treated accordingly. We have not performed any process and controls testing procedures or any substantive audit testing to confirm the accuracy or otherwise of our observations or of the representations made to us.</p>	<p>No Recommendation.</p>	<p>N/A</p>
		Responsible Person
		N/A
		Date of Implementation
		N/A

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8. Pre-Employment Screening		Rating of finding: Low
Finding	Recommendations	Agreed Management action(s)
<p>Standard excerpts:</p> <ul style="list-style-type: none"> • A thorough employment screening process is considered an effective way of reducing an entity's potential exposure to internally focussed fraud and corruption. The objective of the screening process is to reduce the risk of a potential security breach and to obtain a higher level of assurance as to the integrity, identity and credentials of personnel employed by the entity. • Employment screening should be conducted within the confines of relevant legislation and with the informed and express consent of the entrusted person. • Employment screening should be contemplated for all new employees and all personnel being transferred to a senior executive position or to a position considered by the entity to be 'higher-risk' in terms of potential to fraud or corruption associated with those positions. <p>The following procedures are in place with regard to pre-employment screening:</p> <ul style="list-style-type: none"> • All staff are subject to qualification checks, at least 2 reference checks and Ministry of Justice checks. • Police vetting is undertaken on staff who will be working with children. • Hiring managers can request performing a credit check on potential candidates (although it was confirmed that it rarely happens). 	<p>The Council should perform credit checks on new or promoted/transferred employees where the job involves significant financial risk, for example when a person joins the Finance team or has delegated authority.</p>	<p>Council's existing internal controls and segregation of duties mitigate this risk. Managers are able to request a credit check on all new employees as part of the recruitment process.</p>
		Responsible Person
		Date of Implementation

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9. Third Party Due Diligence		Rating of finding: N/A
Finding	Recommendations	Agreed Management action(s)
<p>Standard excerpts:</p> <ul style="list-style-type: none"> - Entities should take steps to ensure the bona fides of new suppliers and customers. The entity should consider its ongoing commercial relationship with the other party if enquiry finds a heightened risk of fraud or corruption in continuing to deal with that party. - Corruption typically perpetrated by external parties involves manipulation of the procurement process by paying or offering bribes. The risk of fraud or corruption will be reduced in the entity knows who it is dealing with in all significant commercial transactions. <p>The Association of Certified Fraud Examiners' (ACFE) 2018 Report to the Nations notes that 47% of fraud in the government sector relates to corruption and 15% relates to billing fraud. In this respect it is key that public sector entities verify vendors of all kinds.</p> <p>We noted that all new suppliers are subject to Companies Office and internet checks to verify their legitimacy. In addition, the Council attempts to use the All-of-Government panels where possible and reduce the number of Council's suppliers.</p>	<p>No Recommendation.</p>	<div style="background-color: #FFC000; padding: 2px;">Responsible Person</div> <div style="background-color: #FFC000; padding: 2px; margin-top: 10px;">Date of Implementation</div>

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10. Fraud Detection Programme		Rating of finding: Moderate
Finding	Recommendations	Agreed Management action(s)
<p>Standard excerpts:</p> <ul style="list-style-type: none"> - All entities should implement systems aimed at detecting fraud and corruption as soon as possible after it has occurred in the event the entity's preventative systems fail. - These systems should include the following: <ul style="list-style-type: none"> - Post-transactional review. - Data mining. - Analysis of management accounting reports. <p>Post-Transactional Review: Dual controls exist over key areas of fraud risk such as approval of purchase orders, supplier invoices, approval of payments, approval of timesheets, payroll and staff expenses and approval of grants. The maintenance and robustness of such reviews is important in both the detection and, where staff are aware the reviews are taking place, the deterrence of fraudulent activity. More detail is provided in Finding 11.</p> <p>Data Mining: Currently, the Council does not have a programme of regular data analytics procedures covering the key aspects of the Council's operations, i.e. expenses, purchases, payroll, assets, etc. Occasionally, limited data analytics procedures are performed as part of individual internal audit reviews.</p> <p>Analysis of Management Accounting Reports: Quarterly management reports are prepared by Finance. These reports are reviewed and variance against budget are analysed by the Leadership Team. Any material losses due to fraud should be reflected in these reports and would reflect on the responsible manager's performance.</p>	<p>The Association of Certified Fraud Examiners' 2018 Global Fraud Survey noted that data analysis and surprise audits were correlated with over 50% in reduction in fraud loss. Many of the indicators of fraud and misconduct reside within an organisation's financial, operational, and transactional data, and can be identified using data analysis tools. We recommend the Council establishes an anti-fraud data analytics programme to identify fraud 'red flags' and suspicious transactions. The data analytics procedures should be driven by the results of the Council's fraud risk assessment and should address the key risk areas. Usually, data analytics is used for accounts payable, sensitive expenditure, credit and fuel cards, but it can also be effectively applied to other Council's business operations, e.g. rates, other revenue, maintenance work, capital works, etc. Another benefit of such programme is 'sending a message' that the Council has strong fraud monitoring controls in place. The Council may present an overview of the programme and some summarised results to its staff during the fraud awareness training See also Recommendation 11 for improvement opportunities in relation to post-transactional review. The performance of a formalised fraud risk assessment as noted in Recommendation 5 above may highlight other areas of fraud risk that should be considered for monitoring and control.</p>	<p>We are working towards developing internal data analytics and internal audits as part of the Business Analyst role currently being recruited.</p> <p>Responsible Person Business Analyst</p> <p>Date of Implementation An accountant has recently been appointed to the Business Analyst role (starting May 2020). This position is responsible for developing the internal data analytics and internal audits.</p>

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11.Line Manager Responsibility		Rating of finding: Moderate
Finding	Recommendations	Agreed Management action(s)
<p>Standard excerpts:</p> <ul style="list-style-type: none"> - Entities should ensure that line managers are aware of their accountabilities for the prevention and detection of fraud and corruption. - Line managers should receive appropriate training on fraud and corruption control and be informed of their associated accountabilities. <p>Based on information provided and interviews held, the following is noted about NCC:</p> <ul style="list-style-type: none"> • The Fraud Policy assigns the responsibility for developing, implementing and maintaining appropriate anti-fraud controls to all Council's managers and senior officers. They are also responsible for regular reviewing transactions and activities that may be susceptible for fraud and corruption. • Whilst the responsibilities have been communicated in the Fraud Policy, we noted a lack ongoing scheduled training programmes to managers and staff (refer Finding 6 above). • A number of control activities in place relate to the management review and approval of documents such as purchase orders, supplier invoices, timesheets, expense reports, leave reports etc. Whilst we have identified nothing to suggest such reviews are not performed with sufficient rigour, it is important that those charged with carrying out these procedures maintain an attitude of scepticism and curiosity and have the ability to show judgement and initiative in investigating transactions further. 	<p>The Association of Certified Fraud Examiners' 2018 Global Fraud Survey noted that a lack of effective management review was one of the key weaknesses allowing fraud to be perpetrated (18% of fraud cases).</p> <p>Ensuring approving managers maintain an attitude of scepticism and curiosity and show judgement and initiative in challenging and investigating transactions further is a key fraud management tool.</p> <p>In a council environment, where there is considerable diversity in the range of services provided and suppliers used, it is not feasible to expect a small Accounts Payable department to have extensive knowledge of all such services and suppliers. It is therefore important that departmental managers should critically assess data and documents for the following type of issues:</p> <p>Data:</p> <ul style="list-style-type: none"> • Unusual timing of the transaction. This includes the time of day, the day of the week, or the season. • Frequency of Transactions. Transactions that are occurring too frequently or not frequently enough are suspicious. Each organisation has its own operating patterns, and the transactions should be booked accordingly. • Unusual amounts recorded. Take notice of whether an account has many large, round numbers entered. Consider whether some of the transactions in the account are far too large or far too small. • Questionable parties involved. Should the Council be paying an outside party? Is a payment being made to a related party? Is the Council paying large sums to a vendor whose name is not easily recognisable? <p>Documents:</p> <ul style="list-style-type: none"> • Missing or altered documents • Evidence of backdating documents • No original documents available • Documents that conflict with one another • Questionable or missing signatures on documents <p>Training for managers in these responsibilities and why it is important to undertake these reviews should be scheduled on ongoing periodic basis. This can form a part of the wider fraud awareness programme described in Finding 6.</p>	<p>Training for managers to be included as part of the fraud awareness training to be implemented as above.</p> <p>Responsible Person</p> <p>Raewyn Robertson Accounting Manager</p> <p>Date of Implementation</p> <p>Training will be arranged asap by the accountant who has been appointed to the Business Analyst role (start date May 2020).</p>

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12. Internal Audit		Rating of finding: Process Improvement
Finding	Recommendations	Agreed Management action(s)
<p>Standard excerpts:</p> <ul style="list-style-type: none"> - While primary responsibility for the identification of fraud and corruption within an entity rests with management, entities should recognize that internal audit activity can be, in the context of addressing all business risks, an effective part of the overall control environment to identify the indicators of fraud and corruption. - Internal audit activity should be planned and conducted in accordance with International Standards for the Professional Practice of Internal Auditing <p>The Council's internal audit activities are provided by an independent third-party internal audit service provider.</p> <p>Previous internal audits have taken place over areas such as cash handling, accounts receivable, sensitive expenditure and selected data analytics. These reviews indirectly assess several anti-fraud controls.</p> <p>With a lack of formal risk assessment as noted in Finding 5 above, it is noted that a corresponding lack of assurance over all fraud risks currently exists.</p>	<p>As noted in Finding 5, a detailed fraud risk assessment process to be undertaken may highlight further areas where more internal audit focus may be required.</p>	<p>See comment on Finding 5</p>
		Responsible Person
		Date of Implementation

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13.Fraud Reporting Systems		Rating of finding: Low
Finding	Recommendations	Agreed Management action(s)
<p>Standard excerpts:</p> <ul style="list-style-type: none"> - Entities should ensure that adequate means for reporting suspicious or known illegal or unethical conduct are available to all personnel. - In this context also, the entity should consider a policy of mandatory reporting of known or suspected fraud or corruption through one or more of these alternative reporting lines. - Entities should implement a policy for the active protection of whistleblowers and should ensure that the policy is well communicated and understood by all personnel. <p>The Council has a documented Protected Disclosure Policy in place and is available through the Council's intranet. The following is noted with regard to this Policy:</p> <ul style="list-style-type: none"> • The Protected Disclosure Policy states the protections in place for employees making disclosures and the limitation of those protections in making false allegations. • The Policy includes responsibilities for ensuring as far as possible details of protected disclosures remain confidential. • The Policy does not provide the contact details of persons to whom disclosures can be made. • The Protected Disclosure Act 2000 also includes a listing of external persons and bodies who can be contacted for making a protected disclosure. These are not included in either of the Protected Disclosure documents held by the Council. Some staff members may not wish to report an allegation internally and not providing details of external parties to whom disclosures can be made could prevent them from making a disclosure. 	<p>The Association of Certified Fraud Examiners' Global Fraud Survey 2018 noted 40% of frauds were initially detected through a tip off. Having clear protected disclosure policies and procedures is therefore a key control in the detection of fraud.</p> <p>The following is therefore recommended:</p> <ul style="list-style-type: none"> • It should be ensured that all staff are and continue to be aware of the Protected Disclosure Policy and its contents. • It should be ensured that there is absolute clarity and consistency between the Fraud Policy and the Protected Disclosure Policy over how to report disclosures and to whom they should be made. • Consideration should be given as to whether further methods of reporting can be established as per staff preferences. The Council may wish to implement an independent whistleblowing hot line. • Details of external bodies to whom disclosures can be made should be given. 	<p>Agreed that recommendations are included in the regular staff fraud awareness training as agreed above. This will also be included as part of Finance training to budget managers held throughout the year.</p> <p>Responsible Person</p> <p>Raewyn Robertson Accounting Manager</p> <p>Date of Implementation</p> <p>30 November 2020</p>

Fraud Gap Analysis

Napier City Council

14. Fraud Investigations		Rating of finding: Low
Finding	Recommendations	Agreed Management action(s)
<p>Standard excerpts:</p> <ul style="list-style-type: none"> - Entities should install appropriate policies and procedures for dealing with suspected fraud or corruption detected through its detection systems or otherwise coming to their notice. - An investigation into apparent or suspected fraud or corruption should be conducted by appropriately skilled and experienced personnel who are independent of the business unit in which the alleged fraudulent or corrupt conduct occurred. <p>The Council's Fraud Policy describes the fraud investigation process which clearly defines roles and responsibilities for the investigation of fraud suspicions and allegations.</p> <p>However, preliminary investigations by staff prior to reporting a fraud suspicion can have a significant impact on the quality or continuity of any evidence required for a fraud prosecution and should be formally prohibited in the Fraud Response Procedure.</p>	<p>It is of significant importance that investigations are only undertaken by suitably skilled and experienced personnel and there is a need to ensure that staff assigned responsibility to establish prima facie evidence of suspected fraud be identified and be suitably qualified so as to not undermine the quality or continuity of evidence obtained.</p> <p>In this respect it should be ensured that all employees are aware of the requirement not only to contact the appropriate nominated member of staff on suspicion of fraud but also not to undertake any preliminary investigation themselves.</p> <p>This should be explicitly included in the Fraud Policy.</p>	<p>Agreed to update the recommendations in the fraud policy and to include this as part of the fraud awareness training.</p> <p>Responsible Person Raewyn Robertson Accounting Manager</p> <p>Date of Implementation May 2020</p>

Fraud Gap Analysis

Napier City Council

15. Insurance		Rating of finding: Process Improvement
Finding	Recommendations	Agreed Management action(s)
<p>Standard excerpts:</p> <ul style="list-style-type: none"> - Entities should consider maintaining a fidelity guarantee insurance policy (subject to an ongoing analysis of cost/benefit of holding such a policy) that insures the entity against the risk of loss arising from internal fraudulent conduct. - Insurance for externally instigated fraud and corruption should be maintained as appropriate including insurance against the theft of the entity's property. <p>The Council has an insurance policy with IAG, which also covers employee fraud and dishonesty and executive fraud and dishonesty, third party crime and electronic and computer crime to the limit of \$2m.</p>	<p>Consideration should be given as to whether the level of indemnity is appropriate, taking into account the probability of a significant fraud, the level of excess and the cost of increasing the level of indemnification.</p> <p>An annual review of the level of indemnification should be performed on policy renewal to ensure it remains appropriate.</p>	<p>Council has a Crime Policy with QBE Insurance (Australia) Limited. This policy provides indemnity for loss consequent upon a single act or series of related acts of theft, fraud, dishonesty or criminal damage committed by an employee. Sum insured any one claim and in the aggregate \$2m. Council increased cover to \$2m after a recommendation from Audit and Risk Committee a few years ago.</p> <p>Council can look at proposals to increase cover in the next renewals round however this would be subject to availability of premium budget.</p> <div style="background-color: #f4a460; padding: 2px;">Responsible Person</div> <p>Bryan Faulknor</p> <div style="background-color: #f4a460; padding: 2px;">Date of Implementation</div> <p>Next renewal date June 2020</p>

Appendices

Appendix 1 – List of interviewees

Name	Title
Adele Henderson	Director Corporate Services
Caroline Thompson	Chief Financial Officer
Raewyn Robertson	Accounting Manager
Antoinette Campbell	Director Community Services
Natasha Mackie	Manager Community Strategies
Richard Munneke	Director City Strategy
Lance Titter	Director City Services
Jon Kingsford	Director Infrastructure
Sue Matkin	Manager People and Capability
Duncan Barr	Manager Information System

Appendix 2 – Classification of Internal Audit Findings

Risk ratings are based on the use of professional judgement to assess the extent to which deficiencies could have an effect on the performance of systems and controls of a process to achieve an objective.

Rating	Definition	Guidance	Action required
High	<ul style="list-style-type: none"> Issue represents a control weakness, which could cause or is causing major disruption of the process or major adverse effect on the ability of the process to achieve its objectives. 	<ul style="list-style-type: none"> Material errors and departures from the organisation's policies and procedures Financial management / accountability / probity concerns Non-compliance with governing legislation and regulations may result in fines or other penalties Collective impact of many moderate or low issues 	<ul style="list-style-type: none"> Requires significant senior management intervention and may require significant mobilisation of resources, including external assistance. Ongoing resource diversionary potential. Requires high priority to immediate action
Moderate	<ul style="list-style-type: none"> Issue represents a control weakness, which could cause or is causing moderate adverse effect on the ability of the process to meet its objectives. 	<ul style="list-style-type: none"> Events, operational, business and financial risks that could expose the organisation to losses that could be marginally material to the organisation Departures from best practice management procedures, processes 	<ul style="list-style-type: none"> Requires substantial management intervention and may require possible external assistance. Requires prompt action.
Low	<ul style="list-style-type: none"> Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives. 	<ul style="list-style-type: none"> Events, operational and business risks that could expose the organisation to losses which are not material due to the low probability of occurrence of the event and insignificant impact on the operating capacity, reputation and regulatory compliance Departures from management procedures, processes, however, appropriate monitoring and governance generally mitigates these risks. 	<ul style="list-style-type: none"> Requires management attention and possible use of external resources. Requires action commensurate with the process objective.
Process Improvement	<ul style="list-style-type: none"> Audit recommendation is for improving already existing processes and controls. 	<ul style="list-style-type: none"> Potential improvements in efficiency and effectiveness of existing process and controls which already demonstrate compliance with procedures and legislation 	<ul style="list-style-type: none"> Recommendations made for management consideration and implementation as determined by management.

Appendix 3 – Basis and Use of Report

This report is prepared on the basis of the limitations set out below:

- Our procedures were performed according to the standards and guidelines of The Institute of Internal Auditors' International Professional Practices Framework. The procedures were not undertaken in accordance with any auditing, review or assurance standards issued by the External Reporting Board (XRB).
- Our procedures were designed to provide limited assurance which recognises that absolute assurance is rarely attainable, due to such factors as the use of judgment in gathering and evaluating evidence and forming conclusions, and the use of selective testing, and because much of the evidence available for review is persuasive rather than conclusive in nature.
- Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Our procedures were not designed to detect all weaknesses in control procedures as they were not performed continuously throughout a specified period and any tests performed were on a sample basis.
- Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.
- The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.
- Recommendations for improvement should be assessed by management for their full commercial impact, before they are implemented.
- This Report is not to be used by any other party for any purpose nor should any other party seek to rely on the opinions, advice or any information contained within this Report. In this regard, we recommend that parties seek their own independent advice. Crowe Horwath disclaims all liability to any party other than the client for which it was prepared in respect of or in consequence of anything done, or omitted to be done, by any party in reliance, whether whole or partial, upon any information contained in this Report. Any party, other than the client for which it was prepared, who chooses to rely in any way on the contents of this Report, does so at their own risk.

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Fraud Policy			
Approved by	Director Corporate Services		
Department	Finance		
Original Approval Date	31 May 2006	Review Approval Date	16 May 2017
Next Review Deadline	16 May 2020	Document ID	345897
Relevant Legislation	Not Applicable		
NCC Documents Referenced	NCC Code of Ethics, Protected Disclosures Policy, Conflicts of Interest Policy, Receiving Gifts and Benefits Policy, IT Acceptable Use Policy		

Purpose

The purpose of this policy is to facilitate the development of controls that will aid in the detection and prevention of fraud in order to protect the assets, reputation and employees of the Napier City Council. This policy outlines how the Council will provide a consistent and transparent approach to all allegations of fraud and/or corruption.

Policy Statement

Napier City Council considers unauthorised possession (theft/robbery), unauthorised use, misappropriation, fraud, corruption, impropriety and dishonesty is unacceptable to Council. The Council treats this behaviour seriously and will investigate all suspected instances, whether these involve Council employees, representatives or external parties.

Scope

This policy applies to any actual, alleged or suspected fraud or corruption involving all employees and representatives of the Napier City Council as well as external parties such as, but not limited to, suppliers, contractors, consultants or any other external agency undertaking transactions with the Napier City Council.

This policy does not apply to:

- Minor fraud perpetrated by the public against Napier City Council. For example, providing wrong information on a licence application
- Performance management issues that should be resolved by a manager and/or People and Capability.
- Councillors, who are subject to provisions within the Local Authorities (Members' Interests) Act 1968, the Local Government Act 2002, and Council's Code of Conduct for Elected Representatives.

This policy should be read alongside the Council's [Protected Disclosures Policy](#)

Principles

Employees and representatives of Napier City Council must have, and be seen to have, the highest standards of honesty, propriety and integrity in discharging their obligations to the community.

The following principles demonstrate Napier City Councils commitment to treating all suspected instances of fraud or corruption seriously. In doing so, Council will:

- investigate all suspected instances of fraud or corruption by Council employees, representatives or external parties. Any proven allegations of Fraud or Corruption will be treated as serious misconduct and may result in summary dismissal of an employee, or the immediate termination of a representative's contract with the Council.
- seek to recover funds/assets lost through this behaviour wherever possible and practical.
- refer any behaviour that could amount to illegal activity to the NZ Police at an appropriate time during the investigation process and/or subsequent disciplinary procedure.
- commit to developing and maintaining processes and procedures to prevent and detect fraud and corruption.

Definitions

Fraud	The deliberate practice of deception in order to receive unfair, unjustified or unlawful gain and, for the purposes of this policy, includes forms of dishonesty. Within this definition, examples of fraud may include, but are not limited to: <ul style="list-style-type: none"> • Unauthorised possession (theft) or use, or misappropriation of funds or other assets • Impropriety in handling or reporting of money or financial transactions • Forgery or alteration of any document or computer file/record belonging to the Council • Forgery or alteration of a cheque, bank draft or any other financial instrument • Bribery, corruption or coercion • Destruction, removal or inappropriate use/disclosure of records, data, materials intellectual property or assets for gain □ Any similar or related inappropriate conduct.
Corruption	The lack of integrity or honesty (especially susceptibility to bribery), or the use of a position of trust for dishonest gain.
Representative	For the purposes of this policy, a representative of Napier City Council includes: <ul style="list-style-type: none"> • Any contractor or consultant who agrees to be covered by this policy under the terms of their engagement • Temporary staff supplied through an agency • Seconded personnel • Volunteers
Fraud Management Group	The internal investigation group consisting of the Chief Executive, Director Corporate Services, Manager People and Capability and the Internal Auditor (independent).

Policy

1. Reporting

- 1.1. Any person reporting any suspected fraudulent act (the informant) must do so to their immediate Manager or the Internal Auditor.
- 1.2. If the Informant has reason to believe their Manager is implicated in the suspected fraud, the matter must be reported to a member of the Fraud Management Group.
- 1.3. If CEO involvement is suspected, the matter must be reported to the Mayor.
- 1.4. If elected member involvement is suspected, the matter must be reported to the CEO.
- 1.5. In all instances, suspected fraud must also be reported to the Internal Auditor, who will notify the Chief Executive and initiate the fraud control plan as outlined in the Fraud investigation procedures.
- 1.6. The informant reporting the activity/behaviour may remain anonymous.
- 1.7. If the allegation amounts to a protected disclosure under the Protected Disclosures Act 2000 the informant may follow the process set out in the Council's Protected Disclosure policy.
- 1.8. All inquiries concerning the activities under investigation from the suspected individual, his or her lawyer or representative, or any other enquirer must be directed to the Fraud Management Group.

2. Investigations

- 2.1. The Fraud Management Group has the primary responsibility for investigation of all suspected unauthorised possession (theft), fraudulent or corrupt acts or behaviour as defined in this policy.
- 2.2. Any investigation carried out should comply with Napier City Council's employment policies.
- 2.3. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title or relationship to Council.
- 2.4. At the conclusion of the investigation the events will be documented in a confidential report which will be provided to the Council and the Audit and Risk committee as appropriate. Recommendations may be made to enhance internal control procedures.
- 2.5. Decisions to refer the investigation results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made by the Fraud Management Group, in consultation with the senior leadership team and with legal advice if appropriate.
- 2.6. The Fraud Management Group have free and unrestricted access to all Council records and premises and the authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets and other storage facilities on premises without prior knowledge or consent of any individual who may use of have custody of any such items or facilities when it is within the scope of their investigation.

3. Equity and Fairness

- 3.1. The means for ensuring that every individual suspected of committing fraud (whether they are an employee or someone external to the entity) is dealt with consistently and fairly.
- 3.2. All parties suspected of committing fraudulent acts must be dealt with in the same manner. This includes all elected members, employees or associated parties external to Napier City Council.
- 3.3. Any individual reporting suspected fraud has the right to expect their actions will be dealt with in confidence.
- 3.4. Evidence collected as part of any fraud investigation must substantiate any further action the organisation takes. There must be transparency in the fraud response action that the process has been adhered to.

4. Consequences of an investigation

- 4.1. Fraud perpetrated against Napier City Council will be reported to the Council’s insurers, Audit New Zealand and the Serious Fraud Office as required.
- 4.2. An investigation may result in a recommendation to terminate a supplier’s, consultants or contractors contract or, in the case of an employee, the commencement of a disciplinary process, the outcome of which may be dismissal of the employee where appropriate.
- 4.3. Any decision to begin a disciplinary process, or to terminate an employee’s employment at the conclusion of that process, will be made in conjunction with People and Capability.
- 4.4. Where instances of fraud or corruption are substantiated, any decisions to take no action, or to take action that is seen as inappropriate by either the Fraud Management Group or People and Capability, will be referred to the relevant senior officer and the Chief Executive for authorisation.

5. Media

- 5.1. No information concerning the status of an investigation will be disclosed, except to the Fraud Management Group, or the Chief Executive, or People and Capability in cases where an employee is suspected of unauthorised possession or fraud.
- 5.2. The proper response to any enquiry is: "I am not at liberty to discuss this matter" and/or "Fraud perpetrated against Napier City Council will be reported to the Council's insurers, Audit New Zealand and the Serious Fraud Office as required".

6. Roles and Responsibilities

All employees and representatives	<ul style="list-style-type: none"> • Adherence and compliance with this policy • The immediate reporting of an actual or suspected fraud or corruption incident to the relevant person
All Managers and Senior Officers	<ul style="list-style-type: none"> • Ensure appropriate controls are in place at all levels to safeguard against fraud and corruption and take action to implement and maintain these controls. • Regularity review transactions and activities that may be susceptible to fraud or corruption • Promote the principles of this policy • Take appropriate action in liaison with People and Capability and the Fraud Management Group when breaches of this policy occur.
People and Capability	<ul style="list-style-type: none"> • Be involved in any investigation of alleged fraud or corruption concerning an employee by providing advice and guidance • Take appropriate action when breaches of this policy occur.
Fraud Management Group	<ul style="list-style-type: none"> • Develop, consult and seek approval of and implement policy and procedures for fraud control for the Napier City Council. • Investigate all allegations of actual or suspected cases of fraud as per this policy and the Fraud Investigation Procedure • Manage the reporting of breaches to this policy to the NZ Police where applicable.

Policy Review

The review timeframe of this policy will be no longer than every three years.

Document History

Version	Reviewer	Change Detail	Date
		To be populated	

6. INTERNAL AUDIT: PAYROLL POLICY AND PROCEDURES

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	908898
<i>Reporting Officer/s & Unit:</i>	Raewyn Robertson, Accounting Manager

6.1 Purpose of Report

To table to the Committee the internal audit on payroll undertaken by Council's internal auditors, Crowe.

Officer's Recommendation

The Audit and Risk Committee:

- a. Receive the report from Crowe, Internal Auditors, titled 'Payroll Internal Audit'

Chairperson's Recommendation

That the Committee resolve that the officer's recommendation be adopted.

6.2 Background Summary

Crowe, Council's internal auditors, have undertaken a payroll internal audit. The scope of this audit included review Council's policy and procedures, access rights, segregation of duties, appropriate approval, payroll processes, reporting.

6.3 Issues

The report noted that the Council's current payroll system has limited functionality with a large amount of manual data input required increasing risk of error, and that Council has a high inherent risk of compliance with the Holidays Pay Act 2003 due to the mix of full-time and casual staff.

The review resulted in five recommendations, one of which was considered high priority:

- Compliance with Holiday Pay Act 2003

The report provides details of agreed management actions.

Currently a business case for the implementation for a new payroll system, which includes a timesheet system, has been written and accepted by SLT. A business analyst is now gathering requirements to write a Request for Proposal in Quarter 4 of 2019/20 financial year, with the earliest expectation of implementation being Quarter 1 of 2020/21 financial year. The requirements will also include advice on compliance with the Holiday Pay Act.

Attachment A contains detailed findings and practical recommendations for improvement across the identified areas together with management actions for the 1 high, 2 moderate and 2 low risks identified.

6.4 Significance and Engagement

N/A

6.5 Implications

Financial

N/A

Social & Policy

N/A

Risk

N/A

6.6 Attachments

A Payroll Internal Audit, Crowe [↓](#)



March 2020

Payroll Internal Audit

Napier City Council

Audit / Tax / Advisory

Smart decisions. Lasting value.

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1. Executive Summary



Payroll Internal Audit

Napier City Council

1.1. Objectives and scope

As part of our 2019/20 Annual Internal Audit Plan at the Napier City Council (hereafter "NCC" or "the Council") we have undertaken a Payroll internal audit.

The scope of this internal audit incorporated the following steps:

The objectives of the review were to:

- Review the Council's policies and procedures regarding payroll.
- Review access rights to payroll masterfile and transaction data and assess whether appropriate restrictions of access, segregations of duties and levels of approval are in place over updates and changes to payroll master data.
- Review the processes for ensuring the validity/existence and accuracy of payroll data of employees, including staff appointments, terminations, transfers, promotions and wage/salary rate changes.
- Review the adequacy of the process for recording and approving timesheet entries for ordinary time and overtime worked.
- Review the adequacy of the process for recording, approving and paying employees for leave/sickness and other absences.
- Review the process for making payroll payments and assess whether appropriate restrictions of access, segregations of duties, levels of approval and reconciliations are in place over bank accounts and payments.
- Review the adequacy of the process for the transfer of payroll information between the payroll system and the general ledger and the accuracy of other payroll management reports generated.

1.2. Key observations

We noted the following **strengths** in the Council's payroll operations:

- **Experienced key personnel** with good knowledge of Council's operations and payroll system.
- **Availability of system-generated audit reports** that show changes to payroll masterdata.
- **Independent review** of payroll operations and audit reports that allow the Council to identify potential operational and transactional errors.

The Council has the following key challenges in relation to its payroll operations:

- **Ensuring compliance with the Holidays Pay Act 2003.** The Council has a high inherent risk of incorrect payroll calculations in relation to holidays pay given its mix of full-time and casual staff. We noted the Council has not performed a comprehensive review of its level of compliance with the Act. An in-depth assessment of Act compliance was out of scope for our internal audit.

- **Legacy payroll system** with limited functionality and large amount of manual data input. The Council has to manually input large amount of data related to manual timesheets and leave requests. This increases the risk of error and incorrect payment.

We understand the Council is currently considering going to market to select a new payroll system. We fully support this initiative. We recommend the Council include the system-related recommendations from this report as key business requirements for the new system.

- **Logical access to payroll information.** We identified a number of user accounts that have access to the payroll system that shouldn't have access. These belong to ex-employees or HR staff.

Our review resulted in 5 observations. We have weighted these observations using a scale of high, medium, low or process improvement in order to indicate the priority with which we consider these observations should be treated. More detail on the rating scale is provided in the table in Appendix 2.

1.3. Basis and use of report

This report has been prepared in accordance with the objectives and approach set out in the proposal dated 29 April 2019, and subject to the limitations set out in Appendix 3 "Basis and Use of Report".

2. Observations and Recommendations



Payroll Internal Audit

Napier City Council

1. Policies and procedures regarding payroll		Rating of finding: n/a
Observation	Recommendations	Agreed Management action(s)
<p>Policies covering payroll and other employee information are easily available to the Council's staff.</p> <p>The policies cover payroll and payroll-related items including areas such as:</p> <ul style="list-style-type: none"> • Recruitment • Remuneration • Performance Management • Allowances • Leave • Flexible Working Arrangements • Disciplinary Procedures • Staff Travel. <p>The in-scope policies are all up-to-date.</p> <p>The existing procedures have adequate level of details and guidance to enable staff perform relevant day-to-day activities. These also include the payroll checklists.</p> <p>Responsibilities for payroll operations are also clearly defined and communicated. The payroll team has senior and experienced professionals assigned to key tasks and there is a good level of redundancy and cover.</p>	<p>No recommendations</p>	<p>n/a</p>
		<p>Responsible Person</p> <p>n/a</p>
		<p>Date of Implementation</p> <p>n/a</p>

Payroll Internal Audit

Napier City Council

2. Access rights to payroll masterfile and transaction data		Rating of finding: Low
Observation	Recommendations	Agreed Management action(s)
<p>Access rights to payroll records (hard copies) Hardcopy payroll files are stored in locked cabinets in the Payroll's team area. Access to these files is restricted to Finance personnel.</p> <p>Access rights to payroll system Logical access to the payroll system, MagiQ Payroll, is controlled through access rights and access roles. We reviewed the list of users who have access to the system and their system roles and identified the following:</p> <ul style="list-style-type: none"> - 8 ex-employee accounts that still exist in the system - 2 HR employees who have full access to payroll - 6 HR and Finance employees who have processing rights <p>Changes to payroll data All changes to payroll data appear on the system-generated payroll audit trail report. This includes changes to employee data, pay rates and bank account details. The audit trail reports – one for all master data changes (Payroll Maintenance Report) and a separate one for all bank account changes – are reviewed and signed off by the Payroll/Accounts Payable Coordinator and the Operations Accountant. The Payroll Maintenance Report is generated automatically by the system and emailed to the reviewers. A hard copy of the Maintenance Report that is reviewed and signed off by the Payroll/Accounts Payable Coordinator and the Operations Accountant is an edited copy of the system-generated report. The Payroll team exports the system-generated report into MS Excel to make formatting changes so the report is easier to read. However, this process creates a risk that the information in the report could be accidentally or intentionally changed or deleted.</p>	<p>Access rights to payroll system The Council needs to review the accounts that have access to the payroll system and remove or change access rights for those accounts that should not have access.</p> <p>Changes to payroll data The Council should ensure that the original system generated report is used for review by the Operations Accountant.</p>	<p>Reviewing the access rights is problematic due to our current payroll system - we will continue to look for better ways to report on this, but this will be resolved with the implementation of a new payroll system.</p> <p>The Operations Accountant is now using the original report, as delivered by the system by email, to complete the regular audit.</p> <p style="background-color: #D3D3D3;">Responsible Person</p> <p>Talia Foster - Operations Accountant</p> <p style="background-color: #D3D3D3;">Date of Implementation</p> <p>Already implemented (December 2019)</p>

Payroll Internal Audit

Napier City Council

4. Time recording and approval		Rating of finding: Moderate
Observation	Recommendations	Agreed Management action(s)
<p>Time recording and approval</p> <p>Each employee who is on timesheets needs to complete a standard timesheet form on a weekly basis. The form needs to be reviewed and signed by a relevant manager.</p> <p>These are then scanned and emailed to Payroll. Payroll enters them into the payroll system. This includes inputting days of the week and hours. Payroll check that the forms have been completed by an appropriate manager.</p> <p>The Payroll/Accounts Payable Coordinator performs spot checks over the manual data input by comparing the timesheets to the information in the system, however this check doesn't cover all manually entered timesheets for the period.</p> <p>The Operations Accountant reviews a report showing all staff payments for the period. This review could identify material data input errors, but this review is not sufficiently granular to identify smaller data input errors.</p> <p>Overtime reporting</p> <p>There is no formal reporting on cumulative overtime worked at an employee or departmental level to highlight potential resourcing issues, health and safety issues in certain departments or potential abuse of overtime recording.</p> <p>It is noted that the individual review of overtime at each payrun does allow for the identification of individuals regularly claiming overtime but more structured reporting would allow for trends to be more easily identified.</p>	<p>Time recording and approval</p> <p>Include a business requirement to have system-enabled timesheets in the business case for the new Payroll system.</p> <p>Overtime reporting</p> <p>Develop a fit-for-purpose reporting process to monitor Council-wide overtime.</p> <p>Data analytics can be used to identify trends and 'red flags', i.e. business units with significant amount of overtime (which can result in stress and injuries).</p>	<p>The business case for the new payroll system is progressing, and reports for HR and for managers are currently being reviewed and rewritten by the Systems Accountant.</p> <p style="background-color: #D3D3D3;">Responsible Person</p> <p>Michael Eccleson - Systems Accountant</p> <p style="background-color: #D3D3D3;">Date of Implementation</p> <p>Already implemented (February 2020)</p>

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5. Leave recording and approval		Rating of finding: Moderate
Observation	Recommendations	Agreed Management action(s)
<p>Leave recording and approval All leave requirements are documented in the Council's Leave Policy.</p> <p>All employees are required to complete a standard form on the Council's intranet when they apply for leave. The form then needs to be approved by a relevant supervisor. Once the form is electronically approved, an automated email is generated and sent to HR and Payroll for processing.</p> <p>The electronic form does not contain several types of leave, e.g. LWOP, parental leave, unpaid, domestic violence. In addition, it is not possible to extract a report showing the amount of requests that sit unapproved in the system to show the outstanding leave requests.</p> <p>The payroll team prints out the form, checks that the approver is appropriate and whether the request is in line with the Leave Policy and then manually key into the system. The Payroll/Accounts Payable Coordinator performs spot checks of this manual data entry.</p> <p>MagiQ Payroll system limitation: The leave can only be entered only for the current payrun, i.e. it cannot be pre-entered in advance (e.g. for Christmas). This creates the risk that the forms could be misplaced and leave not entered and creates peak workload on Payroll during Christmas time. Again, only limited checking of this manual data entry is performed.</p> <p>Leave reporting No systematic analyses of absenteeism rates are undertaken on a consistent scheduled basis at individual or departmental levels.</p>	<p>Leave recording and approval Include a business requirement to have system-enabled leave request approval in the business case for the new Payroll system.</p> <p>Leave reporting Develop a fit-for-purpose reporting process to monitor Council-wide leave and absenteeism.</p> <p>Data analytics can be used to identify trends and 'red flags', i.e. business units with significant leave balances (which can highlight a health and safety issues).</p>	<p>The business case for the new payroll system is progressing. Reports have now been developed by the Systems Accountant in the current system that are sent out on a monthly basis to managers that provides details of all leave balances for their employees.</p> <p style="background-color: #D3D3D3;">Responsible Person</p> <p>Michael Eccleson - Systems Accountant</p> <p style="background-color: #D3D3D3;">Date of Implementation</p> <p>Already implemented (February 2020)</p>

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6. Payrun and payment processes		Rating of finding: Low
Observation	Recommendations	Agreed Management action(s)
<p>Payrun processing Once the Payroll team has processed everything, the payroll officer starts the payrun procedure in MagiQ Payroll. The system automatically calculates the payroll and prints out all the payslips and all payroll reports for review. Once all the checks are done, a payment file is created and saved on the network folder.</p> <p>Access to payroll direct credit text file This file be accessed by the Finance team prior to being uploaded into the Westpac online banking system. While the total of the bank payment is reviewed by the payment approvals, there is no review of the individual bank accounts.</p> <p>Bank payment controls There is one bank account that is used by the Council for all payroll-related payments (00). Only a limited number of Council's staff have access to this account and it requires two authorised signatories to approve and release the payments in the online banking system.</p> <p>There are 9 users with access to approve online bank payments. They are all appropriate – selected senior members of the Finance team (to act as a first approver) and CEO/directors (2nd approver). No member of staff has the ability to create and approve the same payment on their own and all payments and amendments to payee details require dual authorisation from Primary Authorisers.</p> <p>Transfer of payroll information from the payroll system to the general ledger A General Ledger report is generated in MagiQ and sent to Finance for creating a journal entry report for the general ledger upload.</p> <p>A full payrun reconciliation between MagiQ and the general ledger is undertaken for each payrun covering each relevant general ledger account (payroll expense, superannuation, IRD payments, bank payments, deductions and advances).</p>	<p>Access to payroll direct credit text file This is a known issue for the Council that has been raised by its external auditors. The appropriate mitigation is currently being developed.</p>	<p>Discussions are in progress with Westpac on how payments can be done without the need for an editable text file. This will be a large project that will cross all payments Council make, and we expect this will be implemented during 2020.</p> <p style="background-color: #D3D3D3;">Responsible Person</p> <p>Michael Eccleson - Systems Accountant</p> <p style="background-color: #D3D3D3;">Date of Implementation</p> <p>November 2020</p>

Payroll Internal Audit

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7. Payroll management and reporting		Rating of finding: Process Improvement
Observation	Recommendations	Agreed Management action(s)
<p>As part of the payrun process a large number of system-generated reports are produced. The key reports are regularly reviewed by the Payroll/Accounts Payable Coordinator and Operations Accountant. We inspected a sample of payruns to check whether the key reports have been reviewed. No exceptions were noted.</p> <p>It was noted that the payroll packages prepared each payrun contain detailed reports as supporting documentation to the amounts to be paid to individuals. However, there is a lack of an overall reconciliation and explanation report as to variances in total amounts paid. For example, if the current payrun totals \$1,080k as opposed to \$1,040k in the prior pay run, there is no explanation note explaining the overall variance. Having a brief explanation (e.g. union contract increases, bonuses paid or several redundancy payments made) can provide additional assurance the two payment run signatories over the amounts that they are approving for payment.</p>	<p>It is recommended that a variance report should be provided at a global level with explanations for variances between payruns (e.g. variance of more than \$25k from the prior payrun) should be explained in brief terms to provide additional assurance to the bank payment authorisers over the accuracy of the amounts they are approving for payment.</p>	<p>It is expected that a new payroll system will be able to provide these sorts of reports.</p> <p>In the meantime we do plan to implement some SQL reporting for this purpose.</p>
		Responsible Person
		Talia Foster - Operations Accountant
		Date of Implementation
		March 2020

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8. Compliance with Holiday Pay Act 2003		Rating of finding: High
Observation	Recommendations	Agreed Management action(s)
<p>The Council has an inherent high risk of non-compliance with the requirements of the Holidays Pay Act 2003 given its mix of full-time, temporary and casual employees and various employment arrangements.</p> <p>The Council has not comprehensively reviewed its extent of compliance with the Act to understand its risks and exposure.</p> <p>A review by the Council's payroll system provider, MagiQ, was performed in early 2016. It had a narrow scope and has not been completed in full. The provider produced a two-page report which raised multiple questions from the Director Corporate Services. We were unable to find any evidence that these questions have been addressed.</p> <p>Our experience with other local authorities and central government clients shows that this is one of the key payroll risks and many organisations from small-size councils to large central government agencies have made errors which required remediation and subsequent payments to its employees.</p>	<p>Perform a comprehensive review to check whether the Council has any gaps and determine appropriate course of action.</p>	<p>The business case for the new payroll system is progressing, which will include the requirement for compliance with the Holiday Pay Act 2003.</p> <p>With regard to the current payroll system, the payroll officers calculate manually the leave payable for those that work variable hours to ensure compliance with the Act.</p> <p style="background-color: #A9A9A9;">Responsible Person</p> <p>Jane Klingender - Manager Business Excellence</p> <p style="background-color: #A9A9A9;">Date of Implementation</p> <p>October 2020</p>

Payroll Internal Audit

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Appendices

Appendix 1 – List of interviews

Name	Title
Talia Foster	Operations Accountant
Barbara Weeks	Payroll / Accounts Payable Coordinator
Margaret Elms	Payroll Officer
Steve Walling	Management Accountant
Fiona Read	Management Accountant
Sue Matkin	HR Manager

Appendix 2 – Classification of Internal Audit Findings

Risk ratings are based on the use of professional judgement to assess the extent to which deficiencies could have an effect on the performance of systems and controls of a process to achieve an objective.

Rating	Definition	Guidance	Action required
High	<ul style="list-style-type: none"> Issue represents a control weakness, which could cause or is causing major disruption of the process or major adverse effect on the ability of the process to achieve its objectives. 	<ul style="list-style-type: none"> Material errors and departures from the organisation's policies and procedures Financial management / accountability / probity concerns Non-compliance with governing legislation and regulations may result in fines or other penalties Collective impact of many moderate or low issues 	<ul style="list-style-type: none"> Requires significant senior management intervention and may require significant mobilisation of resources, including external assistance. Ongoing resource diversionary potential. Requires high priority to immediate action
Moderate	<ul style="list-style-type: none"> Issue represents a control weakness, which could cause or is causing moderate adverse effect on the ability of the process to meet its objectives. 	<ul style="list-style-type: none"> Events, operational, business and financial risks that could expose the organisation to losses that could be marginally material to the organisation Departures from best practice management procedures, processes 	<ul style="list-style-type: none"> Requires substantial management intervention and may require possible external assistance. Requires prompt action.
Low	<ul style="list-style-type: none"> Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives. 	<ul style="list-style-type: none"> Events, operational and business risks that could expose the organisation to losses which are not material due to the low probability of occurrence of the event and insignificant impact on the operating capacity, reputation and regulatory compliance Departures from management procedures, processes, however, appropriate monitoring and governance generally mitigates these risks. 	<ul style="list-style-type: none"> Requires management attention and possible use of external resources. Requires action commensurate with the process objective.
Process Improvement	<ul style="list-style-type: none"> Audit recommendation is for improving already existing processes and controls. 	<ul style="list-style-type: none"> Potential improvements in efficiency and effectiveness of existing process and controls which already demonstrate compliance with procedures and legislation 	<ul style="list-style-type: none"> Recommendations made for management consideration and implementation as determined by management.

Appendix 3 – Basis and Use of Report

This report is prepared on the basis of the limitations set out below:

- Our procedures were performed according to the standards and guidelines of The Institute of Internal Auditors' International Professional Practices Framework. The procedures were not undertaken in accordance with any auditing, review or assurance standards issued by the External Reporting Board (XRB).
- Our procedures were designed to provide limited assurance which recognises that absolute assurance is rarely attainable, due to such factors as the use of judgment in gathering and evaluating evidence and forming conclusions, and the use of selective testing, and because much of the evidence available for review is persuasive rather than conclusive in nature.
- Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Our procedures were not designed to detect all weaknesses in control procedures as they were not performed continuously throughout a specified period and any tests performed were on a sample basis.
- Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.
- The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.
- Recommendations for improvement should be assessed by management for their full commercial impact, before they are implemented.
- This Report is not to be used by any other party for any purpose nor should any other party seek to rely on the opinions, advice or any information contained within this Report. In this regard, we recommend that parties seek their own independent advice. Crowe disclaims all liability to any party other than the client for which it was prepared in respect of or in consequence of anything done, or omitted to be done, by any party in reliance, whether whole or partial, upon any information contained in this Report. Any party, other than the client for which it was prepared, who chooses to rely in any way on the contents of this Report, does so at their own risk.

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7. EXTERNAL ACCOUNTABILITY - INVESTMENT AND DEBT REPORT

Type of Report: Operational

Legal Reference: N/A

Document ID: 908476

Reporting Officer/s & Unit: Caroline Thomson, Chief Financial Officer

7.1 Purpose of Report

To consider the snapshot report on Napier City Council's Investment and Debt as at 29 February 2020.

Officer's Recommendation

The Audit and Risk Committee:

- a. Receive the snapshot report on Napier City Council's Investment and Debt as at 28 February 2020.

Chairperson's Recommendation

That the Committee resolve that the officer's recommendation be adopted.

7.2 Background Summary

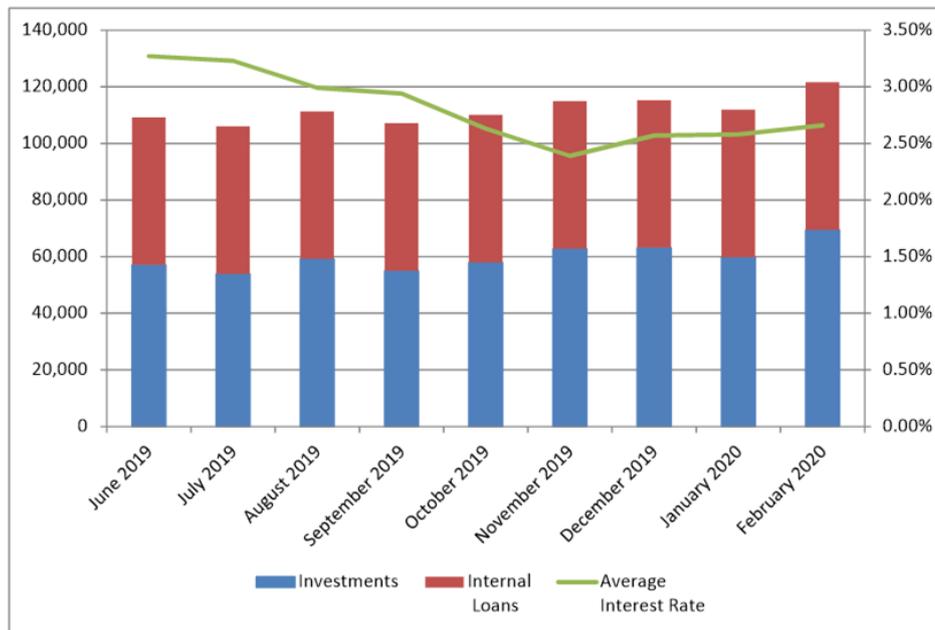
The snapshot report on Napier City Council's Investment and Debt as at 29 February 2020 is shown at **Attachment A**.

7.3 Attachments

- A Investment and Debt Report as at 29 February 2020 [↓](#)

Treasury Graphs for 8-Month Period 1 July 2019 to 29 February 2020

Month	Investments	Internal Loans	Average Interest Rate
June 2019	57,053	52,118	3.27%
July 2019	53,860	52,118	3.23%
August 2019	59,204	52,118	2.99%
September 2019	54,957	52,118	2.94%
October 2019	57,925	52,118	2.63%
November 2019	62,821	52,118	2.39%
December 2019	63,106	52,118	2.57%
January 2020	59,760	52,118	2.58%
February 2020	69,464	52,118	2.66%
AVERAGE	59,794	52,118	2.81%



Note: The weighted average interest rate declined steadily until November 2019 due to a number of new shorter-term term deposits that were established to cover expected cash flows in December 2019. When the December cash flows did not occur, longer term TDs were established at higher interest rates.

8. EXTERNAL ACCOUNTABILITY: ANNUAL PLAN 2020/21 UNDERLYING DOCUMENTS

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	909954
<i>Reporting Officer/s & Unit:</i>	Caroline Thomson, Chief Financial Officer

8.1 Purpose of Report

That the Committee review and provide feedback to Council on the Annual Plan 2020/21 underlying financial information prior to the final adoption of the reports.

Officer's Recommendation

The Audit and Risk Committee:

- a. Receive the underlying information as the basis for the Annual Plan consultation document 20/21:
 - i. Capital plan changes
 - ii. 10 year revised capital plan
 - iii. Financial information
- b. Provide feedback from the review of the draft Annual Plan 20/21 underlying financial information to the Council meeting on 31 March 2020.

Chairperson's Recommendation

That the Committee resolve that the officer's recommendation be adopted.

8.2 Background Summary

The process to develop council's annual budget for 2020/21 involved a series of workshops with Councillors to set direction on the budget. These seminars occurred on 27 November, 4 December, 12 December, 23 January, 5 February, 10 February, and 20 February. Councillors were provided with cost pressures and efficiencies that could be made, and set direction to stay within the financial caps as outlined in the Finance Strategy.

The average rates increase approved in the Long Term Plan 2018-28 was 5.1%.

The proposed rates increase for 2020/21 will be 6.5% average increase in rate requirement for existing ratepayers.

8.3 Issues

Kerbside rubbish collection

During December 2017 consultation with the community occurred around the joint Waste Minimisation and Management Plan (WMMP). Over 7,000 submissions were received by Napier and Hastings as part of this process and the preferred options were adopted by Council 4 September 2018. The preferred option voiced by the community regarding waste collection, was an option of wheelie bins as a collection receptacle for a Council-

provided kerbside waste collection service for residential properties and select commercial properties. In 2019/20, Council signalled in its Annual Plan that it would go out to tender for a contract for the waste collection service and this contract has now been let and the enhanced service will commence on 1 July 2020.

- For the purposes of the Annual Plan 2020/21, the cost of implementation will be smoothed over two years by utilising Council reserves in Year 1 (20/21).
- For 20/21, Average rates will increase by 1.3% to account for the changes associated with WMMP.
- The approximate increase to rates in 21/22 is likely to be 0.8%.
- The enhanced service includes the provision of a 120L Council-owned wheelie-bin for weekly collection of rubbish. In an effort to incentivise customers to put out less waste, a fortnightly opt-in solution will be available in the future.
- In the commercial areas, an ability to have waste collected up to 3 times per week will be provided based on the level of payment per rated unit (if the rates bill for the property has 3 charges, the property will receive 3 collections).

Water Supply

In the deliberations for the 2019/20 Annual Plan, Council highlighted water is the number one priority. At that time, Council agreed to a re-calibration of the water supply capital works programme and brought forward \$7.8M of projects to improve the water supply. Since that time, officers developed a Water Supply Model and Water Supply Masterplan for Napier. The masterplan has led to a review of overall priorities and several new projects have been added. These tools enable Council to develop the key projects required to deliver a safe, quality, resilient water supply to Napier into the future. Council are aiming to deliver the following projects in 20/21, with the main goal for Council's water team to provide low manganese water to the network:

- 2 new bores, treatment and connecting mains into our network to have low manganese water
- 2 x test bores to confirm the quality and flow at our proposed new borefield sites and finalising their location
- Ongoing investigation into an appropriate site for a replacement reservoir on the Napier hill and potential site purchase (if not already completed)
- Development of a zone for Tamatea and Parklands to manage dirty water and to start on leakage management
- Design of the water treatment plants
- Design of the mains connecting borefields to reservoirs and back to the network
- Improvements to the network for fireflow
- More access points to the network for cleaning.

A major factor in the delivery of the identified projects is the process of gaining a new "global" resource consent from the Hawke's Bay Regional Council for Napier's water supply. A key part of this consent will be understanding where Napier can locate the proposed new borefields, and their impact on the surrounding water users and the local rivers. Water conservation will be a key input into the Resource Consent application as well as assessments around the environmental impacts of Napier's water takes.

Napier's water take resource consent is due for renewal in 2027. The renewal application will take years to develop supporting documentation so Council will be progressing this with the new borefield projects. This will provide Council with certainty around the community water supply for the next 30 years and the goals that Napier need to achieve around water conservation.

- For the purpose of the Annual Plan 2020/21, there is \$7.3 million in new requirements, however there is no rates impact to 20/21. There is a rates impact for 21/22 of 0.6%.
- Councillors have a choice of fully consulting on these new projects or informing the community of this proposal. Given the level of interest in water Councillors have set direction to inform the public of the water projects. The public will still have the ability to provide feedback during consultation.
- Provide new funding of \$200k for the development of a Water Safety Plan, funded from renewals.
- Due to the second major recalibration of the water supply programme since the LTP was adopted in 2018 (the first being in the development of the annual plan 2019/20), a separate report will be brought to Council on the Water Supply Masterplan, and if adopted, the Water Supply Masterplan will form part of the supporting documentation for the Annual Plan 2020/21 consultation document.

Safe Chlorine-free drinking water review

In 2019/20, Council commissioned for an independent review to identify the costs and options for developing Napier's water network into a modern, resilient water supply with either chlorine as a way to manage health risk or going chlorine-free.

The Safe Chlorine Free Drinking Water Review will deliver a business case outlining the two main options for drinking water supply:

1. Maintaining our current planned service delivery, with residual Chlorine disinfection as the main safety barrier, and implementing the new Water Safety Plan framework and
2. Developing options for a chlorine free network that the Ministry of Health are likely to approve as an appropriate alternative.

The business case will include the technical considerations of both options and likely costs. These options will then form the basis of consultation with our community on the preferred option.

The review/business case will need to be developed in conjunction with the New Zealand Ministry of Health (MoH) The MoH has indicated that residual disinfection may become compulsory for New Zealand water supplies unless a demonstrably safe alternative is provided. This project will investigate what the safe alternative could be, and the time and cost to implement it. Working with the MoH will help to ensure that any option proposed through the review/business case is likely to be accepted as an alternative to residual disinfection.

- For the purpose of the Annual Plan 2020/21, Council has prioritised the review and allocated extra funds because the cost of the review is unknown until the tender process is complete.
- Extra funding for the Chlorination Review of \$200k, funded from loans-rates which will impact on rates in 21/22.

Wastewater Outfall Pipeline

Officers have identified a need to repair a seepage and are carrying out additional monitoring to assess effects upon the environment. No repair method has been able to be carried out to date. Council has added an extra \$4 million to enable repair or replacement of the current outfall pipeline – this will be integrated into investigations and capital works to not only repair but to enable improved treatment methodologies, increase storage, and improve conveyance and diffusion of wastewater to the ocean or via alternative methods of disposal.

- For the purpose of the Annual Plan 2020/21, an extra \$4 million has been added to the capital plan from renewals.
- It is currently unknown how much funding will actually be needed until investigations are further underway. Fixing the outfall has been highlighted as a risk in the risk section and officers will bring back to Council any further costings once the investigation process is further underway.

Library site selection

Officers have investigated site options for a new Napier Library, which included a long list of 17 site options, where three were identified as being strongly aligned to the best site criteria requirements, and were investigated in more detail. Two of the three sites have subsequently been deemed to be unsuitable for a variety of reasons. The remaining option being a refit or rebuild on the original site, has been identified as the proposed option.

A separate report will be brought to Council detailing analysis of the three options with the proposed engagement and consultation approach on the preferred option. It should be noted that the consultation is limited to the site selection and is not about the options for the construction and development of any building at this time. Options around the build will be brought to Council and the community in a separate process once further investigations and analysis has been undertaken.

- The proposed library site option will be consulted on with the community as part of the Annual Plan 20/21 consultation process subject to Council adopting the current library site as its proposed option. Legal advice is being sought on whether this matter require a separate special consultative procedure or whether it can be undertaken through the Annual Plan consultation process.

Te Awa Development

Officers have identified the requirement to provide infrastructure now to support private development at Te Awa. In the LTP it was not anticipated that development would occur at such a rate. Council needs to ensure that it provides adequate infrastructure to enable development and deliver to its requirements under the National Policy Statement for Urban Development Capacity for areas zoned for residential development.

- For the purpose of the Annual Plan 20/21, new requirements of \$2.3 million have been identified to support the Te Awa Structure Plan. Of which, \$500k is for wastewater, \$1 million for stormwater, and \$800k for transport. There is no rates impact as it will be funded by development contributions.
- Officers are developing a Masterplan for Te Awa (Structure Plan) and this will be presented to Council once complete.

Major Projects/Shared Service/Internal Delivery of services

As part of Council's ongoing review of the delivery of services, Council has considered its personnel requirements for the delivery of both its internal operations and capital works programme for 2020/21.

Key drivers for improved internal delivery of services:

- ✓ Increased level of capital projects
- ✓ Stormwater Bylaw implementation
- ✓ Water programme implementation
- ✓ Increased compliance and environmental requirements e.g. water testing
- ✓ Central government minimum wage adjustments and Remuneration Authority
- ✓ Statutory and legislative requirements (H&S).
- ✓ Community Engagement
- ✓ Long Term Plan additional resourcing requirements
- ✓ Governance support for professional development, resourcing and meeting Local Government requirements for Elected Members.

Street Management

Council's Street Management Programme provides patrols in the CBD, supports a CCTV network in Ahuriri, CBD, Taradale, Maraenui and Marewa shopping centres, and supports the Outreach Programme (for the homeless).

The CBD patrols were implemented as a temporary measure in 2016 to help curb the rising issue of begging and rough sleeping in the CBD.

The Street Management Programme was reviewed last year and officers are currently investigating the option to change the patrols into ambassador roles and to bring the CCTV network in-house. In the meantime, the CCTV network, currently managed by an external Trust is failing and in need of replacement.

- For the Annual Plan 20/21, Council has allocated \$500k to replace and expand the network using the latest technology and will manage the network itself. This capital investment will enable the network to add cameras with the ability to include mobile technology and to add further cameras easily. Council will work with Police, incorporating data and feedback from the community on camera locations.
- A future operating model for patrols is still under consideration.

Community Housing

Council provides 376 housing units across 12 villages, with the majority (304) being retirement flats. This housing supports people on a low income with low assets and a special housing need.

The housing stock is old and while it has been maintained, there has been little improvement or renewal work done on the units. There is limited accessibility, space and facilities. The new healthy homes standards require Council to heavily invest in heating, ventilation and insulation in the units.

Income from the subsidised rents is used to maintain the units and provide the service. This year, for the first time in over a decade, Council reviewed the subsidy levels for rent. While there were increases applied, the current income from rent will not cover the projected costs to maintain the housing over the next 10 years.

Officers have investigated several options for the provision of housing and are currently undertaking a detailed analysis of two shortlisted options. One option is to sell or lease all of the housing portfolio to another entity and the other is to retain part or all of the housing but reconfigure the stock (i.e. remove and rebuild and/or sell some of the units). Consultation will occur with the community, including our current tenants, before any decision is made.

- For the Annual Plan 20/21, existing renewal funds have been utilised to start funding the new healthy homes requirement of \$1.6 million.

Te Pihinga

Te Pihinga (a new horizon) is an urban redevelopment project focussed on growing economic and social prosperity in Maraenui. Officers are working with a number of agencies including, Kāinga Ora to utilise land for housing development and community facilities that will encourage a thriving community where people live to their full potential.

Officers are working with the community currently to create a concept design for a community facility that will support employment, training, and entrepreneurship with a focus on Rangatahi as well as whanau development. The facility will act as an incubator and will provide access to digital technology.

- For the Annual Plan 20/21, there is some capital funding allocated of \$1 million, and \$1 million for 21/22, with additional funding being sought from other funding providers.

Whakarire Revetment

A revetment is a rock structure on the shoreline that prevents erosion from king tides and storm events. Council have a resource consent to build a revetment that will protect the reserve and properties on Whakarire Avenue. As well as providing protection to the land, the project will reinstate the public's access to the reserve. This project is included in Council's Long Term Plan 2018-28 as funded by general rates. Council then undertook a LGA Section 101 (3) review to ascertain the public/private benefit resulting from the project. Officers provided recommendations to Council on 16 October 2018. On 11 December 2018, Council agreed to a 3% private benefit, to the residents of Whakarire Ave properties, from the resulting project and targeted consultation was undertaken as a result of the project being included in the Annual Plan 2019/20. In 2019/20 annual plan consultation, on a targeted rate, feedback from general community of 107 submitters, was 14% disagreed, 33% agreed, and 53% neutral. Of Whakarire Residents, 86% disagreed, and 14% were neutral.

In the Annual Plan deliberations 2019/20 Council decided more consultation with affected residents as to the necessity, final form and funding options of the proposed revetment before project proceeds. \$1.7m was allocated in 20/21 budget (including inflation) during Annual Plan 2019/20 deliberations. Funding source was to remain as a loan from reserves paid through general rates, until such time that Council makes a formal decision on a targeted rate for Whakarire. Since that time, Officers have undertaken further consultation with residents and residents were asked to provide their

feedback by 31 January 2020. Officers have also reviewed the timing of the project and project costs, with revised costs of an estimated \$2.2 million. Council will be provided with residents feedback, payment options for residents, information on costings and project timing at the 31 March Council meeting for decision.

- For the Annual Plan 20/21, the private contribution will be held at the same amount as the 2019/20 contribution, resulting in a recommended change to the public/private split to 2.5% private/97.5% public.
- As per the 2019/20 Annual Plan deliberations, Council acknowledges that this funding split would not form any basis for the work that is being undertaken by the Coast Hazards Working group in determining their future work and allocation of costs to the community.
- Council will need to update the Revenue and Financing Policy to include the targeted rate for residents of Whakarire Ave. As this has already been consulted on in the Annual Plan 2019/20 with both residents and general public, and further consultation has been undertaken with residents, the policy can be updated.

Council is proposing to amend the Revenue and Financing Policy and Council's rating policies. A separate report will be brought to Council at the 31 March Council meeting. Council has undertaken a first principles approach to the review of the Revenue and Financing Policy including rates, and held a series of seminars with Elected Members on 6 December, 12 December, 31 January, 10 February, 17 February, 25 February for Elected Members to set direction.

8.4 Significance and Engagement

An assessment of the significance of the changes from the Long Term Plan 2018-28 was undertaken as part of the development of the Annual Plan 2020/21. This included both operational and capital expenditure changes.

The following matters have been included in the Consultation Document 2020/21 for feedback from the community

1. Library site selection
2. Water related projects
3. Waste minimisation
4. Major projects update
5. Community Housing
6. Te Pihinga
7. Whakarire Revetment
8. Street Management
9. Capital plan
10. Amendment to Revenue and Financing policy (note this is a separate consultation with the community)

The consultation and submission period for the Annual Plan 2020/21 is from 7 April 2020 to noon 13 May 2020. Submissions can be made online on the Council website. A flyer will be sent to all households outlining the process and how they can feedback.

Councillors will engage with the community via two community meetings on the Annual Plan 2020/21. A video series will be launched with the Mayor to advise the community on the Annual Plan. There will be a formal hearing and deliberation process on 8 June. Council will consider all feedback from the community both online and from the meetings when making its final decisions on the Annual Plan 2020/21. The high level consultation plan is attached.

The introduction of a targeted rate to residents of Whakarire Avenue has been assessed as triggering high significance as this group is particularly affected. As such, targeted engagement with residents of Whakarire Avenue has occurred in the development of the Annual Plan 2019/20 and further engagement subsequently to that to ensure those residents are encouraged and have opportunity to provide feedback.

The changes to fees and charges has been assessed as low significance because they have a small impact on a large population.

Council is proposing to amend the Revenue and Financing policy and Council's rating policies (refer to 'changes to policies' section in this report).

Consultation on these policies is a legal requirement under the Local Government Act 2002.

8.5 Implications

Financial

When considering the changes to the Annual Plan 2020/21 from the Long Term Plan 2018-28, Council officers reviewed its compliance against the Councils Financial Strategy and its Financial Prudence benchmarks.

As part of the Long Term Plan 2018-28 Council approved a LGCI + 5% as its cap for rates increases. The proposed Annual Plan rates increase is within this level at 6.5% (including the waste collection level of service adopted as part of WMMP)

Another key benchmark for Council is the Rates limit Benchmark, which is a measure of the rates income limits. The Council budget complies with this requirements.

In addition, the Balanced Budget Benchmark has been met.

Social & Policy

N/A

Risk

The following risks were noted as part of the development of the Annual Plan 2020/21:

Infrastructure

- Outfall degradation
- Costs associated with review of water network including dechlorination
- Faraday Centre earthquake strengthening costs
- Construction cost escalations (including pool)

- Inner Harbour quantum of work required
- LTP Library assumption 2,000 sqm (Strategy seeking 2,500 sqm)

Funding

- Increased capital cost for new pool due to delays (if project goes ahead)
- Parklands net profit - Parklands margins impacted by increased costs
- Parklands timing of sections
- No capital reserve
- Triennial agreed initiatives with HB regions Mayors
- Potential revenue impacts of name change for War Memorial
- Length of time to complete property scanning project (dependent on level of resourcing)
- Street management operational activity
- Napier Inner City Marketing – request to increase targeted rate
- PGF Funding - Aquarium
- Funding of initial scope work for Civic complex work (no capital project available) - non project related costs associated with due diligence for Civic site
- Health monitoring costs for staff
- Moving to the Living Wage and cost impacts
- Additional resources for stormwater bylaw outcomes
- Insurance cost increase
- Faraday Centre level of service and management change
- Loan funding impact of waters projects and war memorial
- Street cleaning costs, public toilets cleaning
- Traffic management costs relating to cruise ships
- Climate Change direction from Council - Climate change initiatives - increased focus and legislative changes for Climate change responsibilities
- Funding for Civic Building next steps (contingent on decision on library site options)
- Coastal Hazards working group are considering a funding model for a contributory fund
- Council approved water is our Number 1 Priority – additional costs are being incurred - water related costs including flushing
- Initial work will be carried out on a replacement ERP and Asset Management System.
- Hawke's Bay Museums Trust temporary library relocation 3 year mark ends September 2020
- Regional archives
- 3 Waters review and business case development and costs (including revaluations)
- No funding has been provided for in the 20/21 budget for the definition and development of a sustainability strategy.

Regulatory

- Weather tight claim and associated legal costs
- Minimum wage movements
- Well-being implementation - change in the purpose of Local Government to include Well-being
- Housing – long term sustainability of Council's housing portfolio
- Rates database review and impact on rate payers
- LTP amendments requiring increased resource e.g. 3 Waters, chlorination, Civic, Coastal Hazards.

8.6 Development of Preferred Option

Provide feedback from the review of the draft Annual Plan 20/21 underlying financial information to the Council meeting on 31 March 2020.

8.7 Attachments

- A Financial Information 20/21 [↓](#)
- B Capital Plan changes for 20/21 [↓](#)
- C 20/21 Capital Plan including revision to remaining years of LTP [↓](#)



**DRAFT
FINANCIAL INFORMATION
ANNUAL PLAN 20/21**

Prospective Statement of Comprehensive Revenue and Expenses

Forecast for the year ending 30 June 2021

	AP 2020/21 \$000	LTP 2020/21 \$000	AP 2019/20 \$000
Revenue			
Rates revenue	64,967	61,969	60,326
Finance revenue	309	525	753
Development and financial contributions	3,391	3,621	3,349
Subsidies and grants	5,206	37,139	8,822
Other revenue	51,825	44,680	51,204
Other gains/(losses)	1,564	1,116	1,196
Total revenue	127,262	149,050	125,650
Expenditure			
Employee Benefit Expense	41,535	37,428	39,013
Depreciation and Amortisation	28,392	27,226	24,938
Finance Costs	450	675	-
Other Operating Expenses	51,771	38,161	48,122
Total expenditure	122,148	103,490	112,073
Operating surplus/(deficit) before tax	5,114	45,560	13,577
Share of associate surplus/(deficit)	516	249	248
Surplus/(deficit) before tax	5,630	45,808	13,825
Income tax expense	-	-	-
Surplus/(deficit) after tax	5,630	45,808	13,825
Other comprehensive revenue			
Valuation gains/(losses) taken to equity	5,626	5,603	22,749
Fair value gains/(losses) through comprehensive revenue on investments	-	-	-
Total comprehensive revenue and expenses	11,256	51,411	36,574

Prospective Statement of Financial Position

Forecast for year ending 30 June 2021

	AP 2020/21 \$000	LTP 2020/21 \$000	AP 2019/20 \$000
Assets			
Current assets			
Cash and cash equivalents*	2,123	12,197	2,334
Debtors and other receivables	15,212	18,178	17,046
Prepayments	297	171	245
Inventories	4,962	3,667	5,063
Biological assets	354	296	322
Other financial assets	-	10,000	4,500
Total current assets	22,948	44,509	29,510
Non-current assets			
Property, plant and equipment	1,725,410	1,681,768	1,546,554
Intangible assets	550	1,496	1,030
Inventories	22,393	5,854	12,520
Investment property	58,791	37,178	40,757
Investment in associates	9,367	8,530	7,838
Other financial assets	3,452	3,416	3,924
Total non-current assets	1,819,963	1,738,242	1,612,623
Total assets	1,842,911	1,782,751	1,642,133
Liabilities			
Current liabilities			
Trade payables and other accruals	19,319	15,311	15,838
Employee benefit liabilities	4,876	4,016	4,688
Total current liabilities	24,195	19,327	20,526
Non-current liabilities			
Revenue received in advance	-	269	-
Employee benefit liabilities	723	961	790
Borrowings	20,000	30,000	-
Provisions	1,109	4,859	2,457
Total non-current liabilities	21,832	36,089	3,247
Total liabilities	46,027	55,416	23,773
Total net assets	1,796,884	1,727,335	1,618,360
Net assets / equity			
Accumulated revenue & expenses	824,555	880,055	804,539
Other reserves	972,329	847,280	813,821
Total net assets / equity	1,796,884	1,727,335	1,618,360

* In the LTP Cash and Cash equivalents included Omarunui Landfill (\$2,968). This has been reclassified to Non-current Other Financial Assets in the AP 2020/21□

Prospective Statement of Changes In Net Assets / Equity

Forecast for the year ending 30 June 2021

	AP 2020/21 \$000	LTP 2020/21 \$000	AP 2019/20 \$000
Total net equity balance at 1 July	1,785,628	1,675,924	1,581,786
Total comprehensive revenue for the period	11,256	51,411	36,574
Total net equity balance at 30 June	1,796,884	1,727,335	1,618,360
Total comprehensive revenue and expenses attributable to:			
Napier City Council	11,256	51,411	36,574
Total comprehensive revenue and expenses	11,256	51,411	36,574

DRAFT

Prospective Statement of Cash Flows

Forecast for the year ending 30 June 2021

	AP 2020/21 \$000	LTP 2020/21 \$000	AP 2019/20 \$000
Cash flows from operating activities			
Receipts from rates revenue	63,018	61,879	59,930
Interest received	309	525	753
Dividends received	-	-	-
Receipts from other revenue	63,430	81,532	56,013
Goods and services tax (net)	-	-	(959)
Payments to suppliers and employees	(97,794)	(75,844)	(84,509)
Interest paid	(450)	(675)	-
Net cash from operating activities	28,513	67,416	31,228
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	250	250	263
Proceeds from withdrawal of investments	27,206	40,100	97,354
Purchase of property, plant and equipment	(69,447)	(109,171)	(66,858)
Purchase of intangible assets	(127)	-	68
Acquisition of investments	(9,338)	(30,000)	(63,000)
Net cash from investing activities	(51,456)	(98,821)	(32,173)
Cash flows from financing activities			
Proceeds from borrowings	20,000	30,000	-
Net cash from financing activities	20,000	30,000	-
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	(2,943)	(1,405)	(946)
Cash, cash equivalents and bank overdrafts at 1 July	5,066	16,570	3,280
Cash, cash equivalents and bank overdrafts at 30 June	2,123	15,165	2,334

Key Changes from the 2020/21 Year of the Long Term Plan

BY THE NUMBERS



Capital Expenditure by Activity Group

	AP 2020/21 \$000	LTP 2020/21 \$000	Variance
City Strategy	1,067	592	475
Community and Visitor Experiences	19,717	72,624	(53,406)
Other Infrastructure	2,070	2,164	(94)
Property Assets	7,533	3,889	1,844
Stormwater	3,361	6,675	(3,314)
Transportation	13,290	15,048	(1,758)
Wastewater	8,036	3,795	4,241
Water Supply	14,604	4,955	9,649
Support Units	2,538	2,493	45
Total	72,216	112,235	(42,318)

Statement of Accounting Policies

In accordance with the Local Government Act 2002 Section 95a, Napier City Council (the Council) will adopt the 2020/21 Annual Plan on 26 June 2020. As the authorising body, the Council is responsible for the Annual Plan presented along with the underlying assumptions and all other required disclosures.

The principal accounting policies adopted in the presentation of the Annual Plan's prospective financial statements are set out below. The prospective financial statements comprise the financial statements for the Council as an individual entity. The main purpose of the prospective financial statements outlined in the Annual Plan is to provide users with information about core services that the Council intends to provide ratepayers, the expected cost of those services and, as a consequence, how much the Council requires by way of rates to fund the intended levels of service.

Reporting Entity

Napier City Council (the Council) is a New Zealand territorial local authority. It is governed by the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

The reporting entity consists of the Council only. The Council has investments in the following entities which are Council Controlled Organisations (CCO):

Hawke's Bay Museum Trust classified as an investment;

Hawke's Bay Airport Limited (26% share of voting rights) equity accounted.

The Council provides local infrastructure, local public services and amenities, and performs regulatory functions for the community for social benefit rather than making a financial return. Accordingly, the Council has designated itself as a Public Benefit Entity (PBE) for financial reporting purposes. The financial statements comply with PBE Standards and have been prepared in accordance with Tier 1 PBE Standards.

Basis of Preparation

The prospective financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of Compliance

The financial statements of the Council have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98 and Part 3 of Schedule 10, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

Functional and Presentation Currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

Prospective Financial Information

These are prospective financial statements and have been prepared in accordance with the requirements of the Local Government Act 2002 and may not be appropriate for other purposes. The main purposes of the prospective financial statements in the Annual Plan is to provide users with information about Council's plans for the next 12 months and the rates that will be required to fund this plan.

As a forecast, the Annual Plan has been prepared on the basis of assumptions as to future events the Council reasonably expects to occur associated with the actions Council reasonably expects to take, as at the date the information was prepared. The Significant Planning Assumptions are included in the Annual Plan and outline assessed for potential risks that may impact future results. Actual results achieved for the Annual Plan period covered are likely to vary from the information presented and the variations may be material.

The Annual Plan is based on the forecast for the year ended 30 June 2021 included in the Long Term Plan 2018 – 2028. The prospective financial statements have been prepared by using the best information available at the time for the Annual Plan.

Prospective Financial Information continues

Changes in Accounting Standards

There were no changes in accounting policy during the financial year. All accounting policies and disclosures have been applied consistent with those applied in the previous financial year and Annual Plan.

Investments

Investment in Associates

The Council's associate investment is accounted for in the financial statements using the equity method. An associate is an entity over which the Council has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost and the carrying amount in the financial statements is increased or decreased to recognise the Council's share of the surplus or deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment.

If the share of deficits of an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further deficits. After the Council's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the Council has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the Council will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Where the Council transacts with an associate, surplus or deficits are eliminated to the extent of the group's interest in the associate.

Dilution gains or losses arising from investments in associates are recognised in the surplus or deficit.

Subsidiaries

The Council has no subsidiaries.

Joint Arrangements

Jointly Controlled Assets

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Council has an interest in a joint operation that is a jointly controlled asset. The Council recognises its share of the asset, classified as plant and equipment. In addition, the Council recognises its share of liabilities, expenses and income from the use and output of the joint operation.

Foreign Currency Translation

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in surplus or deficit of the Statement of Comprehensive Revenue and Expenses.

Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable. The specific accounting policies for significant revenue items are explained below:

Non-exchange Revenue

Rates Revenue

The following policies for rates have been applied:

General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised as revenue at the start of the financial year to which the rates resolution relates, and they are recognised at the amount due. The Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.

Rates arising from late payment penalties are recognised as revenue when rates become overdue.

Revenue from water-by-meter rates is recognised on an accrual basis based on usage. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.

Rate remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.

Grants and Subsidies

Grants and subsidies received are recognised as revenue when the Council obtains control of the transferred asset (cash, goods, other assets or services) and the transfer is free from conditions that require the Council refund or return the asset if the conditions relating to the asset are not fulfilled. When grants and subsidies include a condition, a liability is recognised until the Council has satisfied the conditions when revenue is recognised. The Council receives the majority of grants and subsidies revenue from New Zealand Transport Agency (NZTA), which subsidises part of the Council's costs in maintaining the local road infrastructure. The right to receive the funding from NZTA arises once the work is performed therefore revenue is recognised when receivable as there are no further conditions attached to the funding.

Donated, Subsidised or Vested Assets

Donated, subsidised or vested assets are recognised when the right to receive them is established. Revenue is recognised at this time unless there are conditions attached to the asset, which require the asset to be returned if conditions are not met. A liability is recognised until the conditions are met. Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue.

The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer.

Parking and Traffic Infringement

Revenue is recognised when the ticket is issued as there are no conditions attached.

Exchange Revenue

Licences and Permits

Revenue derived from licences and permits are recognised on receipt of appropriate application.

Residential Developments

Sales of sections in residential developments are recognised when contracts for sale are unconditional as control is deemed to have been transferred.

Development and Financial Contributions

Development and financial contributions are recognised as revenue when the Council provides, or is able to provide, the service for which the contribution was charged. Otherwise, development and financial contributions are recognised as liabilities until such time as the Council provides, or is able to provide, the service.

Sales of Goods (Retail)

Sales of goods are recognised when a product is sold to the customer. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sale, including credit card fees payable for the transaction. Such fees are included in distribution costs.

Sales of Services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed, on the basis of the actual service provided as a proportion of the total services to be provided.

Rental Revenue

Rental revenue is recognised on a straight line basis over the term of the lease.

Interest Revenue

Interest revenue is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Council reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest revenue. Interest revenue on impaired loans is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Revenue Recognition continues

Dividend Revenue

Dividend revenue is recognised when the right to receive payment is established.

Building and Resource Consent Revenue

Fees and charges for building and resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date.

Income Tax

In general, local authorities are only subject to tax from income derived through council controlled organisations and as a port operator.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting surplus or deficit or taxable surplus or deficit.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the controlling entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised in other comprehensive revenue and expense or directly in equity.

Goods and Services Tax (GST)

The Statement of Comprehensive Revenue and Expenses has been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Leases

The Council is the Lessee

Leases of Property, Plant and Equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the surplus or deficit in the Statement of Comprehensive Revenue and Expenses over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to

the Statement of Comprehensive Revenue and Expenses on a straight line basis over the period of the lease.

The Council is the Lessor

Assets leased to third parties under operating leases are included in property, plant and equipment in the Statement of Financial Position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental revenue (net of any incentives given to lessees) is recognised on a straight line basis over the lease term.

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less impairment for doubtful debts.

Trade receivables are due for settlement no more than 150 days from the date of recognition for land development and resale debtors, and no more than 30 days for other debtors.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Revenue and Expenses.

When the receivable is uncollectible, it is written off against the provision account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

Inventories

Inventories are held for distribution or for use in the provision of goods and services. The measurement of inventories depends on whether the inventories are held for commercial or non-commercial (distribution at no charge or for a nominal charge) distribution or use. Inventories are measured as follows:

- Commercial: measured at the lower of cost and net realisable value.
- Non-commercial: measured at cost, adjusted for any loss of service potential.

Cost is allocated using the first in, first out (FIFO) method, which assumes the items of inventory that were purchased first are distributed or used first.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

Any write-down from cost to net realisable value or for the loss of service potential is recognised in surplus or deficit in the Statement of Comprehensive Revenue and Expenses in the period of the write-down.

Land held for development and future resale

When land held for development and future resale is transferred from investment property or property, plant, and equipment to inventory, the fair value of the land at the date of the transfer is its deemed cost.

Costs directly attributable to the developed land are capitalised to inventory, with the exception of infrastructural asset costs which are capitalised to property, plant, and equipment.

Non-current Assets Held For Sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell in the Council's operating expenses. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of de-recognition.

Non-current Assets Held For Sale continues

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the Statement of Financial Position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Statement of Financial Position.

Other Financial Assets excluding derivatives

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at their value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade date, the date on which the Council commits to purchase or sell the asset. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the categories below:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Council provides money, goods or services directly to a debtor with no intention of selling the receivable. Those with maturities greater than 12 months after the balance date are classified as non-current assets.

After initial recognition, they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or de-recognised are recognised in the surplus or deficit.

Held to Maturity Investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after the balance date, which are classified as non-current assets.

After initial recognition, they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or de-recognised are recognised in the surplus or deficit.

Fair Value through Other Comprehensive Revenue and Expenses (Available for sale)

Available for sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category at initial recognition, or not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the Statement of Financial Position date. These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit. On derecognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the surplus or deficit as gains and losses from investment securities.

Fair Value Changes

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Impairment of Financial Assets

The Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss is impaired. Impairment losses are recognised in the surplus or deficit. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in surplus and deficit is removed from equity and recognised in surplus or deficit in the Statement of Comprehensive Revenue and Expenses. Impairment losses recognised on available for sale equity instruments are not reversed through surplus or deficit in the Statement of Comprehensive Revenue and Expenses. Instead, increases in the fair value of these assets after impairment are recognised in other comprehensive revenue and expenses in the Statement of Comprehensive Revenue and Expenses.

Property, Plant and Equipment

Property, Plant and Equipment consist of:

Operational assets – These include land, buildings, library books, plant and equipment and motor vehicles.

Restricted assets – Restricted assets are mainly parks and reserves owned by the Council that provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Infrastructure assets – infrastructure assets are the fixed utility system owned by the Council and group. Each asset class includes all items that are required for the network to function. For example, sewer reticulation includes reticulation piping and sewer pump stations.

Additions

Items of Property, Plant and Equipment are initially recognised at cost, which includes purchase price plus directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of an item of property, plant, and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Where a physical asset is acquired for nil or nominal consideration, it is recognised at its fair value at the date the asset was received with the fair value recognised as revenue. Work in progress is recognised at cost less impairment and is not depreciated.

Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in revaluation reserves in respect of those assets are transferred to the accumulated comprehensive revenue and expense within equity.

Revaluations

Assets which are revalued are shown at fair value (which is based on periodic valuations by external independent valuers that are performed with sufficient regularity to ensure that the carrying value does not differ materially from fair value) less subsequent depreciation (except land which is not depreciated). The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the revaluation reserve is adjusted. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Roadway infrastructure assets and Library Collections are valued at depreciated replacement cost and revalued annually. Other infrastructural assets (except land under roads), Land and Buildings and Council Restricted Reserves are revalued on a three yearly valuation cycle.

Increases in the carrying amounts arising on a revalued class of assets are credited to a revaluation reserve in public equity. To the extent that the increase reverses a decrease previously recognised for the same class of assets in the surplus or deficit, the increase is first recognised in the surplus or deficit. Where the revaluation movement would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Revenue and Expenses during the financial period in which they are incurred.

Property, Plant and Equipment continues

Depreciation

Depreciation of property, plant and equipment other than land is calculated on a straight line basis at rates that will write off the cost or valuation, less estimated residual value, over their expected useful economic lives. The following rates have been applied:

	Depreciation
Buildings & Structural Improvements	2 to 10%
Fixed Plant & Equipment	5 to 20%
Mobile Plant & Equipment	5 to 50%
Motor Vehicles	10 to 33.33%
Furniture & Fittings	4 to 20%
Office Equipment	8 to 66.67%
Library Book Stock	7 to 25%

Depreciation of infrastructural and restricted assets is calculated on a straight line basis at rates that will write off their cost or valuation over their expected useful economic lives.

The expected lives, in years, of major classes of infrastructural and restricted assets are as follows:

	Years		Years
Roading		Sewerage	
Base Course	60-130	Reticulation	80-100
Surfacings	20-25	Pump Stations	15-80
Concrete Pavers	80	Milliscreen	10-80
Footpaths & Pathways/Walkways	15-80	Outfall	60
Drainage	25-100	Others	
Bridges & Structures	20-100	Grandstands, Community & Sports Halls	50
Road Lighting	4-50	Sportsgrounds, Parks & Reserves Improvements	10-50
Traffic Services & Safety	10-25	Buildings on Reserves	10-50
Water		Pools	10-50
Reticulation	56-200	Inner Harbour	20-50
Reservoirs	100		
Pump Stations	15-80		
Stormwater			
Reticulation	80-100		
Pump Stations	15-80		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Valuation of Property, Plant and Equipment

Council's Property, Plant and Equipment are valued as follows:

Description	Method of Valuation
Library Collections	Carried at fair value less depreciation. Valued at depreciated replacement cost in accordance with the guidelines released by the New Zealand Library Association and the National Library in May 2002 for general collections and replacement cost for the Heritage Collection. The Library valuation is performed by Jessica Pearless, Director, Paragon Matter Art Services and performed on an annual basis. The last valuation was performed as at 30 June 2019.
Land under Roads	Carried at cost. Land under roads was valued based on fair value of adjacent land determined by M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd as at 30 June 2005. The Council has elected to use fair value of land under roads at 30 June 2005 as deemed cost. Land under roads is no longer revalued.
Land and Buildings	Carried at fair value less depreciation for buildings only. Land and Buildings are valued by independent registered valuer M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd as at 30 June 2019 using fair value based on market valuations. Land and buildings are revalued on a three yearly valuation cycle. The carrying values are also reviewed at each balance date to ensure that those values are not materially different from fair value.
Infrastructural Road Assets	Carried at fair value less depreciation. Infrastructural road assets are valued annually by Opus International Consultants Ltd at depreciated replacement cost using the RAMM valuation system. Road assets were revalued at 30 June 2019. Prepared and reviewed by Opus staff.
Water, Wastewater and Stormwater Above and Below Ground Assets	Carried at fair value less depreciation. Most Water, Wastewater and Stormwater above and below ground assets, excluding land, are valued at depreciated replacement cost by Council's engineers and independently reviewed by registered valuer M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd at 30 June 2017. Some above ground assets e.g. Pumps are independently reviewed by registered valuer M Wyatt, of AECOM Ltd at 30 June 2017.
Restricted Assets	Carried at fair value less depreciation. Valued by independent registered valuer M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd as at 30 June 2019 using depreciated replacement cost method. Restricted assets are revalued on a three yearly valuation cycle. The carrying values are also reviewed at each balance date to ensure that those values are not materially different from fair value. If there is a material difference, then the 3-year asset classes are revalued. All restricted asset classes carried at valuation were valued.
Plant and Equipment	Carried at cost less depreciation and impairment. Valued in 1994 using market value. Additions are at cost.
Omarunui Landfill	Carried at cost less depreciation and impairment. Landfill assets are comprised of land, plant and equipment, and motor vehicles.

Investment Property

Investment property is held for long term rental yields and capital appreciation and is not occupied by the Council or held to meet service delivery objectives.

Properties leased to third parties under operating leases will generally be classified as investment property unless:

- the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation;
- the occupants provide services that are integral to the operation of the owner's business and/or these services could not be provided efficiently and effectively by the lessee in another location;
- the property is being held for future delivery of services;
- the lessor uses services of the owner and those services are integral to the reasons for their occupancy of the property.

Investment property is carried at fair value, representing open market value determined annually by external valuers. Changes in fair values are recognised in the surplus or deficit of the Statement of Comprehensive Revenue and Expenses.

Intangible Assets

Trademarks and Licences

Trademarks and licences have a finite useful life and are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of trademarks and licences over their estimated useful lives, which vary from three to five years.

Computer Software

Acquired computer software and software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to five years.

Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Council, and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives not exceeding three years.

Impairment of Non-Financial Assets

Assets that have an indefinite useful life and capital work in progress are not subject to amortisation and are tested annually for impairment. All other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Indicators of impairment will depend on whether the asset is deemed to be cash generating or non-cash generating. All cash generating assets are assets held with the primary objective of generating a commercial return, all other assets are non-cash generating.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For non-cash generating assets where the Council would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of the asset. For cash generating assets, value in use is determined using a present value of future cash flows valuation methodology.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units) for assets that are cash generating. Once this assessment is made, this is adjusted through the revaluation reserve for revalued assets (where there is a positive reserve), or in the surplus or deficit in the Statement of Comprehensive Revenue and Expenses where revaluation does not occur or there is no positive revaluation reserve.

Trade and Other Payables

These amounts are initially recorded at their fair value and subsequently recognised at amortised cost. They represent liabilities for goods and services provided to the Council prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Borrowings are initially recognised at their fair value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date.

Borrowing Costs

In line with PBE IPSAS 5 Borrowing Costs, all borrowing costs are recognised as an expense in the period in which they are incurred.

Provisions

Provisions are recognised when the Council has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined

by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. An increase in the provision due to the passage of time is recognised as an interest expense.

Financial Guarantee

A financial guarantee contract is a contract that requires the Council or group to make specified payments to reimburse the holder of the contract for a loss it incurs because a specified debtor fails to make payment when due. Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received, the fair value of the liability is initially measured using a valuation technique, such as considering the credit enhancement arising from the guarantee or the probability that the Council will be required to reimburse a holder for a loss incurred discounted to present value. If the fair value of a guarantee cannot be reliably determined, a liability is only recognised when it is probable there will be an outflow under the guarantee.

Financial guarantees are subsequently measured at the higher of:

The present value of the estimated amount to settle the guarantee obligation if it is probable there will be an outflow to settle the guarantee; and

The amount initially recognised less, when appropriate, cumulative amortisation as revenue.

Grant Expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received. Any funds that are not spent for the approved purpose are returned to the Council by 30 June of the same financial year.

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the Council's decision.

Employee Benefits

Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in current employee benefit liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long Service Leave and Gratuities

The liability for long service leave and gratuities is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Retirement Benefit Obligations

Current and former employees of the Council are entitled to benefits on retirement, disability or death from the Council's multi-employer benefit scheme. The scheme manager, National Provident Fund, has advised Council there is no consistent and reliable basis for allocating the obligation scheme assets and cost of the multi-employer defined benefit scheme to individual participating employers. As a result, the scheme is accounted for as a defined contribution plan and contributions are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset if a cash refund or a reduction in the future payments is available.

Defined Contribution Schemes

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit when incurred.

Employee Benefits continues

Bonus Plans

The Council recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Biological Assets

Livestock

Livestock are measured at their fair value less estimated point-of-sale costs. The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit. Changes in fair value are recognised in surplus or deficit in the Statement of Comprehensive Revenue and Expense.

Net Assets / Equity

Net Assets/Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Net Assets/Equity is disaggregated and classified into a number of components.

These are:

- Accumulated comprehensive revenue and expenses; and
- Reserves
 - Restricted Reserves
 - Asset Revaluation Reserves
 - Fair Value Reserves

Restricted and Council Created Reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Council.

Restricted reserves are those subject to specific requirements accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Council decision. The Council may alter them without references to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

Capital Management

The Council's capital is its equity (or Ratepayers' Funds), which comprise retained earnings and expenses and reserves. Equity is represented by net assets.

The LGA requires Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' Funds are managed largely as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings. The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets but does not expect them to meet the full cost of long-term assets that will benefit ratepayers in future generations.

Additionally, the Council has Asset Management Plans in place for major classes of assets, detailing renewal and maintenance programmes to ensure that future generations of ratepayers are not required to meet the costs of deferred renewals and maintenance. The LGA requires the Council to make adequate and effective provision in its Long Term Plan and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. The LGA sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's Long Term Plan.

Napier City Council has the following Council created reserves:

- reserves for different areas of benefit;
- self-insurance reserves; and
- trust and bequest reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surpluses or deficits relating to these separate areas of benefit are applied to the specific reserves.

Self-insurance reserves are built up annually from general rates and are made available for specific unforeseen events. The release of these funds can generally be approved only by Council.

Trust and bequest reserves are set up where the Council is donated funds that are restricted for particular purposes. Interest is added to trust and bequest reserves where applicable, and deductions are made where funds have been used for the purposes for which they were donated.

Budget Figures

The Annual Plan and Long Term Plan comparatives in the prospective financial statements are those approved by the Council and adopted as a part of the Council's 2018 -2028 Long Term Plan or as revised and approved by Council prior to the commencement of the year in the Annual Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Council for the preparation of the financial statements.

Cost Allocation

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staS numbers and floor area.

Critical Accounting Estimates and Assumptions

In preparing these prospective financial statements the Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows.

Landfill Aftercare Provision

The Omarunui Landfill is owned jointly by the Hastings District Council (63.68%) and Napier City Council (36.32%). The landfill is operated by the Hastings District Council on behalf of a joint committee (comprising elected representatives from the two councils). The joint Landfill Committee gained a Resource Consent in 1985 to operate the Omarunui Landfill. The Councils have responsibility under the resource consent to provide ongoing maintenance and monitoring of the landfill after the site is closed. There are closure and post-closure responsibilities such as the following:

Closure responsibilities:

- Final cover application and vegetation
- Incremental drainage control features
- Completing facilities for leachate collection and monitoring
- Completing facilities for monitoring and recovery of gas
- Post-closure responsibilities:
 - Treatment and monitoring of leachate
 - Ground water and surface monitoring
 - Gas monitoring and recovery
 - Implementation of remedial measures such as needed for cover, and control systems
 - Ongoing site maintenance for drainage systems, final cover and vegetation

The management of the landfill will influence the timing of recognition of some liabilities – for example, the current landfill will operate in four stages. A liability relating to stages three and four will only be created when the stage is commissioned and when refuse begins to accumulate in these stages.

The cash outflows for landfill post-closure are expected to occur in 2024 for Valley D and began in 2007 for Valley A. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and is discounted using a discount rate of 2.3%.

The following major assumptions have been made in the calculation of the provision:

Aftercare will be required for 30 years after the closure of each stage.

The annual cost of aftercare for Valley A and D is \$94,000; and

The provision reported for the Council's share only (36.32%).

Critical Accounting Estimates and Assumptions continues

Infrastructural Assets

There are a number of assumptions and estimates used when performing depreciated replacement cost valuations over infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are underground such as stormwater, wastewater and water supply pipes. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- Estimating any obsolescence or surplus capacity of an asset; and
- Estimating the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth.

If useful lives do not reflect the actual consumption of the benefits of the asset, then the Council could be over or under in estimating the annual depreciation charge recognised as an expense in the Statement of Comprehensive Revenue and Expenses. To minimise this risk, the Council's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections and deterioration and condition modelling are also carried out regularly as part of the Council asset management planning activities, which gives the Council further assurance over its useful life estimates.

Experienced independent valuers perform the Council's infrastructural asset revaluations except for most above and below ground water, wastewater and stormwater assets where the independent valuer peer reviews Council's valuations. In some cases, e.g. Pumps are independently valued by independent valuer.

Critical Judgements in applying Napier City Council's Accounting Policies

Management has exercised the following critical judgements in applying the Council's accounting policies for the period of the prospective financial statements.

Classification of Property

The Council owns a number of leasehold land and rental properties. The receipt of market-based rentals from these properties is incidental to the holding of these properties. In the case of residential leasehold properties, there are legal restrictions applying to how Council can manage these properties and in the case of rental properties, these are held as part of the Council's social housing policy or to secure the ability to undertake long term city development projects. As some of these properties are held for service delivery objectives, they have been accounted for as property, plant and equipment.

Standards issued and not yet effective, and not early adopted

PBE IFRS 9 Financial Statements

In January 2017 the XRB issued PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The Council intends to apply this standard in its 30 June 2022 financial statements

The initial consideration of the impacts the implementation of PBE IFRS 9 is expected to have in the Council's financial statements are described below.

a) Classification and measurement

- Currently the Council classifies its investment in listed and non-listed equity shares and listed debt instruments as available-for-sale (AFS) financial assets. For the equity shares currently classified as AFS, the Council expects to continue measuring them at fair value.
- Loans as well as receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Council has analysed the contractual cash flow characteristics of those instruments and concluded they meet the criteria for amortised cost measurement under PBE IFRS 9. Therefore reclassification for these instruments is not required.

b) Impairment

- PBE IFRS 9 requires the Council to record expected credit losses on all of its debt instruments classified at amortised cost or fair value through other comprehensive revenues and expenses. For all of such assets, except receivables, the Council expects to apply the simplified approach and record lifetime expected losses on all receivables. The Council does not expect the application of PBE IFRS 9 to result in a significant impairment of its term deposits, or debt instruments.

Prospective Statement of Financial Performance

Forecast for the year ending 30 June 2021

	AP 2020/21 \$000	LTP 2020/21 \$000	AP 2019/20 \$000
Operating revenue (Activity Cost of Service Statements)			
City Strategy	6,686	6,378	6,543
Community and Visitor Experiences	18,952	49,126	21,291
Other Infrastructure	9,992	7,098	7,739
Property Assets	19,902	12,969	20,566
Stormwater	805	1,087	805
Transportation	7,540	9,252	8,108
Wastewater	10,202	9,857	9,273
Water Supply	7,208	6,705	6,873
Total operating revenue	81,287	102,472	81,198
Other revenue (as per Prospective Statement of Comprehensive Revenue and Expenses)			
General rates	44,487	44,837	42,263
Rates Remissions*	(339)	(219)	(219)
Interest revenue	309	525	753
Other revenue	1,518	1,216	1,656
Total revenue	127,262	148,831	125,650
Operating expenditure (Activity Cost of Service Statements)			
City Strategy	11,727	10,468	10,860
Community and Visitor Experiences	45,694	41,886	44,199
Democracy and Governance	4,685	3,603	3,883
Other Infrastructure	13,380	8,488	9,930
Property Assets	11,247	6,359	12,704
Stormwater	4,913	5,151	4,521
Transportation	15,010	14,875	13,109
Wastewater	9,535	9,185	8,601
Water Supply	7,579	6,135	6,837
Total operating expenditure	123,770	106,150	114,643
Other expenditure (as per Prospective Statement of Comprehensive Revenue and Expenses)			
Internal expenditure	(2,474)	(3,370)	(2,068)
Interest Expense	450	675	-
Other Expenses	402	(183)	(502)
Total expenditure	122,148	103,272	112,073
Operating surplus/(deficit) before tax (as per Prospective Statement of Comprehensive Revenue and Expenses)	5,114	45,560	13,577
Share of associate surplus/(deficit)	516	249	248
Surplus/(deficit) before tax (as per Prospective Statement of Comprehensive Revenue and Expenses)	5,630	45,808	13,825
Income tax expense	-	-	-
Surplus/(deficit) after tax	5,630	45,808	13,825

* LTP included rates remissions in expenditure where the correct treatment is to be against rates revenue

Reserve Funds

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening 1 July 2020 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2021 \$000
COUNCIL CREATED RESERVES						
Aquarium Expansion	Derived from grants and donations for the Aquarium Expansion Project	Aquarium	(15)	-	-	(15)
Bay View Targeted Rate Fund	Established to recover the cost of connection to the Bay View Sewerage Scheme for properties connecting where the lump sum payment option was not elected Income is derived from the Bay View Connection rate, and is used to recover loan servicing costs	Wastewater	(92)	22	(8)	(78)
Capital Reserve	Derived from rating surpluses The reserve is available to provide funding for capital projects or debt repayment	All Activities	1,333	52	(1,145)	240
CBD and Taradale Promotional Levy Funds	Funds from the targeted rates for CBD and Taradale Promotion The funds collected are paid in full to Napier Inner City Marketing and Taradale Marketing Association	City and Business Promotion	(3)	194	(197)	(6)
Cycleway / Walkway Fund	Derived from donations and contributions for the construction and improvements of Cycleways/ Walkways	Roading	-	2,735	(2,582)	153
Robson Collection Fund	This fund was set up by the Napier Pilot City Trust in memory of John Robson Revenue is derived from community donations for the Robson Collection on restorative justice	Libraries	14	-	(1)	13
Dog Control Fund	This fund is a requirement under the Dog Control Act 1996 All transactions related to the dog owner's share of the costs of Animal Control, both operating and capital, flow to this account. Amounts include dog related fees received and the operating and capital costs of the dog related activity of Animal Control	Animal Control	(173)	822	(1,002)	(353)
Development Contributions	Collected from development contributions from developers on the subdivision of land and various land use activities Used to fund capital works and services	Roading, Stormwater, Water, Wastewater, Reserves, Sportsgrounds, Libraries	(39)	204	-	165
Financial Contributions	Collected from financial contributions from developers on the subdivision of land and various land use activities Used to fund capital works and services Note: Council is itself a developer (Parklands) and contributions are transferred as internal charges	Roading, Stormwater, Water, Wastewater, Reserves, Sportsgrounds, Libraries	4,862	3,186	(8,499)	(451)

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening 1 July 2020 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2021 \$000
Infrastructural Asset Renewal and Upgrade Funds	Collected from the annual rate funded allocation as per the Capital Plan. Used for capital expenditure on infrastructural asset renewals and associated upgrades.	Water Supply, Stormwater, Wastewater, Solid Waste, Sportsgrounds, Reserves, Public Toilets, Cemeteries, Napier Aquatic Centre	24,985	2,597	(10,718)	16,864
Plant & Equipment Renewals	This fund is derived from the depreciation and interest on capital portions of plant hire charges and profit on plant sold. The fund is used for the purchase of new and replacement plant and vehicles.	All Activities	6,983	371	662	8,016
Mayor's Discretionary Fund	Interest on the fund is used for charitable purposes to assist the needy, including contributions to purposes such as the Christmas Cheer Appeal.	Community Planning	2	-	-	2
Pensioner Housing Upgrade Reserve	Established from a contribution from rates equivalent to the annual depreciation on pensioner flats and houses owned by Council. The reserve is available to provide capital upgrade of these facilities.	Retirement & Rental Housing	353	-	-	353
Parking Contributions Account	Funds derived for the provision of parking facilities.	Parking	3,664	282	-	3,946
Parking Account	Funds are derived from the surplus revenue from the Parking Business Unit and are used to provide for parking facilities generally.	Parking	5,680	2,623	(3,331)	4,972
Parking Equipment Reserve Account	To provide funds for replacement of parking equipment on a regular basis.	Parking	1,118	57	-	1,175
Taradale Parking Meters	Funds collected from Parking Meters in Taradale Town Centre to fund the 2010 upgrade of the Town Centre (including parking).	Parking	(118)	197	(221)	(142)
Parklands Residential Development Fund	Derived from proceeds of section sales of the Parklands Residential Development project less development expenditure.	Parklands Residential Development, Property Holdings, Sportsgrounds, Reserves, Napier Skate Park	2,315	13,081	(12,556)	2,840
Roading Property Reserve	Derived from the sale or lease of surplus roading property. The proceeds are available for Roothing property purchases and improvements.	Roothing	(265)	-	(10)	(275)

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening 1 July 2020 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2021 \$000
Property Reserve	Derived from the sale of miscellaneous property. The proceeds are available for the acquisition of other miscellaneous land and buildings. Its purpose in particular is for unscheduled property purchases related to district scheme designations and for private developments which occur from time to time.	Property Holdings	1,909	67	-	1,976
McLean Park Property Reserve Account	Derived from rental income from the McVay Street and Vigor Brown Street houses less current loan servicing costs. As per Council resolution dated 15 May 2002, the fund may be used to fund future McLean Park property purchases or loan servicing costs on future purchases.	Sportsgrounds	246	167	(141)	272
Hawke's Bay Harbour Board Endowment Land Sale Account	Derived from proceeds from freeholding HB Harbour Board Endowment Land. The Hawke's Bay Endowment Land Empowering Act 2002 provides an unrestricted use of proceeds from leasehold land freeholded after 30 March 2002.	Property Holdings, Parklands Residential Development, Marine Parade Pools, Reserves	18,788	1,598	(6,208)	14,178
Investment Property Portfolio Sale Account	Derived from proceeds from freeholding HB Harbour Board Endowment Land.	Property Holdings	876	-	-	876
Solid Waste Disposal Income Account	Amount is derived from returns from the Joint Regional Landfill Committee for the operation of the Omarunui Regional Landfill and is used to fund capital development of the landfill and the net operating costs including loan servicing, of the Transfer Station.	Solid Waste	5,131	3,167	(4,345)	3,953
Lagoon Farm Account	Derived from the Lagoon Farm activity	Lagoon Farm	168	618	(619)	167
Subdivision and Urban Growth Fund	To service all borrowing in relation to Council's share of subdivision and urban growth projects, and to meet any servicing costs on financing the developer's share of projects where expenditure requirements precede the receipt of financial contributions. A part of the surplus is also used to reduce the general rate requirement.	All Activities	8,938	-	(1,386)	7,552
Total Council Created Reserves			86,660	32,040	(52,307)	66,393

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening 1 July 2020 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2021 \$000
RESTRICTED RESERVES						
Endowment Land Account	Derived from the sale of BCP Faraday Street land and the transfer of the Criterion Account capital sum previously advanced to the Land Development Account. This account is now used for the sale and purchase of other endowment land.	Property Holdings	1,837	33	(1,800)	70
Hawke's Bay Harbour Board Endowment Land Income Account	Derived from proceeds from the sale of former Harbour Board leasehold properties up to 30 March 2002. To be used to fund maintenance and capital improvements of the Inner Harbour and any other future capital expenditure related to Napier Harbour as defined by the Act.	Inner Harbour, Reserves, Lagoon Farm, Property Holdings	(580)	1,751	(1,293)	(122)
Total Restricted Reserves			1,257	1,784	(3,093)	(52)
BEQUESTS AND TRUST FUNDS						
Colenso Bequest	Bequest is invested and the income derived used to: i) Provide a fund for the assistance of poor families (Capital \$2500) ii) Provide assistance for prisoners released from Napier jail (Capital \$500) iii) Provide a fund for the assistance of distressed seamen and strangers (Capital \$1000) iv) Provide prizes for senior scholars at Napier Boys, Napier Girls & Colenso High Schools (Capital \$1000)	Community Planning	30	1	(2)	29
Estate Henry Hodge	For charitable purposes, with a wish that it be used for the erection of flats for the needy.	Retirement & Rental Housing	171	6	-	177
Eskdale Cemetery Trust	This Trust fund, comprising a number of bequests totalling \$1,400, was taken over from the former Hawke's Bay County Council, and is available for the maintenance and upkeep of the Eskdale Cemetery.	Cemeteries	25	1	-	26
Hawke's Bay Municipal Theatre	Funds held on behalf of Hawke's Bay Arts and Municipal Theatre Trust.	Napier Municipal Theatre	6	-	-	6

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening 1 July 2020 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2021 \$000
John Close Bequest	Bequest is invested and income used in two ways: i) Cemetery Trust - for upkeep and maintenance of the Close burial plot, with surplus income to provide ham and ale at Christmas to the poor, old and needy ii) Coal Trust - provided wood and coal to the needy A scheme for arrangement for the disposition of income in terms of the Charitable Trusts Act 1957 was to have been initiated in 1993	Community Planning	50	2	(1)	51
Morecroft Bequest	To provide a Municipal gymnasium or gymnasium equipment, either as a separate building or as part of any memorial or centennial hall which Napier City Council may decide to erect	Sportsgrounds	15	-	-	15
Napier Christmas Cheer	For community fundraising through the HB Today for the preparation of Christmas parcels to be distributed to disadvantaged individuals and families within the Napier District	Community Planning	34	13	(12)	35
Total Bequests Trust Funds			331	23	(15)	339

Capital Plan

Project Name	AP 2020/21 \$00 0
Transportation	
Ahuriri Masterplan - Thames Severn Stormwater Management	250
Ahuriri Masterplan - West Quay Car Park	1,000
Ahuriri Masterplan - West Quay Upgrade	750
Associated improvements	100
Ground stabilisation and retaining wall	350
Intersection Improvement Projects	50
Intersection Safety Improvement Projects	1,106
KiwiRail - Level Crossing	90
New Cycle and Walking Tracks	750
Public transport infrastructure	50
Puketitiri Road Upgrade	2,500
Roading Renewals	2,484
Severn St roundabout	500
Te Awa Avenue (Ellison to NBHS)	1,200
Te Awa Structure Plan	800
Urban Corridor Improvement Projects	135
Total Transportation	12,115
Water Supply	
Awatoto Industrial & Phillips Road Bore	800
Borefield No.1 Rising Main	5,000
Borefield No.2 Land Purchase	1,500
District Monitoring Project	808
FW2 Fireflow Network Upgrades	100
Hospital Hill Falling Trunk Main	150
Network access points	100
New bores in Awatoto	1,500
New Taradale Bore Field	500
New Water Treatment Plant	2,000
Replacement of Enfield reservoir	1,500
Taradale Falling Trunk Main	150
Water Control System minor works	5
Water Meter Renewals	5
Water Pipes Renewals	265
Total Water Supply	14,383

Project Name	AP 2020/21 \$000
Stormwater	
Ahuriri Master Plan stormwater study	100
Ahuriri Master Plan Project 11 - Pandora catchment improvements	200
Ahuriri Master Plan Project 3 - improve direct outfalls	200
CBD Stormwater Upgrade	150
Minor drain Improvements	30
New pump station and pumping main for Marewa Catchment	100
New pump station in Bay View	400
Outfalls Marine Parade S852	75
Pump station minor replacements (mechanical)	20
SCADA minor replacements	25
Stormwater pump replacements	75
Stormwater pump station electrical replacements	20
Te Awa Structure Plan	1,000
Taradale Stormwater Diversion	-
Tennyson St outfall improvements	50
Thames/Tynes pipe and drain upgrades	100
Upgrade existing Onehunga Pump Station S846	68
Upgrading Dalton St pump station	300
Total Stormwater	2,913
Wastewater	
Flow metering	150
Harold Holt wastewater upgrades	100
Odour control at Petane pump station	40
Pandora Industrial Main	950
SCADA Upgrade	250
Taradale Wastewater Diversion	500
Te Awa Structure Plan - Wastewater	500
Wastewater Outfall Replacement	2,000
Wastewater Pipe Renewals	800
Wastewater Pump Station Renewals	145
Wastewater Treatment Plant Renewals	200
Wastewater Treatment Plant Upgrade	2,000
Total Wastewater	7,635
Other Infrastructure	
Cemeteries	
Cemetery Concept Plan Implementation	60
Cemetery Planting	25
Cemeteries Renewals	110
Napier Cemetery Development	125
Wharerangi Building Refurbishment	10
Total Cemeteries	330

Project Name	AP 2020/21 \$000
Waste Minimisation	
Omarunui Development - Valley D	550
Omarunui Development - Plant	16
Omarunui Development - Forestry	5
Omarunui Development - Valleys B & C	1,076
Solid Waste Renewals	93
Total Waste Minimisation	1,740
Total Other Infrastructure	2,070
City Strategy	
Animal Control	
Stock Control Equipment	2
Total Animal Control	2
Parking	
CBD Parking Projects	1,000
Alternative Transport Parking	10
Parking Minor Capital	5
Parking Equipment Replacement	50
Total Parking	1,065
Total City Strategy	1,067
Community and Visitor Experiences	
Bay Skate	
Park equipment	13
Skate ramps	60
Napier Skate Park Renewals	46
Total Bay Skate	119
Community Facilities	
Maraenui Community Space	1,000
Minor Capital Allowance	60
Taradale Town Hall internal refurbishment	85
Halls Renewals	35
Total Community Facilities	1,180
Housing	
Retirement Housing Renewals	1,251
Retirement Housing Minor Capital	89
Rental Housing Renewals	206
Rental Housing Minor Capital	21
Total Housing	1,567

Project Name	AP 2020/21 \$000
Kennedy Park Resort	
Building Renewals	381
Main Ablution Block	650
Kennedy Park I&A&R	160
Kennedy Park Minor Capital	20
Total Kennedy Park Resort	1,211
Libraries	
Building Renewals	11
Taradale Library - Minor Work 01	145
Library Renewals	10
Library Stock	340
Library Stock	20
Robson Collection Donations	1
Minor Capital	10
Total Libraries	537
Marine Parade Pools	
Marine Parade Pools Renewals	20
Total Marine Parade Pools	20
MTG Hawke's Bay	
Building Renewals	214
Minor Capital	15
MTG Renewals	60
MTG Minor Capital	60
Total MTG Hawke's Bay	349
Napier Aquatic Centre	
Napier Aquatic Centre expansion	5,000
NAC I&A&R	332
Total Napier Aquatic Centre	5,332
Napier Conference Centre	
War Memorial	1,040
CC Renewals	140
CC Minor Capital	60
Total Napier Conference Centre	1,240
Napier i-SITE Visitor Centre	
i-SITE building upgrade	850
i-SITE Minor Capital	20
Total Napier i-SITE Visitor Centre	870

Project Name	AP 2020/21 \$000
Napier Municipal Theatre	
Building Renewals	18
NMT Renewals	172
NMT Minor Capital	60
Total Napier Municipal Theatre	250
National Aquarium of NZ	
Aquarium Renewals	336
Total National Aquarium of NZ	336
Par2 MiniGolf	
Building Renewals	13
Course Upgrade	500
Par2 Building Upgrade	850
Par2 MiniGolf Renewal	3
Par2 Minor Capital	1
Total Par2 MiniGolf	1,367
Reserves	
Ahuriri Estuary Projects	300
Coastal Erosion	200
Destination Playground - Stage 2	100
Foreshore Planting	20
Marine Parade renewals	265
Planting	70
Playground Renewals	200
Riparian Planting	20
Urban Growth	50
Reserves I&A&R	610
Whakarire Ave Rock Revetment	2,200
Total Reserves	4,035
Sportsgrounds	
McLean Park Cricket Practice Nets upgrade	100
McLean Park Facility Renewals	440
McLean Park light tower upgrades	15
New Shade Areas	20
Park Island Southern Revelopment	100
Riparian Planting	10
Sportsgrounds I&A&R	320
Total Sportsgrounds	1,005
Total Community and Visitor Experiences	19,418

Project Name	AP 2020/21 \$000
Property Assets	
Inner Harbour	
Ahuriri Masterplan - Iron Pot Public Access	4,007
Total Inner Harbour	4,007
Property Holdings	
Assessment & Compliance Projects	225
Building Purchase	1,800
Property Purchase	1,500
Total Property Holdings	3,525
Total Property Assets	7,533
Support Units	
Depot Building Renewals	83
Depot General Renewals	30
Depot Minor Capital	13
Lockable storage-more sheds	10
Software Replacements and Upgrades	494
Replacement of Mobile Plant and Vehicle	1,050
Minor Capital General Provision	70
Corporate IT Network	13
Technology Equipment Minor Capital	774
Total Support Units	2,537
Vested Assets	
Stormwater Vested Assets	448
Vested Assets	300
Wastewater Vested Assets	401
Water Supply Vested Assets	221
Roading Vested Assets	1,175
Total Vested Assets	2,545
Total Capital Programme	72,216

Funding Sources	2020/21 \$000
Rates	627
Rates Funded Loans	22,403
Buildings Projects Fund	658
Capital Reserve	884
Cemeteries IAR Fund	270
City Services Project Fund	135
Endowment Land Account	1,800
Financial Contributions	9,359
HB HB Endowment Land Income	6,208
Housing Building Projects Fund	1,760
IT Project Fund	508
Libraries IAR Fund	21
Marine Pde Facilities IAR Fund	140
MTG IAR Fund	334
NZTA Subsidy	2,582
Parking Account	1,065
Parklands	3,500
Plant Purchases & Renewals Fund	1,050
Pools IAR Fund	332
Reserves	1
Reserves IAR Fund	1,685
Roading IAR	2,691
Sewer Pump Station Renewal	335
Sewer Treatment Plant Renewal	2,200
Sewerage IAR Pipes	800
Solid Waste Disposal Income A/c	1,647
Sportsgrounds IAR Fund	805
Stormwater Catchments Upgrade	200
Stormwater IAR Pipes	390
Technology Equip Renewal Fund	628
Tourism Capital Fund	1,385
Tsfe Stn & Composting IAR Fund	93
Vested Assets	2,545
Wastewater Outfall IAR	2,000
Water Meters IAR Fund	5
Water Supply IAR	1,170
	72,216

Borrowing Programme

Forecast for the year ending 30 June 2021

	AP 2020/21 \$000	LTP 2020/21 \$000	AP 2019/20 \$000
New loans			
Rates funded	40,682	64,524	29,199
Non-Rates funded	-	1,190	690
Total new loans	40,682	65,714	29,889
Less repayments (net)	(2,783)	(2,938)	(3,438)
Movement in debt	37,899	62,776	26,451
Opening public debt	58,852	74,924	51,415
Gross public debt	96,751	137,699	77,866
Internal funding	(76,751)	(107,699)	(77,866)
Net public debt	20,000	30,000	-

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Funding Impact Statement (Whole of Council)

Financial Overview: Summary of Revenue and Financing Mechanisms

	AP 2020/21 \$000	LTP 2020/21 \$000	AP 2019/20 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	44,487	44,837	42,263
Targeted rates	20,819	17,131	17,668
Subsidies and grants for operating purposes	2,470	2,377	2,357
Fees and charges	24,368	22,605	24,112
Interest and dividends from investments	309	525	753
Local authorities fuel tax, fines, infringement fees, and other receipts	26,260	19,393	26,489
Total operating funding (A)	118,713	106,868	113,642
Applications of operating funding			
Payments to staff and suppliers	93,303	75,367	88,486
Finance costs	450	675	-
Other operating funding applications	342	222	221
Total applications of operating funding (B)	94,095	76,264	88,707
Surplus/(deficit) of operating funding (A - B)	24,618	30,604	24,935
Sources of capital funding			
Subsidies and grants for capital expenditure	2,736	34,788	6,490
Development and financial contributions	3,391	3,621	3,349
Increase/(decrease) in debt	20,000	30,000	-
Gross proceeds from sale of assets	250	250	250
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	26,377	68,659	10,089
Application of capital funding			
Capital expenditure			
- to meet additional demand	7,432	5,100	3,250
- to improve the level of service	37,224	57,168	28,198
- to replace existing assets	26,362	47,441	38,016
Increase (decrease) in reserves	(20,023)	(10,446)	(34,440)
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	50,995	99,263	35,024
Surplus/(deficit) of capital funding (C - D)	(24,618)	(30,604)	(24,935)
Funding balance ((A-B) + (C-D))	-	-	-

The Funding Impact Statement (FIS) is provided in accordance with Schedule 10 of the Local Government Act. The FIS is intended to make the sources and applications of Council funds more transparent than might be the case if only the usual GAAP financial statements were provided.

The FIS includes only transactions involving monetary funding and therefore excludes vested assets, revaluations and depreciation. It is therefore, by necessity, exempt from the GAAP requirements as it follows the prescribed format required under the Act.

The FIS links the Council's Revenue and Financing Policy, the annual setting of rates, fees, development contributions and annual borrowing requirements. The FIS sets out the revenue and financing mechanisms that will be used, along with an indicative level of rates, together with examples of the impact of rating proposals for 2020/21 over a range of different categories of property and a range of different values.

Changes to the capital works programme

The capital works programme outlined in the LTP includes a substantial investment in a variety of projects. For the Annual Plan 2020/21 there have been several changes where projects have been re-phased. There have also been requirements that have been identified since the LTP and some projects which are no longer required. The tables below outline key changes made to 2020/21.

Table one: Variation between LTP Y3 and Annual plan 2020/21

Activity names as used in the LTP	LTP 2020/21 \$000	Annual Plan 2020/21 \$000	Change between LTP Y3 and Annual Plan 2020/21 \$000
City Strategy	592	1,067	475
Community and Visitor Experiences	72,624	19,717	(52,907)
Other Infrastructure	2,164	2,070	(94)
Property Assets	3,889	7,533	3,644
Stormwater	6,675	3,361	(3,314)
Transportation	15,048	13,290	(1,758)
Wastewater	3,795	8,036	4,241
Water Supply	4,955	14,604	9,649
Support Units	2,493	2,538	45
Total (\$000)	112,235	72,216	(40,019)

Changes over \$500,000 to a project between LTP year 3 and Annual Plan 2021/22

Activity Group	<i>Details of changes over \$500,000 to 2020/21</i>
Water Supply	<ul style="list-style-type: none"> • Borefield No.1 Rising Main (New project), \$5 million from [funding source] for new bore as a requirement to remove manganese from the water supply network. • New Water Treatment Plan, \$2 million has been moved from 2019/20 as there are two treatment plants to be built and the timing of the second plant will be outside of 20/21 and identified in the LTP budgets. • Borefield No.2 Land purchase, \$1.5 million has been moved from new Taradale borefields to fund this project. • Replacement of Enfield Reservoir – \$1.5 million has been moved from 2019/20 as this allocation will be used to start the design and land designation process once land is secured. • New Bores in Awatoto - \$1.5 million – additional funding requirement arisen out of Water Supply Model and Water Supply Masterplan. • Awatoto Industrial and Philips Road Bore - \$800K additional requirement due to growth. • District Monitoring Project - \$560K additional budget approved as part of the 2019/20. • New Reservoir Western Hills - \$500K has been deferred as this funding is part of the Mission development and timing is subject to the progress of the subdivision.
Stormwater	<ul style="list-style-type: none"> • Ahuriri Masterplan project 11 – Pandora catchment improvements – 800K moved to 21/22 because stormwater modelling is still underway. • Ahuriri Masterplan project 3 – Improve Direct Outfalls - \$800K moved to 21/22 because stormwater modelling is still underway. • New Pump Station in Bay View – \$2.6 million deferred to 21/22 because stormwater modelling and masterplanning needs to occur first. • Te Awa Structure Plan – new requirement - \$1 million additional funding to fund infrastructure to enable development in Te Awa, funded by development contributions.
Wastewater	<ul style="list-style-type: none"> • Wastewater Treatment Plant Upgrade – new requirement - additional funding of \$2 million is required for urgent repairs. • Wastewater Outfall replacement – additional \$1.9 million is required for investigations and design to address the outfall leak issue. • Sewer pipe renewal budget – moved to waste water outfall repairs budget - 500K • Pandora Industrial Main – 700K moved from 2019/20 because further investigation is required before work can be specified and programmed. • Te Awa Structure Plan – 500K new requirement to fund infrastructure to enable development in Te Awa, funded by development contributions.
Transportation	<ul style="list-style-type: none"> • Te Awa Structure Plan – new requirement - \$800K additional funding to fund infrastructure to enable development in Te Awa, funded by development contributions. • Te Awa Avenue (Ellison to NBHS) - \$1.2 million has been moved from 2019/20, as the project is deferred until NZTA funding is secured.

	<ul style="list-style-type: none"> • Intersection safety improvement projects - \$820K moved from 2019/20 as the work on Kennedy Road/Marewa Shops upgrade was unable to be completed this year. • CBD Development – \$4 million deferred until 21/22 and 22/22 for the Marine Parade Piazza and Emerson Street Upgrade to give adequate time to develop a comprehensive masterplan for the CBD and to develop detailed designs for the individual projects.
Property Assets	<ul style="list-style-type: none"> • Ahuriri Masterplan – Iron Pot Public Access - \$4 million has been moved to 20/21. In the 2019/20 Annual Plan design costs remained in 2019/20 with the remainder of the allocation to be moved to 20/21. The draft Inner Harbour Masterplan has developed high level designs for the Iron Pot, and this plan will be brought to Council for consideration and then consultation with the community prior to adoption. There is a high level of risk involved with undertaking a detailed design ahead of this process. • Inner Harbour Facilities I.A.R (renewals) - \$2 million moved to 21/22 while Inner Harbour Masterplan is finalised and asset condition assessments undertaken. The Masterplan will then inform what works and funding allocation is required. Some budget has been retained to replace the pontoons at the Nelson Quay ramp. • Property Holdings – Property Purchase – new requirement - \$1.8 million for property purchase.
Community and Visitor Experiences	<ul style="list-style-type: none"> • Reserves Activity – Whakarire Ave Rock Revetment – \$1.7 million has been moved from 2019/20 as the project was delayed due to further consultation with residents being required. An additional \$500K has been added to the budget due to increased cost estimates, so the allocation is \$2.2 million. • Napier Conference Centre Activity – War Memorial build - \$1 million moved from 2019/20 to reflect timing of new concept design. • Kennedy Park Activity – Main Ablution Block - \$650K moved from 2019/20 as not all construction will be underway in 2019/20. • MTG Activity – New Collection Shelving - \$500K deferred until 21/22 as the collection shelving is only needed once there is new storage (under the collection storage facility project). • Library Activity – Napier Library Rebuild - \$3.8 million deferred to 21/22 as Council are considering the location of the library as part of the wider project to address the Civic precinct. • Aquatic Centre Activity – Napier Aquatic Centre Expansion - \$19.3 million moved out of 20/21 due to project delay. • National Aquarium of NZ Activity – Expansion project - \$33 million moved out of 20/21 due to project delay.

Overview of changes to Capital Programme

The following charts show overall changes made to 2020/21 and how that impacts across the LTP programme

Chart 1: Comparison of total capital spend between LTP and revised budgets based on changes to 2020/21

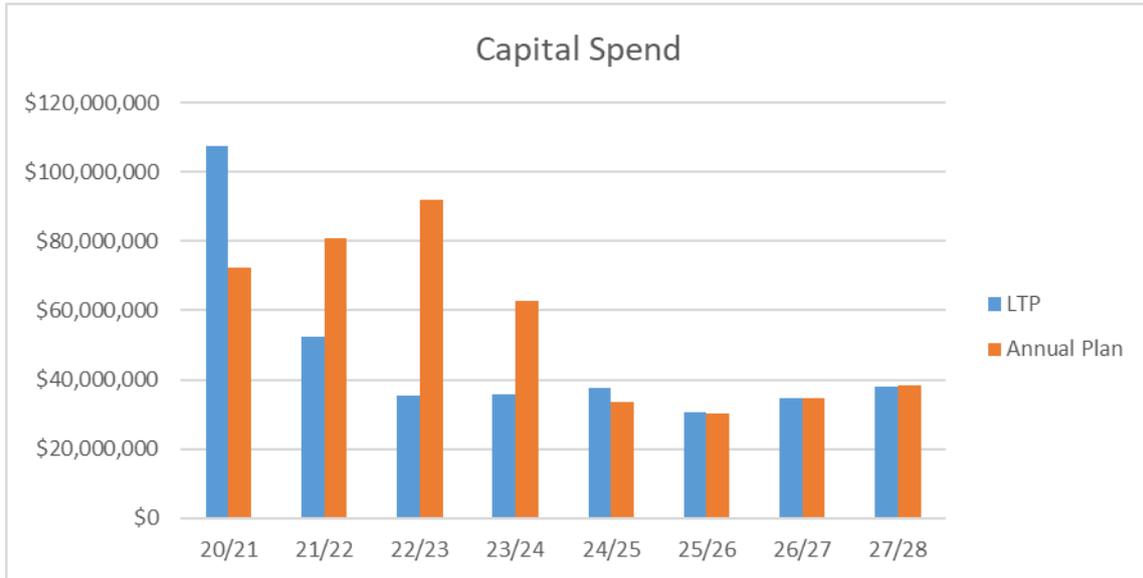


Chart 2: Comparison of total capital spend between LTP and revised budgets for Water Supply

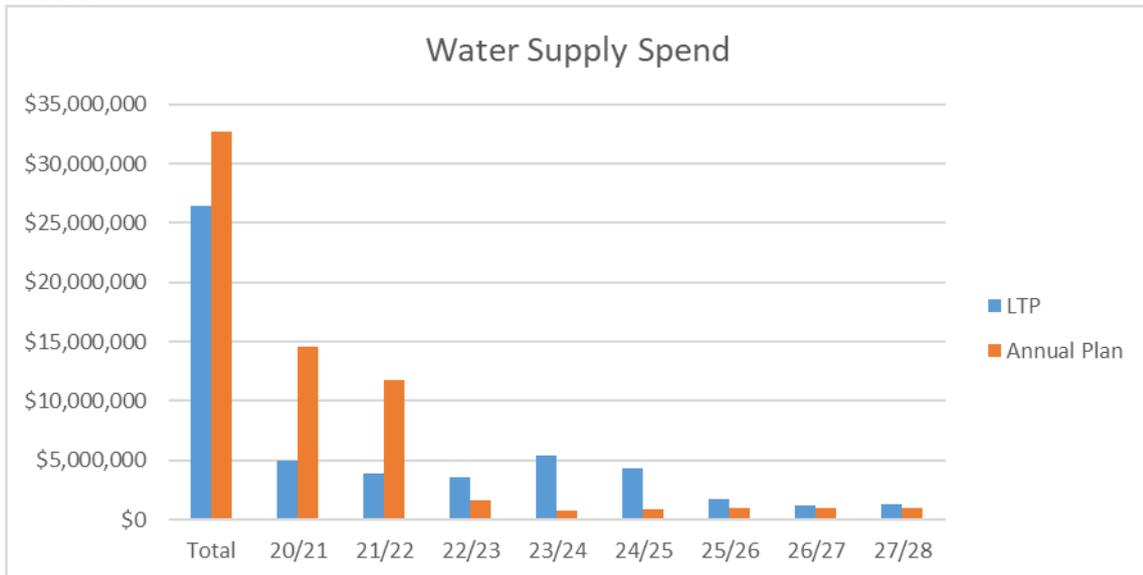


Chart 3: Comparison of total capital spend between LTP and revised budgets for Wastewater

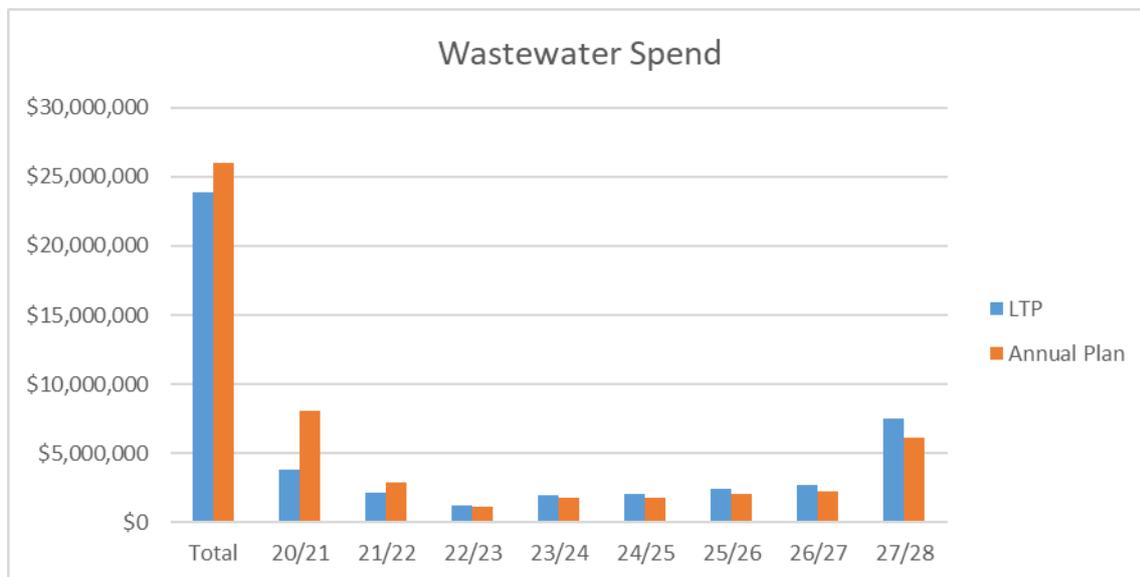
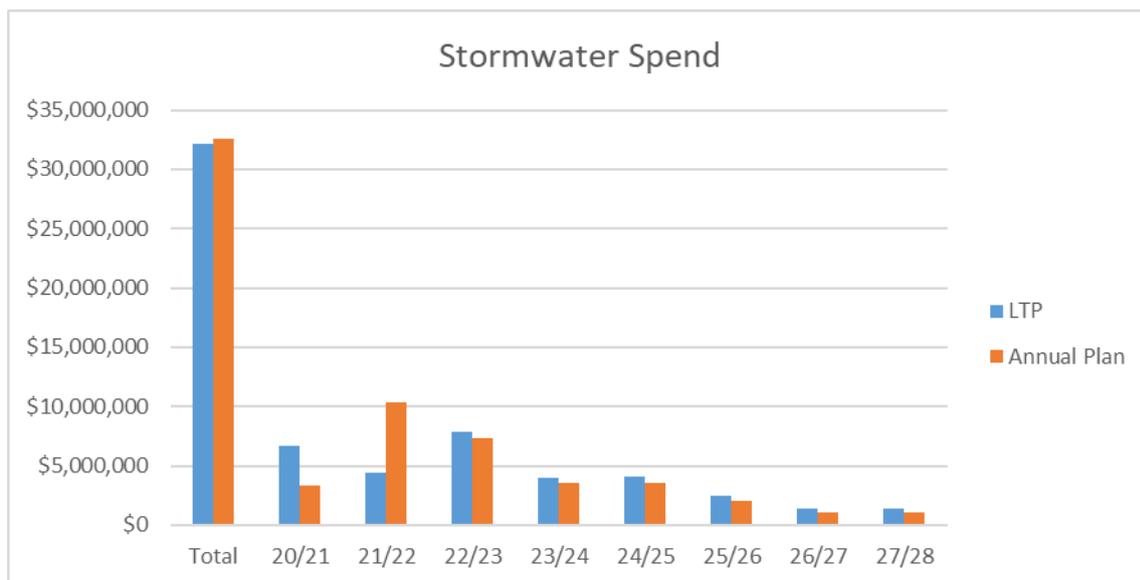


Chart 4: Comparison of total capital spend between LTP and revised budgets for Stormwater



Capital plan for remaining years of LTP

Project Name	Forecast 2019/20 \$000	Forecast 2020/21 \$000	Forecast 2021/22 \$000	Forecast 2022/23 \$000	Forecast 2023/24 \$000	Forecast 2024/25 \$000	Forecast 2025/26 \$000	Forecast 2026/27 \$000	Forecast 2027/28 \$000
Transportation									
Ahuriri Masterplan - Bridge Street Pedestrian facilities	-	-	-	-	-	-	130	2,300	1,800
Ahuriri Masterplan - Meeanee Quay Upgrade	-	-	-	120	-	1,200	-	1,200	-
Ahuriri Masterplan - Pandora Road Upgrade	-	-	-	-	-	-	-	60	900
Ahuriri Masterplan - Thames Severn Stormwater Management	-	250	-	-	250	-	-	-	-
Ahuriri Masterplan - West Quay Car Park	-	1,000	1,500	-	-	-	-	-	-
Ahuriri Masterplan - West Quay Upgrade	45	750	-	-	-	-	-	-	-
Associated improvements	100	100	150	150	150	150	150	150	150
Awatoto to Expressway Link Improvements	-	-	-	-	-	-	-	-	500
Capacity Improvement Projects	-	-	-	-	-	-	-	-	100
CBD Development	500	-	5,795	5,900	120	800	-	-	-
Ground stabilisation and retaining wall	300	350	350	350	350	350	250	250	250
Intersection Improvement Projects	1,185	50	50	700	1,650	2,500	1,020	1,250	1,575
Intersection Safety Improvement Projects	630	1,106	202	402	1,802	2,102	1,252	602	252
KiwiRail - Level Crossing	90	90	75	50	25	10	10	10	10
Local Area Traffic Management Projects	200	-	-	400	240	400	-	25	220
Marine Parade Safety Improvements	200	-	-	575	500	-	-	-	-
New Cycle and Walking Tracks	1,050	750	425	125	300	160	2,710	1,410	760
Public transport infrastructure	50	50	50	50	50	50	50	50	50
Puketitiri Road Upgrade	270	2,500	3,000	2,000	-	-	-	-	-
Roading Renewals	3,183	2,484	3,539	3,518	3,578	3,639	3,757	3,106	2,979
School Zone Safety work	300	-	-	-	-	-	-	-	-
Severn St roundabout	750	500	-	-	-	-	-	-	-
Te Awa Avenue (Ellison to NBHS) S630	-	1,200	-	-	-	-	-	-	-
Te Awa Structure Plan	-	800	-	-	-	-	-	-	-
Urban Corridor Improvement Projects	470	135	110	610	710	35	10	535	760
Total Transportation	9,323	12,115	15,246	14,950	9,725	11,396	9,339	10,948	10,306

Project Name	Forecast 2019/20 \$000	Forecast 2020/21 \$000	Forecast 2021/22 \$000	Forecast 2022/23 \$000	Forecast 2023/24 \$000	Forecast 2024/25 \$000	Forecast 2025/26 \$000	Forecast 2026/27 \$000	Forecast 2027/28 \$000
Water Supply									
Awatoto Industrial & Phillips Road Bore	-	800	700	-	-	-	-	-	-
Awatoto Trunk main extention	-	-	3,000	-	-	-	-	-	-
Borefield No.1 Rising Main	-	5,000	-	-	-	-	-	-	-
Borefield No.2 Land Purchase	-	1,500	-	-	-	-	-	-	-
Church Rd booster to rising main	-	-	2,700	-	-	-	-	-	-
De-Chlorination Station - Anderson Park	55	-	-	-	-	-	-	-	-
De-Chlorination Station - Marine Parade	180	-	-	-	-	-	-	-	-
Dedicated water takes from hydrants S892	84	-	-	-	-	-	-	-	-
District Modelling Projects	677	808	35	-	-	35	-	-	35
FW2 Fireflow Network Upgrades	-	100	-	-	-	-	-	-	-
Hospital Hill Falling Trunk Main	-	150	-	-	-	-	-	-	-
IAR Pump Stations	63	-	-	-	-	-	-	-	-
Improve Bores S892	236	-	-	-	-	-	-	-	-
Network access points	100	100	-	-	-	-	-	-	-
New bores in Awatoto	50	1,500	-	-	-	-	-	-	-
New Reservoir Taradale	171	-	-	-	-	-	-	-	-
New Reservoir Westen Hills	50	-	1,900	-	-	-	-	-	-
New Taradale Bore Field	802	500	-	-	-	-	-	-	-
New Water Treatment Plant	265	2,000	-	-	-	-	-	-	-
Optimise Church Rd Booster Pump Station S892	-	-	400	-	-	-	-	-	-
Replacement of Enfield reservoir	5,039	1,500	2,250	-	-	-	-	-	-
Reservoir inlets and outlets improvements	821	-	-	-	-	-	-	-	-
Taradale Falling Trunk Main	-	150	-	-	-	-	-	-	-
Thompson Reservoir Upgrade	116	-	-	880	-	-	-	-	-
Upgrade Water Supply Control System	194	-	-	-	-	-	-	-	-
Water Control System minor works	5	5	5	5	5	5	5	5	5
Water Meter Renewals	5	5	6	6	6	6	205	205	205
Water Pipes Renewals	365	265	565	565	565	565	585	565	565
Total Water Supply	9,278	14,383	11,561	1,456	576	611	795	775	810

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Project Name	Forecast 2019/20 \$000	Forecast 2020/21 \$000	Forecast 2021/22 \$000	Forecast 2022/23 \$000	Forecast 2023/24 \$000	Forecast 2024/25 \$000	Forecast 2025/26 \$000	Forecast 2026/27 \$000	Forecast 2027/28 \$000
Stormwater									
Ahuriri Master Plan Project 1 - stormwater treatment wetlands	-	-	-	-	300	2,000	-	-	-
Ahuriri Master Plan Project 4 - Upper catchment stormwater quality improvements	-	-	500	500	-	-	-	-	-
Ahuriri Master Plan stormwater study	100	100	100	-	-	-	-	-	-
Ahuriri Master Plan Project 11 - Pandora catchment improvements	200	200	800	-	-	-	-	-	-
Ahuriri Master Plan Project 3 - improve direct outfalls	200	200	800	-	-	-	-	-	-
CBD Stormwater Upgrade	100	150	750	-	-	-	-	-	-
Construction of a hydraulic model and upgrades	152	-	-	50	-	-	50	-	-
Installation of emergency generator - Dalton St pump station	-	-	350	-	-	-	-	-	-
Jervoistown Stormwater Improvements	-	-	150	-	-	-	-	-	-
Minor drain Improvements	30	30	30	30	30	30	30	30	30
New pump station and pumping main for Marewa Catchment	-	100	300	3,500	1,500	-	-	-	-
New pump station in Bay View	-	400	3,000	-	-	-	-	-	-
Outfalls Marine Parade	-	75	-	-	75	-	-	75	-
Pump station minor replacements (mechanical)	20	20	20	20	20	20	20	20	20
SCADA minor replacements	25	25	25	25	25	25	25	25	25
SCADA upgrade project	292	-	-	-	-	-	-	-	-
Stormwater Catchment Project	-	-	-	-	-	500	500	500	500
Stormwater Catchments IAR - Fin Cont	23	-	-	-	-	-	-	-	-
Stormwater pipe upgrades Marewa Catchment	-	-	-	-	100	500	500	-	-
Stormwater pump replacements	-	75	-	75	-	-	-	-	75
Stormwater pump station electrical replacements	40	20	20	20	20	20	20	20	20
Stormwater reticulation replacements	-	-	-	500	-	-	500	-	-
Taradale Catchment Stormwater Upgrades - Stage 1	-	-	250	1,500	1,050	-	-	-	-
Taradale Stormwater Diversion	200	-	150	-	-	-	-	-	-
Te Awa Structure Plan	-	1,000	-	-	-	-	-	-	-
Tennyson St outfall improvements	50	50	150	200	-	-	-	-	-
Thames/Tynes pipe and drain upgrades	50	100	550	-	-	-	-	-	-
Upgrade existing Onehunga Pump Station	-	68	-	-	-	-	-	-	-
Upgrading Dalton St pump station	-	300	2,000	500	-	-	-	-	-
Upgrading Stormwater Catchments	96	-	-	-	-	-	-	-	-
Total Stormwater	1,578	2,913	9,945	6,920	3,120	3,095	1,645	670	670

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Project Name	Forecast 2019/20 \$000	Forecast 2020/21 \$000	Forecast 2021/22 \$000	Forecast 2022/23 \$000	Forecast 2023/24 \$000	Forecast 2024/25 \$000	Forecast 2025/26 \$000	Forecast 2026/27 \$000	Forecast 2027/28 \$000
Wastewater									
Construction of a hydraulic model and subsequent upgrades	12	-	30	-	-	30	-	-	30
Flow meter replacements	-	-	-	50	-	-	-	-	50
Flow metering	150	150	-	-	-	-	-	-	-
Guppy Rd pumping main installation	100	-	350	-	-	-	-	-	-
Harold Holt wastewater upgrades	100	100	400	-	-	-	-	-	-
Installation of Generator Connections	200	-	-	-	-	-	-	-	-
Odour control at Petane pump station	-	40	-	-	-	-	-	-	-
Pandora Industrial Main	450	950	-	-	-	-	-	-	-
SCADA Upgrade	446	250	15	15	15	15	15	15	15
Taradale Wastewater Diversion	176	500	410	-	-	-	-	-	-
Te Awa Structure Plan - Wastewater	-	500	-	-	-	-	-	-	-
Wastewater Outfall Replacement	100	2,000	400	50	50	300	750	750	4,000
Wastewater Pipe Renewals	150	800	500	300	1,000	250	550	750	500
Wastewater Pump Station Renewals	944	145	145	95	95	595	95	95	95
Wastewater Treatment Plant Renewals	349	200	200	200	200	220	250	250	500
Wastewater Treatment Plant Upgrade	-	2,000	-	-	-	-	-	-	500
Total Wastewater	3,177	7,635	2,450	710	1,360	1,410	1,660	1,860	5,690

Project Name	Forecast 2019/20 \$000	Forecast 2020/21 \$000	Forecast 2021/22 \$000	Forecast 2022/23 \$000	Forecast 2023/24 \$000	Forecast 2024/25 \$000	Forecast 2025/26 \$000	Forecast 2026/27 \$000	Forecast 2027/28 \$000
Other Infrastructure									
Cemeteries									
Cemetery Concept Plan Implementation	60	60	60	80	60	80	40	40	-
Cemetery land purchase	-	-	-	-	-	-	-	-	500
Cemetery Planting	25	25	25	25	25	25	25	25	25
Cemeteries Renewals	110	110	110	110	20	20	20	-	-
Napier Cemetery Development	110	125	35	35	10	10	10	10	10
Taradale cemetery Heritage work	-	-	-	-	15	-	-	-	-
Western Hill Extension - Stage 2	-	-	350	-	-	-	-	-	-
Wharerangi Building Refurbishment	-	10	10	10	-	-	-	-	-
Total Cemeteries	305	330	590	260	130	135	95	75	535
Public Toilets									
Parent Facility	49	-	-	-	-	-	-	-	-
Public Toilets Renewals	300	-	-	100	450	550	200	300	650
Total Public Toilets	349	-	-	100	450	550	200	300	650
Waste Minimisation									
Recycling Crate Purchases	1,061	-	-	-	-	-	-	-	-
Transfer Station Pavement & Surfacing	2	-	-	-	-	-	-	-	-
Omarunui Development - Valley D	470	550	277	214	285	268	214	214	214
Omarunui Development - Plant	17	16	242	16	91	29	71	27	105
Omarunui Development - Forestry	12	5	5	5	7	5	5	7	5
Omarunui Development - Valleys B & C	1,196	1,076	531	339	297	297	297	297	297
Solid Waste Renewals.	150	93	93	93	93	93	93	93	93
Total Waste Minimisation	2,908	1,740	1,148	667	773	692	680	638	714
Total Other Infrastructure	3,562	2,070	1,738	1,027	1,353	1,377	975	1,013	1,899

Project Name	Forecast 2019/20 \$000	Forecast 2020/21 \$000	Forecast 2021/22 \$000	Forecast 2022/23 \$000	Forecast 2023/24 \$000	Forecast 2024/25 \$000	Forecast 2025/26 \$000	Forecast 2026/27 \$000	Forecast 2027/28 \$000
City Strategy									
Animal Control									
Agility Tracks	23	-	-	-	-	40	-	-	-
Complex Shelter & Office Renewals	8	-	3	2	14	5	2	26	8
Stock Control Equipment	2	2	2	2	2	2	2	2	2
New Canopy	22	-	-	-	-	-	-	-	-
Total Animal Control	55	2	5	4	16	47	4	28	10
Parking									
CBD Parking Projects	2,200	1,000	-	500	500	500	500	500	600
Alternative Transport Parking	30	10	10	10	10	10	10	10	10
Parking Minor Capital	5	5	5	5	5	5	5	5	5
Parking Equipment Replacement	50	50	50	50	50	50	25	25	-
Total Parking	2,285	1,065	65	565	565	565	540	540	615
Total City Strategy	2,340	1,067	70	569	581	612	544	568	625

Project Name	Forecast 2019/20 \$000	Forecast 2020/21 \$000	Forecast 2021/22 \$000	Forecast 2022/23 \$000	Forecast 2023/24 \$000	Forecast 2024/25 \$000	Forecast 2025/26 \$000	Forecast 2026/27 \$000	Forecast 2027/28 \$000
Community and Visitor Experiences									
Bay Skate									
Park equipment	10	13	-	-	-	-	-	-	-
Skate ramps	-	60	-	-	60	-	-	60	-
Napier Skate Park Renewals	44	46	19	23	20	49	22	20	71
Total Bay Skate	54	119	19	23	80	49	22	80	71
Community Facilities									
Maraenui Com Centre internal refurbishment	30	-	-	-	-	-	-	-	-
Maraenui Community Space	-	1,000	1,000	-	-	-	-	-	-
Minor Capital Allowance	60	60	60	60	60	60	60	60	60
Taradale Town Hall internal refurbishment	-	85	-	-	-	-	-	-	-
Halls Renewals	260	35	30	75	30	30	50	60	100
Total Community Facilities	350	1,180	1,090	135	90	90	110	120	160
Housing									
Henry Charles Hall Internal Refurbishment	-	-	80	-	-	-	-	-	-
Retirement Housing Renewals	782	1,251	704	1,024	1,324	759	1,756	802	2,810
Retirement Housing Minor Capital	89	89	89	89	89	89	89	89	89
Rental Housing Renewals	202	206	204	210	210	150	210	157	210
Rental Housing Minor Capital	21	21	21	21	21	21	-	-	-
Total Housing	1,094	1,567	1,098	1,344	1,644	1,019	2,055	1,048	3,109
Kennedy Park Resort									
Building Renewals	107	381	68	258	594	113	888	343	1,009
Deluxe Ensuite Units	-	-	160	-	-	-	-	-	-
Kitchen Cabins	-	-	-	120	-	-	-	-	-
Main Ablution Block	710	650	-	-	-	-	-	-	-
Replace Workshop	-	-	400	-	-	-	-	-	-
Upgrade TV Infrastructure	-	-	-	175	-	-	-	-	-
Kennedy Park I.A.R.	152	160	435	175	200	210	300	120	190
Kennedy Park Minor Capital	20	20	20	20	20	20	20	20	20
Total Kennedy Park Resort	989	1,211	1,083	748	814	343	1,208	483	1,219

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Community and Visitor Experiences Continued

Project Name	Forecast 2019/20 \$000	Forecast 2020/21 \$000	Forecast 2021/22 \$000	Forecast 2022/23 \$000	Forecast 2023/24 \$000	Forecast 2024/25 \$000	Forecast 2025/26 \$000	Forecast 2026/27 \$000	Forecast 2027/28 \$000
Libraries									
Building Renewals	11	11	16	5	11	29	48	179	38
Customer Insight beams - Napier	-	-	-	50	-	-	-	-	-
Napier Library Rebuild	150	-	969	3,836	9,998	-	-	-	-
Taradale Library - Minor Work	5	145	-	-	-	-	80	-	-
Technology Hub - Napier	-	-	150	200	100	50	-	-	-
Library Renewals	10	10	10	10	10	10	10	10	15
Library Stock	360	360	360	440	440	440	440	440	440
Robson Collection Donations	1	1	1	1	1	1	1	1	1
Minor Capital	10	10	10	10	10	10	10	10	10
Total Libraries	547	537	1,516	4,552	10,570	540	589	640	504
Marine Parade Pools									
Marine Parade Pools Renewals	20	20	20	20	20	20	20	20	20
Ocean Spa Upgrade	400	-	-	-	-	-	-	-	-
Total Marine Parade Pools	420	20							
MTG Hawke's Bay									
Archive Store conversion to Gallery	-	-	-	100	100	-	-	-	-
Building Renewals	23	214	90	246	49	129	286	833	524
Building Upgrades	-	-	180	-	-	-	-	-	-
Century Theatre Foyer Upgrade	-	-	-	50	50	-	-	-	-
Development of new gallery space off Century Theatre Foyer	-	-	-	20	80	150	-	-	-
Earthquake Gallery	-	-	80	-	-	-	-	-	-
Fit Out for New Storage Facility	-	-	300	-	-	-	-	-	-
Minor Capital	5	15	5	5	5	5	5	-	-
New Collection Shelving	-	-	517	-	-	-	-	-	-
Seismic Strengthening	300	-	-	-	-	-	-	-	-
MTG Renewals	106	60	102	60	60	60	60	60	60
MTG Minor Capital	80	60	102	50	50	80	50	50	50
Total MTG Hawke's Bay	514	349	1,376	531	394	424	401	943	634

Community and Visitor Experiences Continued

Project Name	Forecast 2019/20 \$000	Forecast 2020/21 \$000	Forecast 2021/22 \$000	Forecast 2022/23 \$000	Forecast 2023/24 \$000	Forecast 2024/25 \$000	Forecast 2025/26 \$000	Forecast 2026/27 \$000	Forecast 2027/28 \$000
Napier Aquatic Centre									
Napier Aquatic Centre expansion	2,000	5,000	8,565	23,000	5,000	-	-	-	-
NAC I.A.R.	92	332	194	318	229	107	538	427	324
Total Napier Aquatic Centre	2,092	5,332	8,759	23,318	5,229	107	538	427	324
Napier Conference Centre									
Building Renewals	208	-	15	18	7	640	58	43	168
War Memorial	500	1,040	-	-	-	-	-	-	-
CC Renewals	40	140	195	110	110	130	40	40	40
CC Minor Capital	60	60	60	60	60	60	60	60	60
Total Napier Conference Centre	808	1,240	270	188	177	830	158	143	268
Napier i-SITE Visitor Centre									
i-SITE building upgrade	-	850	-	-	-	-	-	-	-
i-SITE Renewals	-	-	-	-	-	50	-	-	-
i-SITE Minor Capital	65	20	-	-	-	-	-	-	-
Total Napier i-SITE Visitor Centre	65	870	-	-	-	50	-	-	-
Napier Municipal Theatre									
Administration Room and Staff Tearoom	-	-	-	-	75	-	-	-	-
Building Renewals	14	18	151	71	122	141	44	276	31
Replace sound system	238	-	-	-	-	-	-	-	-
Upgrade ticket and reception office	-	-	-	-	75	-	-	-	-
NMT Renewals	293	172	120	309	190	130	30	155	155
NMT Minor Capital	40	60	40	40	40	40	30	30	30
Total Napier Municipal Theatre	585	250	311	420	502	311	104	461	216
National Aquarium of NZ									
Expansion Project	1,000	-	7,754	26,345	15,813	-	-	-	-
Aquarium Renewals	400	336	122	-	112	6	187	10	164
NANZ Minor Capital	-	-	-	-	75	75	75	75	75
Total National Aquarium of NZ	1,400	336	7,876	26,345	16,000	81	262	85	239

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Community and Visitor Experiences Continued

Project Name	Forecast 2019/20 \$000	Forecast 2020/21 \$000	Forecast 2021/22 \$000	Forecast 2022/23 \$000	Forecast 2023/24 \$000	Forecast 2024/25 \$000	Forecast 2025/26 \$000	Forecast 2026/27 \$000	Forecast 2027/28 \$000
Par2 MiniGolf									
Building Renewals	3	13	-	17	13	-	3	16	74
Course Upgrade	-	500	450	-	-	-	-	-	-
Par2 Building Upgrade	-	850	-	-	-	-	-	-	-
Par2 MiniGolf Renewal	46	3	3	3	3	3	3	3	3
Par2 Minor Capital	1	1	1	1	1	1	1	1	1
Total Par2 MiniGolf	50	1,367	454	21	17	4	7	20	78
Reserves									
Ahuriri Estuary Projects	20	300	1,000	100	-	-	-	-	-
Allen Berry Future Development	-	-	100	-	-	-	-	-	-
Coastal Erosion	400	200	200	200	200	200	200	200	200
Destination Playground - Stage 2	100	100	800	-	-	-	-	-	-
Foreshore Planting	20	20	20	20	20	20	20	20	20
Freedom Camping	-	-	-	-	-	-	-	-	400
Maraenui Park Development	-	-	100	-	-	-	-	-	-
Marine Parade Historic Skating Rink	-	-	800	-	-	-	-	-	-
Marine Parade renewals	265	265	390	240	130	20	20	20	20
Passive Recreation Reserves	199	-	-	-	-	-	-	-	-
Planting	70	70	70	70	70	70	70	70	70
Playground Renewals	350	200	-	100	100	100	100	100	100
Riparian Planting	20	20	20	20	20	20	20	20	20
Urban Growth	200	50	250	450	50	250	600	50	2,050
War Memorial and Eternal Flame	35	-	-	-	-	-	-	-	-
Western Hill Pathway Development	280	-	-	-	120	-	-	-	-
Westshore Erosion and Inudation Remediation	-	-	-	-	2,500	3,500	1,500	-	-
Westshore Nearshore Restoration	500	-	-	250	-	-	250	-	-
Reserves I.A.R.	1,107	610	800	990	200	540	200	190	150
Whakarire Ave Rock Revetment	-	2,200	-	-	-	-	-	-	-
Hardinge Road Erosion	307	-	-	-	-	-	-	-	-
Total Reserves	3,873	4,035	4,550	2,440	3,410	4,720	2,980	670	3,030

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Community and Visitor Experiences Continued

Project Name	Forecast 2019/20 \$000	Forecast 2020/21 \$000	Forecast 2021/22 \$000	Forecast 2022/23 \$000	Forecast 2023/24 \$000	Forecast 2024/25 \$000	Forecast 2025/26 \$000	Forecast 2026/27 \$000	Forecast 2027/28 \$000
Sportsgrounds									
McLean Park Cricket Practice Nets upgrade	269	100	520	-	-	-	-	-	-
McLean Park Digital Screen	-	-	-	-	-	-	250	-	-
McLean Park Facility Renewals	210	440	230	350	200	-	-	-	200
McLean Park light tower upgrades	-	15	-	-	-	-	-	7	-
McLean Park Player Facility Upgrade	18	-	-	-	-	-	-	-	-
Neighbourhood Parks Upgrades	17	-	-	250	-	-	-	-	700
New Pathways	40	-	40	-	40	-	40	-	40
New Shade Areas	20	20	20	20	10	10	10	10	10
Onekawa Park	-	-	-	-	-	700	-	-	-
Park Island Central Revelopment	-	-	-	-	-	-	-	-	100
Park Island Northern Revelopment	2,140	-	100	-	1,194	-	-	-	250
Park Island Southern Revelopment	-	100	-	100	100	150	787	8,000	-
Playground Development	-	-	100	100	-	100	-	-	-
Riparian Planting	-	10	-	10	-	10	-	10	-
Safety Projects/CPTED	10	-	10	-	10	-	10	-	10
Turf Farm development	-	-	-	-	-	-	-	-	1,000
Sportsgrounds I.A.R.	420	320	440	340	340	340	340	340	540
Total Sportsgrounds	3,144	1,005	1,460	1,170	1,894	1,310	1,437	8,367	2,850
Total Community and Visitor Experiences	15,985	19,418	29,882	61,255	40,841	9,898	9,891	13,507	12,722

Project Name	Forecast 2019/20 \$000	Forecast 2020/21 \$000	Forecast 2021/22 \$000	Forecast 2022/23 \$000	Forecast 2023/24 \$000	Forecast 2024/25 \$000	Forecast 2025/26 \$000	Forecast 2026/27 \$000	Forecast 2027/28 \$000
Property Assets									
Inner Harbour									
Ahuriri Masterplan - Iron Pot Public Access	480	4,008	-	-	-	-	-	-	-
Inner Harbour Facilities I.A.R.	674	-	3,800	-	-	-	-	-	-
Total Inner Harbour	1,154	4,008	3,800	-	-	-	-	-	-
Property Holdings									
Assessment & Compliance Projects	1,455	225	50	50	30	30	20	20	20
Building Purchase	-	1,800	-	-	-	-	-	-	-
Pandora Pond Buildings	250	-	-	-	-	-	-	-	-
Property Purchase	-	1,500	-	-	-	-	-	-	-
Seismic Strengthening Council Buildings	176	-	-	-	-	-	-	-	-
Civic Buildings Renewals	-	-	100	100	100	100	100	100	100
Library Building Renewals	-	-	150	300	300	300	300	300	300
Total Property Holdings	1,881	3,525	300	450	430	430	420	420	420
Total Property Assets	3,035	7,533	4,100	450	430	430	420	420	420

Project Name	Forecast 2019/20 \$000	Forecast 2020/21 \$000	Forecast 2021/22 \$000	Forecast 2022/23 \$000	Forecast 2023/24 \$000	Forecast 2024/25 \$000	Forecast 2025/26 \$000	Forecast 2026/27 \$000	Forecast 2027/28 \$000
Support Units									
Depot Building Renewals	39	83	944	54	15	36	107	210	52
Depot General Renewals	47	30	30	30	30	30	30	30	30
Depot Minor Capital	13	13	13	13	13	13	13	13	13
Lockable storage-more sheds	13	10	5	-	-	-	-	-	-
Network Connection to Smoko Building	-	-	-	-	-	-	10	-	-
Software Replacements and Upgrades	532	494	515	515	575	515	515	515	515
Replacement of Mobile Plant and Vehicle	900	1,050	900	900	900	900	950	950	1,000
Minor Capital General Provision	70	70	70	70	70	70	70	70	70
Corporate IT Network	13	13	13	13	13	13	13	13	13
Technology Equipment Minor Capital	1,175	774	968	475	435	758	685	475	818
Total Support Units	2,802	2,537	3,458	2,070	2,051	2,335	2,393	2,276	2,511

Project Name	Forecast 2019/20 \$000	Forecast 2020/21 \$000	Forecast 2021/22 \$000	Forecast 2022/23 \$000	Forecast 2023/24 \$000	Forecast 2024/25 \$000	Forecast 2025/26 \$000	Forecast 2026/27 \$000	Forecast 2027/28 \$000
Vested Assets									
Stormwater Vested Assets	448	448	448	448	448	448	448	448	448
Vested Assets	300	300	300	300	300	300	300	300	300
Wastewater Vested Assets	401	401	401	401	401	401	401	401	401
Water Supply Vested Assets	221	221	221	221	221	221	221	221	221
Roading Vested Assets	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175
Total Vested Assets	2,545								
Total Capital Programme	53,625	72,216	80,995	91,952	62,582	33,709	30,207	34,582	38,198

9. EXTERNAL ACCOUNTABILITY - LONG TERM PLAN PROCESS UPDATE

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	910182
<i>Reporting Officer/s & Unit:</i>	Adele Henderson, Director Corporate Services

9.1 Purpose of Report

To update the Committee on the processes and risk assessment for development of the Long Term Plan.

Officer's Recommendation

The Audit and Risk Committee:

- a. Note current risk assessment and note next steps in the process as outlined in the report.

Chairperson's Recommendation

That the Committee resolve that the officer's recommendation be adopted.

9.2 Background

The purpose of the LTP Development project is to pull together the complex pieces of the 'LTP jigsaw' to produce an integrated LTP with a complete and accurate base of underlying information. It will provide alignment between council's key strategies, policies and plans and its funding envelope.

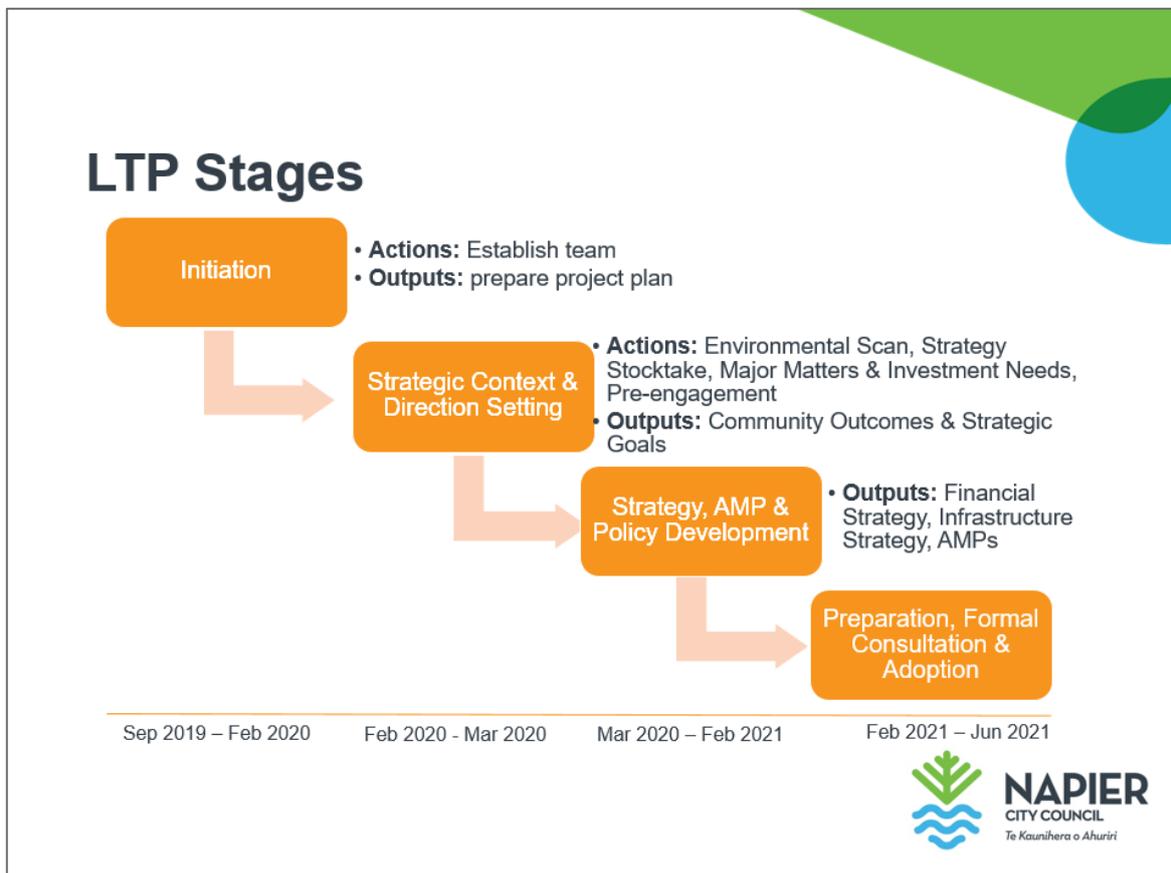
Project Objectives:

- To develop a fit for purpose LTP that:
 - reflects Council's strategic direction
 - complies with legislation
 - receives an unqualified audit report
 - is a living document used by NCC staff and provides 'line of sight' for staff
 - is a robust 3 year plan (unlikely to need amending each year and remains a relevant reference document for its three year life)
 - is a useful document for other agencies (e.g. NZTA, interest groups)
 - informs residents and ratepayers generally.
- To develop a fit-for-purpose consultation that:
 - is an easy, interesting and relevant read for residents and ratepayers
 - engages the community
 - articulates the 'right debate' i.e. provides policy and service delivery choices for genuine consultation
 - is strategic (only includes major matters)

- complies with legislation.
- To complete the project on time and within budget.
- To ensure elected members have been involved at all steps of the process and in particular that the Mayor leads the project as per the Mayoral powers of the Local Government Act. The process is not simply about informing elected members, but about empowering them, as they will own the final document.
- To ensure that Council staff are well informed about the project; the consultation options and the final decisions.

Timeline

The figure below provides a high-level overview of project stages. Additional resourcing is required to finalise the project plan (including detailed schedule, stakeholder analysis, communication plan, risk assessment, budget and quality criteria).



Actions to date:

- Project Plan (draft) – awaiting resourcing
- Environment Scan (draft) – to be reviewed by elected members
- Strategy Stocktake (draft) – to be reviewed by elected members
- Council Strategy Day One: Strategic Context, Engagement (26 Feb)
- Council Strategy Day Two: Pre-engagement, Investment Needs, SWOT Analysis (4 Mar)
- Commenced design of Activity Management Plan template

- Working group established and commenced requirements gathering for project prioritisation tool

Next actions:

- Council report - Project Plan, Environment Scan, Strategy Stocktake
- Finalise Activity Management Plan template
- Finalise requirements and develop project prioritisation tool
- Agree, plan and commence pre-engagement
- Complete Direction Setting - Mission, Vision, Community Outcomes & Strategic Goals
- Commence development of Activity Management Plans, Financial Strategy, Infrastructure Strategy and supporting documentation

9.3 Issues

The project has slipped due to lack of staff resources and delayed direction setting.

Two additional corporate planning resources have been approved and recruitment commenced. To mitigate risk of further slippage a contractor will be engaged from 16 March for 8 weeks.

Without defined Community Outcomes and Strategic Goals, development of strategies and Activity Management Plans is constrained. However, staff can commence development of background information during pre-engagement and further direction setting activities.

9.4 Significance and Engagement

Community engagement to be programmed as part of project planning.

9.5 Implications

Financial

Additional funding for LTP resources (staff and other) included in the draft 20/21 Annual Plan.

Social & Policy

New Financial Strategy, Infrastructure Strategy and other supporting policies and documents to be developed for inclusion in the 2021-2031 Long Term Plan.

Risk

The table below identifies current risks and mitigating actions. A full risk analysis will be undertaken in the next period.

Risk	Likelihood	Impact	Rating	Mitigation
Lack of strategic direction from Council	Moderate	Major	High	Ensure Council has adequate seminar time to discuss and finalise
Unstable major projects for consultation and inaccurate costings	Moderate	Major	High	NCC Project Management Framework implementation and support

Risk	Likelihood	Impact	Rating	Mitigation
No permanent CE for leadership of the project for the next 6-9 months	Almost certain	Moderate	High	Ensure the Mayor and SLT are fully engaged and informed
Staff resourcing impacted by other commitments and lack of experience	Moderate	Major	High	Develop business case for additional resources Ensure availability and funding for consultants to cover the gap
Activity Management Plans not completed in a timely manner for input into the LTP	Unlikely	Major	Significant	Develop fit-for-purpose template and communicate use and timelines to activity managers
LTP is not aligned with our strategies, plans & policies	Moderate	Moderate	Significant	Engage appropriate stakeholders Finalise strategies and assumptions in a timely manner
Project drift	Likely	Moderate	Significant	Recruit resource to manage the project and ensure project reporting is robust
Local Government Reform e.g. change in central government, CCOs for 3 Waters	Likely	Moderate	Significant	Regular environmental scanning Engage 3 Waters Programme Manager
Elected members do not vote for adoption of the Consultation document and/or LTP	Unlikely	Extreme	Significant	Involve elected members at all stages
Non-compliance with audit	Unlikely	Moderate	Low	Develop quality criteria and assessment

Risk status algorithm

		Impact			
		Extreme	Major	Moderate	Minor
Likelihood	Almost certain	Very high	Very high	High	Significant
	Likely	Very high	High	Significant	Significant
	Moderate	High	High	Significant	Low
	Unlikely	Significant	Significant	Low	Trivial

9.6 Attachments

Nil

10. COVID-19 (CORONAVIRUS) AND BUSINESS CONTINUITY PLANNING

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	911815
<i>Reporting Officer/s & Unit:</i>	Antoinette Campbell, Director Community Services

10.1 Purpose of Report

To inform the Audit and Risk Committee of Napier City Council's planned response to the COVID-19 global pandemic.

Officer's Recommendation

The Audit and Risk Committee:

- a. Note Napier City Council's response to the worldwide Novel Coronavirus pandemic (COVID-19) to ensure potential disruption to business operations are minimised as far as practicable.

Chairperson's Recommendation

That the Committee resolve that the officer's recommendation be adopted.

10.2 Background Summary

On 11 March, the World Health Organisation (WHO) declared Novel (new) Coronavirus (COVID-19) a global pandemic for two main reasons;

1. The speed and scale of transmission with 153,648 cases reported to WHO from 146 countries and territories as of 16 March 2020, and
2. Despite frequent warnings, concern that some countries are not approaching the threat with the level of political commitment required to control it.

New Zealand has had eight confirmed cases and two probable cases (at 16 March). The Ministry of Health's stance has been for some weeks now to plan for a pandemic despite the recent declaration, and continue to plan and respond at pace.

On 14 March 2020, Prime Minister Jacinda Ardern announced new border measures, a ban on cruise ships entering New Zealand waters and other provisions. Many of these took effect from 1am on Monday 16 March.

10.3 Issues

This is a highly dynamic international event where the situation and impacts can change very quickly. Civil Defence Emergency Management (CDEM) Groups are a consortium of local authorities in a region working in partnership with emergency services, lifeline utilities and government departments to manage hazards and risks across the four R's (reduction, readiness, response and recovery).

The role of the CDEM Groups in the New Zealand Influenza Pandemic Plan (NZIPAP) in the response phase, in support of the health led response, is to "prioritise and coordinate

the regional CDEM interagency responses to the consequences of pandemic [influenza] necessary to support communities”.

NZIPAP provides direction to CDEM Groups on initial actions they are expected to undertake while New Zealand remains in the “Keep It Out / Stamp It Out” phase. It also includes readiness activity for actions identified within the “Manage It Phase” in order to ensure these can be undertaken.

These actions support stated aims to flatten the pandemic curve, reducing the overall surge in demand across all sectors and will prepare agencies and communities for a sustained response.

Napier City Council has escalated its ‘readiness’ phase in planning for a pandemic response. This has included reviewing and updating Business Continuity Plans (BCPs) for all areas of the business and identifying essential and priority services in the event of an emergency. This work is being overseen by the Business Continuity Planning Committee, represented by staff members across the organisation.

A Pandemic Response Plan is being prepared in accordance with the Ministry of Health Pandemic Management Strategy, which will provide guidance on how the organisation will deal with staff leave in the event of sickness, caring for dependents, and for staff requiring or opting to self-isolate. Planning is also underway for redeploying well staff who are not required at their usual place of business due to event cancellations etc.

Over the last fortnight, a number of event cancellations have been made with the Napier Conference Centre, the Municipal Theatre and the i-SITE business units, as well as some large accommodation bookings with Kennedy Park Holiday Resort.

Due to the nature of the event, the Hawke’s Bay District Health Board is the lead agency with coordination provided by the Hawke’s Bay Civil Defence Emergency Management Group. The Group Emergency Coordination Centre (GECC) has been activated in monitoring mode, and has established a sustainable Coordinated Incident Management System (CIMS) based structure, led by the Group Controller. During the response phase of the COVID-19 event, Council will activate its Incident Management Team led by the Local Controller, which will coordinate and monitor the implementation of Council’s BCPs.

All public information is being coordinated and released by the Ministry of Health and locally by the Hawke’s Bay District Health Board. Global information can be sourced from the World Health Organisation. Within Council, information is being provided to staff by email updates from the Chief Executive and a dedicated page on the Intranet provides updated information and answers to frequently asked questions.

10.4 Significance and Engagement

This matter does not trigger Council’s Significance and Engagement Policy or other consultation requirements.

10.5 Implications

Financial

While the full financial implications of the COVID-19 event are not known, the Napier City Council is already adversely impacted by a number of cancellations of events and bookings at its revenue generating facilities. At the time of writing, the direct cost to Council of these cancellations is estimated to be over \$300,000. The indirect costs have not been quantified.

Social & Policy

N/A

Risk

A full risk profile assessment is yet to be carried out, however it will cover at least the following:

- Employee absenteeism due to sickness and domestic leave and self-isolation – it is estimated that 20% to 60% of the workforce could be away from work over an eight week period.
- Closure of customer-facing facilities and temporary withdrawal of services resulting in redeployment of well staff
- Ability to deliver essential services may be compromised due to absenteeism. Priority services have been identified as;
 - Water supply
 - Wastewater
 - City Cleaning
 - Environmental Health
 - Cemeteries and Crematorium
 - Solid Waste
 - Animal Control
 - Building Consents
 - Call Centre - including after hours
 - Finance Accounts Payable
 - Internal services - Information Management & Business Transformation, Health & Safety, Payroll.
- International staff travel for work or personal purposes. A register of all planned travel is being collated to inform managers of potential risks. Work-related travel will be reviewed closer to the time of it being scheduled.

10.6 Options

The options available to the Committee are as follows:

- a. Receive the report on Council's planned response to the COVID-19 pandemic for information.

10.7 Development of Preferred Option

N/A

10.8 Attachments

Nil

PUBLIC EXCLUDED ITEMS

That the public be excluded from the following parts of the proceedings of this meeting, namely:

AGENDA ITEMS

1. Legal Update
2. Appointment Process
3. Revera Lead Agency IaaS Status Report

The general subject of each matter to be considered while the public was excluded, the reasons 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 were as follows:

General subject of each matter to be considered.	Reason for passing this resolution in relation to each matter.	Ground(s) under section 48(1) to the passing of this resolution.
1. Legal Update	<p>7(2)(b)(ii) Protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>7(2)(g) Maintain legal professional privilege</p> <p>7(2)(i) Enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p>48(1)A That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist:</p> <p>(i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.</p>
2. Appointment Process	<p>7(2)(f)(ii) Maintain the effective conduct of public affairs through the protection of such members, officers, employees and persons from improper pressure or harassment</p>	<p>48(1)A That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist:</p> <p>(i) Where the local authority is named or specified in</p>

<p>3. Revera Lead Agency IaaS Status Report</p>	<p>7(2)(c)(i) Protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information or information from the same source and it is in the public interest that such information should continue to be supplied</p>	<p>Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.</p> <p>48(1)A That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.</p>
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AUDIT AND RISK COMMITTEE

Open Minutes

Meeting Date: Thursday 5 December 2019

Time: 1.00pm – 1.02pm
2.30pm – 3.23pm

Venue Council Chamber
Hawke's Bay Regional Council
159 Dalton Street
Napier

Present John Palairt (In the Chair), Mayor Kirsten Wise, David Pearson,
Councillor Nigel Simpson and Councillor Graeme Taylor

In Attendance Councillor Sally Crown, Councillor Api Tapine
Stephen Lucy – Audit New Zealand
Chief Executive, Director Corporate Services, Director
Infrastructure Services, Director Community Services, Manager
Communications and Marketing, Manager People and
Capability, Chief Financial Officer

Administration Governance Team

Apologies

Nil

Conflicts of interest

Nil

Public forum

Nil

Announcements by the Mayor

Nil

Announcements by the Chairperson

Nil

Announcements by the management

Nil

Confirmation of minutes

Councillor Palairret / Mayor Wise

That the Minutes of the meeting held on 13 September 2019 were taken as a true and accurate record of the meeting.

Carried

AGENDA ITEMS

1. HEALTH AND SAFETY REPORT

Type of Report: Operational

Legal Reference: N/A

Document ID: 871748

Reporting Officer/s & Unit: Sue Matkin, Manager People & Capability

1.1 Purpose of Report

The purpose of the report is to provide the Audit and Risk Committee with an overview of the health and safety performance as at 31 October 2019.

At the Meeting

The Manager People and Capability spoke briefly to the report, noting that the annual targets are established looking for improvements from the previous year. It is difficult to benchmark against other local authorities due to the range of facilities Council oversees.

The Committee commended the continuing positive trend.

Committee's recommendation

DW Pearson / Councillor Simpson

The Audit and Risk Committee:

- a. Receive the Health and Safety report as at 31 October 2019.

Carried

2. RISK MANAGEMENT REPORT NOVEMBER 2019

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	873301
<i>Reporting Officer/s & Unit:</i>	Ross Franklin, Consultant

2.1 Purpose of Report

To provide the Audit and Risk Committee with an update on progress with risk management work and to report on the highest paid risks.

At the Meeting

The Director Corporate Services spoke to the report, advising that the Manager Business Excellence and Transformation role has been filled, and that the risk role will be re-advertised as the first round did not result in a successful appointment.

Following further more details assessment the Bluff Hill fence risk has been adjusted down to "high". The work will start soon, but will need to be undertaken in stages due to availability of some of the required product.

In response to questions from the Committee it was confirmed that Committee members can raise risks through the Manager business Excellence and Transformation, or one of Council's risk champions, as well as via the Committee Chair. Committee members can also initiate a line of enquiry if there are areas they are concerned about or wish to assure themselves on.

ACTION Cr Taylor requested a report be prepared on any reputational and financial risk as a result of removing the Conference Centre branding from the War Memorial Hall; this is to include any financial risk to the facility and any financial and reputational risk to staff. The report is to be circulated to Audit and Risk for comment via email, then taken to Council.

Committee's recommendation

Councillor Palairet / Mayor Wise

The Audit and Risk Committee:

- Note the Risk Management Work being undertaken by Napier City Council staff and management.
- Note the current Major risks.
- Receive the Risk Report dated 22 November 2019.

Carried

3. AUDIT AND RISK COMMITTEE CHARTER

Type of Report: Procedural

Legal Reference: N/A

Document ID: 873943

Reporting Officer/s & Unit: Adele Henderson, Director Corporate Services

3.1 Purpose of Report

The purpose of this report is to advise the incoming committee of the committee charter and of the recommendation for the charter to be reviewed over the next 12 months.

At the Meeting

The Director Corporate Services spoke briefly to the report, noting that with the re-establishment of this Committee with changes in membership it was timely to ensure continued visibility of the Charter, and of the role and mandate of Committee members.

ACTION A specific Health and Safety section is to be included in the Charter as per the Chair's recommendation earlier this year

ACTION Any further Charter update requests to be provided to the Chair and Director Corporate services by email; an updated document will be brought to the March 2020 Audit and Risk Committee meeting for consideration.

Committee's recommendation

DW Pearson / Councillor Taylor

The Audit and Risk Committee:

- a. Note and discuss the current Audit and Risk Committee Charter and make any recommended changes

Carried

4. PROPOSED AUDIT AND RISK COMMITTEE 2020 MEETING CALENDAR

Type of Report: Operational

Legal Reference: N/A

Document ID: 871747

Reporting Officer/s & Unit: Caroline Thomson, Chief Financial Officer

4.1 Purpose of Report

To consider the proposed timetable of meetings for the Audit and Risk Committee in 2020, as detailed below.

At the Meeting

It was noted that the meeting dates proposed for the Audit and Risk Committee have been aligned with the wider governance schedule adopted by Council at its meeting on 5 December 2019.

Committee's recommendation

Councillors Taylor / Simpson

The Audit and Risk Committee:

- a. Receive the proposed timetable of meetings for the Audit and Risk Committee for 2020.

Carried

5. FINANCIAL DELEGATION

<i>Type of Report:</i>	Legal and Operational
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	869923
<i>Reporting Officer/s & Unit:</i>	Adele Henderson, Director Corporate Services

5.1 Purpose of Report

To review and approve the Chief Executive's financial and non-financial delegation

At the Meeting

The Director Corporate Services spoke to the report, noting that the Audit and Risk Charter outlines that it is good practice to regularly review the delegations to the Chief Executive, but this has not been undertaken for some time. The current delegation of \$500k has been in place at least 10 years; it was suggested that in meeting the balance between facilitating Council operations (particularly in the infrastructure space) with ensuring Council oversight a delegation of \$1M may be more fit for purpose in the current procurement environment.

In response to questions from the Committee it was advised that Hastings District Council Chief Executive holds a financial delegation of \$5M. Multi-year contracts still require visibility of Council. It was noted that the Hearings Committee has reviewed tenders well above \$1M previously but their mandate is to exercise financial delegation not to make a completely different selection of tenderer. It was agreed that there was opportunity to bring procurement plans through to Council as part of good transparency.

The independent members of the Committee strongly supported an increase in the delegation, stating that \$500k is far too low and EIT had recently increased their CE delegated authority to \$1M from a functionality perspective.

The Mayor noted that her preference was to maintain status quo from a political perspective.

It was noted that using Council and or the Hearings Committee for approvals has impacts on time frames, due to the report drafting and agenda production requirements.

Officer's Recommendation

The Audit and Risk Committee:

- a. Approve an increase of the financial delegation to the Chief Executive from \$500k to \$1m
- b. Approve the Delegation to the Chief Executive document dated 5 December 2019

Committee's recommendation

Councillor Taylor / Mayor Wise

The Audit and Risk Committee:

- a. Note the recommendation of the report to increase the financial delegation to the Chief Executive from \$500k to \$1M, and provide feedback that the independent members support this recommendation while the Mayor's preference is to retain the current delegation
- b. Approve the Delegation to the Chief Executive document dated 5 December 2019 subject to Council financial delegation approval

Carried

6. SENSITIVE EXPENDITURE: MAYOR AND CHIEF EXECUTIVE

Type of Report: Operational and Procedural

Legal Reference: N/A

Document ID: 871750

Reporting Officer/s & Unit: Caroline Thomson, Chief Financial Officer

6.1 Purpose of Report

To provide the information required for the Committee to review Sensitive Expenditure of the Mayor and Chief Executive for compliance with Council's Sensitive Expenditure Policy.

At the Meeting

It was noted that the expenditure of the Mayor and Chief Executive must be provided to Audit and Risk Committee for review in the open agenda to comply with Council's Sensitive Expenditure Policy and to maintain transparency.

Committee's recommendation

DW Pearson / Councillor Taylor

The Audit and Risk Committee:

- a. Receive the report of Sensitive Expenditure for the Mayor and Chief Executive and review for compliance with the Sensitive Expenditure Policy.

Carried

7. EXTERNAL ACCOUNTABILITY: AUDIT NEW ZEALAND MANAGEMENT REPORT

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	871746
<i>Reporting Officer/s & Unit:</i>	Caroline Thomson, Chief Financial Officer

7.1 Purpose of Report

To consider the Audit NZ management report to the Council on the audit of Napier City Council for the year ended 30 June 2019 (to be tabled at the meeting).

At the Meeting

The Chief Financial Officer tabled the final Audit New Zealand management report, which is unmodified. Mr Lucy of Audit NZ confirmed that they had found that the financial and non-financial statements are materially correct and further that the latter accurately capture and reflect Council's activities appropriately. He noted that Audit NZ had been happy with how the weathertightness claims were handled, that a lot of consideration had been given to the condition and value of assets, and that the conversation in relation to tax continued.

It was confirmed that Karen Young will be taking over from Mr Lucy in 2020, and the Chair extended thanks and acknowledgment to Mr Lucy for the productive relationship with Council over his tenure and the input he has provided in that time.

ACTION It was agreed that for those recommendations in the Audit NZ management report which were not annual in nature, an update would be provided to the next Audit and Risk Committee meeting in March 2020.

Committee's recommendation

DW Pearson / Councillor Simpson

The Audit and Risk Committee:

- a. Receive the Audit NZ management report to the Council on the audit of Napier City Council for the year ended 30 June 2019.

Carried

8. EXTERNAL ACCOUNTABILITY: INVESTMENT AND DEBT REPORT

Type of Report: Operational

Legal Reference: N/A

Document ID: 871749

Reporting Officer/s & Unit: Caroline Thomson, Chief Financial Officer

8.1 Purpose of Report

To consider the snapshot report on Napier City Council's Investment and Debt as at 31 October 2019.

At the Meeting

The Chief Financial Officer spoke briefly to the report, noting that a large amount is currently on deposit as it is expected it may be required in the new year.

Committee's recommendation

Councillors Taylor / Simpson

The Audit and Risk Committee:

- a. Receive the snapshot report on Napier City Council's Investment and Debt as at 31 October 2019.

Carried

9. INTERNAL AUDIT: COMMUNITY GRANTS MANAGEMENT

Type of Report: Operational

Legal Reference: Local Government Act 2002

Document ID: 872363

Reporting Officer/s & Unit: Caroline Thomson, Chief Financial Officer

9.1 Purpose of Report

To table to the Committee the internal audit on community grants management undertaken by Council's internal auditors, Crowe Horwath.

At the Meeting

The Chief Financial Officer spoke briefly to the report, noting that the review had found that practices overall were appropriate; of the two minor matters raised through the review, one has already been addressed, and the second is underway and due for completion by 30 June 2020.

Committee's recommendation

DW Pearson / Councillor Simpson

The Audit and Risk Committee:

- a. Receive the report from Crowe Horwath titled 'Community Grants Management'.

Carried

The meeting closed at 3.23pm

Approved and adopted as a true and accurate record of the meeting.

Chairperson

Date of approval