



NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri

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AUDIT AND RISK COMMITTEE

Open Agenda

Meeting Date: Friday 12 June 2020

Time: 1pm

Venue: Large Exhibition Hall
Napier War Memorial Centre
Marine Parade
Napier

Committee Members John Palairet (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 18 September 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

That the Minutes of the Audit and Risk Committee meeting held on Friday, 20 March 2020 be taken as a true and accurate record of the meeting.60

Agenda items

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AGENDA ITEMS

1. WASTEWATER OUTFALL REPORT

<i>Type of Report:</i>	Legal and Operational
<i>Legal Reference:</i>	Resource Management Act 1991
<i>Document ID:</i>	933764
<i>Reporting Officer/s & Unit:</i>	Catherine Bayly, Manager Asset Strategy Cameron Burton, Manager Environmental Solutions

1.1 Purpose of Report

To provide the Audit and Risk Committee with an update on the Wastewater Outfall, noting a similar report has gone to Council to:

- inform Council of an update to the status of the Awatoto Submarine Wastewater Outfall which conveys treated wastewater to the Pacific Ocean, and to;
- enable decisions to be made to bring forward funding for an expedited repair, renewal or replacement of the outfall structure.

Officer's Recommendation

The Audit and Risk Committee:

- a. Note the current status of the submarine wastewater outfall:
 - i. There remains some seepage of wastewater from sealing gaskets which form part of a bespoke fibreglass joint section of the subsurface outfall pipe structure;
 - ii. Despite efforts, staff have not been able to identify a way to quickly fix this seepage without putting the fibreglass joint at risk of rupturing;
 - iii. That frequent testing of the coastal waters surrounding the area of seepage continues to show de minimus environmental effect of those waters, caused by this seepage;
 - iv. That Hawkes Bay Regional Council (HBRC) have recently indicated (on 25 March 2020) that Council must take the following actions:
 - 1) Undertake short-term repairs to mitigate the leak from the joint leak by 30 October 2020
 - 2) Provide long-term options for repairing the joint in the outfall pipe by the same date (30 October 2020)
 - v. That HBRC have informally notified Council of their intention to pursue enforcement action against Napier City Council to cease the discharge at the joint if the timeframes above are not met.
 - vi. That a further leak has been discovered within 100m of the fibreglass joint. Divers have been to the site with the aim to repair and have found that this is

an old repair that has been damaged by an anchor, or other, and will need an additional repair.

- vii. Tight timeframes to effect a repair increases the risk associated with delivering a short-term fix, rather than facilitating long-term solutions which will provide better outcomes.
- b. Officers are seeking approval by Council to:
 - i. Seek a variation to the current resource consent to authorise the discharge of wastewater via seepage at a position other than that currently authorised (at the fibreglass joint location);
 - ii. Seek early provision of funding assigned for later financial years in the Long Term Plan (LTP) to enable the strategic and planned replacement of the wastewater outfall, including better treatment options to facilitate a more highly treated wastewater in the future.
- c. Note that funding to be released from Wastewater Reserves to attempt a fix of the two seepages and to start on investigation works for replacement of the outfall (\$2m has been put forward in the 20/21 Annual Plan).
- d. Note attempt the lowest risk repair option of the fibreglass joint to address Regional Council's repair timelines.
- e. Note the Beca Ltd Report entitled "Napier City Council – Wastewater Outfall – Issues and Options" dated 15 May 2020.
- f. Note the Audit and Risk Committee may request further information in relation to this issue that they may require in order to fully understand the risk to Council and the community if not already provided in the report. This committee has the ability to provide any feedback on the risk assessment based on the preferred options presented as part of this paper and/or may any recommendation to Council.

1.2 Background Summary

- The 1.54km long wastewater sea outfall pipe was installed in the 1970s. The outfall pipe had issues from early stages due to poor construction methodology and design. The pipe has been installed in two sections and connected with an in-situ joint approximately 700m offshore. Due to a misalignment of the pipe ends at the joint, a fibreglass joint was installed in 1984. This joint is the weakest point of the outfall pipe.
- According to available information, the designed vertical alignment of the pipe was not met during construction. The seaward end of the diffuser settled below the seabed at an early stage after construction, causing issues with performance of the diffuser. Inspection of the pipe has revealed several historical leak repairs to the pipe. Overall, there have been many issues with the outfall pipe and diffuser from the beginning.
- Historically the submarine outfall has not been regularly inspected. As part of recent improvements to planned maintenance, divers inspect the pipeline and diffusers annually. During these inspections, ports of the diffusers are cleaned. However, not all the diffuser ports are functioning due to blockages, missing diffuser parts (damaged

by fishing trawlers or logs rolling on the sea bed) or they are buried under an ever-changing seabed.

- In 2018 specialist diving contractors were engaged to undertake a condition assessment over the full length of the outfall pipeline.
- In August 2018, diving investigations found several sticks, pine cones, fishing net and weed inside the outfall.
- The specialist divers found a small leak coming from the pipeline approximately 70 metres from the shore. This leak was subsequently fixed using stainless clamps and rubber sheaths and subsequent assessments have found this to be in good condition.
- The divers also found an area of more significant seepage discharging from rubberised gaskets between a one-of-a-kind custom-built fibreglass joint section, 700m from shore. The seepage has been calculated at approximately 10 litres per second, when normal flow is in the order of 300-400 litres per second.
- Visibility is zero at the site, due to coastal interaction with the river sediment in the area.
- In late April 2020 an additional plume slightly closer to shore from the joint was discovered during a drone monitoring inspection. This seepage is from a previous repair that has now failed. The dive team believe that the pipeline at this point has sustained a significant impact. Divers were mobilised at the start of May and have identified an old repair with a steel clamp and cement bags. There are longitudinal and radial cracks in the pipe under the clamped section and there has been some displacement of the pipe. Although it was intended that a repair be made at that time, this was not possible as the required repair was deemed to be more complex than anticipated.
- HBRC were notified of the second seepage by phone and email on the 5th May 2020.
- Work is underway to legally protect the outfall under the Submarine Cables and Pipelines Protection Act 1996, (the same piece of legislation that protects the power cables under Cook Strait). This allows much larger penalties for those who are found to have caused damage, than what is currently available.
- The consent for the Outfall expires in 2037
- The capacity of the outfall is currently constrained due to the integrity of the historical repairs. The Wastewater Treatment and Outfall Master Plan that is currently being developed and produced later this year will help to determine future requirements for the full replacement of the outfall.

Systematic seepage detection:

- There is no formal process for seepage detection and for such a challenging coastal environment. It is very difficult to detect small seepages.
- Pressure monitoring is undertaken and recorded, but the nature of the system is such that the operation of the pump and air valve along with the tide and wave action are likely to mask any small seepages.
- There are frequently large movements of sediment in the bay (up to 1.5m) following storms which can bury the pipeline which can also have an effect on monitoring.

Offshore Environmental Monitoring:

As well as monitoring the quality of the raw and treated wastewaters being discharged to the outfall and subsequently the ocean, the Environmental Solutions Team carry out environmental effects monitoring by boat at the authorised discharge site.

Since the discovery of the seepage from the joint in 2018 the Environmental Solutions Team have increased surveillance of the site, including:

- review of footage from the specialist divers;
- scheduled deployment of our drone to provide aerial imagery of any visible plumes;
- additional environmental effects monitoring by boat in set positions immediately above and in a series of positions surrounding the joint;
- bacteriological nearshore sampling along the coast from East Clive to Town Reef to ascertain trends and effects;
- installed cages of mussels which after a period of saturation were analysed for viruses to ascertain impacts of the wastewater outfall and seepage upon human health of those collecting kai moana;
- initiated a variation to the current resource consent to authorise the additional seepage from the joint.

It is this proactive monitoring that has ascertained the second area of seepage, further towards the shore from the joint.

To date, the laboratory analysis of samples collected have shown very little impact caused by the seepage at the joint. Results are variable due to multiple factors at the site, but the following table provides a summary of findings of Faecal coliforms:

Date	Faecal coliforms at diffuser	Faecal coliforms at the joint
27 Aug 2018	N/A	<1 cfu/100mL
12 Nov 2018	700 cfu/100mL	<1 cfu/100mL
12 Mar 2019	500 cfu/100mL	38 cfu/100mL
09 May 2019	3,500 cfu/100mL	30 cfu/100mL
16 Aug 2019	2,100 cfu/100mL	<1 cfu/100mL
06 Nov 2019	<1 cfu/100mL	<1 cfu/100ml
13 Jan 2020	8,100 cfu/100mL	<1 cfu/100mL
29 Jan 2020	11 cfu/100mL	6 cfu/100mL
18 May 2020	Samples still being analysed at time of writing	

In addition to this ocean surface monitoring, we have had the divers conduct sampling of waters surrounding the joint to ascertain levels of dilution at the joint, and at 2 metres and 5 metres above and 2 metres and 5 metres away on North, South, East, West headings.

Again, results are variable depending upon ocean swells, currents and pumping rates at the time of the sampling, but do not show significant impacts.

For the nearshore coastal waters monitoring since 2018 the highest recorded levels of Faecal coliforms were 130 cfu/100mL at Short Groyne (adjacent the Hastings wastewater discharge), and 38 cfu/100mL at the joint (as shown above). From a public health perspective, through the possible collection of kai moana at Town Reef, the highest reading to date is 4 cfu/100mL.

The Environmental Solutions Team will continue required monitoring and additional monitoring, and will soon carry out another virus assessment using mussel cages and will continue to build on data including additional subsurface dispersion sampling from the divers when next engaged.

Possible Repair Option:

NCC engaged Beca Ltd to provide an “Issues and Options” report for the main leak on the outfall. All of the options have similar risks, with the most notable being the potential to damage the joint to the point where a large volume of wastewater is discharged at 700m offshore instead of the consented discharge point, 1.5km offshore.

Repairing the fibreglass joint leak has a number of constraints. The main constraints are:

- Available storage at the treatment plant for a shutdown of the plant is enough only for approximately 4 hours at normal dry weather flows. There is a risk of not completing the repair within this time period, only simple repairs can be completed without having additional storage at the plant.
- The fibreglass joint is fragile and any disturbance to the fibreglass or pipe supports during the repair may disjoint the pipe making it difficult to re-joint / re-attach the fibreglass joint.
- This is a pre-stressed pipeline and maintaining the continuity of structural integrity of the pipe during the repair is not easy in a soft, changing seabed.
- Site conditions: Working on the seabed in often zero visibility, weather and sea state.

Council's Infrastructure team, and the Beca team have identified a number of repair options, these are summarised in the following table:

Repair Option	Indicative cost (\$)	Comments
Inserting a caulking cord or hemp into the flanged joints. Recommended	\$200,000 plus 1 week to undertake	Medium risk. Cost is <i>relatively</i> low. The success of this option is unknown and may be limited. This option can be actioned prior to HBRC's deadline.
Grout encasement of whole joint including supports Not Recommended	\$500,000 Specialist Construction. 2 months	Medium to high risk. May take a longer time to repair causing storage issues at the plant. This places a large deadweight at two pipe sections, potential for settlement and further damage to the surrounding concrete pipe. Additional storage at the treatment plant would be required.
Grout filling of the fibreglass box Not Recommended	\$500,000 1 week	High to Extreme risk. Grout may block the pipe and diffusers partially or fully. The structure inside of the fibreglass box has not been confirmed.
Install a PE sleeve liner Not Recommended	Not costed 3 months	Outfall might have to be taken out of service for up to 8 weeks. This option is not viable given the unknown internal pipe

	Not currently feasible	condition and obstructions, miss alignment at the fibreglass joint, no storage, and a reduction in internal diameter impacting flow rates.
Install a chamber and new seaward half of the outfall Not Preferred	\$12m estimate Several Months	It is not advisable to replace half of the outfall without the results of the WW Treatment and Outfall and Master plan. It would be more cost effective to undertake a full planned replacement.
Consent Variation Underway	\$100,000	Enable the fibreglass joint leak to continue until the assets is replaced if the repair is not effective.
Early Replacement of the Outfall Preferred	\$33-\$40 million (requires investigation) 12 months plus investigation and consenting period	Investigation works can be started to get the replacement project underway. The value of the replacement could be \$20-\$40m, more work is required to develop a reasonable cost estimate.

The lowest risk option for the repair of the fibreglass joint section and associated o-ring seals and bolted sections would be:

- Diving on the pipeline at a time where tidal action, wave action and availability of specialist divers aligned;
- Cessation of discharge of wastewater by shutting down the wastewater treatment plant for a period of time;
- Unbolting the top part of the fibreglass joint section;
- Scraping detritus build-up to enable a smooth working area;
- Inserting greased rope and o-ring seals;
- Re-installing the top part of the fibreglass joint section.

There are significant risks associated with any repair option. Risks associated with the proposed option are identified in section 1.5.

Variation to Resource Consent

- A variation to the current resource consent is nearing completion which seeks to authorise the discharge of treated wastewater at an additional position, being the joint.
- The intention is to conditionally authorise the seepage discharger of treated wastewater at the joint, as Council are not currently legally authorised to do so. This will be a short-term consent to relieve some pressure until a permanent solution to the outfall pipe is implemented.
- An Environmental Effects Assessment has been developed by the Environmental Solutions Team, and this is awaiting an external peer review from a marine ecotoxicologist to enable independence prior to lodging with Hawkes Bay Regional Council.
- This application will proffer under the Augier Principle an emergency response plan which is to be developed both to address any sudden break in the outfall pipe (in any position), but also to address concerns of a breakage caused by the expeditiousness imposed upon Council to enable a short-term repair attempt. The choice of repair type and the methods

of said repair, will mean the emergency response plan has to be dynamic enough to address the implications of a failure due to that repair.

- It is likely that lodgement of this application for variation to the resource consent could be made as soon as the week of the presentation of this paper.

Outfall Renewal

The Wastewater Outfall is nearly 50 years old. The recently identified seepage at an old joint is indicative of the condition of the structure and highlights that Council will need to increase expenditure to keep the outfall operational and operating within its consent conditions. This additional seepage also highlights the increasing risk of failure of the asset.

With escalating maintenance costs, current capacity constraints and increased risk of failure, it is recommended that Council start preparing for the replacement of the outfall and identify required funding to start this process prior to the consent renewal.

1.3 Issues

- Pre 2003 there have been 8 significant leaks that have been repaired.
- 2018 Small seepage at 70m – repaired.
- 2018 Larger seepage at 700m.
- End of diffuser is plugged as it is 1-5m below seabed, full length not used.
- Diffuser 120m long, including pre-tensioned structure.
- News smaller seepage discovered at 600m offshore in May 2020.
- The outfall is constrained and does not meet the required levels of service.
- Difficult repair conditions with no visibility and dangerous conditions for divers in a contaminated environment.
- Undertaking a repair on the outfall could result in further damage to the outfall.
- There is the likelihood of enforcement action if we do not undertake a repair on the fibreglass joint by October 2020.
- The outfall is nearing end of life and the costs to maintain it and repair leaks is escalating.

1.4 Significance and Engagement

The work proposed in both the short term and longer term to repair and replace the outfall represents a significant level of investment. The proposed repair cost is included in the draft annual plan to be consulted on in May/June of this year. Investment for the renewal of the outfall will need to be consulted upon in the 2021-31 LTP.

1.5 Implications

Financial

Council's specialist consultants have provided a quotation to undertake repairs on both of the existing leaks. While the cost of these repairs is estimated at around \$250,000, Council officers recommend that Council provide \$400,000 for repair attempts. This will allow for poor weather conditions or issues with repairs.

The consent variation process is estimated at around \$100,000.

In the 20/21 Annual Plan, Council officers have put forward \$2,000,000 for rehabilitation works for the outfall. This funding would be able to cover the costs of the two leaks repairs to rehabilitate the asset. The additional funding can be used to commence investigation and design works for the outfall replacement.

With increased risks around failures, Council will need to increase expenditure on maintenance of the outfall pipeline and will need to allow for additional leaks. These annual costs are escalating and during the next LTP period staff will be forecasting \$400,000 per year to inspect and maintain the outfall.

Due to the issues with the outfall, Officers would like to bring forward the replacement of this asset. In the current Long Term Plan, a total of \$11,650,000 of funding was forecast, with the majority of this occurring between 2024 to 2028 for the assets replacement.

The total cost of the replacement is estimated to be significantly more than that identified in the last LTP. Council staff recommend that the replacement of the Outfall Pipeline be brought forward, with planning works starting in 2020 and replacement provided for in the next LTP.

Social & Policy

N/A

Risk

There are significant risks associated with any repair option. Risks associated with the lowest risk option include:

- There is limited storage capacity at the treatment plant, the wastewater system wet wells and pipework which could cause an overflow to a more sensitive environment than the area at the ocean outfall;
- Time pressure because of the lack of storage being put on the specialist divers;
- High risk diving work;
- The top part of the fibreglass joint section could warp, leaving that part unable to be replaced meaning most or all wastewater would then be discharged at the 700 metre offshore position for the foreseeable future;
- Due to the top part of the fibreglass joint section being constructed in a bespoke fashion and off-alignment of the pipes, it is not able to be readily replaced;
- The removal of the top part of the fibreglass joint section could release pressure on the concrete block below the structure and cause rupture of the remaining part of the structure also meaning that all wastewater would then be discharged at the 700 metre offshore position for the foreseeable future;
- The structural capacity of the fibreglass joint section and its resilience to the removal of the top section is unknown.

The Audit and Risk Committee have the ability to further discuss the risks associated with the outfall, and to make inquiry into any line of investigation they deem appropriate and to make recommendations to Council.

It is noted that the timing of the Council meeting falls before the Audit and Risk Committee meeting, so the Committee can raise matters to the Chief Executive in advance of the Council meeting if required. There will still be the opportunity to make the views of the Committee known to Council as a result of any discussion held as part of this meeting.

1.6 Options

The options available to Council are as follows:

- a. **Option 1** – Do nothing. It is unlikely that the Regional Council will not agree with this option, resulting in taking enforcement action against the Council. This can also cause damage to the Council's reputation. This option is not recommended.
- b. **Option 2** – Applying for a variation to the existing consent to allow discharge from the existing leak as mentioned above. Sampling results suggest that the environmental impact may be minor. There is also a risk of worsening the leak resulting in larger discharge from this location over time. A proper contingency plan has to be in place as a precaution. This option is worth proceeding with.
- c. **Option 3** – Repairing the damaged leak by caulking method as this is the lowest risk and least cost option. There is a risk of an incomplete seal. Careful execution of work will reduce this leak. There is still the potential that the pipeline could be damaged.
- d. **Option 4** – Repairing the leak by grout encasement of the whole joint. There is a high risk with this option by damaging the joint further due to weight of the repair material, which may cause further damage. This option has not been recommended by the consultant or officers.
- e. **Option 5** – Repairing the leak by grout filling of the fibreglass box. The repair is easier, but there is a high risk of blocking the pipe and diffusers. This option is not recommended.
- f. **Option 6** – replace the seaward half of the outfall and install a joint chamber – this may cost around \$12m, will not address other issues around the outfall's capacity, and does not address the risks associated with the other half of the outfall.
- g. **Option 7** – Replacement with a new outfall. The recent failures point to the need to expedite the renewal of the outfall and note that Council spending on maintaining the outfall is starting to increase significantly.

1.7 Development of Preferred Option

The preferred options for managing our risks of failure and enforcement actions by Regional Council are b and c above, and will involve the following:

1. Apply for a consent variation for the leakage at 700m to enable an ongoing discharge at this point until the joint is fully repaired or the outfall is replaced.
2. Develop an emergency response plan to manage additional damage or failure of the pipeline
3. Engage our specialist dive team to undertake the lowest risk repairs possible for both leaks.
4. Start planning the early replacement of the outfall to minimise risks, increase levels of service and tie in with improvements to the Wastewater Treatment Plant

1.8 Attachments

- A Beca Ltd "Napier City Council - Wastewater Outfall - Issues and Options" 15 May 2020 (*Under Separate Cover*)

2. SUMMARY OF NAPIER WATER SAFETY PLAN'S RISKS

Type of Report:	Operational
Legal Reference:	N/A
Document ID:	933756
Reporting Officer/s & Unit:	Catherine Bayly, Manager Asset Strategy

2.1 Purpose of Report

Purpose of this report is to bring 'high' and 'very high' risks as identified in NCC's current version of Water Safety Plan (v4.3, updated August 2019) to Audit and Risk Committee attention and for Committee to acknowledge those risks.

Officer's Recommendation

The Audit and Risk Committee:

- a. Endorse the report.
- b. Note the risks identified.

2.2 Background Summary

The Havelock North Drinking Water Inquiry Stage 2 report identified six fundamental principles of drinking water safety for New Zealand. Water suppliers need to take the six principles into consideration as part of supplying safe drinking water to their customers. This Report and attached Memo relates mainly to **Principle 5: Suppliers must own the safety of drinking water.** *Drinking water suppliers must maintain a personal sense of responsibility and dedication to providing consumers with safe water. Knowledgeable, experienced, committed and responsive personnel provide the best assurance of safe drinking water. The personnel, and drinking water supply system, must be able to respond quickly and effectively to adverse monitoring signals. This requires commitment from the highest level of the organisation and accountability by all those with responsibility for drinking water.*

2.3 Issues

The risks identified within current Napier Water Safety Plan (WSP) on drinking-water supply elements, have not been reported and brought to Council's attention to date. This issue has also been identified by our Drinking Water Assessor last September during his Implementation Visit.

2.4 Significance and Engagement

As a water supplier providing drinking-water to a large Napier and Bay View community, we have to make sure all management levels within NCC are involved and informed regularly on this essential service activity.

NCC employees have already establish good records sharing and updating processes around keeping asset and infrastructure managers, operational managers and some SLT members updated with drinking-water supply status and current affairs. This report and

all next to come upon any change to the risks within WSP will also engage Council into our water supply management and provide insight on WSP risks.

'High' and 'Very high' risks are presented in the attached Memo 'Summary of Napier Water Safety Plan's Risks'.

2.5 Implications

Financial

N/A

Social & Policy

N/A

Risk

Risks presented in this report or its appendix are already being addressed and actions to mitigate them are in progress.

2.6 Options

The options available to Council are as follows:

- a. Status Quo – do not acknowledge the outlined WSP risks presented in the appendix of this Report.
- b. Acknowledge the outlined WSP risks presented in the appendix of this Report

2.7 Development of Preferred Option

N/A

2.8 Attachments

- A Memo 'Summary of Napier Water Safety Plan's Risks', File Ref: 933753 [↓](#)



Memo

To:	NCC Audit and Risk Committee		
Cc:	Jon Kingsford (Director Infrastructure), Catherine Bayly (Manager Asset Strategy), Santha Agas (Team Leader 3 Waters), Lance Groves (3 Waters Lead)		
Date:	29 May 2020	File Ref:	933753
Subject:	SUMMARY OF NAPIER WATER SAFETY PLAN'S RISKS		

Foreword

The Havelock North Drinking Water Inquiry Stage 2 report identified six fundamental principles of drinking water safety for New Zealand. Water suppliers need to take the six principles into consideration as part of supplying safe drinking water to their customers. This Memo relates mainly to **Principle 5: Suppliers must own the safety of drinking water**. *Drinking water suppliers must maintain a personal sense of responsibility and dedication to providing consumers with safe water. Knowledgeable, experienced, committed and responsive personnel provide the best assurance of safe drinking water. The personnel, and drinking water supply system, must be able to respond quickly and effectively to adverse monitoring signals. This requires commitment from the highest level of the organisation and accountability by all those with responsibility for drinking water.*

Introduction

There are numerous risks identified in Napier Water Safety Plan (WSP) and risk levels determined for each of them. Risk levels outcomes are either 'low', 'medium', 'high' or 'very high'. As we update the WSP, the risks get reassessed and updated. The risks address the groundwater source, groundwater abstraction wells, storage reservoirs, treated water transmission, water treatment, booster pumps and other.

The objective of this Memo is to provide regular updates on WSP's risks upon any change of the WSP and for the Audit and Risk Committee to acknowledge these risks. Within a year time we will also be updating our WSP risk assessment framework to align it with the latest WSP framework issued by Ministry of Health, which will also be shared with the Committee. Only the most significant risks ('high' and 'very high') will be outlined in this Memo and the following updates.

Start and ongoing reporting on WSP's risks has also been included in WSP Improvement Plan (action no. 34), as well as it been recommended by the Drinking Water Assessor.

Summary of Napier WSP's Risks

In the current WSP (v4.3, updated 8 August 2019; Doc. ID: 918581, [link](#)) there are 56 different risks identified and categorised as per below:

- 18 low risks
- 22 medium risks
- 8 high risks
- 1 very high risk

'High' and 'Very high' risks are presented in the table below:

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					Risk Assessment based on existing measures				Residual Risk Assessment		
Event Reference	Event	Cause	Existing Preventive Measures	Monitoring - What to check (and signs that action is needed)	Likelihood	Consequence	Residual Risk	Proposed Corrective Action(s)	Likelihood	Consequence	Residual Risk
NS1	Groundwater Source										
NS1.1	Microbiological (including protozoa) or chemical contamination	Surface runoff from catchment.	Emergency chlorination set up at each bore and Tannery booster, dosing at 0.55-0.75 ppm. 3 monthly meetings with relevant HBRC staff. Regional Council regulation of catchment. Meetings with HDC staff. NCC an active member of JWG and TANK. HBRC sharing new A Consent Applications with NCC.	Positive <i>E. coli</i> results at the bores and reticulation. Turbidity in raw water monitored (+ customer complaints). Conductivity in raw water monitored. Illness in community (notified by DHB). FAC levels monitoring in reservoirs and reticulation ongoing.	Unlikely	Major	High	Provide input into HBRC's consenting process for the activities, which might lead into groundwater contamination. Develop detailed contingency plans as per chapter 18 of this document. (Action nos. 1 and 2 of the IP) Upgrade emergency chlorination to intermediate and later to permanent chlorination and (most likely) UV treatment (Action no. 30 and 31 of the IP)	Rare	Minor	Low
NS1.4	Microbiological (including protozoa) or chemical contamination	Contaminants enter aquifer through abandoned / private / illegal wells.	Regional Council regulating wells (SOE monitoring bores spread across plains). Artesian pressure in lower part of plains, long travel time in aquifer from upper plains. HBRC sharing new A Consent Applications with NCC.	Positive <i>E. coli</i> results at the bores. Turbidity in raw water monitored (consumer complaint). Ongoing routine monitoring of raw water. Regional Council regulation of catchment.	Unlikely	Major	High	As for NS1.1 Identify existing risks within SPZs of the existing bores – a high level RA to identify different possible contaminants and to implement a monitoring programme in place (with precursors for each group of contaminants, not against each individual contaminant). (Action no. 51 of the IP) Engaging a consulting company to develop a GIS risk matrix/screening tool to characterise catchment risk, including Catchment Sanitary Inspections (CSI). (Action no. 59 of the IP)	Unlikely	Moderate	Medium
NS2	Groundwater Abstraction Wells										
NS2.9	Loss of right to take water	Consent to take water is not renewed or is declined (one consent covers all bores).	Current consent expires end May 2027. Catchment investigation and 3 monthly meetings with Regional Council staff ongoing. (Action nos. 2 and 11 of the IP)	Expiry date of existing resource consents.	Unlikely	Catastrophic	Very high	Apply for the renewal of existing consent well in advance of expiry date. (Action no. 42 of the IP)	Rare	Major	Medium

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					Risk Assessment based on existing measures			Proposed Corrective Action(s)	Residual Risk Assessment		
Event Reference	Event	Cause	Existing Preventive Measures	Monitoring - What to check (and signs that action is needed)	Likelihood	Consequence	Residual Risk		Likelihood	Consequence	Residual Risk
NTD1	Storage Reservoirs										
NTD1.3	Microbiological (including protozoa) contamination	Vandalism to reservoir causes contamination either directly or indirectly (i.e. not graffiti).	Reservoirs are concrete structures that are very difficult to climb or damage. Roof of Enfield Reservoir is at ground level but is fenced. Ladder accesses have locked barriers. All access hatches are locked and secured (and some are alarmed). Acknowledged that Thompson site is fully accessible (fencing in progress). Chlorination in place, FAC target above 0.20 ppm in reservoirs.	Positive <i>E. coli</i> in reservoir or reticulation sample. FAC and TC (ppm) levels.	Unlikely	Major	High	Undertake security review of all reservoirs and carry out works as required. Prepare contingency plan for each reservoir. Fence the Thompson reservoir sit and add alarms to all reservoirs' hatches. (Action no. 22 of the IP).	Rare	Moderate	Medium
NTD1.8	Low chlorine levels (<0.20 ppm)	Organic matter present in reservoirs	Monthly inspections of all reservoirs. Routine monitoring at reservoirs (FAC, CC, conductivity, <i>E. coli</i> , TC, HPC, etc)	FAC and TC Customer complaints on odour and taste.	Possible	Moderate	High	Undertake security review of all reservoirs and carry out works as required (Action no. 22 of the IP) Review and install membrane roof covers of reservoirs (Action no. 8 of the IP) Remove overflow pipe which is coming from Thompson 1&2 and entering Thompson 3. Overflow to go to the kerb similar to Thompson's 3 overflow setup. (Action no. 50 of the IP)	Rare	Moderate	Medium
NTD2	Treated Water Transmission										
NTD2.8	Microbiological (including protozoa) or chemical contamination	Water takes from fire hydrants and water tanker carriers.	Permission is required from the Council to take water from hydrants - a policy and process to take water from hydrants developed – at the moment with SLT for review prior going to Council for formal adoption. Chlorination in place, FAC target above 0.20 ppm in reticulation. Fire Hydrant Use Policy in place.	Contaminants identified in the reticulation system. Taste and odour complaints from consumers. FAC and TC (ppm) levels.	Likely	Moderate	High	Develop dedicated locations for water takes by contractors. (action no. 24 of the IP)	Rare	Moderate	Medium
NWT1	Water Treatment										
NWT1.1	Low chlorine levels (<0.2ppm) in water leaving treatment plant	Electronic or mechanical malfunction of chlorine dosing system at each bore	Weekly and monthly inspections of all sites with chlorination setup. Annual calibration of dosing systems (due each April). Topping up each site's chlorine reservoir and visual check 3x / week.	Calibration due dates. Chlorine leaks, fittings & hoses condition. FAC (ppm) levels in reticulation and reservoirs.	Possible	Moderate	High	Increasing volume of hypochlorite reservoirs, upgrading dosing pipework and cabinets, setting up and connecting dosing alarms to achieve automatic bore shutdown and connect to SCADA. (Action no. 30 of the IP).	Rare	Minor	Low

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Event Reference	Event	Cause	Existing Preventive Measures	Monitoring - What to check (and signs that action is needed)	Risk Assessment based on existing measures			Proposed Corrective Action(s)	Residual Risk Assessment		
					Likelihood	Consequence	Residual Risk		Likelihood	Consequence	Residual Risk
NWT1.4	High chlorine levels (>5 ppm) in water leaving the treatment plant	Electronic or mechanical malfunction of chlorine dosing system at each bore	Monthly inspections of all sites with chlorination setup. Annual calibration of dosing systems (due each April). During topping up each site's chlorine reservoir visual check 3x / week conducted.	Calibrations due dates. Chlorine leaks, fittings & hoses condition. FAC (ppm) levels in reticulation and reservoirs.	Unlikely	Major	High	Increasing volume of hypochlorite reservoirs, upgrading dosing pipework and cabinets, setting up and connecting dosing alarms to achieve automatic bore shutdown and connect to SCADA. (Action no. 30 of the IP).	Rare	Minor	Low
NO1	Other										
NO1.7	Failure to meet Protozoa compliance with DWSNZ (Section 5)	NCC puts a non-secure bore online (e.g. during an emergency event)	NCC not using bores without (interim) bore security status.	No protozoa monitoring in place	Rare	Catastrophic	High	Two bore field with treatment plants at each one (Taradale, Awatoto) with permanent chlorination and UV treatment (Action no. 31 of the IP)	N/A	N/A	N/A

Prepared by:

Anze Lencek
Water Quality Lead


Reviewed and approved for issue by:

Catherine Bayly
Manager Asset Strategy


3. HEALTH AND SAFETY REPORT

Type of Report: Operational

Legal Reference: N/A

Document ID: 933568

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

3.1 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 30 April 2020.

Officer's Recommendation

The Audit and Risk Committee:

- a. Receive the Health and Safety report as at 30 April 2020

3.2 Background Summary

The Health and Safety report as at 30 April 2020 is shown at **Attachment A**

3.3 Attachments

- A Heath and Safety Report 30 April 2020 [↓](#)

INFORMATION PAPER

TO:	NCC Staff
REPORT DATE:	1 May 2020
PREPARED BY:	Michelle Warren
SUBJECT:	HEALTH & SAFETY STATISTICS
AGENDA ITEM	APRIL 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 **30 April 2020**.

SUMMARY – KEY PERFORMANCE INDICATORS

April LTIs = 0

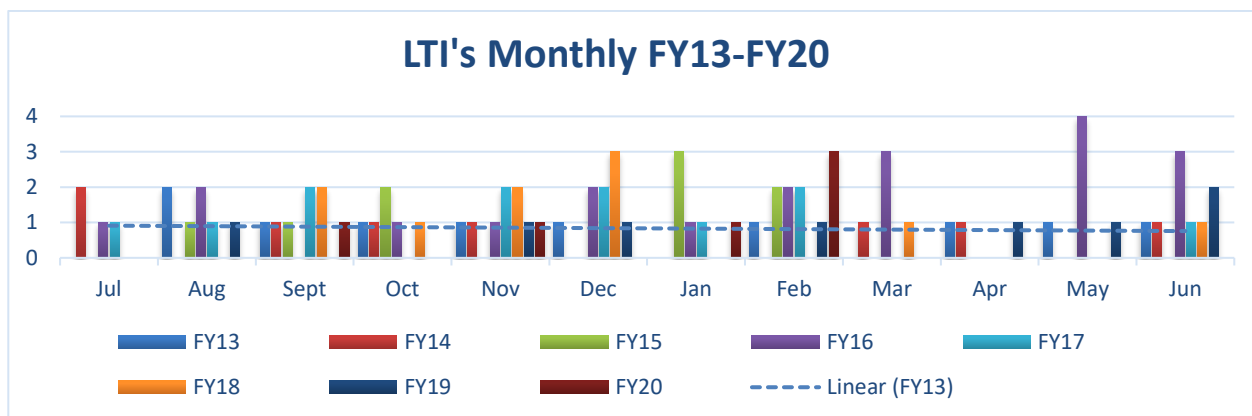
Reported Incidents (Total Company)	Feb 2019	Feb 2020	Mar 2019	Mar 2020	Apr 2019	Apr 2020	YTD 2019	YTD 2020	Targets FY20	On Target
Lost time injuries (LTIs):	1	0	0	3	1	0	5	6	<=8	●
Medically treated injuries (MTIs):	1	1	1	2	2	0	19	11	<=40	●
Total recordable injuries (MTIs + LTIs):	2	1	1	5	3	0	24	17	<=48	●
Near miss/hit & property damage reporting	8	6	8	12	5	0	86	91	>=180	●
Incidents Involving Public using our facilities	8	10	13	5	17	1	105	85	<=200	●
Significant Incidents or Accidents involving Contractors	1	1	0	0	1	0	5	5	<=5	●

LTIs and MTIs YTD as at 30 April 2020 (Comparison between FY19 and FY20)

- 20% increase in LTIs
- 42% decrease in MTIs
- 29% decrease in TRIs

43 days since last LTI

	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	0	0			6



HEALTH AND SAFETY PERFORMANCE LEAD INDICATORS AS AT 30 APRIL 2020

Lead Indicators	Detail	Feb 20	Mar 20	Apr 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:	3	1	0	22	=>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 	10	20	90	160	100%	●
Near miss incident reporting	Near miss incidents reported	6	12	0	101	180	●
Incident investigations	All LTIs and MTIs investigations commenced within seven days of the event. <ul style="list-style-type: none"> N/A 	0	3	0	5	100%	●
Health and Safety Meetings	Health and safety meetings at each workplace. <ul style="list-style-type: none"> Cancelled due to COVID 	2	2	0	20	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"> Cancelled due to COVID 	7	2	0	20	48	●
Contractor Health & Safety Audits and/or Safety Observations	Contractor Audits / Safety Observations <ul style="list-style-type: none"> Cancelled due to COVID 	0	2	0	21	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	54	45	225	568	273	●

Lead Indicators	Detail	Feb 20	Mar 20	Apr 20	YTD FY20	Full Year Target FY20	On Target
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.	44	87	325	645	250	●
Inductions	New Staff inducted to Napier City Council or staff who have moved business unit and re-inducted	9	8	4	96	100%	●
Safety Alerts	Safety alerts published to educate and prevent the same or similar injury occurring again. • N/A	0	0	0	0	6	●

HEALTH AND SAFETY OTHER REPORTING

Other	Detail	Feb 20	Mar 20	Apr 20	Full Year Target FY20
Significant incident	An event in a different circumstance may result in a notifiable event (serious harm). • Public – cyclist hit barrier at cemetery •	1	0	1	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. • N/A	0	0	0	N/A
Return To Work in Progress	Employees who are on a return to work programme. • MTG 1 • NAC 1	11	7	2	N/A

Training	No Staff
None due to COVID	
Total trainings	
(Numerous trainings postponed)	

Wellbeing

- Mental Health Awareness on Yammer
- Mental Health and EAP services on Yammer
- Workfit on Yammer
- **Health Monitoring - Nil**
- Flu Vaccines - for IMT and Essential services staff at depot 50 staff
- 90 online workplace assessments due to COVID with 7 follow ups

Updates

- COVID19

4. DRAFT ANNUAL PLAN 2020/21

<i>Type of Report:</i>	Legal
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	933816
<i>Reporting Officer/s & Unit:</i>	Caroline Thomson, Chief Financial Officer Adele Henderson, Director Corporate Services Jane McLoughlin, Corporate Planner

4.1 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 20/21:
 - i. Financial information
 - ii. 10 year revised capital plan
 - iii. Rates remission policy
 - iv. Rates postponement policy
 - v. Statement of Proposal to join LGFA
- b. Provide feedback to Council by 9 June (via the Director of Corporate Services) to be tabled for consideration by Council at its meeting on 11 June 2020.
- c. Resolve that the use reserves to fund the one-off shortfall of \$6.74m anticipated in 20/21 is financially prudent and does not impact unfairly on ratepayers in the future.
- d. Note that the Annual Plan 20/21 does not meet the section 100 (i) balanced budget provision of the Local Government Act, and that Council will be working towards a balanced budget for the LTP.
- e. Note that Council has notified DIA and Audit NZ that it will not meet the statutory deadline of 30 June 2020 for adoption of the Annual Plan 20/21.

4.2 Background Summary

On 20 March 2020, at the Audit and Risk Committee meeting, the Annual Plan was discussed, and the Auditor directed Council to review the Annual Plan in light of Covid-19 impacts, particularly as Napier City Council receives only 51% of its total income from rates. It is a legislative requirement under the Local Government Act 2002 to have a balanced budget. The impact of Covid-19 on revenue will result in an unbalanced budget, and therefore Council must now revise its 2020/21 budget.

In the report to the Extraordinary Council meeting on 23 April, it was recommended that a new Annual Plan is developed that reflects the challenges ahead.

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

The proposed rates increase for 2020/21 will be 4.8% average increase in rate requirement for existing ratepayers.

The approach and assumptions to guide the development of the revised Annual plan are outlined in this report.

4.3 Issues

The fast-changing events since the pandemic impacted on New Zealand, its borders, and being in lockdown has meant it has been difficult to prepare our Annual Plan for 2020/21 with any certainty. It is in effect, an emergency budget rather than a normal Annual Plan.

Council is committed to a programme and budget that supports the city to recover, but many of those details are based on several factors, including how long the Covid-19 pandemic lockdown lasts, what role Central government play in recovery, and the impact on the economy and on residents and businesses.

While it will be important to build a budget that recognises the current financial challenges that household and business face, it is also important to note that substantial support packages are available via government, banks and local government.

It is important to note that any costs that are deferred, or funded through different funding mechanisms, shift this year's rates burden to future years and rates will be steeper in those years as a consequence.

The broad basis for setting the 2020/21 budget is finding the right balance between supporting those in need now and stimulating the local economy, while not over burdening ratepayers in the future.

Financial policy changes

Council are proposing some changes to both the Rates Remission policy and Rates Postponement policy to better define financial hardship resulting from an emergency event and to allow rates to be paid later than due dates. Consultation on the proposed changes to these policies will be undertaken separately and at the same time as the Annual Plan 20/21 consultation (refer Sections 82 to 83AA of the LGA 2002). These policies are attached as supporting information.

Statement of Proposal to join the Local Government Funding Agency (LGFA)

Council is forecasting external borrowing requirements of \$33m for 20/21 (this is in line with year 3 of the LTP and assumes the capital programme will be fully completed).

Officers have explored borrowing from approved financial institutions. Several banks, whilst open to lending funds to NCC advised that the LGFA would be the better option. Approved lending institutions were contacted to establish the relative cost of borrowing. As the nature of Council borrowing may be variable and potentially short-term in nature, analysis was based on establishing a committed line of credit.

A bank commitment ensures that a line of credit is available should the borrower choose to draw. As the money is allocated to a particular borrower, it means that the funds can't be used by the bank for another purpose. As such a commitment fee is charged. For NCC, commitment fees quoted range between 0.35% and 0.50%. On \$33m the commitment fee could be up to \$165,000 per annum even if no money is borrowed.

Funds could be borrowed from a bank at approximately 1.7%. For \$33m, the annual interest cost would be \$561,000.

To join the LGFA initial legal fees are expected to be approximately \$26,000. Ongoing trustee fees are expected to be approximately \$8,000 per annum. There is no membership fee or commitment fee to borrow from the LGFA.

As at the 23 April 2020, the 12 month borrowing rate (for an unrated council) was 0.91%. At \$33m, the annual interest cost would be \$300,300.

Comparing just the interest rate, with \$33m of lending, Council would save \$260,700 per annum by joining and borrowing from the LGFA. As the amount is over \$20m, NCC would need to be an unrated guaranteeing local authority to borrow \$33m.

Options, based on level of membership, with the LGFA were identified as follows:

Options – LGFA	Additional Spend	Impact on Rates	Impact on Debt
1) No change. Not join the LGFA. No other institutions are approached for lending.	\$0	Rates will need to be increased to fund revenue lost due to the pandemic.	No debt
2) Not join the LGFA. Borrowing sourced from an approved lending institution.	Between \$3,500 and \$5,000 per \$1m per annum to ensure facility is available. Approximately 1.7%pa for any utilised facility.	No impact on rates	Debt will increase by the amount borrowed (estimated at \$33m total).
3) Join the LGFA as a non-guaranteeing local authority. This allows NCC to borrow up to \$20m through the LGFA.	Associated legal fees. Ongoing trustee fees.	Potential reduced rates due to savings in facility and interest rate costs.	Debt will increase by the amount borrowed (up to \$20m with LGFA and any balance sourced from an approved lending institution).
4) Join the LGFA as an unrated guaranteeing local authority. This allows NCC to borrow more than \$20m, but with higher risk.	Associated legal fees. Ongoing trustee fees.	Potential reduced rates due to savings in facility and interest rate costs.	Debt will increase by the amount borrowed (estimated at \$33m total).
5) Join the LGFA as a principal shareholding local authority. This allows NCC to both borrow more than \$20m and invest in LGFA shares, but with higher risk than option 4.	Associated legal fees. Ongoing trustee fees. The cost of any shares purchased.	Potential reduced rates due to savings in facility and interest rate costs. A modest return may be received from shares held in the LGFA. It is likely that any share purchase would be debt-funded.	Debt will increase by the amount borrowed (estimated at \$33m total) plus the cost of any shares purchased.

Council at its meeting on 21 May 2020 approved proceeding with public consultation to join the LGFA as an unrated guaranteeing local authority (option 4 in the table above).

Consultation on the proposal to join the LGFA will be undertaken separately and at the same time as the Annual Plan 20/21 consultation (refer Sections 82 to 83AA of the LGA 2002). The Statement of Proposal to join LGFA is attached as supporting information.

4.4 Significance and Engagement

Council has assessed that there are material and significant changes from the 2018-28 Long Term Plan for the 2020/21 year and that these matters will be consulted on as per the Consultation Document (to be tabled separately due to timing of Council agenda).

The consultation and submission period for the Annual Plan 2020/21 is Thursday 18 June 2020 to noon Wednesday 15 July 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 provide their feedback.

Due to Covid19, instead of community meetings, Council will host live chat sessions where the public can ask questions and give feedback before making a submission to the Annual Plan 20/21. Councillors will engage with the community via three live chat sessions on the Annual Plan 20/21.

The following table sets out the timeline for consultation and adoption of the Annual Plan 20/21:

Description	Indicative Date(s)
Financial content ready for Consultation Document preparation	8 May 2020
Extraordinary Council meeting – Financial Policies	21 May 2020
Extraordinary Council Meeting - Rates Remission Policy, Rates Postponement Policy, Consultation Document and supporting documents	11 June 2020
Audit and Risk Committee meeting	12 June 2020
Consultation	18 June – 15 July 2020
Extraordinary Council meeting - Annual Plan & SCP Hearing	12/13 August 2020
Extraordinary Council meeting - Annual Plan Adoption & Rates Setting	27 August 2020
Issue rates notices	10 September 2020

Council will not meet the statutory deadline of 30 June 2020 for adopting the Annual Plan 20/21 due to the additional time it has taken to revise budgets to reflect the impact of Covid-19. Advice provided by LGNZ, SOLGM and supported by Simpson Grierson confirms that an Annual Plan adopted after 30 June is lawful and if challenged is unlikely to be declared invalid provided the delay can be explained and the plan is not acted on until it is adopted. Audit NZ and the Department of Internal Affairs (DIA) have been advised of the late adoption date for the Annual Plan 20/21.

4.5 Implications

Financial

The original Annual Plan 20/21 proposed an increase of 6.5%, due to increases relating waste, recycling and water related projects.

Council officers assessed the financial impact from Covid19 had, including the significant reduction in income from tourism, sportsgrounds, halls, and regulatory services, the loss

of income and the inability to match the offset with operating cost reductions has shown that Council will have an operating shortfall for 20/21 of \$5.2m.

In addition to the operating shortfall of \$5.2m Council is proposing to fund a recovery support programme of \$1m and rates and rental relief packages of \$543k resulting in a total funding requirement of \$6.74m for 20/21.

Council has considered a number of funding options to achieve an average rates increase of 4.8%. The proposed option is to fund the gap of \$6.74m from reserves (\$4m from the parking reserve and \$2.74m from the subdivision and urban growth fund). This option provides a pragmatic balance between managing the pressures on current ratepayers and ensuring the Council remains financially sustainable into the future, whereby the actions of today do not impact unfairly on ratepayers in the future. The borrowing proposed is for a specific purpose, in funding the one-off shortfall in operating revenue anticipated in 2020/21. While this does not meet the section 100 (i) balanced budget provision of the Local Government Act, it can be resolved that it is financially prudent due to the one off nature.

The options included in the Consultation Document are:

Option 1(proposed): reduced rates increase - \$6.74m funded from reserve funds

Option 2: reduced rates increase - \$6.74m funded from loans

Council also considered a zero rates increase for 20/21. However, this would require funding an additional \$2.88m from either loans or reserves and would result in an increase in the following year's rates of 5.36%. This decision would not be financially prudent and not consistent with Council's Revenue and Financing Policy and passes a significant rates impost onto future ratepayers.

Council considered two other options, but these options were not considered appropriate to be taken further. These included:

- Continuing original Annual Plan increase of 6.5%, and funding the Covid19 impacts through the use of reserves. This was discounted as an option due to the hardship being faced by the community at this time and Council recognising that they should aim to bring the cost down as far as reasonably practicable through reducing rates in addition to the rates and recovery package.
- Recognising the full impact of Covid-19 to Council that was anticipated across the full year. This option required a 16% average rates increase, and was quickly discounted as a viable option, given the issues being faced by the community, hardship and the pressure to keep rates as low as possible at this time.

The significant reduction in revenue from the tourism activities has meant that Council will be setting an unbalanced budget for the 2020/21 year. Council has carefully considered the options of funding the operating shortfall for 20/21 and the future financial implications that will need to be managed in later years.

Capital expenditure

The capital plan for 20/21 includes some projects that have been brought forward, some have been re-scheduled to a later date and some have been cancelled as they are no longer required. The following table sets out the change between year 3 of the LTP and 20/21 by activity. More detail is contained in the Consultation Document (to be tabled).

Activity names as used in the Long Term Plan	Annual Plan 2020/21 (\$000)	Long Term Plan 2020/21 (\$000)	Change between LTP yr 3 and 2020/21 (\$000)
Community and Visitor Experiences	19,717	72,754	-53,037
Water Supply	14,604	4,955	9,649
Transportation	13,290	15,048	-1,758
Wastewater	8,036	3,795	4,241
Property Assets	7,533	3,889	3,644
Stormwater	3,361	6,675	-3,314
Support Units	2,538	2,493	45
Other Infrastructure	2,070	2,164	-94
City Strategy	1,067	592	475
Total (\$000)	72,216	112,365	-40,049

The impact of any of the changes proposed in 20/21 on rates for 21/22 will be considered in the development of the 2021-31 Long Term Plan.

Social & Policy

Council are required to meet its obligations under the Local Government Act 2002, its Significance and Engagement Policy, and Revenue and Finance Policy, Liability Management, Investment Policy, Rates Postponement, Rates Remissions in relation to the preparation of the Annual Plan.

Risk

The risks to delivery of the Annual Plan are set out below:

Risk	Likelihood	Impact	Rating	Mitigation
<p>There is a threat is that the ability to deliver the Annual Plan is stymied due to:</p> <ol style="list-style-type: none"> 1. The Capital Plan proposed for delivery is larger than council can achieve within the next 12 month period 2. Additional portfolios of work such as economic stimulus may divert resources from core delivery duties 3. Individual projects hit roadblocks or suffer unplanned delays 4. Lack of or missing regional coordination for delivery of programmes of work 5. Shortage of skilled labour or technical experts to deliver projects 6. Resources are redirected due to public health issue, judicial process, major unplanned failure, pandemic 7. Inadequate understanding or development of internal processes (risk management, governance) 8. Insufficient resources to plan and scope Capital projects due to an historical lack of investment in asset management processes, practices and support systems leading to diversion of staff into operational matters. 				<ul style="list-style-type: none"> • Existing Project Management Reporting Software • Develop consistent project prioritisation processes (and training) for Annual Capital Plan development and programming • Increase reporting requirements to monitor Annual Plan Delivery • Moderate the proposed Annual Plan to reflect existing capability • Smooth delivery programme by identifying priority projects for delivery • Utilise carryovers to take a longer term view of short term delivery capability • Development of Council-specific policy and strategy for project, programme and portfolio management. • Develop robust risk management, project management and procurement processes and practices for consistency across the organisation. • Provide training and mentoring in risk, project management and procurement practices to improve capability across the organisation. • Invest in appropriate systems (EAM/ERP) to assist with decision making and streamline processes and free up existing staff

Risk	Likelihood	Impact	Rating	Mitigation
<p>9. Prioritisation of capital expenditure over operational expenditure (due to rates impacts) leading to lack of investment in operational staff and operations improvements, and diversion of staff from planning activities.</p> <p>Consequences:</p> <ol style="list-style-type: none"> 1. The benefits of the planned investments are not realised 2. Our ability to progress towards the Council mission and community outcomes is delayed 3. Assets critical to the operation of Council's core services are not enhanced as planned 4. Councillors lose confidence that Officers can plan and implement the Annual Plan programmed works 5. Operations and maintenance practices at minimum practice or below requirements, with associated risks. 				<ul style="list-style-type: none"> • Further develop the Capital Planning Tool to enable a more flexible programming process to enable costs and options development for community decision making and to forecast different scenarios

Risk	Likelihood	Impact	Rating	Mitigation
<p>There is a threat that the 20/21 budget is insufficient to deliver all projects identified due to:</p> <ol style="list-style-type: none"> 1. The projects identified within the 20/21 Annual Plan are conservatively estimated during the development of annual plans 2. The projects identified within the 20/21 Annual Plan are poorly scoped, or not scoped. 3. Costs escalations have been ignored or not accounted for in multi-year projects 4. Market effects from the Covid-19 pandemic have a negative effect on procurement 5. Ineffective management of project phases identified in the annual plan 6. Change in Council strategic direction from elected members 7. Differing levels of robustness of cost estimates across teams. <p>Consequences:</p> <ol style="list-style-type: none"> 1. Projects are de-scoped, result in reduced quality of delivery, or progress is pushed out into future years as funds become available 2. Budgets are reallocated to deliver changes planned 3. Projects are suspended 4. The cost of the improvement outweighs the cost of the planned monetized benefits 	Likely	Moderate	Significant	<ul style="list-style-type: none"> • Accept that cost estimates are generally required before investigations and design and therefore estimates are subject to change • Develop a consistent process for developing cost estimates that can be used across the organisation • Develop robust scopes for projects • Ensure project controls are managed during full project lifecycle so that scope, cost, schedule, and quality are monitored throughout project life cycle • Develop a consistent process for altering project budgets once more robust cost estimates have been developed • Ensure a scaled business case is completed for all projects delivered, and economic justifications are monitored appropriately accounting for the Net Present Value of each planned improvement.

Risk	Likelihood	Impact	Rating	Mitigation
<p>There is an opportunity that Central Government may fund projects that support regional economic stimulus.</p> <p>Consequences:</p> <ol style="list-style-type: none"> 1. Council may not need to loan fund the delivery of projects funded by Central Government. 2. Key projects that would be delivered over multiple years, due to funding constraints, can be delivered more effectively. 	Likely	Moderate	Significant	<ul style="list-style-type: none"> • Projects promoted to MBIE and the Crown Infrastructure Fund Annual Planning Processes • Re-baseline Annual Plan delivery programme once any Central Government announcements are made and elected members have considered if projects should be supported for delivery

Risk	Likelihood	Impact	Rating	Mitigation
<p>There is a threat is that the ability to procure necessary services to deliver the 20/21 Annual Plan is stymied due to:</p> <ol style="list-style-type: none"> 1. Materials and plant sourced from overseas are not available due to Covid-19 pandemic restrictions 2. The construction market is saturated with new construction projects 3. Prolonged restriction periods from Covid-19 pandemic prevent projects from commencing <p>Consequences:</p> <ol style="list-style-type: none"> 1. The benefits of the planned investments are not realised 2. Our ability to progress towards the Council mission and community outcomes is delayed 3. Assets critical to the operation of Council's core services are not enhanced as planned 4. Inflated tender prices received from suppliers 5. Councillors lose confidence that Officers and plan and implement the Annual Plan programmed works 	Likely	Moderate	Significant	<ul style="list-style-type: none"> • Moderation of Annual Plan Delivery NCC Procurement Improvements underway • Increase organisational procurement support by increasing resources in the procurement team • NCC Project Management Improvements underway • Existing Project Management Reporting Software • Monitor Annual Plan Programme of works via PMO to ensure engagement with industry supports meaningful and relevant works that will help appropriate sourcing opportunities for project delivery • Engage with the market to promote a pipeline of work, seek market input and package accordingly to support suppliers capabilities • Plan all procurement effectively and look at opportunities to streamline repetitive procurement tasks to add value • Smooth delivery programme by identifying bundling opportunities or more collaborative procurement opportunities

Risk	Likelihood	Impact	Rating	Mitigation
<p>There is a threat that the existing wastewater outfall pipe is damaged during the repair process due to the complexity of the repair, difficult working conditions and insufficient knowledge around the condition of the pipe in the repair locations.</p> <p>Consequences:</p> <ol style="list-style-type: none"> 1. The outfall pipe condition deteriorates further resulting in prosecution by HBRC 2. Regulatory Enforcement by HBRC 3. Negative publicity received in local and national media 4. Perceived or actual environmental damage 	Moderate	Major	High	<ul style="list-style-type: none"> • Work with a reputable contractor • Advance a low risk repair option that can be met within the HBRCs timeframe • Keep up communications with the regulator around progress and plans (including advancing the replacement of the outfall) • Develop an emergency response plan in the event of asset failure or additional damage • Plan for additional storage at the WWTP to enable more permanent future repairs • Attain a variation to consent to enable a small consented discharge at 700m offshore • Increase monitoring and maintenance of the outfall

4.6 Options

- Approve the supporting information and Consultation Document.
- Do not approve the supporting information and Consultation Document.
- Approve in part the supporting information and Consultation Document.

4.7 Development of Preferred Option

Approve the supporting information and Consultation Document. A robust process for budget development has been undertaken.

4.8 Attachments

- Draft Annual Plan 20/21 - financial information (*Under Separate Cover*)
- Capital Plan for Remaining Years of 2018-28 LTP (*Under Separate Cover*)
- Consultation Document 20/21 - to be tabled [↓](#)
- Rates Remission policy (*Under Separate Cover*)
- Rates Postponement policy (*Under Separate Cover*)
- Statement of Proposal to join LGFA (*Under Separate Cover*)

5. SENSITIVE EXPENDITURE - MAYOR AND CHIEF EXECUTIVE

Type of Report:	Procedural
Legal Reference:	N/A
Document ID:	933218
Reporting Officer/s & Unit:	Caroline Thomson, Chief Financial Officer

5.1 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.

5.2 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.

5.3 Issues

No issues.

5.4 Significance and Engagement

N/A

5.5 Implications

Financial

N/A

Social & Policy

N/A

Risk

N/A

5.6 Attachments

- A Mayor Sensitive Expenditure Report Q3 [↓](#)

- B CE Sensitive Expenditure Report Q3 [↓](#)
- C Sensitive Expenditure Policy [↓](#)
- D Mayor Report Sensitive Expenditure Q2 [↓](#)

Mayor Sensitive Expenditure

Report for Audit and Risk Committee Meeting

Transactions processed from 1 Jan 2020 to 31 Mar 2020

Transaction Date	Supplier	Value	Details in Ledger	Compliant with Policy
Entertainment				
20/12/2019	Bay Cuisine Limited	\$ 263.14	Councillor Christmas BBQ Cube Roll	✓
7/01/2020	Annette Brosnan	\$ 539.30	Councillor Christmas BBQ Groceries	✓
7/01/2020	Annette Brosnan	\$ 191.30	Salads for Councillor Christmas BBQ	✓
Total Entertainment		\$ 993.74		
Mayors Travel & Accommodation				
31/12/2019	Orbit Travel Wellington	\$ 26.96	Air ticket charges for Wise Kirsten Ms NPE To WLG	✓
28/01/2020	Mastercard	\$ 245.76	LGNZ R&P Accom for Mayor	✓
29/02/2020	Orbit Travel Wellington	\$ 571.60	Air ticket for Wise Kirsten Ms NPE To WLG	✓
31/03/2020	Corporate Cabs Limited	\$ 45.06	Corp Cab A/C for March 2020 WISE.K - Wgtn 05.03.20	✓
31/03/2020	Corporate Cabs Limited	\$ 36.85	Corp Cab A/C for March 2020 WISE.K - Wgtn 06.03.20	✓
Total Mayors Travel & Accommodation		\$ 926.23		
Total For Quarter		\$ 1,919.97		

Chief Executive Sensitive Expenditure**Report for Audit and Risk Committee Meeting****Transactions processed from 1 Jan 2020 to 31 Mar 2020**

Transaction Date	Supplier	Value	Details in Ledger	Compliant with Policy
Employee benefits				
14/02/2020	Adele Henderson	\$ 74.26	SLT meeting expenses	✓
Total Employee benefits		\$ 74.26		
Other operating expenditure				
6/02/2020	Mastercard	\$ 28.70	SLT meeting expenses strategy day 3 February	✓
11/02/2020	Design Cuisine Limited	\$ 134.50	SLT strategy lunch 3 February 2020	✓
11/02/2020	Design Cuisine Limited	\$ 77.50	Meeting expenses Alex Matheson PGF 4 February	✓
11/03/2020	Design Cuisine Limited	\$ 4,251.02	CEO Farewell Morning Tea staff	✓
24/03/2020	Design Cuisine Limited	\$ 221.00	CE & Mayoral Lunch 23 March 2020	✓
Total Other operating expenditure		\$ 4,712.72		
Travel and Accommodation				
31/12/2019	Orbit Travel Wellington	\$ 210.60	Air ticket for Jack Wayne Mr NPE To WLG	✓
31/12/2019	Orbit Travel Wellington	\$ 173.90	Air ticket for Jack Wayne Mr WLG To NPE	✓
31/12/2019	Orbit Travel Wellington	\$ 173.90	Corporate Cabs Jack Wayne Mr AKL	✓
28/01/2020	Mastercard	\$ 245.76	CE - Accommodation R&P Mtg 5 March 2020	✓
Total Travel and Accommodation		\$ 804.16		
Vehicle Expenses				
2/03/2020	Morehu Te Tomo	\$ 200.00	Transport expense for CE Interview	✓
Total Vehicle Expenses		\$ 200.00		
Total For Quarter		\$ 5,791.14		



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 Council's 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

Mayor 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
Entertainment			
15/10/2019	Design Cuisine Limited	\$ 400.00	AP Design Cuisine 0 RF9793 Valedictory High Tea for Councillors
Total entertainment		\$ 400.00	
Mayors Travel & Accommodation			
30/09/2019	Orbit Travel Wellington	\$ 444.34	Travel for September 2019 NZ White Faye Ms NPE To WLG
30/09/2019	Orbit Travel Wellington	\$ 5.85	Travel for September 2019 Orbit World Travel White Faye Ms WLG
4/10/2019	Mastercard	\$ 247.54	Mayor Accm and bkft Rural & Provincial 21 November
31/10/2019	Orbit Travel Wellington	\$ 190.43	Travel October 2019 Copthorne Hotel Oriental Bay Wise Kirsten Ms WLG
31/10/2019	Orbit Travel Wellington	\$ 9.00	Travel October 2019 Orbit fee Wise Kirsten Ms WLG
31/10/2019	Orbit Travel Wellington	\$ 523.47	Travel October 2019 Air NZ Wise Kirsten Ms NPE To WLG
31/10/2019	Orbit Travel Wellington	\$ 5.85	Travel October 2019 Orbit fee Wise Kirsten Ms WLG
31/10/2019	Orbit Travel Wellington	\$ 30.87	Travel October 2019 Copthorne Hotel Oriental Bay Wise Kirsten Ms WLG
31/10/2019	Orbit Travel Wellington	\$ 5.85	Travel October 2019 Orbit fee Wise Kirsten Ms WLG
31/10/2019	Corporate Cabs Limited	\$ 86.94	Corporate Cabs card October 2019 Kwise Wgtn x 2 trips 29-30 Oct 2019
31/10/2019	Orbit Travel Wellington	\$ 204.95	Travel October 2019 Intercontinental Wellington White Faye Ms WLG
31/10/2019	Orbit Travel Wellington	\$ 9.00	Travel October 2019 Orbit fee White Faye Ms WLG
31/10/2019	Orbit Travel Wellington	\$ 30.43	Travel October 2019 Intercontinental Wellington White Faye Ms WLG
5/11/2019	Mastercard	\$ 58.62	Uber Taxi, Mayor home from FAWC Launch Party
5/11/2019	Mastercard	\$ 53.68	Uber Taxi for Mayor attending FAWC Launch Party
5/11/2019	Mastercard	\$ 3.00	Uber Taxi for Mayor to event 1-11-2019
19/11/2019	Mastercard	\$ 47.66	Uber taxi for Mayor to Pan Pac Awards 15/11/19
19/11/2019	Mastercard	\$ 47.13	Uber taxi for Mayor from Pan Pac Awards 15/11/19
29/11/2019	Copthorne Hotel Palmerston North	\$ 95.65	Accommodation and meals at Zone 3 meeting
30/11/2019	Orbit Travel Wellington	\$ 411.49	Travel exps for November 2019 Air NZ Wise Kirsten Ms NPE To WLG
Total travel and accommodation		\$ 2,511.75	
Total For Quarter		\$ 2,911.75	

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
Employee Benefits			
14/10/2019	Expense Claim - Debbie Beamish	\$ 22.61	SLT Coffee for Meeting
Total employee benefits		\$ 22.61	
Other operating expenditure			
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
19/10/2019	Mastercard	\$ 60.96	CE - Bayleys Wine awards, showgrounds to home
5/11/2019	Mastercard	\$ 47.18	CE - Uber home FAWC 1 November
12/11/2019	Design Cuisine Limited	\$ 420.00	Morning Tea 4 items Faraday/Councillor Morning Tea
15/11/2019	Expense Claim - Debbie Beamish	\$ 70.00	SLT Morning tea for Planning Mtg 15/11
15/11/2019	Expense Claim - Debbie Beamish	\$ 59.57	Refreshments and food SLT Planning mtg
15/11/2019	Expense Claim - Debbie Beamish	\$ 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		\$ 1,373.08	
Subscriptions			
1/08/2019	NZ Society Of Local Govern Managers	\$ 275.00	Yearly Membership Fee W.Jack
Total employee benefits		\$ 275.00	
Travel and Accommodation			
30/09/2019	Orbit Travel Wellington	\$ 5.85	Travel charges for September 2019 Orbit World Travel Jack Wayne Mr WL
30/09/2019	Orbit Travel Wellington	\$ 444.34	Mr NPE To WL
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
31/10/2019	Orbit Travel Wellington	\$ 30.43	Travel October 2019 Intercontinental Wellington Jack Wayne Mr WL
31/10/2019	Orbit Travel Wellington	\$ 9.00	Travel October 2019 Orbit fee Jack Wayne Mr WL
31/10/2019	Orbit Travel Wellington	\$ 204.95	Travel October 2019 Intercontinental Wellington Jack Wayne Mr WL
31/10/2019	Orbit Travel Wellington	\$ 5.85	Travel October 2019 Orbit fee Jack Wayne Mr WL
5/11/2019	Mastercard	\$ 46.70	CE Travel FAWC launch party Blackburn 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	\$ 7.50	Travel November 2019 Orbit fee Jack Wayne Mr WL
30/11/2019	Orbit Travel Wellington	\$ 277.20	Travel November 2019 Air NZ Jack Wayne Mr WL To NPE
30/11/2019	Orbit Travel Wellington	\$ 128.26	Travel November 2019 Air NZ Jack Wayne Mr NPE To WL
30/11/2019	Orbit Travel Wellington	\$ 16.85	Travel November 2019 Orbit fee Jack Wayne Mr WL
30/11/2019	Orbit Travel Wellington	\$ 411.49	Travel November 2019 Air NZ Jack Wayne Mr NPE To WL
30/11/2019	Corporate Cabs Limited	\$ 34.97	CORP SERVICES NOV CHARGES 19 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		\$ 2,488.59	
Total For Quarter		\$ 4,159.28	

6. EXTERNAL ACCOUNTABILITY - INVESTMENT AND DEBT REPORT

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	933511
<i>Reporting Officer/s & Unit:</i>	Caroline Thomson, Chief Financial Officer

6.1 Purpose of Report

To consider the snapshot report on Napier City Council's Investment and Debt as at 30 April 2020.

Officer's Recommendation

The Audit and Risk Committee:

- a. Receive the snapshot report on Napier City Council's Investment and Debt as at 30 April 2020.

6.2 Background Summary

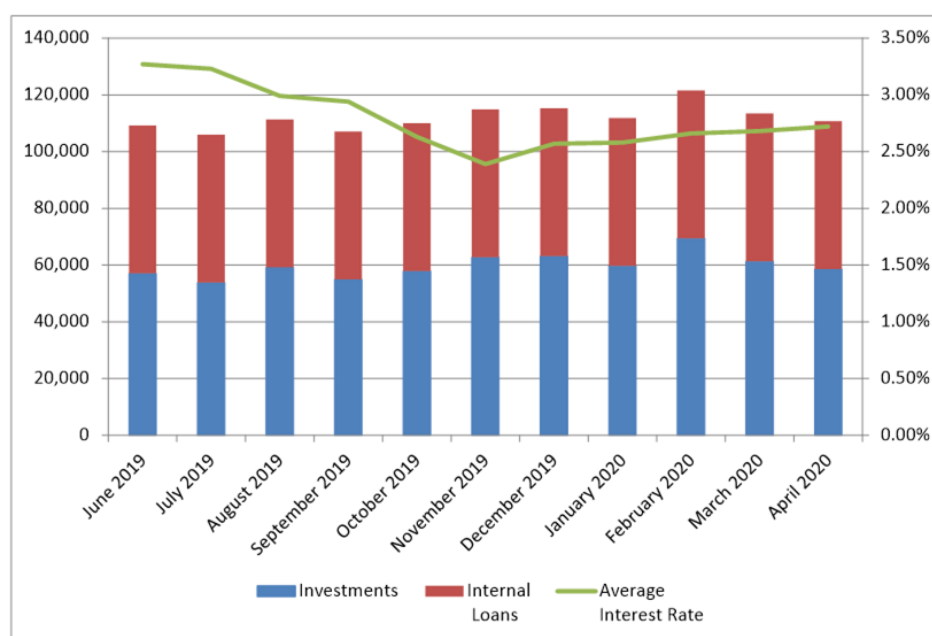
The snapshot report on Napier City Council's Investment and Debt as at 30 April 2020 is shown at **Attachment A**.

6.3 Attachments

- A Investment and Debt Report as at 30 April 2020 [↓](#)

Treasury Graphs for 10-Month Period 1 July 2019 to 30 April 2020

Month-End	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%
March 2020	61,349	52,118	2.68%
April 2020	58,615	52,118	2.72%
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 progressively established - at higher interest rates.

7. RISK MANAGEMENT REPORT JUNE 2020

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	934363
<i>Reporting Officer/s & Unit:</i>	Adele Henderson, Director Corporate Services

7.1 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.

Officer's Recommendation

The Audit and Risk Committee:

- a. Note the Risk Management Work being undertaken by Napier City Council staff and management.
- b. Note the current High risks.
- c. Receive the Risk Report dated 29th May 2020

7.2 Background Summary

Napier City Council (NCC) has a programme of work to develop and mature its enterprise risk capability. A risk maturity roadmap has been developed to guide this work.

The Committee supports this work by acting in a monitoring and advisory role. This report provides an update to the Committee on progress against the roadmap and reports the highest rated risks to ensure they are being actively managed.

NCC has a Risk Management Framework document together with a Risk Management Strategy. These document set out the NCC risk appetite and the risk management roles, responsibilities and reporting requirements. **The Risk Management Framework is due for review and will be brought back to this committee at the next meeting.**

NCC risks are recorded in a risk management software solution known as "Sycle". Each risk is assigned a risk owner and the risk is rated based on an assessment against the NCC risk matrix and based on the level of residual risk once any control measures and actions (or work programmes) designed to prevent or mitigate the risk have been identified and implemented.

NCC has an internal Risk Committee made up of officers from different areas of the organisation. The role of the risk committee is to coordinate the risk management process; monitor the risk profile, risk appetite and effectiveness of controls; monitor & review high and extreme risks and report extreme and high risks to Council's senior leadership team. The committee is chaired by the Manager Business Excellence & Transformation.

The Risk Management Strategy requires high and extreme risks to be reported to the Audit & Risk Committee. Recognising the level or NCC risk maturity all high/extreme

strategic risks and extreme operational risks are reported to each Audit & Risk Committee meeting.

7.3 Issues

The following are specific items on the work programme:-

- Development of the Cycle Projects module
- Continuation of a Business Continuity Management programme of work
- Review risk processes, systems and of the risk register

Cycle Projects Module

Work continues to progress on the implementation of the projects module in Cycle.

Business Continuity Management

A Pandemic Policy was written along with working guidelines for staff as part of the Pandemic.

Risk Management at NCC

A placement has been made and will start in the role of Risk and Assurance Lead on 22 June.

7.4 Significance and Engagement

There are no external consultation requirements for this report.

7.5 Implications

Risk Register

There are currently 4 strategic and 149 operational risks in the risk register. (Project risks have been excluded from reporting). Two new operational risks have been added to the registers since the last meeting of the Committee.

There are four risks to report to the Committee as the highest rated risks;

High (SR2, SR3, SR5 and SR6).

These risks are reported in the attached spreadsheet. (Attachment A).

All five risks have treatment actions to further manage the causes or consequences of each risk.

High Risks

The four high risks in the strategic register are:

- SR2 Removal of three waters delivery and management
- SR3 Increased number and/or severity of major/natural disaster events
- SR 6 Risk management practices
- SR5 Event causing disruption or destruction of critical business functions and/or production and delivery of council services. – **we were very pleased with Councils ability to respond the impacts of Covid19 (pandemic) which has the potential to impact Councils ability to deliver services including online.**

These risks were previously reported to you at the last meeting and they have not changed. The risks are outside the control of NCC. The risks treatments listed against these risks are ongoing.

Other Topical Current, New and Emerging Risks

In addition to the risks reported as a matter of course we have identified some current topical risks of relevance to the organisation. These all impact on the organisation's ability to deliver high quality services to the community. These include:-

Covid19 and Impacts:

- Establishment of the Incident Management Team in Napier as part of its Emergency Management Response
- Group Emergency Management Response
- Pandemic Plan implementation
- Remote desktop capacity increased to provide for staff to work from home
- Review of stock of protective gear for Council staff
- Impact from Covid19 across Council business (particularly Tourism) – currently forecasting an unplanned rating loss of \$3m
- Managing Council operations with increased level of cleaning and contact tracing
- Increasing need to provide cybersecurity for staff working from home
- Council services such as Chlorine Free taps – and appropriate time to open
- Park closure and opening management
- Transfer station operations in a Covid19 environment
- Impacts on the Long Term Plan from a decrease in Tourism

Other topical Risks:

- Legal action such as the leaky building claims. These are impacting on both the management resource (time that is not spent delivering other projects etc.) and the Council's finances (cost).
- Provincial Growth Fund/CIPs funding requests may not be successful
- Drinking Water – OR26 "Contamination of Water Supply resulting in death and or widespread illness"
 - OR26 has an inherent risk rating of extreme with a revised (current) risk rating of high as a result of many actions and controls that all go into the make up of the Water Safety Plan (WSP). The only fully effective control is chlorination of source water resulting in the provision of residual disinfection throughout the network. All other actions and controls do not reduce the extreme risk rating.

7.6 Options

N/A

7.7 Development of Preferred Option

N/A

7.8 Attachments

A Schedule of Strategic High and Extreme Risks as at 2 June 2020 [!\[\]\(eafc244b53721dd1ec133f0772f70fc7_img.jpg\)](#)

Napier City Council Risk Register

02-Jun-2020

Risk Code	Risk Issue	Causes	Treatment Actions	Primary Category / Sub Category	Inherent			Revised			
		Inherent			Consequence	Likelihood	Risk Rating	Consequence	Effectiveness of Controls	Likelihood	Risk Rating
SR5	Event causing disruption or destruction of critical business functions and/or production and delivery of council services.	Natural disaster or event, malicious attack, critical failure of assets, infrastructure, or systems	<ul style="list-style-type: none"> - Business Continuity Framework developed for NCC - Each Directorate must develop business continuity plans for its operations. - Information Services have a disaster recovery plan 	Service Delivery	Severe	Possible	Extreme	Major	Partially Effective	Possible	High
SR6	Incomplete risk management processes fail to manage risk related to Infrastructure Services	<ul style="list-style-type: none"> - Risk delegates lack competence. - Operational tempo. - Process gaps around asset knowledge, assurance, and follow up. - Processes not being fully implemented. - Risks being rolled up and controls not being implemented against various risks. - Risks being missed due to trying to simplify the process. 	<ul style="list-style-type: none"> - Develop and deploy and tune network models for infrastructure networks - Improve asset condition and performance data through deployment of maintenance management transformation programme. - Risk management and control training to be deployed to directorate risk owners. - Set up risk reviews as standing agenda item in 1:1 meetings with reports. 	Service Delivery	Major	Likely	Extreme	Major	Partially Effective	Possible	High
SR2	Removal of 3 waters delivery and management	<ul style="list-style-type: none"> - Central government water enquiry. - Repeated non-compliance with water quality standards. - Public health issues. - Public outcry. 	<ul style="list-style-type: none"> - Guide change with the objective of advising Government on a regional solution - Improving 3 waters asset management practices - Improving 3 waters operations - Planning for additional resources - Submission to the Water Enquiry 	Service Delivery	Moderate	Possible	High	Moderate	Partially Effective	Likely	High
SR3	Increased number and/or severity of major/natural disaster events	<ul style="list-style-type: none"> - Earthquake. - Tsunami. - Volcanic ash. - Flooding. - Epidemic or pandemic. 	<ul style="list-style-type: none"> - Evaluate Council's insurance cover - Review and test Business Continuity Plans and procedures 	Service Delivery	Severe	Rare	High	Severe	Partially Effective	Rare	High

PUBLIC EXCLUDED ITEMS

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

AGENDA ITEMS

1. Insurance Update
2. Cybersecurity Strategy
3. Revera Lead Agency IaaS Close Out Report
4. Legal Update

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. Insurance Update	7(2)(i) Enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	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.
2. Cybersecurity Strategy	7(2)(h) Enable the local authority to carry out, without prejudice or disadvantage, commercial activities	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

<p>3. Revera Lead Agency laaS Close Out Report</p>	<p>7(2)(h) Enable the local authority to carry out, without prejudice or disadvantage, commercial activities</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>
<p>4. Legal Update</p>	<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: (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>

AUDIT AND RISK COMMITTEE

Open Minutes

Meeting Date:	Friday 20 March 2020
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Time:	1.02pm-2.09pm
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Venue	Council Chamber Hawke's Bay Regional Council 159 Dalton Street Napier
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Present	John Palairet (In the Chair), Mayor Kirsten Wise, Councillor Nigel Simpson and Councillor Graeme Taylor
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In Attendance	Acting Chief Executive, Director Corporate Services, Director Community Services, Manager People and Capability, Manager Communications and Marketing, Chief Financial Officer, Accounting Manager Karen Young – Audit New Zealand
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Administration	Governance Team
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Apologies

J Palairet / Councillor Simpson

That the apology from David Pearson be accepted.

Carried

Conflicts of interest

Nil

Public forum

Nil

Announcements by the Mayor

The Mayor thanked everyone for making themselves available for the meeting, considering the changing situation in relation to Covid-19.

Announcements by the Chairperson

Nil

Announcements by the management

Nil

Confirmation of minutes

Councillors Simpson / Taylor

That the Minutes of the meeting held on 5 December 2019 were taken as a true and accurate record of the meeting.

Carried

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.

At the Meeting

The Chief Financial Officer spoke to the report, noting that the Committee's responsibilities are now included in the Risk Charter, as previously requested. It was also noted that the Standing Committee names have now been updated.

Committee's recommendation

Mayor Wise / Councillor Taylor

The Audit and Risk Committee:

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

Carried

2. HEALTH AND SAFETY REPORT

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	908475
<i>Reporting Officer/s & Unit:</i>	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.

At the Meeting

The Manager People and Capability provided a brief overview of the Health and Safety report for the period to 31 January 2020.

In response to questions from members, it was noted that officers have attempted to bring the staff flu vaccine date forward; however, this has not been possible. It was noted that Council does not prioritise the flu vaccine by age. A notification has been sent to all staff asking them to register their interest in receiving the flu vaccine. At the time of the meeting, numbers had not been confirmed and officers advised they would have a better indication of how many staff will be taking up the offer in a week or so.

Committee members felt strongly that all staff should be encouraged to have the vaccine.

Committee's recommendation

Councillors Simpson / Taylor

The Audit and Risk Committee:

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

Carried

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.

At the Meeting

The Director Corporate Services spoke to the report. It was noted that work still needs to be undertaken around probable loss, and the Manager Property was at the time of this meeting, attending a regional insurance meeting where this was to be discussed.

The following points were discussed:

- The insurance programme renews on 1 July, with an opportunity to review this in June. The Chair suggested that it may be beneficial to invite one of the JLT brokers to attend an Audit and Risk Committee meeting, giving members an opportunity to test market information and dig into the financial integrity of reinsurers in order to better understand their rating.
- It was noted that the cost of insurance has increased significantly over the last year and officers are anticipating further changes, following Covid-19. The cost of insurance for the 2019/20 year has increased from \$1.6M to \$2M. Council officers confirmed that this increase had not been budgeted for as the information was not received until June.
- Currently Council's insurance valuation is undertaken every three years. When asked whether this should be completed more frequently, officers and Council's Auditor advised that as Council is dealing with very large numbers the margin of increase by comparison to undertaking say two-yearly valuations would likely be marginal in each year. It was also noted that it also comes down to how confident Council is with their knowledge of the condition of the assets. Council officers confirmed that any additional assets created in the year are identified and included for insurance purposes.

Committee's recommendation

Mayor Wise / Councillor Taylor

The Audit and Risk Committee:

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

Carried

4. SENSITIVE EXPENDITURE: MAYOR AND CHIEF EXECUTIVE

Type of Report: Operational and Procedural

Legal Reference: N/A

Document ID: 896888

Reporting Officer/s & Unit: 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.

At the Meeting

The Chief Financial Officer spoke to the report and confirmed that all items identified in the report for this quarter comply with Council's policy. Members noted that the Mayor's sensitive expenditure had not been attached to the report.

ACTION: Council officers to provide the Mayor's sensitive expenditure for this quarter to the Committee.

Committee's recommendation

Councillors Taylor / Simpson

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

5. INTERNAL AUDIT: FRAUD GAP ANALYSIS

Type of Report: Operational

Legal Reference: Local Government Act 2002

Document ID: 823532

Reporting Officer/s & Unit: 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.

At the Meeting

The Chief Financial Officer provided an overview of the report.

It was noted that Council officers are currently waiting on further information around staff training, offered through the Police, to recognise some of the ways in which gangs are having an impact on Council activities.

Committee's recommendation

Councillor Simpson / Mayor Wise

The Audit and Risk Committee:

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

Carried

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.

At the Meeting

The Chief Financial Officer spoke to the report noting that one high risk had been identified through this process, that being compliance with the Holidays Act. It was confirmed that a request for proposal for a new payroll system is currently being written and this report will feed into that. The request for proposal is due to be completed in the fourth quarter of 2019/20, with implementation of the new payroll system anticipated for the first quarter of 2020/21.

The Auditor queried whether any instances of non-compliance had been identified and if any remedial actions had taken place. The Director Corporate Services noted that an audit had been undertaken a few years ago and believes that the requirements had been met up to that point, to the best of Council's knowledge. The Auditor recommended that officers seek clarification from the internal auditors as to whether they had identified any instances of non-compliance that may need to be addressed.

ACTION: Council officers to follow up with Audit New Zealand in relation to identifying any potential instances of non-compliance with the Holidays Act.

Committee's recommendation

Councillors Taylor / Simpson

The Audit and Risk Committee:

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

Carried

7. EXTERNAL ACCOUNTABILITY - INVESTMENT AND DEBT REPORT

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	908476
<i>Reporting Officer/s & Unit:</i>	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.

At the Meeting

The Chief Financial Officer spoke to the report and provided a brief overview. The Director Corporate Services noted that although still in a current cash position, Council will be looking to move into an external debt position through the Annual Plan, depending on the timing of projects.

Committee's recommendation

Councillor Taylor / Mayor Wise

The Audit and Risk Committee:

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

Carried

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.

At the Meeting

The Director Corporate Services spoke to the report, noting the risks associated with Covid-19, and advised that she had met with the Auditor in order to get a better understanding around what Council is required to present to the community during this period and how this will impact the annual plan process. It was noted that Council will need to further identify the risk for income on tourism and any associated costs for the rates remission policy. Officers advised that the recommended approach may be to put the annual plan as it stands on hold and revisit some of those assumptions and review timeframes, which could put Council in breach of the 30 June deadline. The Department of Internal Affairs are looking at those dates given the current circumstances.

The following points were discussed:

- The revenue impact of Covid-19 on Council's current year's performance is around \$1Million.
- All public meetings regarding the Annual Plan have now been cancelled. Officers are considering livestreaming Q+A sessions etc. instead.
- A 6.5% rates increase was originally planned.
- Further consultation is also being considered around the revenue and financing policy. Following workshops with Council, as number of significant changes were planned and it had already been determined that Council would delay consultation and consult meaningfully with the community, followed by a hearings process. Financial and timing changes were planned, and particularly the rural and bay view areas would be impacted. The risk is that Council could be challenged on the current system; Council would like to mitigate that risk and confirm current differentials as part of the Annual Plan process.
- The current rating system was set in 2001 and there is a prescribed process for the review of rates in the Local Government Act 2002. At this time is more prudent for officers to take their time with Council and work through the changes with the community.

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.

Substitute Motion

Committee's recommendation

Councillor Taylor / Mayor Wise

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.
- c. Note that further review should be undertaken in light of Codiv-19 impacts to NCC
- d. And that the full council be advised immediately of this review.

Carried

9. EXTERNAL ACCOUNTABILITY - LONG TERM PLAN PROCESS UPDATE

Type of Report: Operational

Legal Reference: Local Government Act 2002

Document ID: 910182

Reporting Officer/s & Unit: 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.

At the Meeting

The Director Community Services spoke to the report and advised that diverted resources at the moment could impact on the timeline for development of the long term plan. The Mayor noted that the three waters review will have significant impacts on the long term plan. Council officers confirmed that work is underway for a three waters review across the five councils, with support and funding from the Department of Internal Affairs.

Committee's recommendation

Mayor Wise / Councillor Taylor

The Audit and Risk Committee:

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

Carried

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.

At the Meeting

The Director Community Services spoke to the report noting that since writing the report, the situation has changed considerably. An overview was provided in relation to the current status of confirmed cases, noting since the meeting started Hawkes Bay had officially confirmed their first case. The World Health Organisation dashboard is being updated regularly.

The following points were discussed:

- Council's response is to encourage people to stay home if feeling unwell and that medical advice should be sought through healthline.
- Business continuity plans across the organisation are currently being reviewed, specifically in relation to pandemic response and a pandemic plan has been developed. Officers are testing business operations to see if any safeguards need to be put in place.
- Existing business continuity plans were focused on a lack of staff to carry out priority work identified across Council; however, officers are finding that there is a surplus of staff at present. All casual staff have been let go. Some teams have found work in other areas of the organisation and some of the facilities staff are busy at present managing cancellations etc., but that work will soon end.
- All international travel for staff has been cancelled. Domestic travel is still proceeding as at the time of this meeting.
- The estimated loss of revenue for facilities is \$1.055Million as at the time of the meeting. Further cancellations are being received daily.
- The limit of 100 people or less for indoor gatherings is being maintained at facilities. Council is continuing to open facilities at this time but officers will be reviewing this and taking guidance from the Ministry of Health.
- Although outdoor gatherings of up to 500 people could still proceed under the current restrictions, Council events have been cancelled as a precautionary approach.
- Within Council, staff are practising social distancing and a directive has been given by management to reduce meeting attendance numbers.
- Staff required to keep water systems running have been separated and are now located away from other staff.
- It was noted that Hastings had a dedicated assessment centre and the District Health Board have advised that Napier will have one shortly.

-
- The Mayor's and Chief Executives are having bi-weekly conference calls to ensure that everyone is informed, actively working together and supporting each other.
 - The Ministry of Health have provided PPE for staff members who may come into contact with people exposed to the virus e.g. Kennedy Park cleaners etc.
 - An additional 34 laptops have been purchased for use by staff, if required. Council currently has 170 users working remotely and the current server has the ability to provide for a further 30 users. A new server is now being built at Revera in Auckland which will allow all staff to work remotely.

The Acting Chief Executive acknowledged staff involved in developing and implementing the pandemic plan. He advised committee members that a number of staff, including the Director Community Services, are under intense pressure at this time. He noted that he has been very impressed with the organisation's response to date and the work undertaken around business continuity plans. He also confirmed that his recommendation to the senior leadership team was that Council should be taking a cautionary approach.

Committee's recommendation

Councillor Taylor / Mayor Wise

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.

Carried

PUBLIC EXCLUDED ITEMS

Councillors Taylor / Simpson

That the public, with the exception of Karen Young from Audit New Zealand, be excluded from the following parts of the proceedings of this meeting, namely:

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

Carried

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</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</p>

	improper pressure or harassment	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.
3. Revera Lead Agency laaS Status Report	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	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.

The meeting moved into committee at 2.09pm.

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

Chairperson

Date of approval