



NOTICE OF MEETING

**Notice is hereby given of the Meeting of the
Risk and Assurance Committee
to be held in the Council Chamber,
First Floor, Civic Administration Building,
101 Esk Street, Invercargill on
Tuesday 24 August 2021 at 8.30 am**

Mr B Robertson (Chair)
Cr R R Amundsen
Cr A J Arnold
Cr W S Clark
Cr A H Crackett
Mr R Jackson
Cr D J Ludlow
Cr I R Pottinger

CLARE HADLEY
CHIEF EXECUTIVE

Risk and Assurance Committee - Public

24 August 2021 08:30 AM

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1. Apologies	
2. Public Forum	
3. Declaration of Interest	5
a. Members are reminded of the need to stand aside from decision-making when a conflict arises between their role as an elected representative and any private or other external interest they might have.	
b. Elected members are reminded to update their register of interests as soon as practicable, including amending the register at this meeting if necessary.	
4. Minutes of the Risk and Assurance Committee Meeting Held on 21 June 2021 (A3432968)	6
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12. Urgent Business	
13. Public Excluded Session	

Public Excluded Session

Moved , seconded that the public be excluded from the following parts of the proceedings of this meeting, with the exception of the External Appointees, Mr Jeff Grant and Mr Lindsay McKenzie; namely:

- a) *Minutes of the Public Excluded Session of the Risk and Assurance Committee meeting held on 21 June 2021*
- b) *Council Litigation Update*
- c) *Internal Audit Programme Update*
- d) *2021 Annual Report and Insurance Renewal Matters*
- e) *EIL Director Appointments*
- f) *ICL Project Update*
- g) *Shadbolt v ICC (Verbal Update)*

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 are 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) for the passing of this resolution
a) Minutes of the Public Excluded Session of the Risk and Assurance Committee meeting held on 21 June 2021	<p>Section 7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p>Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7</p>
b) Council Litigation Update	<p>Section 6(a) The maintenance of law including the right to a fair trial</p> <p>Section 7(2)(g) To protect legal professional privilege</p>	<p>Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7</p>
c) Internal Audit Programme Update	<p>Section 7(2)(e),(f)(ii),(j) Prevention of material loss, protection from improper pressure or harassment, prevention of improper advantage</p>	<p>Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7</p>

d) 2021 Annual Report and Insurance Renewal Matters	<p>Section 7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p>Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7</p>
e) EIL Director Appointments	<p>Section 7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p>Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7</p>
f) ICL Project Update	<p>Section 7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p>Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7</p>
g) Shadbolt v ICC (Verbal Update)	<p>Section 7(2)(g) Maintain legal professional privilege</p>	<p>Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7</p>

Declaration of Interest

1. Members are reminded of the need to stand aside from decision-making when a conflict arises between their role as an elected representative and any private or other external interest they might have.
2. Elected members are reminded to update their register of interests as soon as practicable, including amending the register at this meeting if necessary.

MINUTES OF A MEETING OF THE RISK AND ASSURANCE COMMITTEE HELD IN THE COUNCIL CHAMBER, FIRST FLOOR, CIVIC ADMINISTRATION BUILDING, 101 ESK STREET, INVERCARGILL ON MONDAY 21 JUNE 2021 AT 8.30 AM

PRESENT: Mr B Robertson (Chair)
Cr R R Amundsen
Cr W S Clark
Mr R Jackson
Cr D J Ludlow
Cr I R Pottinger
Mr L McKenzie – External Appointee

IN ATTENDANCE: Sir T R Shadbolt, KNZM JP
Cr L F Soper
Mrs C Hadley – Chief Executive
Mr M Day – Group Manager – Finance and Assurance
Ms E Moogan – Group Manager – Infrastructure
Mrs J Parfitt – Advisor – Office of the Chief Executive
Mrs P Christie – Finance Manager
Mrs R Suter – Strategy and Policy Manager
Mr P Patton – Quality Assurance Manager
Ms M Sievwright – Governance Officer

1. **APOLOGIES**

Cr A Crackett and Mr J Grant.

Moved Mr Robertson, seconded Cr Ludlow and **RESOLVED** that the apologies be accepted.

2. **PUBLIC FORUM**

Nil.

3. **INTEREST REGISTER**

A2951790

Updates were received from Cr Clark and Cr Amundsen.

4. **MINOR LATE ITEM**

It was agreed the Minor Late Item regarding the Proposed Audit Fees for the June 2021 to June 2022 financial years would be dealt with when the item came up.

5. **MINUTES OF THE RISK AND ASSURANCE COMMITTEE MEETING HELD ON 22 MARCH 2021**
A3367892

Moved Mr Robertson, seconded Mr Jackson and **RESOLVED** that the minutes of the Risk and Assurance Committee held on 22 March 2021 be confirmed.

6. **LONG TERM PLAN UPDATE**
A3420755

Jenna Hills, Andy Burns, Chris Genet and Dereck Ollsson from Audit New Zealand were in attendance, via Zoom, to speak to this item.

The LTP had gone smoothly and copies of the draft audit letter and letter of representation was distributed, as they were received late. Audit were thanked for their assistance in this process. It was anticipated Council would adopt this Plan on 30 June.

Moved Cr Amundsen, seconded Cr Pottinger and **RESOLVED** that the Risk and Assurance Committee:

1. Receive the report "Long-term Plan Update".
2. Receive the Audit New Zealand report on the Consultation Document (A3435873).
3. Receive the Audit New Zealand opinion and letter on the Long-term Plan (tabled at the meeting).
4. Note the proposed review process for the Long-term Plan.

Recommendation to Council:

5. That Council authorise His Worship the Mayor to sign the Letter of Representation for the Audit of the Long Term Plan.

7. **AUDIT NEW ZEALAND ARRANGEMENTS FOR THE 2021 ANNUAL REPORT
AUDIT AND MANAGEMENT REPORT FOR THE 2020 ANNUAL REPORT**
A3419339

Jenna Hills, Andy Burns, Chris Genet and Dereck Ollsson from Audit New Zealand were in attendance, via Zoom, to speak to this item.

The Audit fee had increased by 9%, however this was lower than what the Auditor General had suggested. Mr Ollsson outlined key issues which would be focused on in the audit. It was noted that not all audits would meet the statutory timeframes due to a lack of resources. This was across New Zealand, not just for Invercargill.

In response to a question regarding CCO's, it was noted that EIL's audit was on time, and their fees were separate. Other CCO's would not be audited on time and would be submitted as unaudited.

A closer look had been taken at sensitive expenditure and regular reporting was now being undertaken. There were several recommendations in the report which still needed to be worked on.

Moved Cr Pottinger, seconded Cr Ludlow and **RESOLVED** that the Risk and Assurance Committee:

1. Receive the report 'Audit New Zealand Arrangements for the 2021 Annual Report Audit and the Management Report for the 2020 Annual Report'.
2. Receive the management report from Audit New Zealand for the 2020 Annual Report, noting the management comments and issues identified.
3. Receive the Audit Arrangements letter received from Audit New Zealand and authorise the Mayor to sign it on Council's behalf.

Recommendation to Council:

4. That Council authorise His Worship the Mayor to sign the Audit Arrangement Letter.

8. **QUARTERLY FINANCIAL REPORT – 31 MARCH 2021**
A3437945

This report had previously been presented at the Performance, Policy and Partnerships Committee meeting.

Moved Cr Ludlow, seconded Cr Amundsen that the Risk and Assurance Committee:

1. Receive the report "Quarterly Financial Report – 31 March 2021".
2. Notes for the quarter ending 31 March 2021:
 - Council has recorded an operating deficit of \$0.04 million;
 - Capital programme is running below forecast.
3. Notes that the changes to the forecast as outlined in the schedule of forecast changes section of the report were approved as part of the LTP deliberations.

There was a correction to the interest rate required. This breach was noted in the Liability Policy.

It was noted that the report was misleading as one page noted there was \$5 million surplus but another page stated there was a deficit. It was clarified these were forecast figures and this was in relation to the timing of collection of rates.

The motion, now put was **RESOLVED** in the affirmative.

9. **INTERNAL AUDIT PROGRAMME UPDATE**
A3411888

Deloitte had undertaken internal audits and key improvement areas would be discussed with the Chair of Risk and Assurance.

The work plan for internal audits was requested to be presented to this Committee.

In response to a question regarding summaries of internal audits being presented to the Committee, it was agreed this would happen.

Moved Cr Pottinger, seconded Cr Clark and **RESOLVED** that the Risk and Assurance Committee:

1. Receive the "Internal Audit Programme Update".
2. Note the Invercargill City Council Internal Audit and Continuous Improvement Updates.

10. **RISK MANAGEMENT FRAMEWORK POLICY AND PROCESS, DISCUSSIONS WITH GROUP MANAGERS AND DEVELOPMENT OF TOP RISKS FOR COUNCIL**
A3409875

A discussion was held regarding health, safety and wellbeing and it was agreed that this was not given the right risk relevance. It was agreed that this was a high risk rather than a moderate risk. The governance reputation was a moderate risk rather than a low risk. It was agreed that the development of top risks would be done and presented to the next Committee meeting.

Moved Mr Robertson, seconded Cr Pottinger and **RESOLVED** that the Risk and Assurance Committee:

1. Receive the "Risk Management Framework Policy and Process, Discussions with Group Managers and Development of the Top Risks for Council".
2. Approve "Risk Management Framework, Policy and Process (A3441050)", with the amendment to table 1 from low risk to moderate risk in the Health, Safety and Wellness, for introduction across Council.

11. **PROJECT MANAGEMENT OFFICE STATUS REPORT**
A3437988

Tess Browne was in attendance to speak to this item.

In response to a question regarding 3 Waters, it was noted more information from central government would be available in August / September.

The design process was due to be completed on the Water Tower and more work would be carried out.

It was agreed the shortfall in the Museum financials should be changed to reflect external funding to be sought.

Moved Cr Amundsen, seconded Cr Ludlow and **RESOLVED** that Risk and Assurance Committee:

1. Receives the report "Project Management Office Status Report".

12. **PUBLIC EXCLUDED SESSION**

Moved Mr Robertson, seconded Cr Ludlow and **RESOLVED** that the public be excluded from the following parts of the proceedings of this meeting, with the exception of the External Advisors, Mr Jeff Grant and Mr Lindsay McKenzie; namely:

- (a) *Minutes of the Public Excluded Session of the Risk and Assurance Committee meeting held on 22 March 2021*
- (b) *Verbal Update of Roll Out of Financial System Improvements*
- (c) *Renewal of Liability Insurance*
- (d) *Working on Working Together Update*
- (e) *Council's Duties in Relation to the CEs Employment*
- (f) *ICL Project Update*
- (g) *Invercargill City Holdings Limited – Redeemable Preference Shares*
- (h) *Shadbolt v ICC – Update*

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(b) Verbal Update of Roll Out of Financial System Improvements	Section 7(2)(f) Maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to members or officers or employees of any local authority in the course of their duty	Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7
(c) Renewal of Liability Insurance	Section 7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7
(d) Working on Working Together Update	Section 7(2)(a) Protect the privacy of natural persons, including that of deceased natural persons	Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for

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(e) Council's Duties in Relation to the CEs Employment	Section 7(2)(a) Protect the privacy of natural persons, including that of deceased natural persons	Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7
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(g) Invercargill City Holdings Limited – Redeemable Preference Shares	Section 7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7
(h) Shadbolt v ICC - Update	Section 7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Section 48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7

There being no further business, the meeting finished at 11.53 pm.

TO: RISK AND ASSURANCE COMMITTEE

FROM: TESS BROWNE, PROGRAMME DIRECTOR

AUTHORISED BY: ERIN MOOGAN, GROUP MANAGER – INFRASTRUCTURE

MEETING DATE: TUESDAY 24 AUGUST 2021

PROJECT MANAGEMENT OFFICE STATUS REPORT
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SUMMARY

This report is to update the Council on the status of Strategic Projects being delivered by the Project Management Office.
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RECOMMENDATIONS

That the Risk and Assurance Committee receives the report “Project Management Office Status Report”.

IMPLICATIONS

1.	<i>Has this been provided for in the Long Term Plan/Annual Plan?</i> Yes
2.	<i>Is a budget amendment required?</i> No
3.	<i>Is this matter significant in terms of Council’s Policy on Significance?</i> No
4.	<i>Implications in terms of other Council Strategic Documents or Council Policy?</i> No
5.	<i>Have the views of affected or interested persons been obtained and is any further public consultation required?</i> N/A

REPORT

Attached is the Project Management Office Status Report to Risk and Assurance as at 13 August 2021 (refer to **Appendix 1** – A3515796).

ICC PMO Programme Dashboard

Report to 12 August 2021

Programme Sponsor: Erin Moogan

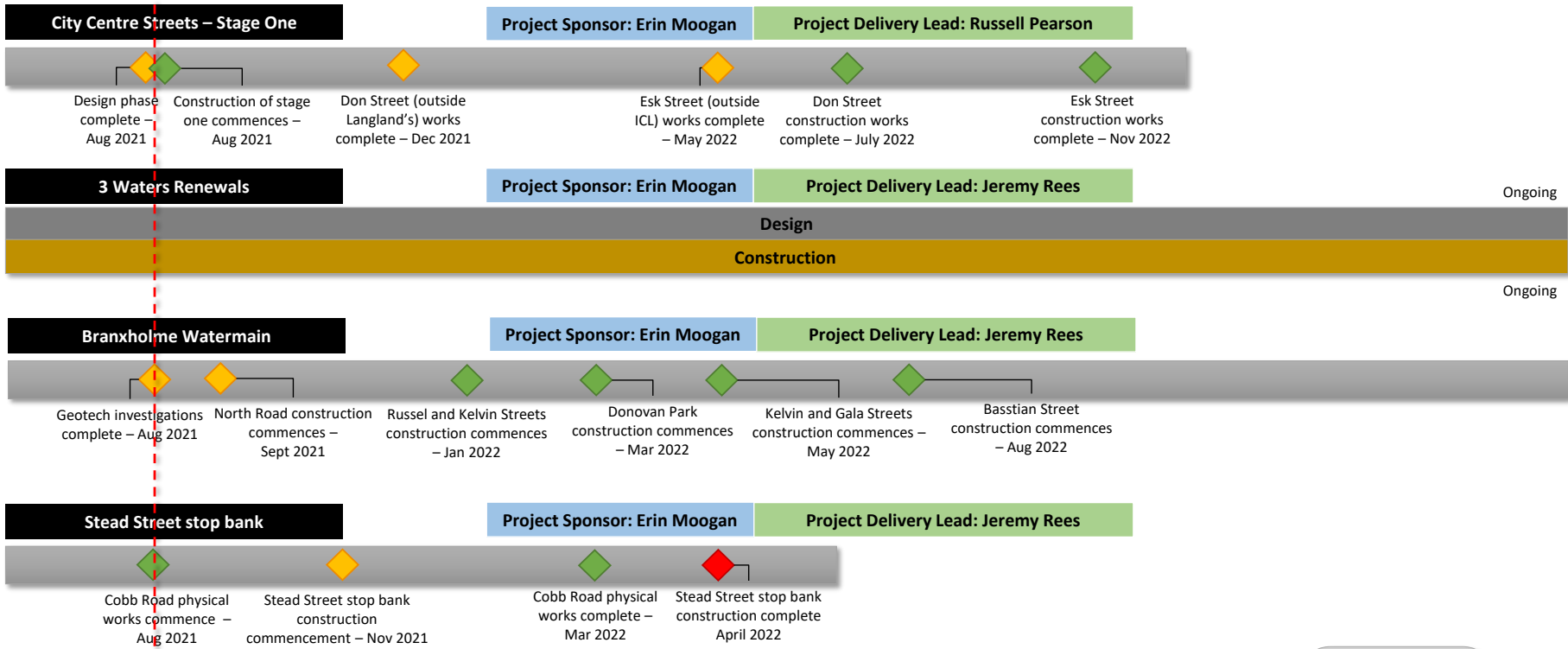
Programme Lead:

Tess Browne

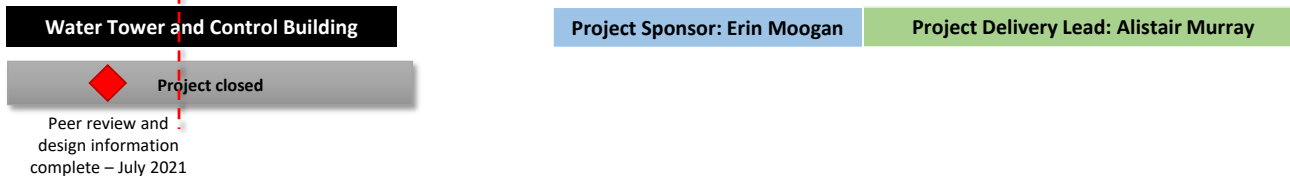
PROGRAMME SCHEDULE

2021							2022										2023							
J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J

HORIZONTAL PROJECTS



STRENGTHENING / REFURBISHMENT



LEGEND:

- Green diamond: No/Low likelihood of not meeting date
- Yellow diamond: Medium likelihood of not meeting date
- Red diamond: Significant likelihood of not meeting date
- Black diamond: Milestone Completed
- Blue diamond: Dates still TBC

ICC PMO Programme Dashboard

Report to 12 August 2021

Programme Sponsor: Erin Moogan

Programme Lead:

Tess Browne



PROGRAMME SCHEDULE

2021							2022										2023							
J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J

STRENGTHENING / REFURBISHMENT

Anderson House

Project Sponsor: Erin Moogan

Project Delivery Lead: Heather Guise



Healthy Homes

Project Sponsor: Erin Moogan

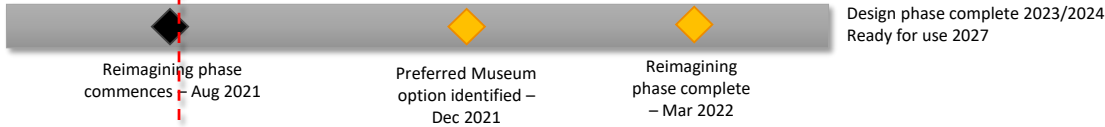
Project Delivery Lead: John Wallace



ICC Museum Project – Reimagining Phase

Project Sponsor: Erin Moogan

Project Delivery Lead: TBC



CAB Refurbishment

Project Sponsor: Erin Moogan

Project Delivery Lead: TBC



LEGEND:

- ◆ No/Low likelihood of not meeting date
- ◆ Medium likelihood of not meeting date
- ◆ Significant likelihood of not meeting date
- ◆ Milestone Completed
- ◆ Dates still TBC

ICC PMO Programme Dashboard

Report to 12 August 2021

Programme Sponsor: Erin Moogan

Programme Lead:

Tess Browne



PROGRAMME FINANCIALS								
Project Budget	Spend to date			Overall forecast				
Project	Budget	Actuals	Remaining	Forecast	Budget	Variations	RAG	Comments
City Centre Streets – Stage one	\$ 17,702,873	\$ 1,302,541	\$ 16,400,332	\$ 18,947,800	\$ 17,702,873	\$ 1,200,000		Elected members approved \$600K for City Centre Streets work. Further \$600K has been allocated to completed stormwater and sewer renewal works. This is tracked as a variation to the project
Stead Street stop bank	\$ 15,500,000	\$ 1,210,557	\$ 14,289,443	\$ 15,500,000	\$ 15,500,000	\$ -		
Branxholme Watermain	\$ 11,500,000	\$ -	\$ 11,500,000		\$ 11,500,000	\$ -		Estimate received is more than available funding. Project team currently assessing project cost to report back to PCG
Anderson House	\$ 1,400,000	\$ 167,339	\$ 1,232,661	\$ 1,400,000	\$ 1,400,000	\$ -		
CAB Refurbishment	\$ 15,885,000	\$ 75,574	\$ 15,809,426	\$ 15,885,000	\$ 15,885,000	\$ -		
Museum	\$ 40,000,000	\$ 255,654	\$ 39,744,346	\$ 54,000,000	\$ 40,000,000	-\$ 14,000,000		Reimaging budget is approx. \$235K. Additional capital funding required to achieve proposed budget
Water Tower	\$ 1,429,000	\$ 92,784	\$ 1,338,784					Project deferred. Close out of design documentation remains.
Healthy Homes	\$ 800,000	\$ 129,545	\$ 670,455	\$ 800,000	\$ 800,000	\$ -		
Programme total	\$ 104,216,873	\$ 3,233,993	\$ 100,982,880	\$ 105,287,873	\$ 102,787,873	-\$ 14,000,000		

3 Waters Renewal	Budget	Forecast	Actuals
	2021/2022	2021/2022	2021/2022
Stormwater	\$ 2,600,000	\$ 3,580,000	\$ -
Water	\$ 2,100,000	\$ 1,330,000	\$ -
Sewer	\$ 2,000,000	\$ 2,320,000	\$ -
Stimulus – Water (Capital)	\$ 480,000	\$ 760,000	\$ 50,000
Stimulus – Sewer (Capital)	\$ 550,000	\$ 570,000	\$ -
Stimulus – Sewer (Operational)	\$ 370,000	\$ 750,000	\$ 90,000
Stimulus – Water (Operational)	\$ 930,000	\$ 250,000	\$ 50,000
Programme total	\$ 9,030,000	\$ 9,560,000	\$ 190,000

ICC PMO Programme Dashboard

Report to 12 August 2021

Programme Sponsor: Erin Moogan

Programme Lead:

Tess Browne



PROGRAMME STATUS																																																
PROGRAMME HEALTH STATUS (1 = Green (OK), 2 = Amber (ON WATCH), 3 = Red (ESCALATE))											ISSUES WATCH LIST																																					
ID #	ITEM	City Centre Streets	Stead Street stop bank	Anderson House	CAB Refurb	Museum	Branxholme Watermain	3 Waters Renewal	Water Tower	Healthy Homes	DESCRIPTION	ID #	RISK TYPE	RAG STATUS	DESCRIPTION	ACTION / MITIGATION	DATE RAISED	DATE CLOSED																														
1	Schedule										Projects tracking well. There is potential for some scheduling issues due to delays with procurement of overseas material. Stead street behind programme and MBIE approval required to adjust date	1	Scope		Museum: Dependent on service requirements	Quickly need to agree required inputs for functionality to inform form.	Aug-21																															
2	Financials										Museum financials tracking red due to costs not matching proposed budget. Branxholme Watermain budget has increased, QS has been engaged to review overall project cost.	<table border="1"> <thead> <tr> <th colspan="5">RISKS WATCH LIST</th> </tr> <tr> <th>ID#</th> <th>RISK TYPE</th> <th>RAG STATUS</th> <th>DESCRIPTION</th> <th>ACTION / MITIGATION</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Schedule</td> <td></td> <td>Museum – Reimaging phase being achieved within available programme</td> <td>Ensure strict management of the design team and clear deliverables are issued to MGG to facilitate speedy decision making.</td> </tr> <tr> <td>2</td> <td>Financial</td> <td></td> <td>Branxholme Watermain – Cost fluctuation / escalation due to Covid 19 impacts. Current market demand for resources and materials.</td> <td>Pipe Supply Contract in place, Pipe Lay Contract to measure and value, rates to be fixed. Directional Drilling contract is cost reimbursable, estimates to be negotiated.</td> </tr> <tr> <td>3</td> <td>Scope</td> <td></td> <td>Branxholme Watermain – Undefined Scope.</td> <td>Scope definition to be completed ASAP, including CAR requests submitted and early engagement required with Waka Kotahi to address reinstatement requirements.</td> </tr> <tr> <td>4</td> <td>Schedule</td> <td></td> <td>Stead Street Stop bank – Completion date may need to be changed from April 2022 to June 2022.</td> <td>Formal approval from MBIE required to the PCG to make any change to the completion date.</td> </tr> </tbody> </table>							RISKS WATCH LIST					ID#	RISK TYPE	RAG STATUS	DESCRIPTION	ACTION / MITIGATION	1	Schedule		Museum – Reimaging phase being achieved within available programme	Ensure strict management of the design team and clear deliverables are issued to MGG to facilitate speedy decision making.	2	Financial		Branxholme Watermain – Cost fluctuation / escalation due to Covid 19 impacts. Current market demand for resources and materials.	Pipe Supply Contract in place, Pipe Lay Contract to measure and value, rates to be fixed. Directional Drilling contract is cost reimbursable, estimates to be negotiated.	3	Scope		Branxholme Watermain – Undefined Scope.	Scope definition to be completed ASAP, including CAR requests submitted and early engagement required with Waka Kotahi to address reinstatement requirements.	4	Schedule		Stead Street Stop bank – Completion date may need to be changed from April 2022 to June 2022.	Formal approval from MBIE required to the PCG to make any change to the completion date.
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3	Scope										Branxholme Watermain scope may need to be considered in light of cost increase.																																					
4	Resources										City Centre Streets going through change of communication personnel which could impact project. 3 Waters resourcing continues to be a challenge.	1	Schedule		Museum – Reimaging phase being achieved within available programme	Ensure strict management of the design team and clear deliverables are issued to MGG to facilitate speedy decision making.																																
5	Dependencies										City Centre Streets has a complex interface with major developments and utility providers. This will need to be managed closely. 3 Waters is tracking as red due to reliance on contractors to perform and forecast availability.	2	Financial		Branxholme Watermain – Cost fluctuation / escalation due to Covid 19 impacts. Current market demand for resources and materials.	Pipe Supply Contract in place, Pipe Lay Contract to measure and value, rates to be fixed. Directional Drilling contract is cost reimbursable, estimates to be negotiated.																																
6	Quality										Overall, quality of both design and current works in progress are being managed across PMO projects.	3	Scope		Branxholme Watermain – Undefined Scope.	Scope definition to be completed ASAP, including CAR requests submitted and early engagement required with Waka Kotahi to address reinstatement requirements.																																
7	Stakeholder										City Centre Streets has a register of concerns, queries and comments from retailers and other affected businesses that are being addressed by Downer. ICL and ILT coordination continues. Museum Reimagining has multiple stakeholders involved and a stakeholder engagement plan has been proposed to ensure lines of communication and responsibility are clear during this phase.	4	Schedule		Stead Street Stop bank – Completion date may need to be changed from April 2022 to June 2022.	Formal approval from MBIE required to the PCG to make any change to the completion date.																																
8	Benefits										Benefits are being reported as clearly identified across all projects.	<table border="1"> <thead> <tr> <th colspan="5">RISKS WATCH LIST</th> </tr> <tr> <th>ID#</th> <th>RISK TYPE</th> <th>RAG STATUS</th> <th>DESCRIPTION</th> <th>ACTION / MITIGATION</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Schedule</td> <td></td> <td>Museum – Reimaging phase being achieved within available programme</td> <td>Ensure strict management of the design team and clear deliverables are issued to MGG to facilitate speedy decision making.</td> </tr> <tr> <td>2</td> <td>Financial</td> <td></td> <td>Branxholme Watermain – Cost fluctuation / escalation due to Covid 19 impacts. Current market demand for resources and materials.</td> <td>Pipe Supply Contract in place, Pipe Lay Contract to measure and value, rates to be fixed. Directional Drilling contract is cost reimbursable, estimates to be negotiated.</td> </tr> <tr> <td>3</td> <td>Scope</td> <td></td> <td>Branxholme Watermain – Undefined Scope.</td> <td>Scope definition to be completed ASAP, including CAR requests submitted and early engagement required with Waka Kotahi to address reinstatement requirements.</td> </tr> <tr> <td>4</td> <td>Schedule</td> <td></td> <td>Stead Street Stop bank – Completion date may need to be changed from April 2022 to June 2022.</td> <td>Formal approval from MBIE required to the PCG to make any change to the completion date.</td> </tr> </tbody> </table>							RISKS WATCH LIST					ID#	RISK TYPE	RAG STATUS	DESCRIPTION	ACTION / MITIGATION	1	Schedule		Museum – Reimaging phase being achieved within available programme	Ensure strict management of the design team and clear deliverables are issued to MGG to facilitate speedy decision making.	2	Financial		Branxholme Watermain – Cost fluctuation / escalation due to Covid 19 impacts. Current market demand for resources and materials.	Pipe Supply Contract in place, Pipe Lay Contract to measure and value, rates to be fixed. Directional Drilling contract is cost reimbursable, estimates to be negotiated.	3	Scope		Branxholme Watermain – Undefined Scope.	Scope definition to be completed ASAP, including CAR requests submitted and early engagement required with Waka Kotahi to address reinstatement requirements.	4	Schedule		Stead Street Stop bank – Completion date may need to be changed from April 2022 to June 2022.	Formal approval from MBIE required to the PCG to make any change to the completion date.
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TO: RISK AND ASSURANCE COMMITTEE

FROM: NICK BRIDGES, PROCUREMENT MANAGER; AND RHIANNON SUTER, STRATEGY AND POLICY MANAGER

AUTHORISED BY: MICHAEL DAY – GM FINANCE AND ASSURANCE

MEETING DATE: TUESDAY 24 AUGUST 2021

DRAFT PROCUREMENT POLICY AND MANUAL
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SUMMARY

This paper introduces a draft Procurement Policy and Manual and identifies the next steps in testing the policy prior to it being introduced across council.
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RECOMMENDATIONS

That the Risk and Assurance Committee:

- 1. Receive the report “Draft Procurement Policy and Manual”**
- 2. Note the proposed engagement approach and that the draft policy (A3479409) will be brought back for adoption ahead of consultation to the September Risk and Assurance meeting.**

IMPLICATIONS

1.	<i>Has this been provided for in the Long Term Plan/Annual Plan?</i> N/A
2.	<i>Is a budget amendment required?</i> No
3.	<i>Is this matter significant in terms of Council’s Policy on Significance?</i> Yes
4.	<i>Implications in terms of other Council Strategic Documents or Council Policy?</i> None
5.	<i>Have the views of affected or interested persons been obtained and is any further public consultation required?</i> Following completion of internal engagement, engagement with key stakeholder groups is recommended and the proposed approach detailed here.

BACKGROUND

The Procurement Policy (and Procurement Manual that supports the Policy) have been developed as a means of communicating to our employees and suppliers that we have a robust whole of Council process and to ratify Councils commitment to the supply market in terms of:

- a. Obtaining value in the expenditure of public money
- b. Ethical and fair treatment
- c. Probity, accountability and transparency
- d. Social equity
- e. Fostering local business

Some examples of common social procurement approaches which may be considered are provided below. It can be seen how weighting to achieve one or more goal can offset other goals.

- a. **Economic** – Procurement may support economic wellbeing of the community through seeking best value for money for the ratepayer
- b. **Social** – Two common areas of consideration supporting social wellbeing are:
 - a. Local business – Council could seek to procure from local businesses by providing favourable terms
 - b. Employment of vulnerable groups – Terms can be implemented given weighting to companies who show they are employing vulnerable groups, such as people who have been recently unemployed, refugees and disabled people.
- c. **Cultural** – Procurement may give weighting to services provided by Tangata whenua and / or Maori business
- d. **Environmental** – Weighting can be given to suppliers which can show they are addressing key issues such as climate change or freshwater standards. Alternatively the relative impact on these outcomes by a service can be considered.

The Procurement Manual recognises the New Zealand practices in evaluating proposals that includes considering:

- a. Methodology
- b. Quality
- c. Technical
- d. Track Record
- e. Capability and Capacity
- f. Social Procurement (includes local business)
- g. Sustainable Procurement
- h. Value for Money (Price)

The weightings will not be the same for each procurement and for procurements over \$100,000 (where an existing contract or All of Government Contract does not exist) a procurement plan will be developed by the business and reviewed and approved by Procurement. The weightings for each attribute are included in the Procurement Plan.

The Procurement Policy also supports the Councils Risk Management Framework in the areas of:

- a. Due Diligence
- b. Probity
- c. Legislative Compliance
- d. Considering All of NZ Government Policies and Procedures

The Procurement process requires managing a range of stakeholder groups (who may at times have conflicting expectations) and this has been recognised by identifying the interests of these stakeholders are in Appendix One of the Policy:

- a. Council Requirements for Staff Executive and Councillors
- b. Local Government Act
- c. Council Controlled Organisations
- d. Auditor General
- e. NZ Government Broader Procurement Outcomes (including NZ Treasury Better Business Case Guide)
- f. Emergency Response (Civil Defence)
- g. Confidentiality, Privacy and Conflicts of Interest
- h. Sustainable and Social Procurement
- i. Construction Industry
- j. Legislative Compliance
- k. Council Insurance
- l. International Guidelines on Responsible Business Conduct

The Procurement and Policy Manual is aligned to the processes frequently use by Group Infrastructure and the objective is to align the Council to a single Procurement Practice.

The Group Infrastructure Roading Activity Procurement Strategy for 2019-2022 (A2703290) with both referencing NZ Government Processes. The Infrastructure document has a detailed focus on the activities, the expected costs and suppliers in the roading market. The current policy and manual focuses more on the procurement process and does not conflict with the Infrastructure document.

All of Government Contracts can include local suppliers (e.g. fleet purchases) and the Council can take advantage of All of Government Pricing and buy locally (e.g. OfficeMax for stationary).

POLICY DEVELOPMENT

The Policy has been developed by referring to:

- a. Other NZ Council Procurement Policies
- b. NZ Government Transport and Commercial agencies that specialise in Procurement (e.g. NZTA and MBIE)
- c. Recognising that recent developments such as Sustainable (Environmental) and Social (People) procurement needs to be recognised in the procurement process.

The Procurement Manual details how Council will manage higher risk and higher spends that may include financial due diligence and engaging the services of a Probity Auditor to provide independent advice that a fair and processes has been followed during a tender.

The Councils Vehicle Policy has been reviewed and agreed that Carbon emissions, fossil fuel consumption and ANCAP Safety ratings are now part of the purchasing decision making process.

SIGNIFICANCE

In large part, the procurement policy is about standardising good practice and as such is not significant in relationship to the Significance and Engagement Policy. Nevertheless, Council has significant buying power. In 2019/20 Council spent over \$63 million with a wide range of different suppliers.

Any change to procurement practices will impact a large number of businesses directly. As such this issue is of high interest to business stakeholders.

In addition, the draft policy allows for social procurement which is an issue of interest to a wide range of stakeholders and the ratepayer.

Implementing social procurement is by its nature political. There is potential for Council to support the four community wellbeings through its procurement approach. Some of the examples of social procurement given in the report above show how seeking to achieve one form of wellbeing can impact others.

Implementing best practice procurement should improve Council's practices which has the potential to improve the delivery of the capital work programme particularly.

The issue is of medium to high significance as defined by the Significance and Engagement Policy and the need to engage should be balanced with the importance of implementing good procurement practices in a timely manner.

ENGAGEMENT

The special consultative procedure is not required and given the urgency of implementing good procurement practice, a shorter period of engagement is recommended. Formal hearings are not required.

Internal engagement with third tier managers needs to be completed to ensure that the implications of the policy in relation to existing practice is fully understood. It is recommended that this take place ahead of the next Risk and Assurance meeting. The draft policy can then be adopted for consultation at this time.

It is recommended that a targeted engagement approach be taken with two areas of focus:

- Engagement with business stakeholders to seek feedback on the technical and process aspects of the procurement policy with the goal of identifying any potential pitfalls and supporting a smooth implementation process for the policy.
- Engagement with public (including ratepayers) to give Council an indication of which areas of social procurement the local community believes are important and in what balance.

The following engagement approach is proposed:

- August/ September – Completion of internal engagement with Third Tier managers
- 7 September – Workshop on Four Wellbeings and Social Procurement held with Councillors
- 29 September - Draft policy for consultation adopted by Risk and Assurance
- 4 October - Policy, framework, FAQ document and submission form are made available on the Council website, at the Civic Administration Building, the Library and the Bluff Service Centre, as well as at the Chamber of Commerce, Great South and the major accountancy firms.
- 4 October – Social media campaign commences – voting activity on weighting for four wellbeings.(TBC)
- w/c 4 October – engagement event, possibly in partnership with the Chamber of Commerce.
- 22 October – Submissions close.
- 2 November – Possible second Council workshop on social procurement/ four wellbeings (30 mins).

- 8 December – Report on engagement / Policy adopted by Risk and Assurance.

CONCLUSION

To align with best practice it is essential that the Council have a procurement policy. As a result of Council's significant buying power and the political nature of the decision to implement any social procurement practices, a period of engagement with the public and key stakeholders is recommended to inform the implementation of the policy and framework.

Procurement Policy (draft for feedback)

Effective: 30 June 2021

Review date: 30 June 2024

Contact: Manager – Procurement

1. Scope

This policy covers activities associated with the purchasing of all goods and services by or on behalf of the Council. It applies equally to the Council, community boards, the management team, all departments and staff – permanent, temporary or contract, with the exception of:

- Employment payments
- Grants, sponsorship and Koha payments
- Property transactions including purchasing and leasing of Council-owned property and the leasing of property to the Council
- Payments to government and regulatory bodies including all forms of taxation and levies
- Treasury and financial instruments
- Court awarded and negotiated settlements

2. Procurement Principles

A. Obtaining Value in the Expenditure of Public Money

Procurement outcomes that deliver the best value in the expenditure of public money ensure the optimal use of Councils resources. The policy framework promotes procurement practices that will result in best value for money outcomes.

A key principle of value for money is that 'lowest price' does not always represent the best outcome when evaluating alternative offers. When selecting a supplier, achieving value for money involves determining the extent to which the proposed solutions will deliver the optimum combination of whole-of-life cost and quality (non-cost) factors.

Factors which may be considered in assessing value for money include "The Four Local Government Wellbeing's - social, economic, environmental, cultural" and in summary includes:

• contribution to council priorities	• social and sustainability objectives
• quality and fitness for purpose	• financial and operational soundness
• efficiency and effectiveness	• risk and opportunity
• whole of life costs	• service, support and warranty

The achievement of value needs to be considered within the context of creating 'community value' which may mean total cost will increase when sustainability and social issues for part of the evaluation process.

B. Ethical and Fair Treatment

Providing for ethical and fair treatment of participants refers to conducting all dealings with suppliers in an open, honest and impartial manner and respecting their rights and obligations. Council must seek to ensure this principle is reflected throughout the procurement process, particularly through:

- open and competitive procurement processes (where practicable and appropriate)
- providing suppliers with equal opportunity to supply to Council
- straight forward and user friendly market approach documents
- clear and unambiguous evaluation criteria and methodology communicated to potential bidders
- consistent processes and feedback on decisions
- access to a timely, effective and responsive complaints process
- effective, concise and clear communication and provision of information to all suppliers.

C. Probity, Accountability and Transparency

Probity, accountability and transparency refers to ensuring the integrity of the procurement process and actions taken by Council employees and/or representatives. All procurement shall be undertaken in a manner that ensures council are accountable for their actions:

- appropriate record keeping and documentation and the transparency of decision making
- adherence to the Council Code of Conduct and project financiers (e.g. NZ Government Agencies) integrity processes
- the identification and management of actual or potential conflicts of interest
- the confidentiality of all commercial and private information

D. Social equity

Social Equity is a commitment to promoting diversity, acceptance, fairness, compassion, inclusiveness and access for people of all abilities. A focus is placed on citizens who are underrepresented and people with less opportunity. Social equity contributes to building stronger and more resilient communities. Depending on the nature of the procurement, Council will explore opportunities to engage social enterprises to provide works, goods and services

E. Fostering local business

Procurement activity should contribute to having efficient and cost-effective local suppliers that support a dynamic and innovative local economy. The Council will ensure advantages from local procurement are recognised and considered in procurement decisions, local businesses are encouraged to explore unique and innovative initiatives, social procurement initiatives are progressed to provide economic and employment opportunities to communities in the Council area. Where practicable, procurement processes should not limit opportunities for local suppliers

F. Exceptions to this policy

The Executive Leadership Team or if required the Chief Executive, may approve a variation from the requirements of this policy for an individual purchase process. This may be due to limited suppliers, specialist contractors / consultants or perceived low risk or value of the procurement process.

Any person seeking alternative procurement must document;

- that the variation sought is in accordance with the principles detailed in the preceding Procurement Principles.
- the reasons for variation; and
- the level of risk to the Council’s objectives in letting the contract, applying the Council’s Risk Criteria

3. Governance and Approvals

ESTIMATED Dollar Value		Approval Mechanism	Purchasing Option
\$0 - \$10k Plus GST	Direct Appointment – One quotation/ Supplier Panel	Purchase Order Credit Card # Contracted Supplier	Delegated Financial Register
\$10k to \$100K Plus GST	Minimum of Three written quotes (if possible)	Purchase Order # Contracted Supplier	Delegated Financial Register
For tenders estimated to be under \$250,000 Emailed to Tenders@icc.govt.nz or GETS can be used. If the aim is to target local business for “promoting local economic development then the Council Procurement Tender email can be used			
\$100k - \$250k Plus GST	Restricted or Open Market Tender / Supplier Panel	Tender Initiation Checklist with non-price weightings Contract Award Recommendation	Delegated Financial Register Group Manager Finance and Assurance and relevant GM recommends tender call and approves Tender Recommendation
Council will advertise all tender estimated to be \$250,000 or over on GETS unless otherwise recommended by the relevant GM and approved by GM Finance and Assurance			
\$250 - \$500K Plus GST	Open Market Tender / Supplier Panel	Tender Initiation Checklist with non-price weightings Contract Award Recommendation	Delegated Financial Register Group Manager Finance and Assurance and relevant GM recommends tender call and approves Tender Recommendation
Over \$500,000 Plus GST	Open Market Tender	Tender Initiation Checklist Full Tender Evaluation Plan Tender Recommendation (full version)	As above with CEO approval required and reporting to Council if Contract \$500,000 or more
Over \$5m Plus GST	Open Market Tender	As above and Probity Advisor / Probity Auditor maybe appointed	As above and Probity Advisor Checklist completed or Probity Auditor appointed with Probity Auditor Report released prior to approvals.

ESTIMATED Dollar Value	Approval Mechanism	Purchasing Option
		(GM Finance and Assurance / CEO to decide)

Council Policies and documents that support this policy

Requirement	Detailed in:
Approvals	Financial Delegations
Risk Management	Risk Management Framework Policy and Process
Behaviour	Standards of Conduct - Code of Conduct Conflict of Interest Declarations
Process	Procurement Manual Appendix 1 - Managing Expectations Appendix 2 - Procurement Process Stages
Planning	Market RFX Initiation Template
Contract Templates and rules	Procurement Templates : Terrace Publications (TP) Website: https://terracepublications.com/ MBIE Procurement – Invercargill City Council encouraged to apply Government Rules of Sourcing, 4 th edition, 2019 Government Procurement Rules New Zealand Government Procurement and Property NZTA Procurement Waka Kotahi (NZTA) Procurement Manual, 2019 Procurement manual Waka Kotahi NZ Transport Agency (nzta.govt.nz)

Appendix 1: Managing Expectations

Stakeholder's expectations need to be considered in managing the procurement process. Stakeholder requirements and expectations are below:

Stakeholders	Expectations
Council Requirements for Staff Executive and Councillors	Procurement Manual Market RFX Initiation Template Procurement Plan Procurement Recommendation Financial Delegations Risk Management Framework Policy and Process Council Policies and Procedures
Local Government Act	Local Government Act 2002 (section 14) In performing its role, a local authority must act in accordance with the following principles: (a) a local authority should— i. conduct its business in an open, transparent, and democratically accountable manner and; ii. give effect to its identified priorities and desired outcomes in an efficient and effective manner (b) a local authority should undertake any commercial transactions in accordance with sound business practices; and (c) a local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region, including by planning effectively for the future management of its assets; and (d) in taking a sustainable development approach, a local authority should take into account— i. the social, economic, and cultural interests of people and communities; and ii. the need to maintain and enhance the quality of the environment; and iii. the reasonably foreseeable needs of future generations
Council Controlled Organisations	Council Controlled Organisations may seek to access the Councils contracts
Auditor General	Auditor General has issued recommended guidance Procurement — Office of the Auditor-General New Zealand (oag.parliament.nz)
NZ Government Broader Procurement Outcomes	1. Guide to Mastering Procurement, NZ Govt Procurement 2014 2. Government Procurement Rules and specifically note number 16 “there are the secondary benefits that are generated from the procurement activity. These outcomes can be social, environmental, cultural or economic benefits, and will deliver long-term public value for New Zealand. Broader outcomes require consideration not only of the whole-of-life cost of the procurement, but also the costs and benefits to society, the environment and the economy”. 3. New Zealand Transport Agency - Procurement Manual
Emergency Response	1) Civil Defence emergency is in place - providing the Controller with access to special powers (Refer Civil Defence Emergency Management Act 2002 s.85 and s.94). 2) Restoration of any core service to the Invercargill community as set out in S.11A of the Local Government Act 2002 as amended

Stakeholders	Expectations
	3) Assist any network utility operator as defined in s.166 of the Resource Management Act to immediately restore a network utility operation
Confidentiality, Privacy and Conflicts of Interest	1) Privacy Act 1993, the 2) Local Government Official Information and Meetings Act 1987 3) Confidentiality of Supplier Quotes and Tender bids. 4) Managing Conflicts of Interest Guidance for Public Entities (Office of Auditor General 2007)
Sustainable and Social Procurement	1) Sustainable Business Council 2019 Home - SBC 2) ISO 20400:2017 Sustainable procurement — Guidance 3) ISO 26000 Social Responsibility
Construction	Construction Industry Accord with Government Home Construction Accord
Legislative Compliance (additional to above)	1) Building Act 1991 2) Commerce Act 1986 3) Construction Contracts Act 2003 4) Consumers Guarantees Act 1993 5) Contract and Commercial Law Act 2017 6) Electronic Transactions Act 2002 7) Fair Trading Act 1986 8) Health and Safety at Work Act 2015 9) Financial Reporting Act 1993 10) Official Information Act 1982 11) Land Transport Management Act 2003 12) Local Authorities (Members' Interests) Act 1968 13) Local Government Act 2002 14) Local Government Official Information & Meetings Act 1987 15) Official Information Act 1982 16) Public Audit Act 2001 17) Public Finance Act 1989 18) Public Records Act 2005 19) Sale of Goods Act 1908 20) Resource Management Act 1991
Council Insurance	Suppliers, Contractors and Consultants seeking to self-insure, limit their liability or transfer risk to the Council during the quotation / tender and negotiation process.
International Guidelines on Responsible Business Conduct	The OECD Due Diligence Guidance for Responsible Business Conduct provides explanations of its due diligence recommendations and associated provisions and helps to avoid and address adverse impacts related to workers, human rights, the environment, bribery, consumers and corporate governance that may be associated with their operations, supply chains and other business relationships.

Appendix 2 – Procurement Process Stages

The process outlined in this appendix is scalable to the value and risk of the procurement.

Renewal and extensions of any contract after expiry date or any increase in contract value must be approved at the delegation to approve the current contract value plus the increase in value being sought. At a minimum the approval must be the relevant GM and GM Finance and Assurance (or if required the relevant Council Committee) before any commitment to purchase is made.

Contracts with no expiry date are deemed to have expired.

Stage 1: Purchase Planning broadly consists of three stages outlined below.

1.1 Identify social procurement and sustainability goals

- Diversity and Disability Targets e.g. Indigenous & Young people, People exiting correctional facilities & ex-offenders, Lone parents, Female workers (into male dominated roles), People who are not in employment or education or training, Refugees, Recently unemployed due to Pandemics, earthquake & other disasters).
- Business development e.g. local and regional business, small and start-up business, indigenous business and businesses actively achieving diversity and disability targets.
- Reducing Carbon footprint e.g. energy efficiency and renewable resources, green vehicle strategies, building ratings, water use efficiency, recycling and waste management, steps taken to protect flora and fauna.

1.2 Identify Business needs

- Identify clear need linked to the Councils procurement objectives within the Long Term and Annual Plans.
- Review options to satisfy this need to determine whether procurement is the best means to deliver a value for money outcome and if a contract already exists that can meet the need.
- Identify key stakeholders and undertake internal and external consultation.
- Develop and approve a business case (if appropriate) - Confirm availability of funds.

1.3 Plan Procurement Strategy

- Undertake preliminary analysis of market and preliminary scoping of procurement requirements to identify outcomes, objectives and logistics/supply chain factors.
- Consider legislative, policy and probity requirements.
- Consult the procurement team and risk team for advice where required.
- Confirm and commit resource requirements for the procurement process.
- Identify and undertake briefing of potential suppliers as appropriate.

1.4 Prepare Procurement Plan

- Establish project team/evaluation team including procurement expertise.
- Develop initial risk management plan for procurement, project and capital works issues (update during the process).
- For high risk and high value, strategic procurements, undertake supply positioning
- Complete and seek approval for purchase plan.

Stage 2: Supplier Selection broadly consists of six stages outlined below.

2.1 Develop Bid Documents including Specification

- Develop specification to identify outcomes, objectives and practical requirements
- Ensure standards of performance and codes of practice, incentives, disincentives and performance measures (and project milestones) are in the specification.
- Develop the invitation/market approach documents and clarify as necessary
- Obtain relevant approvals to approach market.

2.2 Develop Evaluation Plan

- Develop and approve an evaluation plan, including criteria for evaluation, membership of evaluation team, and explanation of the selection process.
- Obtain and address conflict of interest (includes those who developed specification), prior to releasing formal market approach documentation to the market - Form evaluation team.
- Develop Transition Plan (if existing contractor / supplier in place) and include outline in documents released to bidders.
- Release documents to bidders.

2.3 Manage distribution and receipt of bids

- Invite responses selectively or by advertising the requirement in line with the purchase plan.
- Undertake briefings and clarification of information with bidders.
- Receive, schedule and acknowledge responses and inform all bidders of the status of their responses through the process.
- Deal with late bids and non-conforming bids as appropriate.

2.4 Select preferred supplier/s including managing risk transfer and limitation of liability

- Evaluate bids according to evaluation plan (ensure calculations are checked)
- Clarify matters arising with bidders (including contract clause changes and limitation of liability, risk transfer or reduced insurance limits sought by bidder).
- Select and seek approval of preferred supplier/s.
- Prepare a negotiation plan (if required) and conduct negotiations.
- Prepare purchase recommendation and obtain financial delegation approval
- Notify successful supplier/s.

2.5 Develop and formalise contracts

- Negotiate contract including Performance Measures and Project Milestones.
- Negotiate Transition Plan (service and supply contracts) at to manage end of contract handover.
- Finalise Contract including guarantees, insurance certificates and bonds
- Obtain delegation approval to enter into contract and execute final contract documentation.
- Update risk management plan (where relevant handover to Project Manager) and if required update Council Risk Register.
- Commence contract implementation once contract is signed/executed.

2.6 Debrief market and other stakeholders

- Advise internal stakeholders of new contract.
- Inform and debrief unsuccessful bidders upon request with feedback on their bids.
- Disclose contracts in line with contract disclosure guidelines.
- Record the contract on the contract register.

Stage 3: Contract Management broadly consists of five stages

3.1 Prepare to manage a contract

- Form contract management team and allocate roles and responsibilities for Contract Sponsor, Contract Manager and Contract administration.
- Complete and approve a contract management plan – update risk management plan.

3.2 Implement a contract management strategy

- Establish information and communication strategies for supplier/s and stakeholders.
- Monitor risks during the life of the contract.
- Establish and manage relationship with supplier/s and stakeholders.

3.3 Implement the contract

- Develop implementation plan if required and implement the contract in accordance with the contract management plan and/or implementation plan/strategy.
- Implement start-up or transition arrangements.

3.4 Monitor and maintain performance of a contract

- Monitor delivery and evaluate key performance indicators and project milestones to ensure value for money identified in the procurement process is achieved.
- Receive and review Contractors performance reports (hold meetings and develop action plans as required).
- Ensure all obligations under the contract are being met.
- Manage contract variations and contract extensions.
- Negotiate and manage issues relating to the contract.
- Maintain communication with all stakeholders on the performance of the contract.

3.5 Planning Contract expiration

- Review contracts due to expire to determine future requirements.
- Finalise, amend, extend or terminate contract in accordance with contract including management of close-out, renewal or transition to a new contract. If contract value is increased the relevant delegation is determined by the new total contract value i.e. existing contract value plus increase in contract value.
- Evaluate the outcomes of the contract (specifically projects and capital works) and document and where measures or outcomes are not met in full.

TO: RISK AND ASSURANCE COMMITTEE
FROM: PETER PATTON – QUALITY ASSURANCE MANAGER
AUTHORISED BY: MICHAEL DAY – GM FINANCE AND ASSURANCE
MEETING DATE: TUESDAY 24 AUGUST 2021

CONTINUOUS IMPROVEMENT PROGRAMME UPDATE
--

SUMMARY

This paper will provide an update of the Continuous Improvement Programme since June 2021 report.

RECOMMENDATIONS

That the Risk and Assurance Committee:

- Note the ICC Continuous Improvement Programme Update.**

IMPLICATIONS

1.	<i>Has this been provided for in the Long Term Plan/Annual Plan?</i> Yes
2.	<i>Is a budget amendment required?</i> No
3.	<i>Is this matter significant in terms of Council's Policy on Significance?</i> No
4.	<i>Implications in terms of other Council Strategic Documents or Council Policy?</i> No
5.	<i>Have the views of affected or interested persons been obtained and is any further public consultation required?</i> No consultation required

PURPOSE

This report provides an update of continuous improvement activities since the last report to the Risk and Assurance Committee in June 2021.

CONTINUOUS IMPROVEMENT (CI)

From the audits completed over the period 1 May – 26 July 2021 produced 24 CI requests, these CIs contain 125 recommendations for changes to processes and/or procedures. The table below shows number CIs raised and their current status.

Continuous Improvement	Number of Recommendations		
	Made	Closed	Open
Animal Services	1	1	
Building Services (BCA)	4		4
Health Services (Alcohol)	2		2
Health Services	3	1	2
Planning Services	3	1	2
Quality Manual	11	5	6
Total	24	8	16

TO: RISK AND ASSURANCE COMMITTEE

FROM: JAIMEE BOTTING, TEAM LEADER FINANCE

AUTHORISED BY: MICHAEL DAY, GROUP MANAGER – FINANCE AND ASSURANCE

MEETING DATE: TUESDAY 24 AUGUST 2021

SENSITIVE EXPENDITURE Q3 & Q4
--

SUMMARY

This report covers sensitive expenditure during the period from 1 January 2021 to 30 June 2021.

RECOMMENDATIONS

That Risk and Assurance Committee

- 1. Receive the report “Sensitive Expenditure”.**
- 2. Notes the expenditure.**

IMPLICATIONS

1.	<i>Has this been provided for in the Long Term Plan/Annual Plan?</i> Yes
2.	<i>Is a budget amendment required?</i> No
3.	<i>Is this matter significant in terms of Council’s Policy on Significance?</i> No
4.	<i>Implications in terms of other Council Strategic Documents or Council Policy?</i> No
5.	<i>Have the views of affected or interested persons been obtained and is any further public consultation required?</i> Not required

BACKGROUND

In keeping with standing practice the list of sensitive expenditure for the Councillors, Chief Executive and Executive Team is presented to the Risk and Assurance Committee. The attached list covers the period from 1 January 2021 to 30 June 2021 as well as any expenditure not disclosed in the previous report. Sensitive expenditure is identified in the Sensitive Expenditure Policy and includes travel, meals, training and hospitality for the above positions.

Appendix 1: ICC - Sensitive expenditure - 1 January 2021 to 30 June 2021, including expenditure not disclosed in the Quarter 2 report.

Cost Centre	Period	Short Description	Amount	Details		
Chief Executive	Dec 2020	Accommodation and meals - Domestic	\$28.70	MSD Stakeholder meeting	Dinner- Clare 15 oct - francescas	Credit card
Chief Executive	Dec 2020	Accommodation and meals - Domestic	\$33.48	Meeting - Clare & Ian Collier GS	20 oct 2020 batch	Credit card
Chief Executive	Feb 2021	Koha and donations given	\$220.00	Powhiri for 3 new Group Managers		
Chief Executive	Feb 2021	Airfares - Domestic	\$565.91	Rural& Provincial	Clare Hadley	AirNZ - Jan
Chief Executive	Feb 2021	Airfares - Domestic	\$76.52	Clare Hadley	Change of flight	AirNZ - Oct
Chief Executive	Mar 2021	Accommodation and meals - Domestic	\$132.61	Accommodation for Clare Hadley		Oakridge Resort
Chief Executive	Mar 2021	Event costs and catering	\$32.61	Breakfast Meeting	Jenn Bestwick	BNZ Credit Card
Chief Executive	Apr 2021	Accommodation and meals - Domestic	\$209.22	Accommodation for Clare Hadley 28/4		James Cook Hote
Chief Executive	Apr 2021	Airfares - Domestic	-\$523.30		Clare Hadley	AirNZ - March Paid April
Chief Executive	Apr 2021	Airfares - Domestic	\$549.39		Clare Hadley	AirNZ - March Paid April
Chief Executive	Apr 2021	Airfares - Domestic	\$359.83		Clare Hadley	AirNZ - March Paid April
Chief Executive	Apr 2021	Airfares - Domestic	\$609.39		Clare Hadley	AirNZ - March Paid April
Chief Executive	Apr 2021	Accommodation and meals - Domestic	\$251.31	Accom. C Hadley Leaders Forum		Novotel Christc
Chief Executive	Apr 2021	Event costs and catering	\$33.48	Breakfast Meeting with Ian Collier	Pools POS	BNZ Credit Card - C Hadley
Chief Executive	May 2021	Airfares - Domestic	\$462.26		C Hadley	AirNZ April Paid May
Chief Executive	May 2021	Airfares - Domestic	\$743.13		Andrew Cameron	AirNZ April Paid May
Chief Executive	May 2021	Airfares - Domestic	-\$942.61		Clare Hadley	AirNZ April Paid May
Chief Executive	May 2021	Accommodation and meals - Domestic	\$203.91	House of Travel C Hadley		BNZ Credit Card - S Gage
Chief Executive	May 2021	Course and seminar fees	\$86.00	Audit NZ Briefing in Wellington	Pools POS	BNZ Credit Card - C Hadley
Chief Executive	May 2021	Course and seminar fees	\$36.09	3 Waters Reform		BNZ Credit Card - C Hadley
Chief Executive	May 2021	Course and seminar fees	\$48.87	Conference - CVH		BNZ Credit Card - C Hadley
Chief Executive	May 2021	Course and seminar fees	\$44.52	Conference - CVH		BNZ Credit Card - C Hadley
Chief Executive	May 2021	Event costs and catering	\$33.48	CVH+GS Stakeholder meeting		BNZ Credit Card - C Hadley
Chief Executive	May 2021	Event costs and catering	\$37.39	Conference - CVH		BNZ Credit Card - C Hadley
Mayor	Feb 2021	Airfares - Domestic	-\$476.52	Toni Biddle	Credit travel - Covid Wellington 19/11	AirNZ - Oct
Mayor	Mar 2021	Accommodation and meals - Domestic	\$125.65	1/2 fee late cancellation		Qt Wellington -
Mayor	Mar 2021	Accommodation and meals - Domestic	\$193.91	Accommodation for Mayor Shadbolt		Oakridge Resort
Mayor	Apr 2021	Accommodation and meals - Domestic	\$374.78	Council portion accom		Quest Wellingto
Mayor	Apr 2021	Airfares - Domestic	-\$865.91		Tim Shadbolt	AirNZ - March Paid April
Mayor	May 2021	Airfares - Domestic	\$674.26		Tim Shadbolt	AirNZ April Paid May

Risk and Assurance Committee - Public - Sensitive Expenditure Report (A3496877)

Cost Centre	Period	Short Description	Amount	Details		
Councillors	Sep 2020	Event costs and catering	\$68.84	Refreshments		Centrepoint Liq
Councillors	Sep 2020	Event costs and catering	\$34.16	Meeting costs		Pak 'N' Save
Councillors	Oct 2020	Event costs and catering	\$39.48	Mints		Foodstuffs (SI)
Councillors	Nov 2020	Event costs and catering	\$43.99	Meeting Costs - Platter		Pak 'N' Save
Councillors	Dec 2020	Event costs and catering	\$66.58	Refreshments		Centrepoint Liq
Councillors	Dec 2020	Event costs and catering	\$135.42			Charlies Kitchen
Councillors	Dec 2020	Event costs and catering	\$239.06	morning tea and lunch for Workshop Strat		Charlies Kitchen
Councillors	Dec 2020	Event costs and catering	\$66.99			Charlies Kitchen
Councillors	Jan 2021	Event costs and catering	\$678.26	Councillors Workshop		Transport World
Councillors	Jan 2021	Event costs and catering	\$52.17	Food for Meeting		Plaza Supervalve
Councillors	Jan 2021	Event costs and catering	\$400.00	catering for council		The Auction House
Councillors	Jan 2021	Event costs and catering	\$66.96	food for workshop		Charlies Kitchen
Councillors	Feb 2021	Event costs and catering	\$52.17	catering for council		Charlies Kitchen
Councillors	Feb 2021	Event costs and catering	\$768.70	Workshop		Transport World
Councillors	Feb 2021	Event costs and catering	\$62.61	sandwiches for PPP Meeting		Charlies Kitchen
Councillors	Feb 2021	Event costs and catering	\$62.61	catering for council		Plaza Supervalve
Councillors	Feb 2021	Event costs and catering	\$62.64			Charlies Kitchen
Councillors	Feb 2021	Event costs and catering	\$117.39	afternoon tea for Coucillors		Southern Graze
Councillors	Feb 2021	Event costs and catering	\$48.08	slices		Pak 'N' Save
Councillors	Feb 2021	Airfares - Domestic	\$502.61	Rural and Provincial	Alex Cracket	AirNZ - Nov
Councillors	Feb 2021	Airfares - Domestic	-\$476.52	Cancelled Rural & Provincial	Sir Tim Shadbolt	AirNZ - Nov
Councillors	Feb 2021	Airfares - Domestic	\$670.28	Rural and Provincial	William (Nobby) Clark	AirNZ - Nov
Councillors	Feb 2021	Airfares - Domestic	\$523.31	Rural and Provincial	William (Nobby) Clark	Air New Zealand
Councillors	Mar 2021	Event costs and catering	\$52.17	sandwiches for PPP Meeting		Charlies Kitchen
Councillors	Mar 2021	Event costs and catering	\$30.20	goods for Council		Pak 'N' Save
Councillors	Mar 2021	Event costs and catering	\$779.13	Workshop		Transport World
Councillors	Mar 2021	Event costs and catering	\$52.20	sandwiches for PPP Meeting		Charlies Kitchen
Councillors	Mar 2021	Event costs and catering	-\$52.17	sandwiches for PPP Meeting		Charlies Kitchen
Councillors	Mar 2021	Event costs and catering	\$62.61	Food for Council 23/3		Plaza Supervalve
Councillors	Apr 2021	Event costs and catering	\$62.61	sandwiches for PPP Meeting		Plaza Supervalve
Councillors	Apr 2021	Event costs and catering	-\$400.00	catering for council		The Auction House
Councillors	Apr 2021	Event costs and catering	\$739.13	catering for council		The Auction House
Councillors	May 2021	Event costs and catering	\$46.45	Mints for meetings		Foodstuffs (SI)
Councillors	May 2021	Event costs and catering	\$117.39	catering for council		Plaza Supervalve
Councillors	May 2021	Event costs and catering	\$66.33	lunch for Chairs meeting 25/5		Charlies Kitchen
Councillors	May 2021	Event costs and catering	\$28.93	Council meeting Platter		BNZ Credit Card - S Gage
Councillors	May 2021	Event costs and catering	\$50.40	Pak N Save - Council workshops		Pak 'N' Save
Councillors	May 2021	Event costs and catering	\$41.74	Bonsai Lunch Councillors		Bonsai
Councillors	May 2021	Event costs and catering	\$121.74	Council meeting Platter		BNZ Credit Card - S Gage
Councillors	Jun 2021	Event costs and catering	\$54.55	goods for Council		Pak 'N' Save
Councillors	Jun 2021	Event costs and catering	\$41.76	sandwiches for Workshop 15/6		Charlies Kitchen
Councillors	Jun 2021	Event costs and catering	\$150.00	catering for council		Charlies Kitchen

TO: RISK AND ASSURANCE COMMITTEE

**FROM: JAIMEE BOTTING, TEAM LEADER FINANCE
PATRICIA CHRISTIE, MANAGER – FINANCIAL SERVICES**

AUTHORISED BY: MICHAEL DAY, GROUP MANAGER – FINANCE AND ASSURANCE

MEETING DATE: TUESDAY 24 AUGUST 2021

QUARTERLY FINANCIAL REPORT - 30 JUNE 2021

SUMMARY

This report is to update the Council on the spending and revenue for the year ended 30 June 2021 and the Council's draft financial position as at 30 June 2021.

RECOMMENDATIONS

That Risk and Assurance Committee

1. Receive the report "Quarterly Financial Report – 30 June 2021".
2. Notes for the quarter ending 30 June 2021
 - This is the draft quarterly report and not the draft annual report. Year end accounting adjustments are still to be applied which will lower the current reported operating surplus towards a breakeven performance.
 - Council has a draft operating surplus of \$4.9 million
 - Capital programme spend was in line with the forecast

IMPLICATIONS

1.	<i>Has this been provided for in the Long Term Plan/Annual Plan?</i> Yes
2.	<i>Is a budget amendment required?</i> No
3.	<i>Is this matter significant in terms of Council's Policy on Significance?</i> No
4.	<i>Implications in terms of other Council Strategic Documents or Council Policy?</i> No
5.	<i>Have the views of affected or interested persons been obtained and is any further public consultation required?</i> No required

REPORT

Upon the completion of the 2020/21 financial year, the Council is showing a draft net operating surplus of \$4.9m on the Statement of Comprehensive Revenue and Expenses. This is better than the \$1.7m deficit planned in the Annual Plan by \$6.7m and the \$3.8m deficit in the Long-term Plan by \$8.7m.

The \$6.7m higher operating surplus compared to the Annual Plan is due to:

- \$0.8m increase in rates revenue generated by growth in rating units.
- \$4.7m of additional subsidy funding received for Shovel Ready, 3 Waters and cycle-way projects. Due to revenue recognition disclosure requirements, a proportion of this funding is still to be transferred out of revenue and into a liability to reflect the share of current capital projects still in progress as at 30 June 2021.
- \$1.5m additional subvention revenue received.
- \$0.8m lower employee expenses which reflects the number of vacancies throughout the year.

The Statement of Cashflows shows the year end capital expenditure and the net debt movements required to fund it, including the sale or acquisition of investments.

- \$26.2m of capital expenditure was spent during the year this was in line with the forecast.

The Annual Plan included \$38.9m of capital expenditure, the actual spend was \$12.7m lower than planned. A number of capital projects have been deferred and included in the Long-term Plan, including Branholme water system renewal (\$3.6m), demolition of Buildings at Esk Street West (\$2.5m), museum development (\$2.0m), Anderson House strengthening (\$1.7m) and Water Tower strengthening (\$1.4m).

- Investment movements for the year show a net sale of \$43.6m, compared to the planned net sale of \$12.3m. The difference of \$31.3m reflects the following factors:
 - The reclassification of \$32.5m of term deposits from investments to cash as they are due to mature within the next three months.
 - The withdrawal of \$10.6m from term deposit investments to repay LGFA borrowings.
 - Purchase of \$15.5m in ICHL shares for further investment into the City Block development
- The borrowings balance has decreased during the year by \$36.6m due to repayments being made with funds from maturing term deposits and ICHL advance repayments.

The figures within this report are unaudited at the time of publication and may be subject to change before the adoption of the 2020/21 Annual Report (date TBC). Changes will include the addition of the Council's share of Wastenet transactions for the year; revaluation adjustments of Forestry and Investment Property; accounting treatment of subsidies received during the year (3 Waters, Shovel Ready, and NZTA).

The grouping of activities also differs from what will be presented within 2020/21 Annual Report. The Quarterly Financial Report presents activities based on rating type and the Annual Report requires the presentation of activities to align with the Long-term Plan groupings. Some Key performance indicators will also be consolidated in the Annual Report to align with the measures identified in the Long-term Plan.

INVERCARGILL CITY COUNCIL QUARTERLY REPORT TO 30 JUNE 2021
TOTAL COUNCIL FINANCIAL SNAPSHOT

OPERATING SURPLUS / (DEFICIT) **\$5m** **\$5.4m favourable YTD**
Full year forecast of \$0.5m

NON-RATES REVENUE (\$Millions) **\$49.1m** **\$2m favourable YTD**
Fees and charges, grants, interest and dividends.
Full year forecast of \$47.1m

NON-RATES REVENUE (\$Millions)
Fees and charges, grants, interest and dividends.

Month	Forecast YTD (\$Millions)	Actual YTD (\$Millions)
Sep	~10	~10
Dec	~20	~20
Mar	~30	~30
Jun	~49.1	~49.1

NON-RATES REVENUE (\$Millions)
Fees and charges, grants, interest and dividends.

Category	Value (\$Millions)
ACTUAL YTD	49.1
FORECAST YTD	47.1
TOTAL FORECAST	47.1

OPERATING EXPENDITURE **\$73.6m** **\$2.6m favourable YTD**
Cost to deliver existing levels of service.
Full year forecast of \$76.2m

OPERATING EXPENDITURE (\$Millions)
Cost to deliver existing levels of service.

Month	Forecast YTD (\$Millions)	Actual YTD (\$Millions)
Sep	~15	~15
Dec	~35	~35
Mar	~55	~55
Jun	~73.6	~73.6

OPERATING EXPENDITURE (\$Millions)
Cost to deliver existing levels of service.

Category	Value (\$Millions)
ACTUAL YTD	73.6
FORECAST YTD	76.2
TOTAL FORECAST	76.2

NET DEBT **\$34.7m** **\$22.5m favourable to LTP year end**
Total debt less total cash and cash investments.
LTP year end of \$57.2m

NET DEBT/REVENUE RATIO
Council's Net Debt/Operating Revenue and Rates.

Category	Ratio (%)
ACTUAL YTD	32.5%
TOTAL FORECAST	43.3%
LTP 2020/21	58.1%

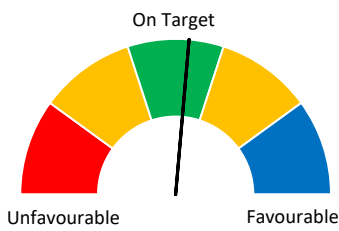
CAPITAL EXPENDITURE (\$Millions)
To provide new and replacement assets.

Category	Value (\$Millions)
ACTUAL YTD	26.2
FORECAST	26.6
ANNUAL PLAN	38.9

INVERCARGILL CITY COUNCIL QUARTERLY REPORT TO 30 JUNE 2021
PERFORMANCE SUMMARY

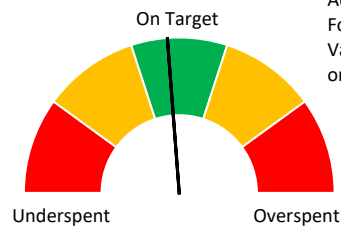
Financial performance YTD (\$'000)

Income



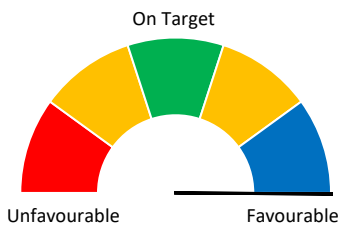
Actual: \$106,712
Forecast: \$ 103,878
Variance: \$ 2,834
or 3% favourable

Expenditure



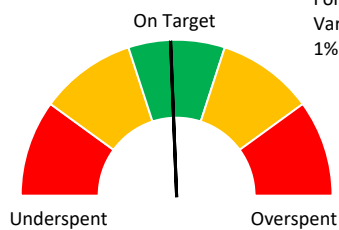
Actual: \$ 101,730
Forecast: \$ 104,306
Variance: \$ 2,576
or 3% underspent

Net operating surplus



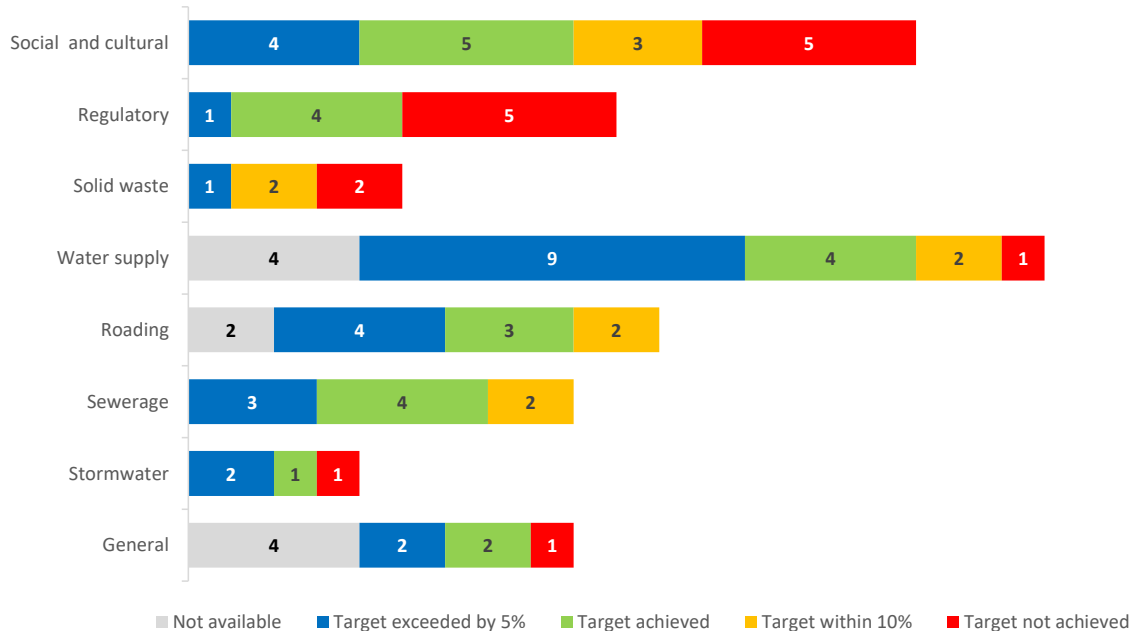
Actual: \$ 4,982
Forecast: \$ (428)
Variance: \$ 5,410 or
43% favourable

Capital expenditure



Actual: \$ 26,235
Forecast: \$ 26,571
Variance: \$ (336) or
1% underspent

Non-financial performance



The above non-performance measures and targets were agreed as part of the Long-term Plan 2018-2028. The key performance indicators above are focused on quarter four performance. Year end results will be delivered within the draft annual report in the coming months. See the Key Performance Indicators section for a breakdown by item and commentary on targets not achieved.

INVERCARGILL CITY COUNCIL QUARTERLY REPORT TO 30 JUNE 2021

PERFORMANCE SUMMARY

Consolidated financial performance

	Actual YTD (\$000)	Forecast YTD (\$000)	Variance (\$000)		Full year forecast (\$000)	Annual plan (\$000)
Rates and penalties	57,565	56,767	798		56,767	56,767
Income from activities	38,425	37,642	783		37,642	31,453
Rental revenue	2,842	3,502	(660)		3,502	3,013
Investment revenue	7,880	5,967	1,913		5,967	7,202
Total income	106,712	103,878	2,834		103,878	98,435
Employee expenses	24,673	25,521	848		25,521	25,433
Other operating expenses	46,489	47,533	1,044		47,533	43,448
Finance expenses	2,456	3,133	677		3,133	3,140
Depreciation and amortisation	28,112	28,119	7		28,119	28,124
Total expenditure	101,730	104,306	2,576		104,306	100,145
Net operating surplus / (deficit)	4,982	(428)	(258)		(428)	(1,710)










Net operating surplus by activity group

Activity group	Actual YTD (\$000)	Forecast YTD (\$000)	Variance (\$000)		Full year forecast (\$000)	Annual plan (\$000)
Roading	1,455	281	1,174		281	2,131
Sewerage	(14)	(471)	457		(471)	(221)
Solid waste	(115)	(261)	146		(261)	343
Stormwater	(515)	4,009	(4,524)		4,009	(833)
Water supply	2,602	1,194	1,408		1,194	1,399
Regulatory	936	3,175	(2,239)		3,175	2,324
Social and cultural	(503)	1,500	(2,003)		1,500	716
General	1,136	(9,855)	10,991		(9,855)	(7,569)
Council	4,982	(428)	5,410		(428)	(1,710)

INVERCARGILL CITY COUNCIL QUARTERLY REPORT TO 30 JUNE 2021

PERFORMANCE SUMMARY

Capital expenditure by activity group

Activity group	Actual YTD (\$000)	Forecast YTD (\$000)	Variance (\$000)	Percentage of full year spent		Full year forecast (\$000)	Annual plan (\$000)
Roading	8,676	9,076	400	96%		9,076	10,860
Sewerage	2,962	3,479	517	85%		3,479	6,993
Solid waste	10	3	(7)	332%		3	158
Stormwater	2,912	1,732	(1,180)	168%		1,732	3,791
Water supply	3,272	3,470	198	94%		3,470	8,434
Regulatory	190	190	0	100%		190	355
Social and cultural	4,039	3,866	(173)	104%		3,866	10,155
General	4,176	4,755	579	88%		4,755	8,622
Total Programme	26,235	26,571	336	99%		26,571	49,368
Adjustment for expected uncompleted projects							(10,439)
Total completed programme for 2020/21	26,235	26,571	336	99%		26,571	38,929

INVERCARGILL CITY COUNCIL QUARTERLY REPORT TO 30 JUNE 2021

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

	YTD Actual	Full Year Forecast	Annual Plan
	Jun 2021	2021	2021
	(\$000)	(\$000)	(\$000)
REVENUE			
Rates and penalties	57,565	56,767	56,767
Fines	484	606	502
Subsidies and grants	15,374	15,350	9,217
Direct charges revenue	22,567	21,686	21,734
Rental revenue	2,842	3,502	3,013
Finance revenue	1,502	1,081	1,902
Dividends & subvention revenue	6,378	4,886	5,300
Total revenue	106,712	103,878	98,435
EXPENSES			
Employee expenses	24,673	25,521	25,433
Other operating expenses	46,489	47,533	43,448
Finance expenses	2,456	3,133	3,140
Depreciation and amortisation	28,112	28,119	28,124
Total expenses	101,730	104,306	100,145
Net operating surplus (deficit)	4,982	(428)	(1,710)
Other gains/(losses)	7	964	964
Surplus / (deficit) before tax	4,989	536	(746)
Income tax expense	0	0	0
Surplus (deficit) after tax	4,989	536	(746)
OTHER COMPREHENSIVE REVENUE AND EXPENSE			
Property, plant and equipment revaluation gain (loss)	0	0	0
Carbon credit revaluation gains/(losses)	0	0	0
Cash flow hedges	0	0	0
Total other comprehensive revenue and expense	0	0	0
TOTAL COMPREHENSIVE REVENUE AND EXPENSE	4,989	536	(746)

INVERCARGILL CITY COUNCIL QUARTERLY REPORT TO 30 JUNE 2021

STATEMENT OF CASHFLOWS

	YTD Actual	Full Year Forecast	Annual Plan
	Jun 2021	2021	2021
	(\$000)	(\$000)	(\$000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus from operations	4,982	(428)	(1,710)
Reverse depreciation and non cash provisions	28,112	28,119	28,124
Change in current assets	(524)	0	0
Change in current liabilities	5,097	0	0
Net cash flows from operating activities	37,667	27,691	26,414
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment	8	0	194
Proceeds from sale of investments	43,604	30,000	12,322
Purchase of property, plant and equipment	(22,900)	(24,172)	(38,748)
Purchase of biological assets	0	0	0
Purchase of intangible assets	(1,281)	(554)	(78)
Purchase of investment property	(2,054)	(1,845)	(104)
Purchase of investments	0	(15,681)	0
Net cash flows from investing activities	17,377	(12,252)	(26,414)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	0	0	0
Repayment of borrowings	(36,615)	(35,439)	0
Net cash flows from financing activities	(36,615)	(35,439)	0
Net (decrease) increase in cash and cash equivalents	18,429	(20,000)	0
Cash and cash equivalents at the beginning of the year	26,505	26,505	14,738
Cash and cash equivalents at the end of the year	44,934	6,505	14,738

INVERCARGILL CITY COUNCIL QUARTERLY REPORT TO 30 JUNE 2021

STATEMENT OF FINANCIAL POSITION

	YTD Actual Jun 2021 (\$000)	Full Year Forecast 2021 (\$000)	Annual Report 2020 (\$000)
ASSETS			
Cash and cash equivalents	44,934	6,505	26,505
Trade and other receivables	12,209	11,789	11,789
Inventories	844	825	825
Property, plant and equipment	847,170	848,514	852,382
Intangible assets	2,500	1,694	1,219
Biological assets	3,618	3,701	3,618
Investment property	38,572	39,244	36,518
Investment in CCOs and similar entities	76,569	76,569	61,069
Other financial assets - other investments	9,311	38,596	68,415
TOTAL ASSETS	1,035,727	1,027,437	1,062,340
LIABILITIES			
Trade and other payables	18,773	13,937	13,937
Provisions	928	928	928
Employee benefit liabilities	4,298	4,037	4,037
Borrowings	88,899	90,075	125,514
Derivative financial instruments	3,492	3,493	3,493
Total liabilities	116,390	112,470	147,909
TOTAL EQUITY			
Retained earnings	371,701	367,332	366,796
Restricted reserves	50,177	50,177	50,177
Hedging reserves	(3,492)	(3,493)	(3,493)
Carbon credit revaluation reserves	815	815	815
Asset revaluation reserves	500,136	500,136	500,136
Total equity	919,337	914,967	914,431
TOTAL LIABILITIES AND EQUITY	1,035,727	1,027,437	1,062,340

INVERCARGILL CITY COUNCIL QUARTERLY REPORT TO 30 JUNE 2021

TREASURY REPORT

Debt	Actual YTD 30 Jun 2021 (\$000)	Forecast to 30 Jun 2021 (\$000)
Statement of borrowings		
Borrowings at the start of the year	125,514	125,514
New loans raised	0	0
Loan repayments	(36,615)	(35,439)
Borrowings at the end of the period	88,899	90,075

Borrowing facility

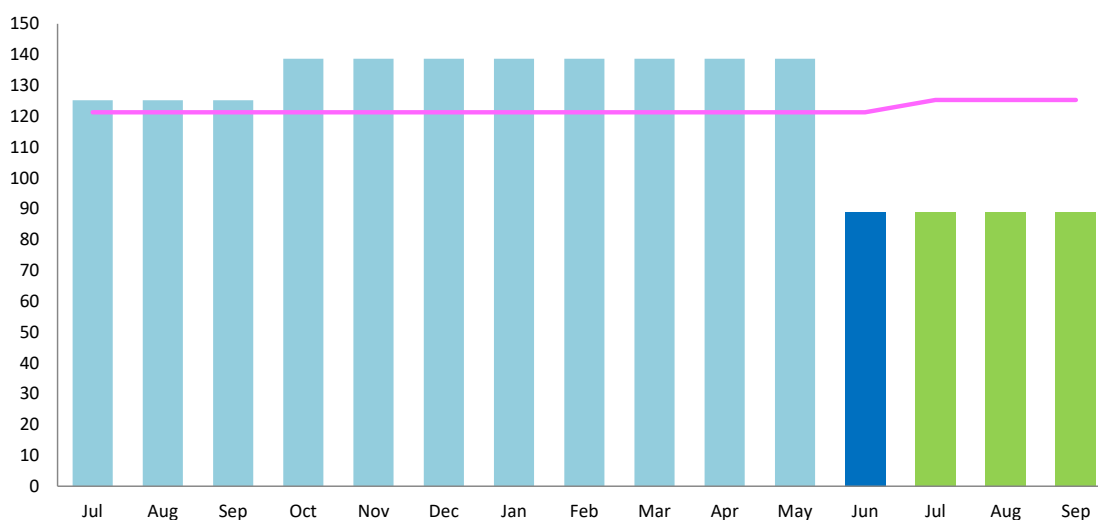
Invercargill City Council funding lines consist of:

Bank of New Zealand*	10,000	10,000
LGFA	28,199	29,375
LGFA - On lent to ICHL	0	0
LGFA - CBD development	40,500	40,500
ANZ Issued Bond	20,000	20,000
ANZ Issued Bond - On lent to ICHL	0	0
Environmental Southland (Clean air Loan Scheme)	200	200
Total borrowing facility	98,899	100,075
Facility headroom at the end of the period	10,000	10,000

*The BNZ call loan facility was renewed on the 1st February 2021 for a further two years

BORROWINGS (\$Millions)

12 Month trend of external debt levels and 3 month forecast compared to closing LTP



During quarter four: \$30m borrowings used to advance funds to Invercargill City Holdings Limited in 2015 was repaid; \$20m of Council borrowings was repaid using funds from maturing term deposits.

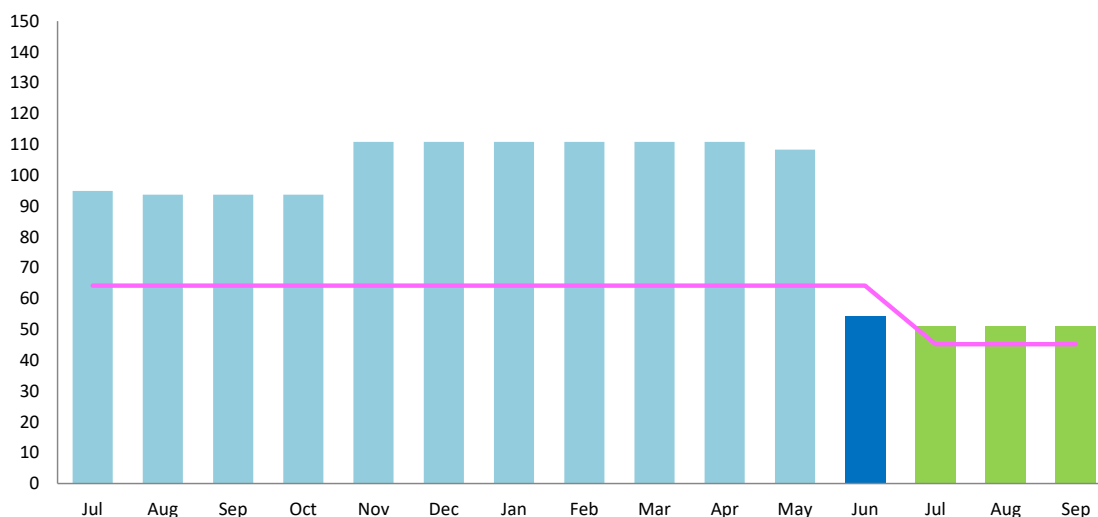
INVERCARGILL CITY COUNCIL QUARTERLY REPORT TO 30 JUNE 2021 TREASURY REPORT

Cash & Cash Investments

Investment	Amount (\$'000)	Interest Rate	Date Invested	Maturity Date
SBS Term Deposit	4,072	1.00%	30 Nov 2020	28 Jul 2021
SBS Term Deposit	4,067	1.10%	30 Oct 2020	28 Jul 2021
SBS Term Deposit	4,111	0.20%	30 Jun 2021	30 Jul 2021
SBS Term Deposit	6,696	1.00%	29 Apr 2021	26 Jan 2022
BNZ Term Deposit	4,030	1.27%	28 Aug 2020	28 Jul 2021
BNZ Term Deposit	4,048	0.57%	02 Oct 2020	28 Jul 2021
Westpac	5,050	0.86%	29 Jan 2021	30 Aug 2021
Westpac	7,099	0.86%	29 Jan 2021	30 Aug 2021
SBS - Staff Welfare Fund	121	1.00%	29 Jan 2021	28 Jul 2021
Shares & Miscellaneous	2,615			
Cash and cash equivalents (less investments maturing within 3 months)	12,336			
Total	54,245			

CASH & CASH INVESTMENTS (\$Millions)

12 Month trend of cash & cash investments levels and 3 month forecast compared to closing LTP



During quarter four: The \$30m advanced funds to Invercargill City Holdings Limited in 2015 was repaid to Council; \$20m maturing funds from term deposits and surplus cash was used to repay borrowings.

INVERCARGILL CITY COUNCIL QUARTERLY REPORT TO 30 JUNE 2021 TREASURY REPORT

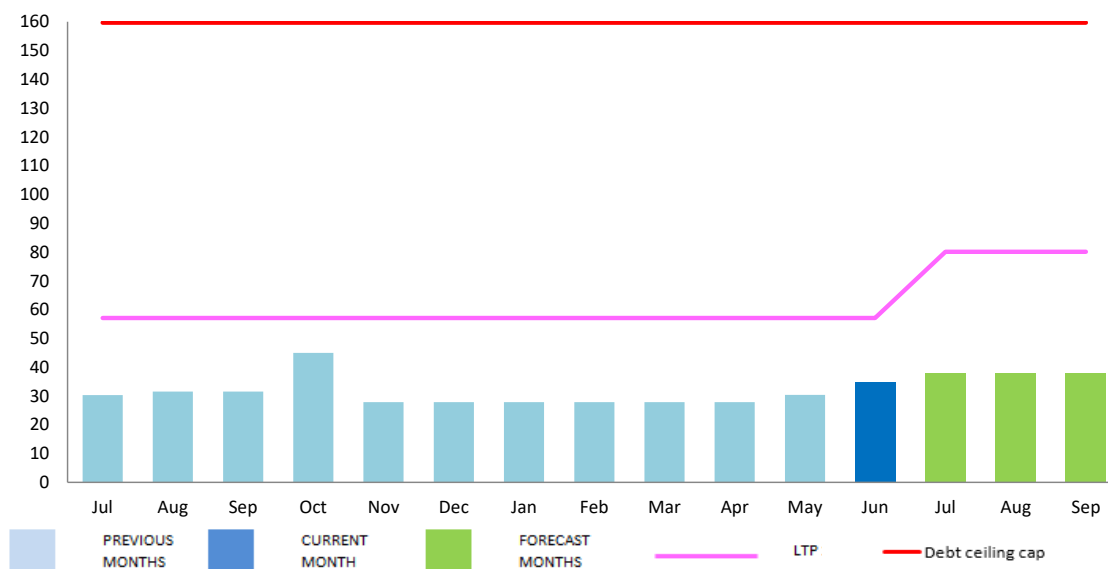
Net Debt Balance

	Actual YTD 30 Jun 2021 (\$000)	Forecast to 30 Jun 2021 (\$000)
Borrowings	88,899	90,075
Less: Cash & Cash Investments	(54,245)	(45,101)
TOTAL NET DEBT BALANCE	34,654	44,974
Debt ceiling cap	159,695	

Debt ceiling cap is set at 2.5 times total revenue less a provision for uncalled capital of \$100m

NET DEBT BALANCE (\$Millions)

12 Month trend of net debt levels and 3 month forecast compared to closing LTP



The Council's net debt balance is lower than planned in the Long-term Plan 2018-2028. This is due to a lower amount of borrowings uplifted as some capital projects were deferred and cash surpluses have been used to repayments.

INVERCARGILL CITY COUNCIL QUARTERLY REPORT TO 30 JUNE 2021
KEY PERFORMANCE INDICATORS

The below key performance indicators are focused on quarterly performance. Year end results will be delivered within the draft annual report in the coming months.

Social and cultural

Description	Note	YE 2020 Actual	Q 1	Q 2	Q 3	Q 4	YE 2021 Target	Variance
Library items issued		613,139	150,956	303,280	439,159	596,382	☹️	600,000 (1%)
Number of library visits	1	524,292	129,020	224,715	323,442	459,429	✖️	520,000 (12%)
Number of reference enquiries		90,432	25,704	48,892	76,343	104,247	✅	85,000 23%
Library membership as % of total population		72%	72%	72%	71%	69%	✅	> 65% 4%
Number of pool visits per head of Invercargill City population		8	7	7	7	7	✅	> 6.5 3%
Survey of Swim School customers rating good or very good	2	78%	86%	N/A	N/A	68%	✖️	85% (17%)
Time when a minimum of four 25m public lanes are available for swimming		95%	99%	97%	98%	99%	✅	90% 9%
Housing care rental does not exceed 30% of gross superannuation benefit		23%	22%	22%	22%	22%	✅	< 30% 8%
Passenger transport numbers are increasing	3	182,627	N/A	87,960	123,351	145,586	✖️	↑ (20%)
% of passengers satisfied with the level of fares		83%	N/A	N/A	N/A	80%	☹️	82% (2%)
% of passengers satisfied that the fare system is easy to understand		89%	N/A	N/A	N/A	80%	☹️	82% (2%)
Council administers and supports the Total Mobility Scheme		Yes	N/A	N/A	N/A	Yes	✅	Yes 0%
Queens Park is accredited as a "Garden of National Significance"		Yes	Yes	Yes	Yes	Yes	✅	Yes 0%
% of requests actioned within 4 working days	4	N/A	76%	83%	87%	78%	✖️	100% (22%)
Number of justified complaints received relating to safety within parks and cemeteries	5	3	2	4	12	9	✖️	0 (900%)
Policies around pest management are included in Reserve Management Plans		Yes	Yes	Yes	Yes	Yes	✅	Yes 0%
Increasing use of targeted reserves as measured by visitor counters at access points		757,396	225,785	406,702	625,512	1,026,044	✅	↑ 35%

- Note:
- 1 The visitor target has not been reached with building disruption in the central business district combining with the increasing remote use of online resources which has continued following the Covid 19 lockdown. However the last quarter has shown an increase to visitor numbers closer to pre-Covid levels.
 - 2 For the first time past members were included in the survey which increased the number of responses from 57 to 187. While this has meant the target was not achieved it gives Council a better understanding of the reason people leave the swim school.
 - 3 Passenger numbers have continued to decline slightly, partly due to Covid. New bus routes were launched in June 2021 and it is hoped that this will increase the usage of the service.
 - 4 Utilising the Request for Service system for the first time in 2020/2021 has meant that officers have improved data to benchmark against.
 - 5 The increase in the number of justified complaints is as a result of improved recording and analysis.

INVERCARGILL CITY COUNCIL QUARTERLY REPORT TO 30 JUNE 2021
KEY PERFORMANCE INDICATORS

Regulatory

Description	Note	YE 2020 Actual	Q 1	Q 2	Q 3	Q 4	YE 2021 Target	Variance
Building consents are issued within 20 working days		64%	60%	97%	100%	100%	✓	100% 0%
Non-notified resource consents not requiring a hearing are issued within 20 working days	6	100%	86%	85%	90%	89%	✗	100% (11%)
Food applications are issued within 20 working days		99%	100%	100%	100%	100%	✓	100% 0%
Alcohol licences not requiring a hearing are issued within 30 working days		88%	100%	100%	100%	100%	✓	100% 0%
% of LIM applications lodged electronically	7	50%	55%	60%	64%	66%	✗	80% (14%)
% of resource consent applications lodged electronically	8	12%	24%	33%	26%	30%	✗	80% (50%)
% of dog registrations lodged electronically	9	20%	23%	22%	29%	31%	✗	80% (49%)
% of blocks in the Priority Buildings Area investigated for potentially earthquake-prone buildings		78%	100%	100%	100%	100%	✓	40% 60%
Earthquake-prone buildings incentives are developed and implemented		No	Yes	Yes	Yes	Yes	✓	Yes 0%
Plans and bylaws are reviewed in line with the timetable included in the Regulatory Services Activity Management Plan	10	No	No	No	No	No	✗	Yes (100%)

- Note: 6 Resource consent numbers have increased over the last six months and additional resource is being engaged to assist.
- 7 The use of electronic lodgement has continued to be promoted over the year.
- 8 The use of electronic lodgement has continued to be promoted over the year.
- 9 The use of electronic lodgement has continued to be promoted over the year.
- 10 Plans and bylaws were reviewed within regulatory required timeframes but not in line with the timetable within the Activity Plan.

Solid waste

Description	Note	YE 2020 Actual	Q 1	Q 2	Q 3	Q 4	YE 2021 Target	Variance
Increase in kerbside recycling (tonnes)		3,307	793	1,673	2,491	3,300	😊	↑ (0%)
Decrease in kerbside rubbish collection (tonnes)		10,672	2,661	5,431	8,372	10,850	😞	↓ (2%)
Decrease in solid waste to landfill (tonnes)	11	19,705	4,871	10,372	15,856	22,333	✗	↓ (13%)
Increase in diverted material (tonnes)		9,062	1,533	3,036	7,286	10,806	✓	↑ 19%
Regional discarded materials rate per person per annum (kgs)	12	710	n/a	n/a	n/a	750	✗	650 (15%)

- Note: 11 With travel restrictions and increases in property sales, people have been spending more time to clean up their properties of waste.
- 12 With travel restrictions and increases in property sales, people have been spending more time to clean up their properties of waste.

INVERCARGILL CITY COUNCIL QUARTERLY REPORT TO 30 JUNE 2021
KEY PERFORMANCE INDICATORS

Water supply

Description	Note	YE 2020 Actual	Q 1	Q 2	Q 3	Q 4	YE 2021 Target	Variance	
Number of breaches of part 4 of the drinking-water standards		0	0	0	0	0	✓	0	0%
Number of breaches of part 5 of the drinking-water standards		0	0	0	0	0	✓	0	0%
% of real water loss from the networked reticulation system		9.9%	NA	NA	NA	9.6%	✓	< 30%	68%
Number of complaints received by Council per 1,000 connections about any of the following:									
- Drinking water clarity		0.24	0.15	0.10	0.10	0.10	✓	≤ 0.45 per month	78%
- Drinking water taste		0.05	0.15	0.05	0.05	0.05	✓	≤ 0.45 per month	89%
- Drinking water odour		0.05	0.00	0.00	0.00	0.00	✓	≤ 0.45 per month	100%
- Drinking water pressure of flow		0.05	0.05	0.14	0.14	0.14	✓	≤ 0.45 per month	69%
- Continuity of supply		0.14	0.00	0.14	0.24	0.24	✓	≤ 0.45 per month	47%
- Council's response to any of these issues		0.05	0.00	0.00	0.00	0.00	✓	≤ 0.45 per month	100%
Median time for service personnel to reach site for urgent events		0h 26m	0h 22m	0h 26m	0h 23m	0h 22m	✓	≤ 4 hours	N/A
Median time for the resolution of urgent events		0d 1h 17m	1h 30m	1h 43m	0d 1h 53m	1h 28m	✓	≤ 24 hours	N/A
Median time for service personnel to reach site for non-urgent events		5d 19h 48m	5d 1h 11m	4d 23h 12m	5d 0h 55m	4d 22h 31m	✓	≤ 5 working days	N/A
Median time for the resolution of non-urgent events		7d 4h 05m	5d 0h 58m	5d 1h 05m	5d 18h 40m	5d 01h 08m	✓	≤ 10 working days	N/A
Average drinking water consumption (litres per resident per day)		462	412	435	474	389	✓	< 700	44%
The Invercargill water supply is safe to drink as measured by the Ministry of Health grades		Aa	Aa	Aa	Aa	Aa	✓	Aa	0%
The Bluff water supply is safe to drink as measured by the Ministry of Health grades	13	Ab	Ab	Ab	Ab	Ab	✗	Aa	(100%)
Notification of planned shutdowns is given at least 24 hours beforehand by letter drop		98%	100%	100%	98%	97%	✓	90%	7%
Duration of planned shutdowns is no more than 8 hours		100%	100%	100%	100%	99%	☹	100%	(1%)
% of hydrants tested that exceed a flow rate of 12.5 litres per second		100%	NA	100%	NA	100%	✓	97.5%	3%

Note: 13 Grading of water supplies is no longer supported by the Ministry of Health and so this performance measure is no longer relevant. Council does have a current Water Safety Plan which covers Bluff and has been approved by the Ministry of Health.

INVERCARGILL CITY COUNCIL QUARTERLY REPORT TO 30 JUNE 2021
KEY PERFORMANCE INDICATORS

Roading

Description	Note	YE 2020 Actual	Q 1	Q 2	Q 3	Q 4	YE 2021 Target	Variance
Damaged signs are responded to within 48 hours of notification		77%	67%	67%	84%	84%	☹️	> 85% (1%)
Traffic signal faults are responded to within 1 hour for emergency work, 4 hours for serious faults and 12 hours for minor faults		100%	100%	100%	100%	100%	✓	> 85% 15%
% of customer service requests responded to within 5 days		76%	80%	82%	80%	82%	✓	82% 0%
Decrease in the annual number of fatalities and serious crashes on the local road network		18	Annual	Annual	Annual	12	✓	↓ 600%
Higher than the national average quality of ride on a sealed local network - Urban		89%	Annual	Annual	Annual	90%	✓	90% 0%
Higher than the national average quality of ride on a sealed local network - Rural		96%	Annual	Annual	Annual	98%	✓	98% 0%
% of the sealed local road network that is resurfaced		6%	Annual	Annual	Annual	5%	☹️	> 6.25% (1%)
% of footpaths in very poor condition		1%	Annual	Annual	Annual	1%	✓	< 8% 7%
Street lighting is compliant with AS/NZS 1158 to agreed levels		74%	Annual	Annual	Annual	78%	✓	74% 5%
Number of unplanned road closures		N/A	Annual	Annual	Annual	N/A	☹️	< 8 N/A
The overall annual cost per km and vkt of routine maintenance on each road network		N/A	Annual	Annual	Annual	N/A	☹️	< Peer Group Average N/A

Sewerage

Description	Note	YE 2020 Actual	Q 1	Q 2	Q 3	Q 4	YE 2021 Target	Variance
Number of dry weather sewerage overflows per 1,000 properties		0.49	0.22	0.67	0.85	1.12	✓	< 4 72%
Compliance with the Council's resource consents for discharge from its sewerage system, measured by the number of: - Abatement notices - Infringement notices - Enforcement orders - Convictions		0	0	0	0	0	✓	0 0%
Total number of complaints received by Council about sewerage odour		0	2	0	1	0	✓	0 0%
Total number of complaints received by Council about blockages and faults per 1,000 connections		2.50	0.58	1.07	1.98	2.47	✓	< 4 38%
Service personnel reach site within 1 hour for emergency events		91%	97%	94%	94%	93%	✓	90% 3%
Temporary repairs completed within 4 hours for emergency events		95%	97%	92%	93%	93%	☹️	95% (2%)
Service disruptions for individual properties are less than 12 hours		100%	100%	100%	90%	99%	☹️	100% (1%)
Trade waste consent applications are responded to within 10 working days		100%	100%	100%	100%	100%	✓	80% 20%

INVERCARGILL CITY COUNCIL QUARTERLY REPORT TO 30 JUNE 2021
KEY PERFORMANCE INDICATORS

Stormwater

Description	Note	YE 2020 Actual	Q 1	Q 2	Q 3	Q 4	YE 2021 Target	Variance
Number of flooding events	14	0	0	2	2	2	✘	0 (200%)
Compliance with the Council's resource consents for discharge from its sewerage system, measured by the number of: - Abatement notices - Infringement notices - Enforcement orders - Convictions		0	0	0	0	0	✓	0 0%
Number of complaints received by Council about stormwater system performance per 1,000 properties		0.45	0.76	1.52	2.15	2.47	✓	< 4 38%
Service personnel reach site within 1 hour for emergency events		93%	100%	100%	100%	96%	✓	90% 6%

Note: 14 Two events were caused by heavy rainfall in Otatara with multiple properties effected.

General

Description	Note	YE 2020 Actual	Q 1	Q 2	Q 3	Q 4	YE 2021 Target	Variance
Number of households involved in Neighbourhood Support		1,290	N/A	N/A	N/A	N/A	☹	↑ N/A
Number of groups involved in Neighbourhood Support		130	N/A	N/A	N/A	N/A	☹	↑ N/A
Number of residents participating in funded programmes		31,160	1,924	27,323	3,210	17,816	✓	10,000 78%
Number of events, agencies and businesses achieving the use of the friendly brand		15	N/A	N/A	N/A	N/A	☹	12 N/A
Number of young people participating in initiatives	15	514	101	13	69	50	✘	400 (88%)
Automated toilets are available 24 hours		98%	97%	96%	90%	96%	✓	95% 1%
% of surveyed residents satisfied or greater with opportunities Council provides for Community involvement in decision-making		28%	N/A	N/A	N/A	N/A	☹	50% N/A
Number of alternative methods of communicating to and receiving information from the community introduced		1	N/A	N/A	N/A	1	✓	1 0%
Investment property's net rate of return ≥ current market interest rate		4%	N/A	N/A	N/A	6%	✓	2% 266%

Note: 15 Youth Council has changed the way it operates meeting on a monthly rather than fortnightly basis. The different range of projects this year, may have also contributed to fewer young people participating.

INVERCARGILL CITY COUNCIL QUARTERLY REPORT TO 30 JUNE 2021
TOTAL COUNCIL - SCHEDULE OF FORECAST CHANGES

Item Name	Nature Of Change	Quarter 1 (\$000)	Quarter 2 (\$000)	Quarter 3 (\$000)	Quarter 4 (\$000)	30 Jun 2021 (\$000)
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES						
Revenue						
Fines	Re-forecast fines to align with current trends		104			104
Subsidies and grants	Increase funds forecast to be received from the Shovel ready projects and 3 waters allocations		4,830			4,830
Subsidies and grants	Re-forecast NZTA subsidies to align with roading expenditure forecast		173			173
Subsidies and grants	Increase of grants funding received relating to NZTA, 3 Waters and shovel ready funding			1,130		1,130
Direct charges revenue	Additional revenue for recycling contract from SDC		576			576
Direct charges revenue	Re-forecast fees revenue to reflect current trends and reclassification with other revenue		(2,654)			(2,654)
Other revenue	Re-forecast other revenue to reflect current trends and reclassification with direct charges revenue		2,030			2,030
Rental revenue	Re-forecast rental revenue to reflect higher rental and occupancy rates		489			489
Finance revenue	Re-forecast of net debt interest revenue based on funds invested and interest rate assumption of 0.5%		(821)			(821)
Dividend and subvention revenue	Reduction in expected dividend from ICHL			(414)		(414)
Total Forecast Adjustments to Revenue		-	4,727	716	-	5,443
Expenses						
Employee expenses	Re-forecast to reflect current staffing levels		88			88
Other operating expenses	Additional consultancy (including Council DIA, independent governance review, processing applications for planning & building, LTP, Iwi, Simpli)		1,616			1,616
Other operating expenses	Re-forecast of repairs and maintenance to reflect higher requirement on ageing infrastructure		438			438
Other operating expenses	Additional cost for recycling contract solid waste		950			950
Other operating expenses	Re-forecast of various other operating expenses		1,081			1,081
Finance expenses	Re-forecast of net debt interest expenses based on funds drawdown and interest rate assumption of 2.5%		(7)			(7)
Depreciation and amortisation	Re-forecast of Depreciation expense based on current asset pool		(5)			(5)
						-
						-
						-
						-
Total Forecast Adjustments to Expenses		-	4,161	-	-	4,161
Adjustments to Surplus / (Deficit) After Tax		-	566	716	-	1,282

INVERCARGILL CITY COUNCIL QUARTERLY REPORT TO 30 JUNE 2021
TOTAL COUNCIL - SCHEDULE OF FORECAST CHANGES

Item Name	Nature Of Change	Quarter 1 (\$000)	Quarter 2 (\$000)	Quarter 3 (\$000)	Quarter 4 (\$000)	30 Jun 2021 (\$000)
STATEMENT OF FINANCIAL POSITION						
Assets						
Other financial assets - other investments	Additional investment into the city block	15,500				15,500
Cash and cash equivalents	Re-alignment of opening balances with the Annual report 2019/20		11,767			11,767
Cash and cash equivalents	Re-forecast to reflect additional funds used to repay borrowings		(20,000)			(20,000)
Trade and other receivables	Re-alignment of opening balances with the Annual report 2019/20		2,417			2,417
Inventories	Re-alignment of opening balances with the Annual report 2019/20		(856)			(856)
Property, plant and equipment	Re-alignment of opening balances with the Annual report 2019/20		(9,840)			(9,840)
Property, plant and equipment	Re-forecast capital expenditure profiles to reflect revised programme		9,818	(13,686)		(3,868)
Intangible assets	Re-alignment of opening balances with the Annual report 2019/20		(450)			(450)
Intangible assets	Re-forecast capital expenditure profiles to reflect revised programme		475			475
Biological assets	Re-alignment of opening balances with the Annual report 2019/20		298			298
Biological assets	Re-forecast capital expenditure profiles to reflect revised programme		83			83
Investment property	Re-alignment of opening balances with the Annual report 2019/20		(2,814)			(2,814)
Investment property	Re-forecast capital expenditure profiles to reflect revised programme		2,389	337		2,726
Investment in CCOs and similar entities	Re-alignment of opening balances with the Annual report 2019/20		25,000			25,000
Investment in CCOs and similar entities	Conversion of ICHL advance for the city centre development into shares		15,500			15,500
Other financial assets - other investments	Re-alignment of opening balances with the Annual report 2019/20		(15,476)			(15,476)
Other financial assets - other investments	ICHL advance repayment		(30,000)			(30,000)
Other financial assets - other investments	Conversion of ICHL advance for the city centre development into shares		(15,500)			(15,500)
Other financial assets - other investments			181			181
						-
Total Forecast Adjustments to Assets		15,500	(27,008)	(13,349)	-	(24,857)
Liabilities						
Borrowings	Funding for additional investment into the city block	15,500				15,500
Trade and other payables	Re-alignment of opening balances with the Annual report 2019/20		1,981			1,981
Employee benefit liabilities	Re-alignment of opening balances with the Annual report 2019/20		785			785
Borrowings	Re-alignment of opening balances with the Annual report 2019/20		10,309			10,309
Borrowings	Repayment of borrowings drawdown from ICHL advance repaid funds		(30,000)			(30,000)
Borrowings	Repayment of borrowings from excess cash and cash equivalents funds		(20,000)			(20,000)
Borrowings	Re-forecast borrowings drawdown to fund revised capital programme		13,126	(14,065)		(939)
Derivative financial instruments	Re-alignment of opening balances with the Annual report 2019/20		1,033			1,033
						-
Total Forecast Adjustments to Liabilities		15,500	(22,766)	(14,065)	-	(21,331)

INVERCARGILL CITY COUNCIL QUARTERLY REPORT TO 30 JUNE 2021
TOTAL COUNCIL - SCHEDULE OF FORECAST CHANGES

Item Name	Nature Of Change	Quarter 1 (\$000)	Quarter 2 (\$000)	Quarter 3 (\$000)	Quarter 4 (\$000)	30 Jun 2021 (\$000)
Equity						
Retained earnings	Re-alignment of opening balances with the Annual report 2019/20		(1,401)			(1,401)
Retained earnings	Movements in additional operating surplus (deficit) & transfers with Restricted reserves		(11,756)	716		(11,040)
Restricted reserves	Re-alignment of opening balances with the Annual report 2019/20		(2,662)			(2,662)
Restricted reserves	Movements with Retained earnings		12,322			12,322
Hedging reserves	Re-alignment of opening balances with the Annual report 2019/20		(1,033)			(1,033)
Carbon credit revaluation reserves	Re-alignment of opening balances with the Annual report 2019/20		288			288
						-
Total Forecast Adjustments to Equity		-	(4,242)	716	-	(3,526)

CONFIDENTIAL

TREASURY REPORT

FOR



AS AT 30 JUNE 2021



BANCORP

BANCORP TREASURY SERVICES LIMITED

AUCKLAND • CHRISTCHURCH

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1. MARKET ENVIRONMENT

1.1 GLOBAL – OVERVIEW (FOR THE JUNE 2021 QUARTER)

Every asset class was a winner in the June quarter. US share markets hit record highs, commodity prices extended their rally to levels not seen since 2011, and bond yields finally slipped after nine months of steepening. Central bankers have altered their tune and adopted a more hawkish stance, calling for rate hikes earlier than previously expected as several Q1 GDP results exceeded expectations and inflationary forces that were deemed ‘transitory’ could be here to stay.

In the US, the Federal Reserve (“Fed”) left its Fed Funds target range unchanged at 0.0-0.25% at the June meeting, although policymakers signalled that rate hikes could come as soon as 2023 after the inclusion of the so-called ‘dot plot’ of expectations suggested there will be two hikes in 2023. Furthermore, the central bank now forecasts US GDP to grow at 7.0% in 2021. This more optimistic outlook saw the fixed income markets take the ‘dot plots’ at their projections, although Chair, Jerome Powell, played down the projections, saying, *“the dots are not a great forecaster of rate moves. Dots to be taken with a big grain of salt.”*

US CPI rose 5.0% in the May year from a year earlier, which was the largest 12 month increase since September 2008. Core inflation came in at 3.8%. The report showed sharp increases in transitory prices for items such as fuel and second-hand motor vehicles, but there was also a residual firmness in core inflation from the likes of rents and hotels that is hard to ignore.

Despite rising inflation across the globe, the US 10 year Treasury Bond yield has fallen around 0.30% since the last report and finished the quarter at 1.47%. This fall in long term yields is a result of the Fed hikes that are forecasted for 2023, as the market believes these hikes reduce the inflationary pressures in the long term.

In China, the National People's Congress announced an annual GDP growth target of *“above 6.0%,”* and pledged to keep the unemployment rate below 5.5%, while the Chinese Premier, Li Keqiang, reiterated that *“economic growth this year could exceed 6.0%. We need to seek a balance between growth, income, and employment, and we cannot pursue economic growth based on high energy consumption and heavy pollution. China needs growth in employment and income and will have to work more on boosting domestic demand and consumption.”*

For all of the comments from members of the Fed over the month, the European Central Bank (“ECB”) has been conspicuous by its absence. ECB President, Christine Lagarde, is focussing on a ‘green’ recovery stating *“we need to add another element to our post-pandemic recovery plan with what I have termed a green capital markets union – a truly green European capital market that transcends national borders.”* The German 10 year bund remains entrenched in negative territory, trading in a range between -0.07% to -0.35% during the quarter, finishing June at -0.20.

1.2 NEW ZEALAND – OVERVIEW (FOR THE JUNE 2021 QUARTER)

	OCR	90 day	2 years	3 years	5 years	7 years	10 years
31 Mar 2021	0.25%	0.35%	0.48%	0.66%	1.10%	1.54%	1.91%
30 Jun 2021	0.25%	0.33%	0.78%	1.00%	1.36%	1.62%	1.88%
Change	0.0%	-0.02%	+0.30%	+0.34%	+0.26%	+0.08%	-0.03%

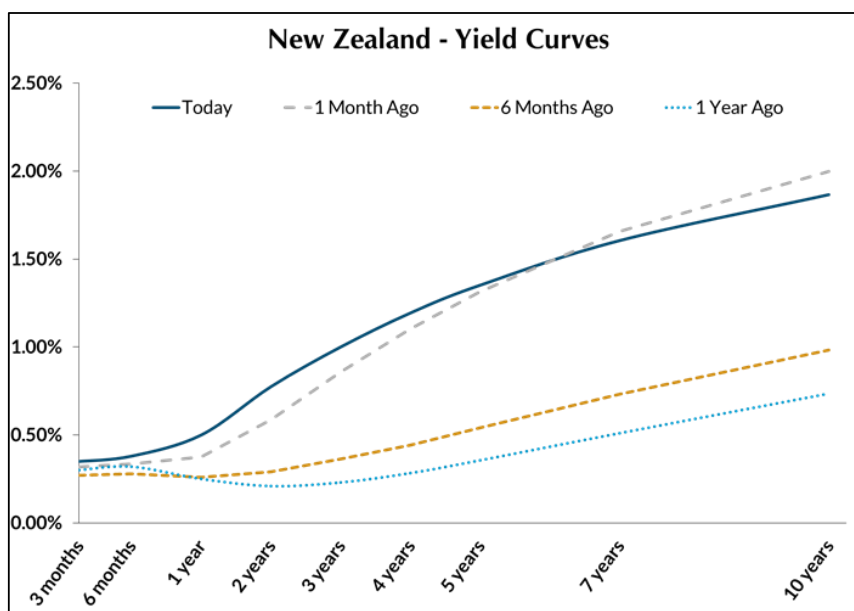
The tone of the Reserve Bank of New Zealand's ("RBNZ") May's Monetary Policy Statement ("MPS") was no doubt more optimistic, with the RBNZ pointing to several areas for upside, it also emphasised that it would maintain its stimulus *"until it is confident that consumer price inflation will be sustained near the 2 percent per annum target midpoint, and that employment is at its maximum sustainable level. The Committee agreed it will take time before these conditions are met."*

The most interesting aspect of the MPS was the inclusion of the RBNZ's OCR projections beyond 12 months. These projections suggest the OCR may start rising in the second half of 2022, topping out near 1.75% in mid-2024 as the RBNZ gains greater confidence in its outlook for the economy with *"reduced risk of extreme downside shocks."* Following the MPS, New Zealand interest rates climbed between 0.10% and 0.14% across the yield curve.

The economic recovery in New Zealand continues which was confirmed by the sensational March quarter 2021 GDP print. Quite simply, no one predicted the 1.6% print for the quarter, nor the year on year growth at 2.4%. The RBNZ was projecting a contraction of -0.5% for the quarter, while the banks were calling for +0.5%, highlighting the 'surprise' of this print. On a sector level, the strong housing market, domestic spending, and construction offset the losses from tourism and international students. This saw some of the local banks bring forward their OCR hike projections by a quarter or two.

The unemployment rate and participation rate outperformed market expectations in the first quarter, however underlying weakness might be starting to appear. The unemployment rate decreased to 4.7% and the participation rate increased to 70.4%, while expectations were 4.9% and 70.2%. Overall, the initial labour market recovery has been impressive, however absorption of the remaining slack may be more gradual, resulting in muted wage and inflation pressures for some time.

Offshore bond movements drove down yields in New Zealand. The 10 year swap rate tested the 2.00% mark before declining 0.20% due to offshore drivers, although some of this downward movement has been reversed, finishing the quarter at 1.88%. The 3–5 year swap rates are looking the most expensive after the release of the RBNZ's MPS which illustrated that the OCR projection will reach 1.75% by 2024. The New Zealand 10 year swap rate has bounced off a long term trend line, testing the level of resistance twice within the last few months, both times being rejected and subsequently falling, suggesting that swap rates have found a trading range. The graph on the following page shows the changes in the shape of the yield curve over the past 12 months.



1.3 LOCAL AUTHORITY FUNDING

Listed below are the credit spreads and applicable interest rates for Commercial Paper (“CP”), Floating Rate Notes (“FRN”) and Fixed Rate Bonds (“FRB”), at which Invercargill City Council (“ICC”) could source debt from the Local Government Funding Agency (“LGFA”).

Maturity	Margin	FRN (or CP) Rate	FRB
3 month CP	0.20%	0.50%	N/A
6 month CP	0.20%	0.58%	N/A
April 2022	0.17%	0.67%	0.62%
April 2023	0.19%	0.69%	0.99%
April 2024	0.21%	0.71%	1.16%
April 2025	0.27%	0.77%	1.42%
April 2026	0.31%	0.81%	1.66%
April 2027	0.39%	0.89%	1.80%
April 2029	0.44%	0.94%	2.15%
May 2031	0.52%	1.02%	2.40%
April 2033	0.62%	1.12%	2.57%
April 2037	0.64%	1.14%	2.92%

Margins for LGFA debt continued to decrease over the June quarter as the favourable conditions in the credit markets continued. The margin for the April 2026 declined by 0.14% and for the April 2037 by 0.10%. For fixed rate debt outright yields increased at the short to medium end of the curve, the April 2023 up 0.16% to 0.90% and the April 2026 up by 0.10% to 1.66%. At the longer end of the curve outright yields decreased with the April 2033 declining by 0.19% to 2.57% and the April 2037 declining by 0.23% to 2.92%.

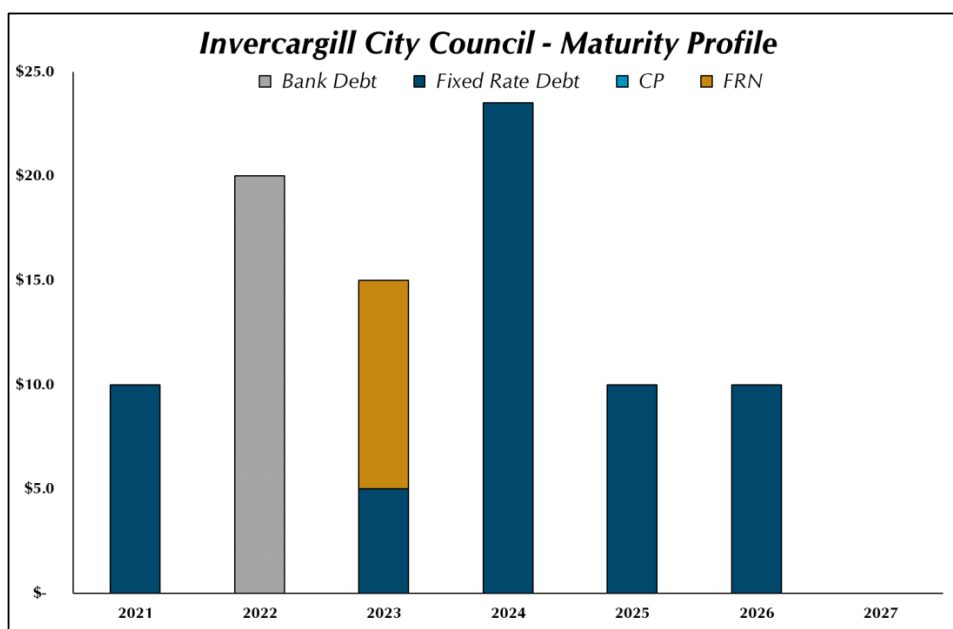
2. CURRENT POSITION

2.1 SUMMARY OF CURRENT POSITION

As at 30 June, ICC's core debt was \$88,500,000. Details for the core debt are below:

Issuer/Type	Amount	Maturity	Margin	Rate
LGFA FRB	\$10,000,000	14-Apr-22	55 bps	1.01%
ICC FRN	\$20,000,000	29-Oct-22	60 bps	0.90%
LGFA FRB	\$5,000,000	14-Oct-23	43 bps	0.44%
LGFA FRN	\$10,000,000	29-Apr-24	48.75 bps	0.76%
LGFA FRB	\$15,000,000	15-Apr-25	80 bps	1.49%
LGFA FRB	\$8,500,000	15-Oct-25	48 bps	0.59%
LGFA FRB	\$10,000,000	15-Apr-26	63 bps	1.09%
LGFA FRB	\$10,000,000	15-Apr-27	70 bps	2.62%
Total	\$88,500,000			

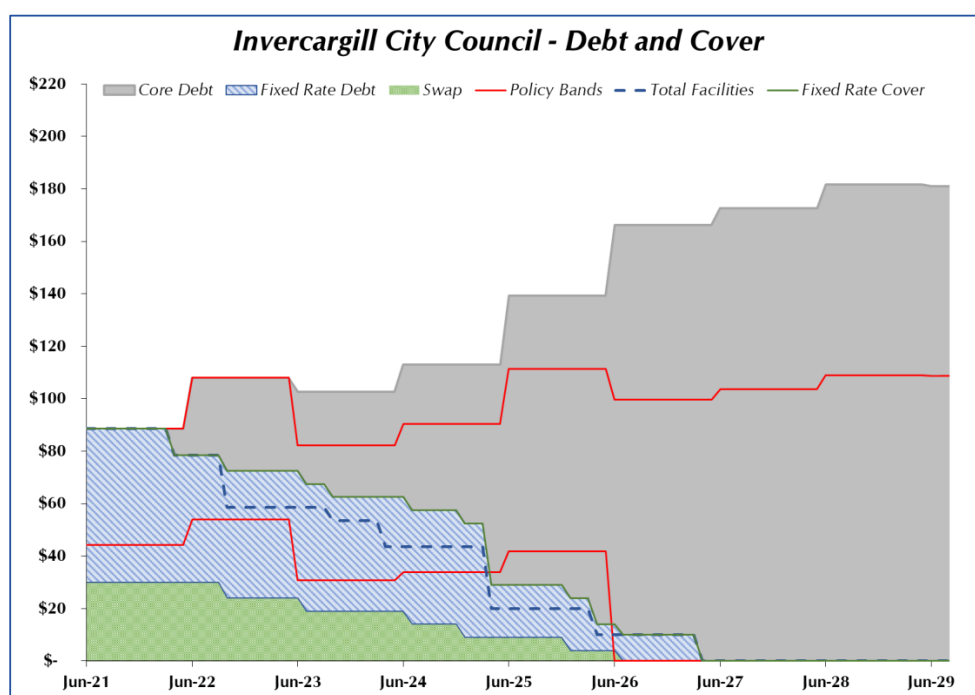
The debt maturity profile incorporating the core debt of \$88,500,000 is depicted in the chart below.



The policy parameters under which ICC manages its interest rate risk on this debt are detailed below.

Fixed Rate Hedging Percentages		
	Minimum Fixed Rate Amount	Maximum Fixed Rate Amount
0 - 2 years	50%	100%
2 - 5 years	30%	80%
5 - 10 years	0%	60%

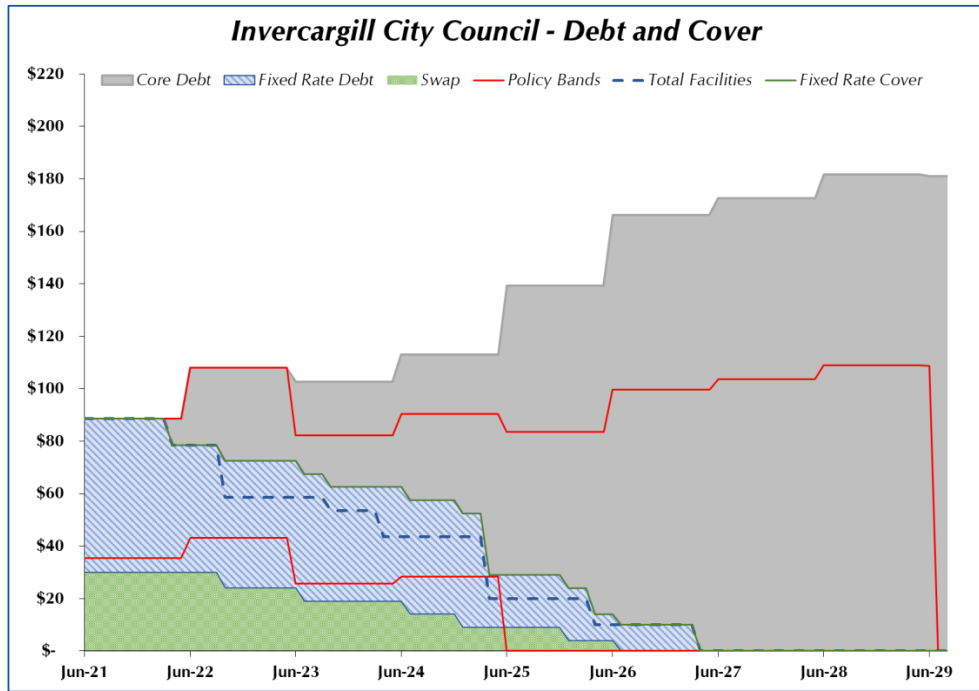
The core debt of \$88,500,000 and associated hedging profile using the above policy parameters is depicted in the chart below.



The chart shows that ICC was not policy compliant in the 2–5 year time bucket. Amended hedging parameters were incorporated into the Long Term Plan process, these are as follows and applied from 1 July 2021.

Fixed Rate Hedging Percentages		
	Minimum Fixed Rate Amount	Maximum Fixed Rate Amount
0 - 2 years	40%	100%
2 - 4 years	25%	80%
4 - 8 years	0%	60%

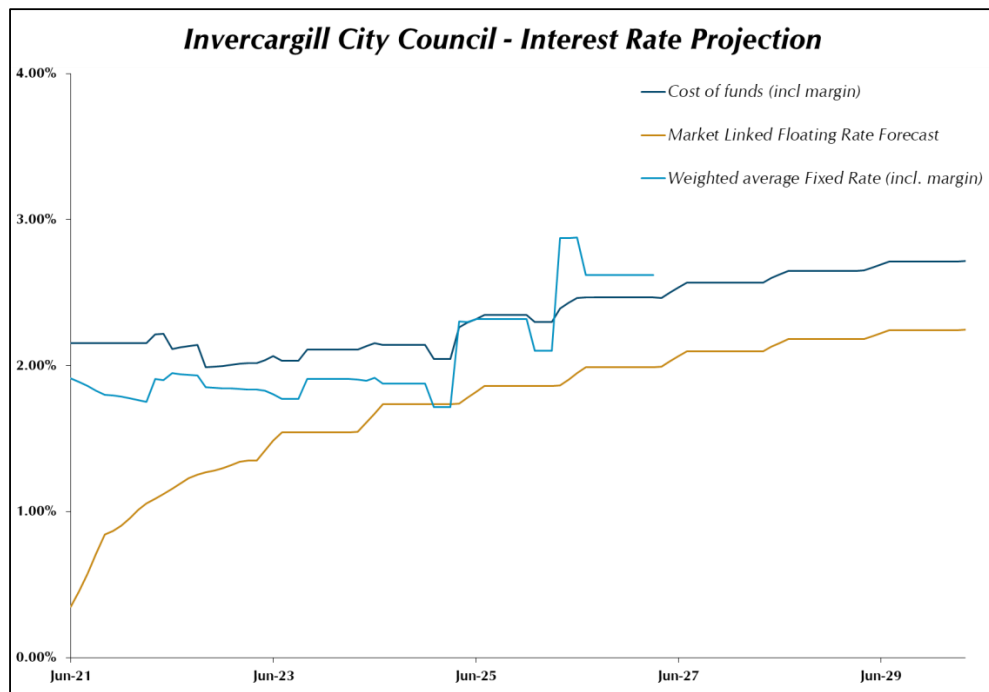
The debt and cover profile incorporating the amended parameters is as follows:



The intention is to rectify the policy breach early in the September quarter once future debt projections have been finalised following the conclusion of the LTP process.

2.2 PROJECTED INTEREST RATES

The following chart shows the interest rate projections including margins for the next eight years. This assumes debt follows the forecast illustrated in the chart on the following page, that the 90 day rate bank bill rate will move in line with the futures market's prevailing projected track, and that margins remain unchanged on the rolling over of debt facilities. The chart shows that the all-up interest rate will maintain around the 2.15% mark.



For borrowers who have historical legacy debt, ICC's cost of funds is one of the lowest in the local government sector that Bancorp Treasury is aware of.

3. POLICY COMPLIANCE REPORT

Core debt for ICC as at 30 June 2021: **\$88.5 million**

Total swap cover is detailed in the table below.

Start Date	Maturity Date	Swaps		Market Value
		Rate	Amount	
29-Oct-2020	31-Oct-2022	2.830%	6,000,000	(\$203,867)
29-Jul-2016	31-Jul-2023	2.580%	5,000,000	(\$234,825)
20-Jun-2016	29-Jul-2024	2.650%	5,000,000	(\$300,010)
29-Jan-2019	29-Jan-2025	3.965%	5,000,000	(\$579,728)
30-Oct-2017	29-Jan-2026	3.220%	5,000,000	(\$494,719)
29-Jul-2020	29-Jul-2026	3.200%	4,000,000	(\$413,305)
Total current hedging			30,000,000	
TOTAL				(\$2,226,453)

Total cover (including fixed rate bonds): **\$88.5 million**

Current fixed rate cover as percentage of core debt: 100.0%

	POLICY	BREACH
<i>Fixed rate cover bands</i>		
0-2 years 50% - 100%	✓	
2-5 years 30% - 80%		✗
5-10 years 0% - 60%	✓	
Average rate of fixed rate swaps*		3.06%
Average rate of FRBs (excluding margin)		1.31%
Floating rate at last roll date		0.35%
Weighted average cost of debt		1.59%
Weighted average borrowing margin		0.56%
Weighted average cost of debt including margin and line fee**		2.15%

* Does not include forward starting swaps

**This is the weighted average rate as at 30 June 2021 and does not represent a cumulative average rate for the current financial year.