



## **Audit and Risk Committee**

### **Notice of Meeting**

A meeting of the Audit and Risk Committee will be held in the Council Chamber, 26 Gordon Street, Dannevirke on **Tuesday 22 March 2022** commencing **following the conclusion of the Audit and Risk workshop**.

Bryan Nicholson  
Chief Executive

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### **Agenda**

- 1. Present**
- 2. Apologies**
- 3. Notification of Items Not on the Agenda**
- 4. Confirmation of Minutes** **3**  
*Recommendation*  
*That the minutes of the Audit and Risk Committee meeting held on 15 February 2022 (as circulated) be confirmed as a true and accurate record of the meeting.*
- 5. Matters Arising from the Minutes not otherwise dealt with in the Agenda**
- 6. Reports**
  - 6.1 Health and Safety** **5**
  - 6.2 Risk Management** **11**
  - 6.3 Adoption of Council's Engagement Document and Supporting Information for the Annual Plan 2022/2023** **15**

## **7. Public Excluded Items of Business**

### **Recommendation**

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

- *Tararua Alliance performance review*
- *Tararua Alliance financial audit*

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

<i>General subject matter to be considered</i>	<i>Reason for passing this resolution in relation to each matter</i>	<i>Ground(s) under Section 48 (1) for the passing of this resolution</i>
<i>Tararua Alliance performance review</i>	<i>To protect the commercial position of a third party</i>	<i>Section (1)(a)(i)</i>
<i>Tararua Alliance financial audit</i>	<i>To protect the commercial position of a third party</i>	<i>Section (1)(a)(i)</i>

*This resolution is made in reliance on Section 48 (1) (a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act or Section 6 or Section 7 or Section 9 of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows:*

*s7(2)(b)(ii) The withholding of the information is necessary to 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.*

## **8. Closure**



## **Audit and Risk Committee**

Minutes of a meeting of the Audit and Risk Committee held in the Council Chamber, 26 Gordon Street, Dannevirke on Tuesday 15 February 2022 commencing at 2.00pm.

### **1. Present**

Mr K Ross (Chairperson), Her Worship the Mayor - Mrs T H Collis, Crs E L Peeti-Webber (Deputy Mayor), A K Franklin (via Teams), S A Hull, C J Isaacson, P A Johns, K A Sutherland, R A Treder (via Teams) and S M Wards.

### **In Attendance**

Mr B Nicholson	- Chief Executive
Mr R Taylor	- Manager - Democracy Services
Mr R Suppiah	- Group Manager - Corporate
Ms T Love	- Group Manager - Operations
Mr C Chapman	- Group Manager - Infrastructure
Ms S Lowe	- Group Manager - People and Capability
Mrs S Walshe	- Team Leader Financial Services
Ms B Smith	- Finance Manager
Ms A Rule	- Policy Advisor
Ms D Perera	- Audit Director Audit New Zealand

### **2. Apologies**

2.1 Nil

### **3. Confirmation of Minutes**

3.1 *That the minutes of the Audit and Risk Committee meeting held on 19 October 2021 (as circulated) be confirmed as a true and accurate record of the meeting.*

*Ross/Hull*

*Carried*

### **4. Any Matters Arising from the Minutes not otherwise dealt with in the Agenda**

4.1 Nil

## 5. Reports

### 5.1 Adoption of the 2020/2021 Annual Report and Annual Report Summary

5.1.1 Team Leader Financial Services Sarah Walsh introduced the 2020/2021 Annual Report presented for adoption following completion of the audit, and tabled a copy of the auditor's report and opinion noting the late completion of the audit due to Audit New Zealand resourcing issues.

5.1.2 The Annual Report Summary was reviewed by committee members regarding the information presented, with Team Leader Financial Services Sarah Walshe and Group Manager - Corporate Raj Suppiah responding to questions raised and noting minor amendments requested to parts of its wording.

5.1.3 Audit Director for Audit New Zealand Debbie Perera apologised for the late completion of the audit, and acknowledged the assistance of Council staff in undertaking that work to carry out the necessary review of the information presented in the Annual Report.

5.1.4 Debbie Perera spoke on the auditor's report and opinion circulated that conveyed an unmodified opinion on the audited information, excluding the Activities and Service Performance statement.

5.1.5 Chairperson Kevin Ross thanked Council staff for their work in the production of the Annual Report and the quality of the information provided for that purpose.

5.1.6 ***That the report from the Team Leader Financial Services dated 8 February 2022 concerning the adoption of the 2020/2021 Annual Report and Annual Report Summary (as circulated) be received, and***

***That the Audit and Risk Committee recommended to the Council that the 2020/2021 Annual Report is adopted in accordance with Section 98 of the Local Government Act 2002 subject to the correction of any typographical errors, changes made through this meeting, and those that be may be required by Audit New Zealand arising from the completion of their audit.***

***Wards/Sutherland***

***Carried***

There being no further business the Chairperson thanked those present for their attendance and contributions, and declared the meeting closed at 3.10pm.

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Chairperson

## Report

Date : 15 March 2022

To : Chairperson and Committee Members  
Audit and Risk Committee

From : Sharron Smith  
Health and Safety Coordinator

Subject : **Health and Safety**

Item No : **6.1**

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### 1. Recommendation

- 1.1 *That the report from the Health and Safety Coordinator dated 15 March 2022 concerning health and safety (as circulated) be received, and*
- 1.2 *That the Audit and Risk Committee note the following regarding the focus on health and safety matters and this update:*
- *MWLASS will meet in April to work through health and safety risk as recommended by SafePlus audit results.*
  - *Sharpie bins are to be installed into the Pahiatua Main Street toilets.*
  - *Personal locator beacons are to be removed from use.*
  - *Contractors are required to produce vaccination passes on Council sites that require them.*
  - *A new visitors sign in process has been installed to assist with contact tracing.*
  - *A wellness calendar has been created for 2022 based on staff feedback.*
  - *Details from the incident register are provided for this reporting period.*

## **2. Reason for the Report**

- 2.1 To provide an update to the Audit and Risk Committee on health and safety matters.

## **3. Health and Safety Regional Group**

- 3.1 The MWLASS will meet on Monday, 11 April for the first time this year due to COVID restrictions. The group meeting will focus on Health and Safety Risk as recommended from the 2021 SafePlus Audit results. There will be a guest speaker in attendance, General Manager of Operational Safety at Fonterra, who will talk to the group on how they at Fonterra have taken their approach regarding health & safety risk, back to basics and share some of the examples and how they have benefited. The group will also discuss how the region is coping with the pandemic and update on Council's health and safety contractor pre-qualification system, SiteWise.

## **4. Continual Improvement**

- 4.1 December 2021 saw the rollout of Safe365 app to all staff with mobile phones and will roll out the Desktop version to the rest of the staff in April this year. The new health, safety and wellbeing software has been welcomed by staff and many have commented that it is much more efficient and reassuring to know that they have the electronic system on hand where they can give a more detailed report to their Health & Safety Rep (HSR) and Manager. This month will see a few changes in the structure of Safe365 from one reporting bucket where all reports are submitted, to team buckets which align with the group structure here at Council. This will enable faster response by HSRs and Managers, as well as more targeted reporting abilities.
- 4.2 The GetHomeSafe app has now been connected to the digital radio system which makes GPS more efficient. The GetHomeSafe app provides greater controls to the critical health and safety risk of 'working alone'. Due to the increased safety offered by this system, personal locator beacons have been removed from use. Satellite phones will continue to be used where and when necessary.

## **5. Health and Safety Committee**

- 5.1 The Health and Safety Committee are currently going through elections for four Health and Safety Representatives for the following groups: Corporate, Water & Wastewater team, Operations and the Facilities team. Health and Safety Reps are key to better supporting staff within the business groups in all aspects of health, safety and wellbeing.

## **6. Health and Safety Policies**

- 6.1 The **Health and Safety COVID-19 Plan** (Traffic Light, 3 Phase Response) has been updated to reflect the changing MoH requirements and guidelines.

- 6.2 This has been sent out to inform all staff. Staff will continue to review and monitor the plan for any further changes.
- 6.2.1 Working arrangements have been adjusted for staff since Omicron entered into communities with the aim to reduce the number of staff in Council's workplace. These arrangements will help us to slow transmission throughout the organisation and protect the vulnerable and critical workers.
- 6.2.2 New masks were ordered (FFP2) for public facing staff as they provide a higher level of protection. Staff were advised NOT to wear cloth masks whilst the country is at Red Phase 3 level. Disposal masks are readily available at all entrances to Council workplaces.
- 6.2.3 Council has registered onto the 'Critical Worker Scheme'. This enables its critical staff to continue to work (if required) without isolating based on receipt of a daily negative Rapid Antigen Test (RAT).
- 6.2.4 A new visitors sign in system has been put in place and situated at the Dannevirke Customer Services area. This electronic system allows for instant notification of visitors to the appropriate staff member, collects individual information (including vaccine pass) and provides the visitor with health and safety information upon arrival.
- 6.3 An internal Council **Smokefree Policy** has been updated and implemented, no changes to current practice were required as a result of this.

## **7. Contractor Management**

- 7.1 The Health & Safety team are continuing to move contractors (where appropriate) through to SiteWise as they expire.
- 7.2 Contractors who undergo health and safety pre-qualification through SiteWise are requested by SiteWise to supply a COVID-19 safety plan. All contract managers are encouraged to ensure contractors have basic protocols in place such as COVID-19 supplies (masks and hand sanitiser) and that they have a way of keeping track of everyone who is entering the site. All contractors who are working on Council sites where Covid Vaccine Passes are required, will need to produce a vaccination pass for all workers on site before work is carried out.

## **8. Wellness Programme**

- 8.1 The wellbeing of Council's staff is important - physically and mentally fit staff have greater productivity and less absenteeism. A focus on wellbeing also contributes to a happier working environment and improved organisational culture.
- 8.2 The Health and Safety Committee have released a wellbeing calendar with a focus on helping staff influence their own health and wellbeing.

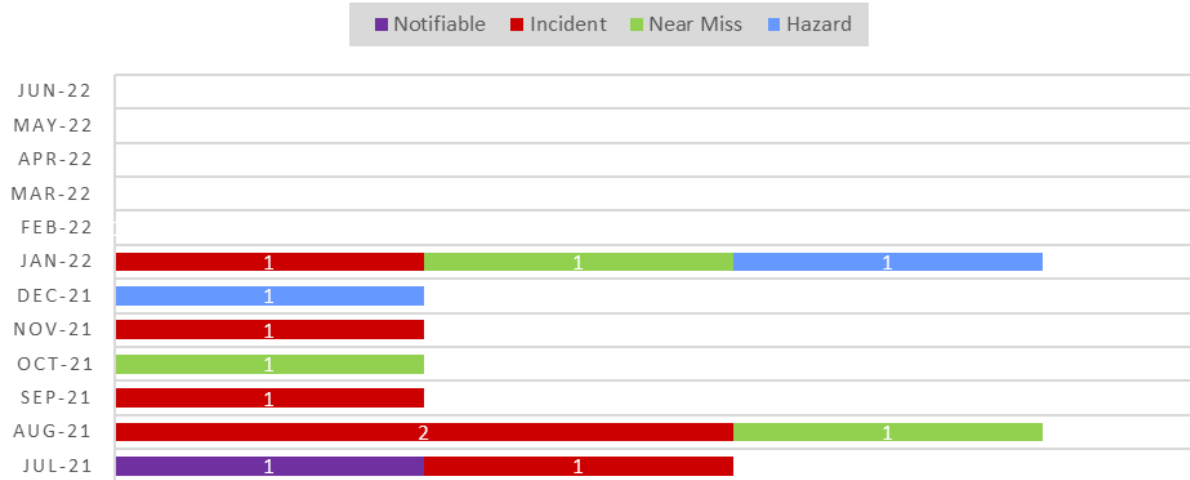
- 8.3 The calendar has kicked off for the year, however, due to COVID restrictions, staff have had to postpone a couple of events until later in the year. The committee will continue to initiate events each month that enable us to stay within the MoH guidelines.
- 8.4 A group of staff took part in the Aotearoa Bike Challenge through the month of February with thousands of other individuals and businesses across New Zealand. It was a great result and encouraged staff who participated, to get out of the office or away from work to enjoy some fresh air, exercise and fun time with friends and family.

## 9. Incident and Hazard Investigation

Date	Type	Department	Description	Treatment/Resolution	Resolved
10/12/2021	Hazard	Contractor – Dannevirke WTP	Contractor operating on-site without the correct PPE & without having undergone an HSE induction	A new process for site visits has been established.	YES
01/11/2021	Incident	Contractor – Dannevirke WTP	Contractor backed into TDC generator and container causing property damage.	Vehicle movement plan in place was not adhered to. Spotter to be used as per vehicle movement plan required in these instances.	YES
10/01/2022	Near Miss	Operations Group – Customer Services	Light cover fell from ceiling onto the floor near staff member	Contractor was advised to follow up.	YES
31/01/2022	Incident	Operations Group – Regulatory Services	Staff member hit head on the corner of a wall shelf above the sink	Shelf removed. First Aid administered	YES



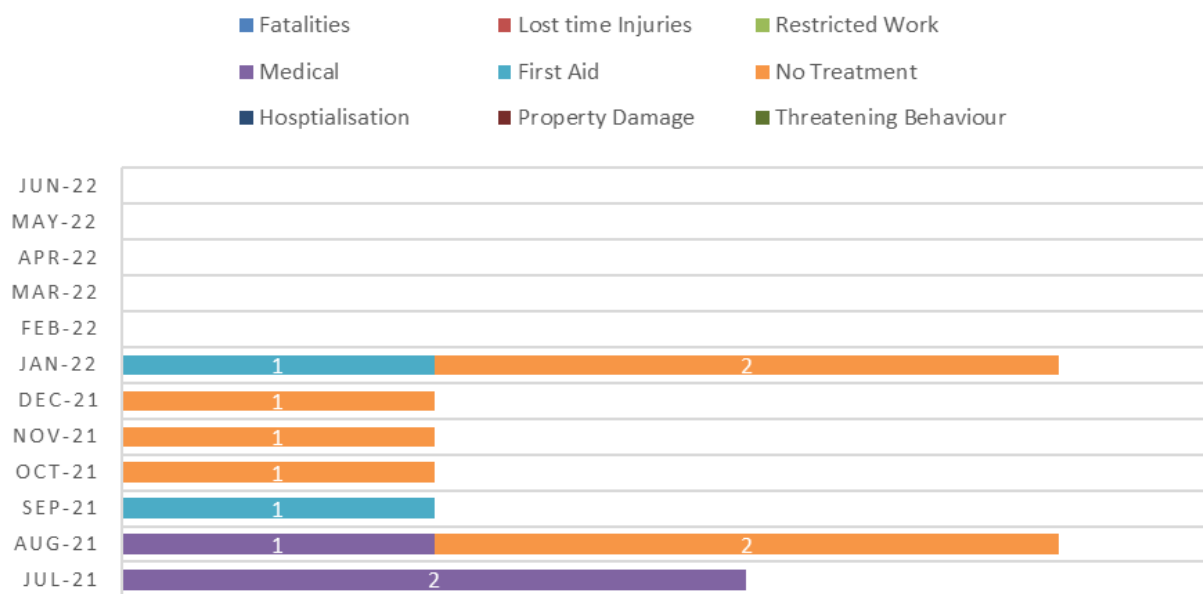
## 2021/22 EVENT TYPE



## 2021/22 BY DEPARTMENT



## 2021/22 INJURIES/ILLNESSES



### Attachments

Nil.

## Report

Date : 15 March 2022  
To : Chairperson and Committee Members  
Audit and Risk Committee  
From : Stephen Dunn  
Risk & Assurance Advisor  
Subject : **Risk Management**  
Item No : **6.2**

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### 1. Recommendation

- 1.1 *That the report from the Risk and Assurance Advisor dated 15 March 2022 concerning risk management (as circulated) be received, and*
- 1.2 *That the Audit and Risk Committee note since the last meeting there has been no changes to risks and no significant changes to treatments in the Strategic Risk Register.*

### 2. Reason for the Report

- 2.1 To provide an update to the Audit and Risk Committee on the management of strategic risks at Council.

### 3. Strategic Risk Register

- 3.1 There has been no change to risks and no significant changes to treatments since the last meeting. The sections below summarise topical strategic risks relating to incidents, emerging risks, and Senior Leadership Team concerns.

### 4. Three Waters Reform Programme (SRR R00049)

- 4.1 The strategic Risk Register summarises the potential for the reforms to lead to poor community outcomes. The primary treatment for this risk is active participation in the Reform Programme.

- 4.2 Reporting on Council participation and progress is through Council and the Works Liaison Committee. Human Resources is beginning the process of workforce engagement.

## **5. Future of Local Government Review (SRR R00050)**

- 5.1 The Strategic Risk Register summaries the uncertainty the Review brings to local government and communities. The key treatment is active engagement in the process and a review of the interim report. Council has been engaging with Government through workshops and other engagement opportunities.

## **6. Atypical Global Depression (SRR R00037) and Typical Severe Recession (SRR R00038)**

- 6.1 The Strategic Risk Register reflects the positive way the Tararua economy has responded to COVID-19 impacts to date and there has not been a recession. Recent local and international economic developments have caused higher headline inflation and are likely to lead to increases in interest rates, and potentially further adverse economic conditions. The key treatment is monitoring for potential impacts through the annual and long term plan process.

## **7. The Technical or Structural Failure of one or more Critical Infrastructure Assets (SRR R00044)**

- 7.1 Management of Dannevirke impounded supply failure and associated risks is being managed through the Water Incident Management Team established in January 2022 to enhance coordination across Council and with key stakeholders and partners. Progress on the failure is reported through the Works Liaison Committee and weekly Situation Reports.

## **8. Human Disease Pandemic (SRR R00041)**

- 8.1 COVID-19 Business Continuity Plans have been adapted to keep pace with changes in the pandemic and government requirements. Council's COVID-19 Vaccination Policy for employees, visitors, and contractors came into effect from 8 February 2022. Council remains connected to regional and local response coordination measures including a proposed Manawatū-Whanganui charter for mutual support with critical staff. These treatments have helped mitigate the risk of reductions in levels of service and delivery of projects however as experienced elsewhere in New Zealand and abroad it remains likely there will be an effect as community spread grows.

## **9. Climate Change (SRR R00051)**

- 9.1 The Intergovernmental Panel on Climate Change (IPCC) released its latest report *Climate Change 2022: Impacts, Adaptation and Vulnerability* on 27 February 2022.

- 9.2 Manager Strategy and Climate Change will report on this as it relates to Council's strategic climate change risk, and any recommended changes to treatments or opportunities.

## **10. Three Year Work Programme**

- 10.1 The review of the Risk Management Framework (RMF) was delayed pending the Risk and Assurance Advisor role being filled. A draft revised RMF will be presented at the June 2022 meeting.
- 10.2 A full review of the Strategic Risk Register was scheduled for this meeting. The review of the SRR will be completed over the coming months as the Risk and Assurance Advisor meets with risk owners.
- 10.3 A Setting of Risk Appetite workshop was due to be completed in October 2021 and an Insurance Risk Strategy workshop in March 2022, expect these items to proceed later in 2022.

## **11. General**

- 11.1 The newly appointed Risk and Assurance Advisor started in mid-December 2021 and was seconded fulltime to the Water Incident Management Team in January 2022.

## **Attachments**

Nil.



## Report

Date : 15 March 2022

To : Chairperson and Committee Members  
Audit and Risk Committee

From : Raj Suppiah  
Group Manager - Corporate

Subject : **Adoption of Council's Engagement Document and Supporting Information for the Annual Plan 2022/2023**

Item No : **6.3**

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### 1. Recommendation

- 1.1 *That the report from the Group Manager - Corporate dated 15 March 2022 concerning the adoption of Council's Engagement Document and Supporting Information for the Annual Plan 2022/2023 (as circulated) be received, and*
- 1.2 *That the Audit and Risk Committee recommend to Council the Engagement Document and Supporting Information including the Fees and Charges Schedule for the 2022/2023 financial year be adopted (subject to the correction of any typographical errors or changes which may be required).*

### 2. Reason for the Report

- 2.1 To recommend to the full Council to adopt Council's Engagement Document and Supporting Information for the Annual Plan 2022/2023, being year two of the 2021/2031 Long Term Plan.

### 3. Background

- 3.1 Council must prepare an Annual Plan for each financial year as required by Section 95 of the Local Government Act 2002.

- 3.2 Council held a series of workshops from November 2021 to March 2022 to determine the service levels, capital programme, fees and charges, activity expenditure and rates requirement for the Draft Annual Plan 2022/2023.

#### **4. Engagement with the Community**

- 4.1 Council is proposing rates increase of 11.37% which is higher than that proposed in the Long Term Plan. This increase is driven by rising operating costs and priorities in this Annual Plan namely compliance, renewing ageing assets, infrastructure investment in response to growth and building resilience, and right-sizing of staff numbers.
- 4.2 Council will prepare an Engagement Document and supporting information to engage with the community as part of Super Consultation Round 2 as the rates increase proposed is significantly higher than the rates limits set in the Financial Strategy.
- 4.3 The engagement period will run from 4<sup>th</sup> April to 6<sup>th</sup> May and Council has planned to engage with the community in the following mechanisms:
- The Engagement Document and supporting information being publicly available on the Council website and at Council's service centres;
  - Media releases through the Bush Telegraph;
  - Rates mock invoice sent to each ratepayer; and
  - Roadshow as part of Super Consultation Round 2.

#### **5. Significance Assessment**

- 5.1 The proposed changes recommended triggers the Council's Significance and Engagement Policy under the criteria: "The degree to which the issue / decision has a new financial impact on Council or the rating levels of its communities"
- 5.2 Council is proposing an increase of 11.37%, exceeding the rates limit in the LTP of 7.86%.
- 5.3 Council is engaging with the community on the proposed rates increase detailing the underlying drivers.

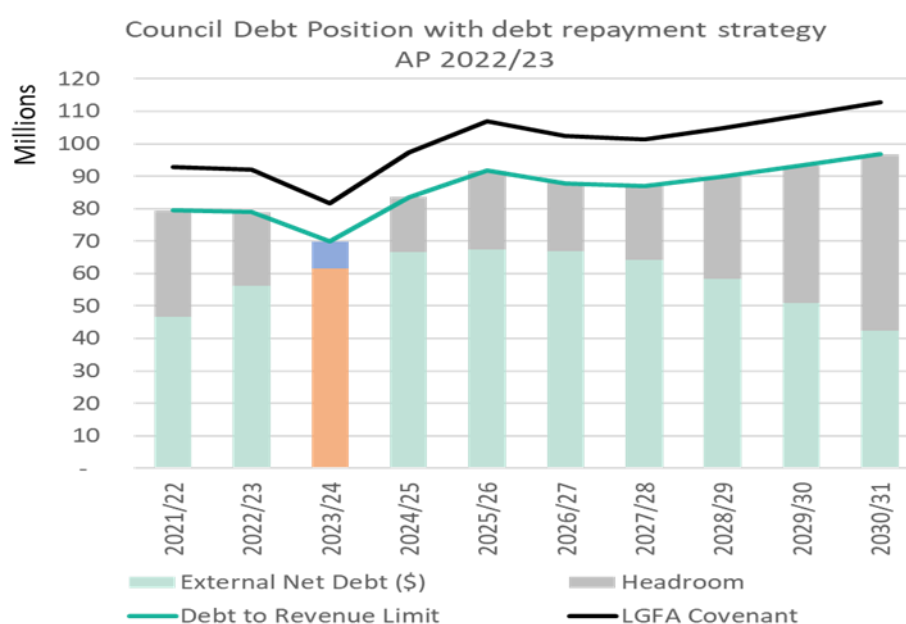
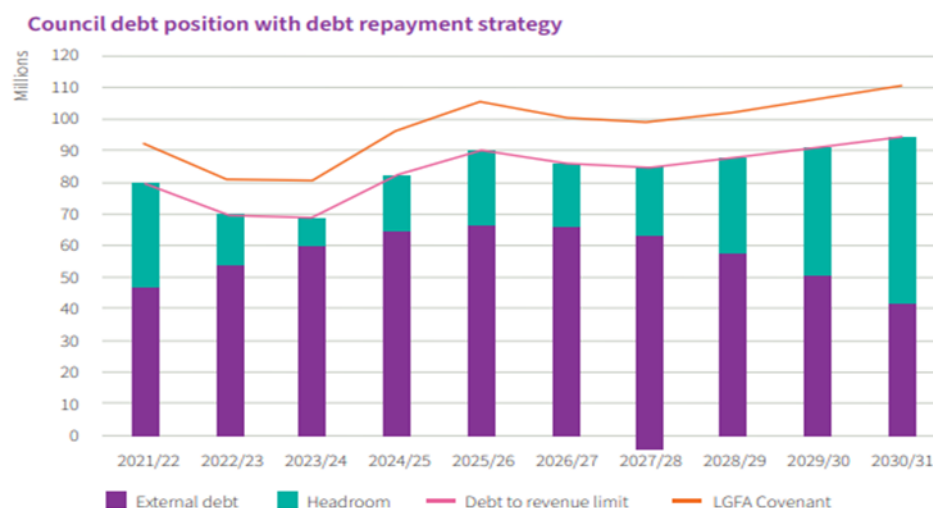


## 6. Financial Strategy Key Issues

- 6.1 The 2021/31 Financial Strategy highlighted the issues facing the Council and its response to these issues over the course of the Long Term Plan (LTP) is as follows:

WHAT	REASON
Introduce a debt repayment programme	Ensures Council has continued financial resilience whilst continuing to invest in infrastructure that meets existing community needs and enables future growth.
Increase Council's debt limit against revenue from 100% to 150% (LGFA covenant is 175%)	To enable Council's capital investment programme.
Increase Council's rates limit	To service the increased debt levels and fund operational cost increases resulting from growth, increased service levels, and increased compliance costs.
Continue to explore alternative funding streams	To meet the objectives of Council's pricing strategy and ensure opportunities for external funding is maximised.
Grow the rating base	Spreads the cost of Council services across more people, reducing the burden on existing ratepayers.
Fund an appropriate level of depreciation for future asset renewals.	Council may choose to fund a level of depreciation that is different to the depreciation expense based on modelling of expected renewals over the next 30+ years.

- 6.2 **Introduce a debt repayment programme** – in the LTP, Council had indicated that it will include in its rates limits 2% accelerated debt repayment.
- 6.3 External debt repayment is provided from depreciation reserve funding (used to fund the replacement of long term assets). Council's infrastructure is ageing, and planned renewals are increasing, meaning that there is no longer sufficient surplus cash to repay external debt.
- 6.4 In this Annual Plan, Council is planning to continue a high level of capital investment in infrastructure and in community facilities.
- 6.5 However, with the rates increase significantly higher than the LTP, meant Council had to find options to reduce the proposed rates to the 11.37% for the Draft AP.
- 6.6 One of the options taken is to reduce the accelerated debt repayment from 2% to 1% with the intention to catch up in the following years of the LTP. The following graphs (LTP followed by the Annual Plan) shows the impact of this decision as forecast in the LTP and in the Annual Plan.



- 6.7 **Increase Council's debt limit** - already in place
- 6.8 **Increase Council's rates limit** – the rates increases are significantly higher than the LTP resulting from rising operating costs and Council's priorities in this Annual Plan namely compliance, renewing ageing assets, infrastructure investment in response to growth and building resilience, and right-sizing of staff numbers.
- 6.9 **Continue to explore alternative funding Streams** – Since 2012, funding from rates had increased from 60% to 63%. Council has put a greater focus on alternative funding sources in the LTP to reduce the financial burden on ratepayers.
- 6.10 After a period that resulted in funding from fees and charges dropping from 13% in 2012 to 9% of total revenue, Council adopted a pricing strategy in 2015. This provided a framework for decision making when setting fees and charges.

6.11 Fees and charges for activities that provide a benefit to a direct user have been increased in this Annual Plan to reflect the cost of providing the service. The key changes are:

- Metered water – increased by \$424,000
- Refuse disposal to continue full cost recovery accounting for the increase in carbon and waste levy's - \$83,000
- Trade waste – increased by \$30,000
- Increased regulatory services fees (mainly Animal Control, Building Services and District Planning) to reflect both increased demand for services and increased costs to deliver the levels of service - \$439,000
- Pensioner housing rental increases to reflect the quality of the units and the overall increase in market rentals in the district - \$28,000

6.12 The table below highlights the effect of these changes on the mix of Council's funding sources:

	Rates	Subsidies	Fees and charges	Other revenue
2012-2022 Long Term Plan - Year 1	60%	26%	13%	1%
2015-2025 Long Term Plan - Year 1	62%	26%	9%	3%
2018-2028 Long Term Plan - Year 1	63%	27%	8%	2%
2021-2031 Long Term Plan - Year 1	62%	26%	11%	1%
2022/2023 Annual Plan	61%	26%	12%	1%

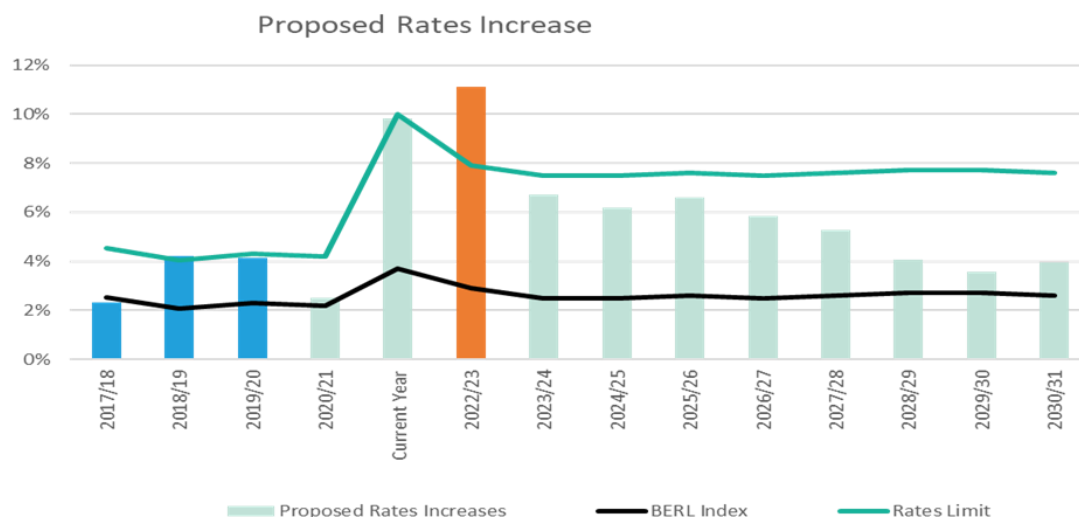
6.13 **Grow the rating base** – Council continues to see modest growth in its rating base of estimated 69 new assessments as of February 2022 (aligned to forecast of 70 for the year in the LTP). Staff will update the rates model with the final new assessments in May 2022 prior to modelling the rates for the final Annual Plan.

6.14 **Fund an appropriate level of depreciation for future asset renewals** – Council have maintained the funding levels as per the LTP.

## 7. Key changes between the Draft Annual Plan and the Long Term Plan

### 7.1 Rates Increase

7.1.1.. The overall proposed rates increase for 2022/23 Draft Annual Plan is 11.37%. This is higher than the 7.86% increase forecast for Year 2 of Long Term Plan and exceeds the rates limit of 7.90% set in the Financial Strategy.



## 7.2 Debt repayment

7.2.1 As noted in paras 5.2 to 5.8 above

## 7.3 Capital Programme

7.3.1 Total capital expenditure is \$28.66M compared to \$24.54 M in Year 2 of the LTP.

## 7.4 Operational Expenditure

7.5 This has increased by \$572,000 for Year 2 of the LTP and \$390,000 for the current year (Year 1 of the LTP). The main drivers for the increases are cost increases in Solid Waste, Regulatory Services, Community and Recreational Services, Insurance and Election cost.

## 7.6 Personal cost

7.7 Personal cost in the Statement of comprehensive income and expense has increased by \$2.39M compared to current year. One of the outcomes is to ensure competitiveness in Council's staff benefits compared to the market - important in recruitment and retention of staff. The increase is due to a combination of:

7.7.1 New roles to meet service levels, compliance, anticipated growth, and to focus on high risk areas.

7.7.2 Bringing exiting staff salaries closer to 95% of the benchmark.

7.7.3 Allowance for staff development and role movements, extra-ordinary hours, on-call costs, overtime and casual staff.

7.7.4 An overall salary increase of 5% in anticipation of market movement.

## 8. Financial Strategy Limits and Revenue and Financing Compliance

### 8.1 Financial Prudence Benchmarks

8.2 The table below displays Council's planned limit as per the Draft Annual Plan 2022/23 against its Quantified Maximum limits set in the Financial Strategy.

Benchmark	Quantified Maximum Limit	Planned Limit	Met
<b>Rates affordability benchmark</b>			
- Increases	7.90%	11.37%	<b>No</b>
<b>Debt Affordability:</b>			
Net Debt as a percentage of total revenue	<150	119%	<b>Yes</b>
Net interest as a percentage of total revenue	<7%	3.20%	<b>Yes</b>
Net interest as a percentage of annual rates income (debt secured under debenture)	<10%	5.40%	<b>Yes</b>
Liquidity (External, term debt + committed loan facilities + available liquid investments to existing external debt)	>110%	117%	<b>Yes</b>
<b>Balanced Budget Benchmark</b>	>100%	108%	<b>Yes</b>
<b>Essential Services Benchmark</b>	>100%	196.00%	<b>Yes</b>
<b>Debt Servicing Benchmark</b>	<10%	3.29%	<b>Yes</b>

8.3 The proposed rates increase of 11.37% exceeds the maximum limit of 7.9%.

8.4 Council complies with all of the debt limits set in the Financial Strategy. The debt limit with the least headroom is liquidity. However, this was expected in the Financial Strategy. If an unplanned event occurred (such as a major earthquake) Council has options to increase its liquidity either through a larger standby loan facility, or re-prioritising planned projects if required.

8.5 Council has also set lower benchmark limits than LGFA (Local Government Funding Agency) covenants. The LGFA limit for net debt as a percentage of total revenue is <170% compared to Council's limit of <150%. This allows for future headroom and also ensures the cost of debt is maintained at an affordable level to ratepayers.

## 9. Revenue and Financing Policy

9.1 Council has set funding limits by way of the Revenue and Financing Policy in the 2021/31 Long Term Plan. Where Council does not comply with these limits, it must formally approve those that fall outside the policy limits. Those not complying are highlighted in the table below:

	Rates Policy	Actual percentage	Fees and charges Policy	Actual percentage	Grants and Other revenue Policy	Actual percentage
<b>Building Services, Compliance and Monitoring</b>	50%-60%	<b>62%</b>	40%-50%	<b>38%</b>	-	-
<b>District Planning</b>	70%-80%	<b>50%</b>	20%-30%	<b>50%</b>	-	-

Footpaths	30%-40%	54%	-	-	60%-70%	46%
Parks and Reserves	85%-95%	83%	0%-5%	5%	5%-10%	12%

9.2 The reasons and required action are noted in the table below. These will need approval as part of adopting the Annual Plan:

Activity	Reason						
Building Services, Compliance and Monitoring	<p>The Revenue and Financing Policy groups the Building Services, Environmental Health, Liquor, Noise and General Compliance. These groupings do not correctly reflect the public (rates) private (fees &amp; charges) funding limits for example:</p> <ul style="list-style-type: none"><li>Council desires to move toward users pays – funding for Building Services differs from General Compliance (rubbish, illegal dumping, abandoned vehicles etc). Ability to recover cost via user pays in General Compliance is difficult/not practical.</li><li>Liquor licence fees are set by legislation and any change is via a Bylaw.</li></ul> <p>See table below for details.</p> <p><b>Action Required:</b> This will require Council to revisit the Revenue and Financing Policy limits in the 2024/34 LTP.</p>						
	<b>Activity</b>	<b>Current Year 2021/22 \$'000</b>		<b>Rates %</b>	<b>Annual Plan 2022/23 \$'000</b>		<b>Rates %</b>
		Rates	Other		Rates	Other	
	Building Consents	\$677	\$740	47.8%	\$1,026	\$711	59.1%
	Health Licensing	\$91	\$26	77.8%	\$133	\$161	82.0%
	Liquor Licensing	\$63	\$73	46.3%	\$107	\$75	58.8%
	Noise & Nuisance	\$150	\$4	97.4%	\$219	\$4	98.2%
	<b>Total</b>	<b>\$980</b>	<b>\$844</b>	<b>53.7%</b>	<b>\$1,486</b>	<b>\$818</b>	<b>64.5%</b>
District Planning	<p>Fees and charges for this activity has increased significantly (cost recovery and charging for cost previously not charged e.g. Engineering advice) resulting in higher revenue.</p> <p><b>Action Required:</b> This will require Council to revisit the Revenue and Financing Policy limits in the 2024/34 LTP.</p>						
Footpaths	<p>The funding includes main street upgrades funded via targeted rates and Waka Kotahi funding of 70%.</p>						

	<b>Action Required:</b> This will require Council to revisit the Revenue and Financing Policy limits in the 2024/34 LTP.
Parks and Reserves	Council has budgeted to receive external grants. This is a one-off grant.  <b>No Action Required</b>

## **10. Balanced Budget Requirement**

10.1 Section 100 of the Local Government Act 2002 requires Council to ensure that for every year of the Long Term Plan, its projected operating revenues are set at a level sufficient to meet its projected operating expenditure. This is known as the balanced budget. Council may set projected operating revenues at a different level from that required, if the Council resolves that it is financially prudent to do so.

10.2 Council for this Annual Plan has produced a balanced budget.

## **11. Conclusion**

11.1 The Engagement Document, Supporting Information including the Fees and Charges Schedule for the Draft Annual Plan 2022/2023 are presented to the Audit and Risk Committee for recommendation to Council for adoption.

## **Attachments**

Nil.