



NOTICE OF MEETING

**Notice is hereby given of the Meeting of the
Risk and Assurance Committee
to be held in the Council Chamber, Civic Theatre,
88 Tay Street, Invercargill on
Tuesday 18 February 2025 at 2.00 pm**

Mr R Jackson (Chair)
Mayor W S Clark
Cr R I D Bond
Cr T Campbell
Cr G M Dermody
Cr D J Ludlow
Cr I R Pottinger
Cr L F Soper

MICHAEL DAY
CHIEF EXECUTIVE

Risk and Assurance Committee - Public

18 February 2025 02:00 PM

Agenda Topic	Page
1. Apologies	
2. Declaration of Interest	
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.	
3. Public Forum	
4. Minutes of the Risk and Assurance Committee Meeting Held on 17 December 2024 (A5686180)	6
5. Health, Safety and Wellbeing Update (A5746724)	13
5.1 Appendix 1 - Contractor Management (A5768054)	21
6. Financial Risks Update (A5760961)	23
6.1 Appendix 1 - Invercargill CC Treasury Report as at 31 December 2024 (A5761001)	26
7. 2024 – 2034 Long-term Plan Audit Management Report (A5698985)	33
7.1 Appendix 1 - Report to the Council on the audit of Invercargill City Council's Long-term Plan for the period 1 July 2024 – 30 June 2034 (A5757074)	36
7.2 Appendix 2 - Letter for additional fee recoveries (A5757070)	51
8. Tax Risk Governance Policy (A5753597)	53
8.1 Appendix 1 - Draft Updated Tax Risk Governance Policy (A3542789)	55
9. Public Excluded Session	

Public Excluded Session

Moved , seconded that the public be excluded from the following parts of the proceedings of this meeting, namely:

- a) Minutes of the Public Excluded Session of the Risk and Assurance Committee Meeting Held on 17 December 2024
- b) Te Unua Museum of Southland 'Experience' Risks
- c) Internal Audit Update February 2025
- d) Financial Risks Update
- e) Council Litigation Update
- f) Verbal Risk 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 17 December 2024	<p>Section 7(2)(a) Protect the privacy of natural persons, including that of deceased natural persons</p> <p>Section 7(2)(b) (ii) Protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>Section 7(2)(c)(ii) Protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest</p> <p>Section 7(2)(f)(ii) Maintain the effective conduct of public affairs through the protection of such members, officers, employees, and persons</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>

from improper pressure or harassment

Section 7(2)(g)

Maintain legal professional privilege

Section 7(2)(h)

Enable any local authority holding the information to carry on, without prejudice or disadvantage, commercial activities

Section 7(2)(i)

Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

- b) Te Unua Museum of Southland 'Experience' Risks

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

- c) Internal Audit Update February 2025

Section 7(2)(c)(ii)

Protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest

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

Section 7(2)(f)(ii)

Maintain the effective conduct of public affairs through the protection of such members, officers, employees, and persons from improper pressure or harassment

- d) Financial Risks Update

Section 7(2)(c)(ii)

Protect information which is subject to an obligation

Section 48(1)(a)

That the public conduct of this item would be likely

of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest

to result in the disclosure of information for which good reason for withholding would exist under Section 7

Section 7(2)(f)(ii)

Maintain the effective conduct of public affairs through the protection of such members, officers, employees, and persons from improper pressure or harassment

e) Council Litigation Update

Section 7(2)(g)

Maintain legal professional privilege

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

f) Verbal Risk 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 withholding would exist under Section 7

Section 7(2)(i)

Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

**MINUTES OF THE RISK AND ASSURANCE COMMITTEE, HELD IN THE COUNCIL CHAMBERS,
FIRST FLOOR, CIVIC THEATRE, 88 TAY STREET, INVERCARGILL ON TUESDAY 17 DECEMBER
2024 AT 2.00 PM**

Present: Mr R Jackson (Chair)
Mayor W S Clark
Cr R I D Bond
Cr T Campbell
Cr G M Dermody
Cr D J Ludlow
Cr L F Soper

In Attendance: Cr P M Boyle
Mrs P Coote – Kaikaunihera Māori – Awarua
Mr M Day – Chief Executive
Ms E Moogan – Group Manager – Infrastructure
Mrs P Christie – Group Manager – Finance and Assurance
Mrs T Hurst – Group Manager – Community Engagement and
Corporate Services
Mr R Capil – Group Manager – Community Spaces and Places
Mr J Shaw – Group Manager - Consenting and Environment
Mr P Patton – Manager – Quality Assurance
Mr J Garnett – Business Transformation Lead
Ms T Anderson – Health, Safety and Wellbeing Manager
Mr M Morris – Manager – Governance and Legal
Ms R Suter – Manager – Strategy and Policy
Ms L Knight – Manager – Strategic Communications
Ms G Englert - Social Media Advisor
Mrs L Williams – Team Leader Governance and Executive Support

1. Apologies

Cr Pottinger

Moved Mr Jackson, seconded Cr Ludlow and **RESOLVED** that the apology be accepted.

2. Declaration of Interest

Nil.

3. Public Forum

Nil.

4. Minutes of the Risk and Assurance Committee Meeting held on Tuesday 22 October 2024

A5598256

Moved Cr Campbell, seconded Cr Ludlow and **RESOLVED** that the Minutes of the Risk and Assurance Committee meeting held on Tuesday 22 October 2024 be confirmed.

5. Minutes of the Extraordinary Risk and Assurance Committee Meeting held on Tuesday 19 November 2024

A5640981

Moved Cr Bond, seconded Cr Ludlow and **RESOLVED** that the Minutes of the Extraordinary Risk and Assurance Committee meeting held on Tuesday 19 November 2024 be confirmed.

6. Financial Risks Update

A5663813

Mrs Patricia Christie spoke to the report and noted that the Treasury Report noted the cost of debt had come down and added that compliance with liability policy and forecasting on current debt forecast excluding water will have a breach in early 2028 and may look to take some forward start interest rate swaps to correct the breach. The advance to ICL had decreased since 1 July and was sitting at \$17.4 million.

A query was raised what had caused the breach in 2028, it was noted that a fixed floating movement and had no swaps in place to cover. It was added that Council had also been taking short term loans. It was confirmed that the breach only crystallised when reached that date and had a 'sweet spot' of interest rates that was being looked at.

A query was raised how far out Council forward started and it was noted only two to three years at this stage and had no policy. A further query was raised what the 'sweet spot' was and confirmed that it was a rate lower than the LTP figure. It was added that Bancorp were providing advice on the 'sweet spot'.

With respect to the repayment from ICL, it was queried how they had managed to do that, it was noted that ICL were drawing down and paying debt, rather than holding cash.

A query was raised if funds would sit in the bank if came from sales of Donovan or Esk Street, and if would help net debt, it was confirmed that it would.

Moved Cr Campbell, seconded Cr Soper and **RESOLVED** that the Risk and Assurance Committee:

1. Receives the report 'Financial Risks Update'.

7. Internal Audit and Continuous Improvement Update

A5629905

Mr Peter Patton spoke to the report, and noted that the building team had retained accreditation and the next audit would be in 2026.

A query was raised around the number of internal audits done and if at the discretion of staff, it was confirmed that it was and also depending on budget. It was queried if could save budget by not having as many audits utilising external audit providers. It was noted that internal staff did the bulk of the audits and the audit partners (Deloitte) only did two or three and could drop the number down,

A query was raised around the numbers in environmental health, it was noted would be accreditation for food standards and the like.

A query was raised if this Committee could see the scope of some of the audits, it was confirmed that the scope did come to the Committee as part of the reporting and added that could bring back audits like payroll and accounts payable.

A query was raised around how good the processes were around how Council did budgets and also how reported on. It was noted that there was an operational spend monitoring and management review programmed for 2024/2025. It was added that Mrs Christie would look at that scope to ensure Councillors queries were covered.

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

1. Receives the report "Internal Audit and Continuous Improvement Update".
2. Note that Council has engaged Deloitte as its internal audit partner.
3. Note the progress made against the approved internal audit plan.
4. Note the continuous improvement update as per table 1.

8. Health, Safety and Wellbeing Update

A5656641

Ms Trudie Hurst and Ms Tash Anderson spoke to the report and noted that the external scan showed that the team kept a close eye on things happening nationally and also looked the information that WorkSafe provided. There had been an increase in verbal abuse and that had increased the ability to report and noted that the EAP service was being used and was supporting staff well.

A query was raised if had looked at the implications of the criminal prosecution of the Chief Executive of Port of Auckland, it was noted that looking at that and would do further training in the New Year with the management team.

A query was raised around the person that drove through the worksite and if that had been reported to the Police, it was confirmed that it had been and the Police were monitoring work sites, for speed etc.

It was added that when work was being done the contractors were required to have traffic management in place, and added that Council was still on a journey with health and safety of contractors, and added that felt would be gaps in processes and working on those issues.

A query was raised around the spike in near misses and if this had been a surprise, it was noted that that there had been quite a few traffic management issues during that period.

A query was raised if the number meant there were more incidents or more being reported, it was noted that there had been an increase in verbal abuse and that had also made it easier for staff to report. A further query was raised if people were being held accountable and what remedial actions were taken. It was noted that use the trespass system and also did de-escalation training and support in place for staff, trespassing was a last resort.

It was queried if this also meant an increase in EAP numbers, it was noted that the number had increased and were pleased that staff were using the service and added that it was confidential.

It was also queried if had policies in place to look to prevent a similar accident to the recent drowning in a pond in Upper Hutt. It was noted that staff monitor and had mitigations in place wherever possible and that did have a known risk and it was confirmed that it was on the risk register.

It was queried how to ensure that staff were supported, it was noted that had a number of options in place such as EAP, talk to managers and other staff, etc and if could have referrals for help or support, it was added that staff and managers do touch base to ensure staff are supported.

It was noted that there had been an incident at the pump track in Ōtatara and that had mitigations in place and had now put systems in place to reduce the speed exiting the site.

Moved Cr Dermody, seconded Cr Soper and **RESOLVED** that the Risk and Assurance Committee:

1. Receives the report "Health, Safety and Wellbeing Update".

Recommendation to Council:

2. Accepts the report as evidence of Invercargill City Council's management of workplace Health and Safety risks.

9. Public Excluded Session

Moved Mr Jackson, seconded Cr Bond and **RESOLVED** that the public be excluded from the following parts of the proceedings of this meeting, namely:

- a) Minutes of the Public Excluded Session of the Risk and Assurance Committee Meeting Held on 22 October 2024
- b) Minutes of the Public Excluded Session of the Extraordinary Risk and Assurance Committee Meeting Held on 19 November 2024
- c) Amendment to the Internal Audit Plan
- d) Our Council Programme Risks
- e) Council Litigation Update
- f) Ombudsman Investigations
- g) Verbal Risk 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 15 August 2024	<p>Section 7(2)(a) Protect the privacy of natural persons, including that of deceased natural persons</p> <p>Section 7(2)(b) (ii) Protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>Section 7(2)(g) Maintain legal professional privilege</p> <p>Section 7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including</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>

	commercial and industrial negotiations)	
b) Minutes of the Public Excluded Session of the Extraordinary Risk and Assurance Committee Meeting Held on 19 November 2024	<p>Section 7(2)(b) (ii) Protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p>	<p>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) Amendment to the Internal Audit Plan	<p>Section 7(2)(c)(ii) Protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest</p> <p>Section 7(2)(f)(ii) Maintain the effective conduct of public affairs through the protection of such members, officers, employees, and persons from improper pressure or harassment</p>	<p>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) Our Council Programme Risks	<p>Section 7(2)(a) Protect the privacy of natural persons, including that of deceased natural persons</p> <p>Section 7(2)(h) Enable any local authority holding the information to carry on, without prejudice or disadvantage, commercial activities</p> <p>Section 7(2)(i) Enable any local authority holding the information to</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>

- carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)
- e) Council Litigation Update
- Section 7(2)(g)**
Maintain legal professional privilege
- 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
- f) Ombudsman Investigations
- Section 7(2)(g)**
Maintain legal professional privilege
- 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
- g) Verbal Risk 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 2.54 pm.

HEALTH, SAFETY AND WELLBEING UPDATE

To:	Risk and Assurance Committee
Meeting Date:	Tuesday 18 February 2025
From:	Tash Anderson – Health Safety and Wellbeing Manager
Approved:	Trudie Hurst – Group Manager - Community Engagement and Corporate Services
Approved Date:	Tuesday 11 February 2025
Open Agenda:	Yes
Public Excluded Agenda:	No

Purpose and Summary

The report details the current focus areas of Health, Safety and Wellbeing at the Invercargill City Council (Council), and includes future activities to achieve a desired outcome of an effective Health, Safety and Wellbeing (HSW) system across all Council operations.

Recommendations

That the Risk and Assurance Committee:

1. Receives the report "Health, Safety and Wellbeing Update".

Recommend to Council:

2. That it accepts the report as evidence of Invercargill City Council's management of workplace Health and Safety risks.

Health, Safety and Wellbeing Risk Picture

Relevant Officer Duties - Section 44 (a)(b) and (c) of the Health and Safety at Work Act 2015

External Environment Scan – The importance of Health and Safety Risk Management

Enforceable Undertakings – A legally binding arrangement, an enforceable undertaking is established through voluntary agreement between WorkSafe and a duty holder under the Health and Safety at Work Act 2015 (HSWA), triggered by a breach or alleged breach of HSWA. Serving as an alternative to prosecution, once established, it holds the duty holder accountable. There are also Court ordered enforceable undertakings.

Example A – WorkSafe convicted and sentenced Grouting Services NZ Limited.

A 21-year-old construction worker suffered fatal injuries while undertaking the deconstruction of a beam. The PCBU did not ensure a safe system of work for deconstructing the waler beams. Workers were left to complete their work without a considered plan in place so on the day of the incident they devised an ad-hoc method. When the worker stood on a stack of five wooden forklift pallets to use an angle grinder, the beam fell on him.

The lack of an effective risk assessment to identify which of the corbels were welded to the waler beam and the lack of proper work progress and planning resulted in the victim's death.

A separate WorkSafe prosecution against CLL Service and Solutions Limited involved a crane toppling at the same busy Newmarket construction site a year prior was not heeded as the site safety warning that it could have been.

As a PCBU, the Council has a legal and ethical responsibility to ensure the health, safety, and wellbeing of its workers. This requires the implementation of robust risk assessment processes to proactively identify, assess, and control potential workplace hazards. Additionally, the Council must continuously review and learn from health and safety incidents to foster a culture of continuous improvement and risk mitigation in workplace safety.

Example B – WorkSafe convicted and sentenced Thompson Engineering (2002) Limited

A worker was tasked with fabricating purlin brackets. The designated machine (Scotchman 5075) was unavailable due to repairs. Without proper training or supervision, the worker utilized a press jig designed for the unavailable machine on a different model (Scotchman 6509). This replacement machine lacked necessary safety guards, and there was no documentation confirming the safe use of the press jig with this specific equipment. The press jig was not identified in the workplace hazard register, and a formal risk assessment had not been conducted for its use on this machine.

The worker, unfamiliar with both the machine and the attachment, used them without any adequate training or supervision. This resulted in a serious hand injury, including the amputation of parts of three fingers.

As a PCBU, the Council has a legal and ethical responsibility to ensure the health, safety, and wellbeing of its workers. This includes providing adequate training in the safe use of all plant, objects, substances, and equipment that a worker may be required to use or handle. Furthermore, workers must be supervised by a competent person with relevant knowledge and experience until they demonstrate competency to work independently.

Internal Environment Scan

Effective health and safety risk management requires organisations to continuously monitor and adapt to the evolving landscape of their industry or sector. This ensures that controls remain effective and aligned with best practices. Council and this Committee have been kept informed of the increasing risks faced by staff and their associated impacts.

Following an external environment scan, from which valuable lessons can be learned, Council should examine the referenced examples to identify similarities and gaps in our current risk management approach. This should include a review of how critical risks are managed and whether any risks fall outside the Council's agreed risk appetite.

Both example A and B underscore the importance of risk management, training, and supervision. They also illustrate the consequences of failing to take all reasonably practicable steps to either eliminate or minimise foreseeable health and safety risks to workers and others at Council workplaces.

In a Council reporting context, these examples would be classified as Health and Safety Events and categorised as Notifiable Events under the Health and Safety at Work Act 2015.

PCBU Overlapping Duties – Contractor Management

Council contracts out a significant portion of its work across various sectors. One area that has undergone notable improvements in the management of joint PCBU responsibilities is infrastructure, where large-scale contracts are prevalent.

Under the Health and Safety at Work Act 2015 (HSWA), the primary duty of care typically rests with the contractor who manages or controls the workplace. However, the Council also holds duties regarding the health and safety of contractor employees, who are classified as workers under the Act.

While Council cannot transfer or contract out of its legal obligations, its role in contractor management is to:

- Monitor and oversee the contractor's health and safety performance.
- Ensure effective communication and coordination between all PCBUs involved.
- Verify that contractors have robust safety systems in place and are managing risks appropriately.

Measuring Contractor Safety Performance

The Total Recordable Injury Frequency Rate (TRIFR) is a health and safety lag indicator used to measure industry-specific performance. Within Council's infrastructure operations, TRIFR can be used to:

- Benchmark health and safety performance against industry standards.
- Identify trends in contractor safety incidents.
- Drive continuous improvement in joint PCBU risk management.

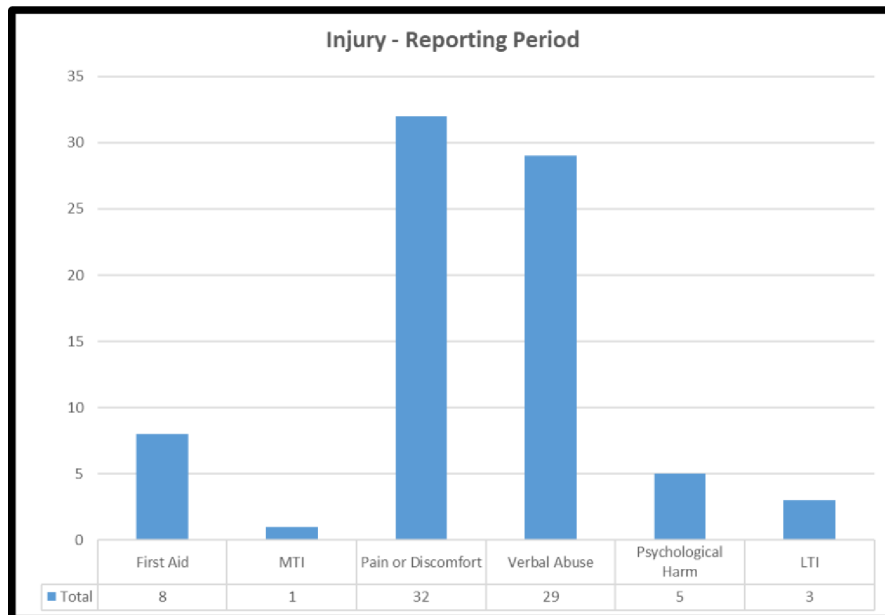
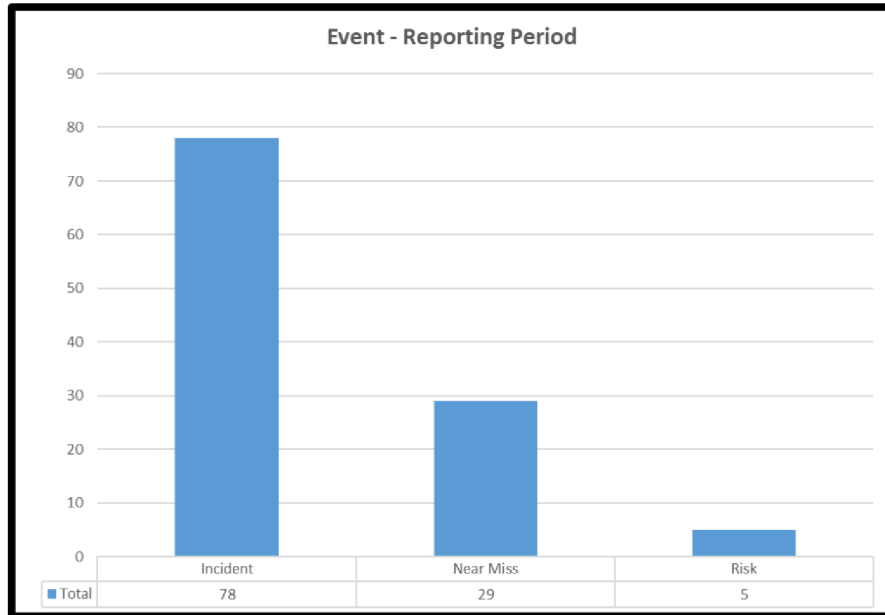
Contractor Health and Safety Verification

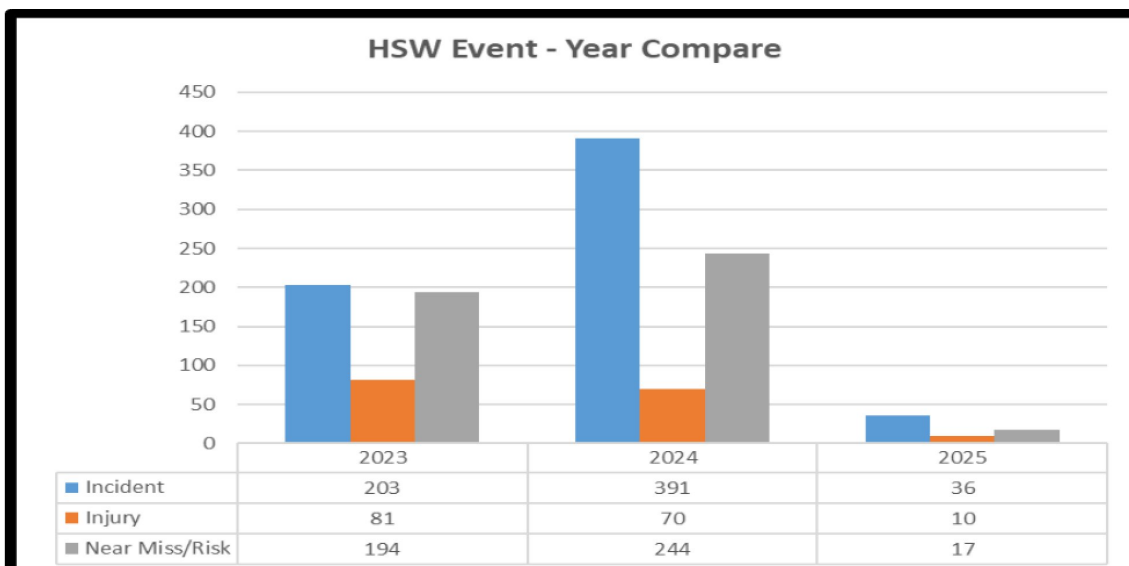
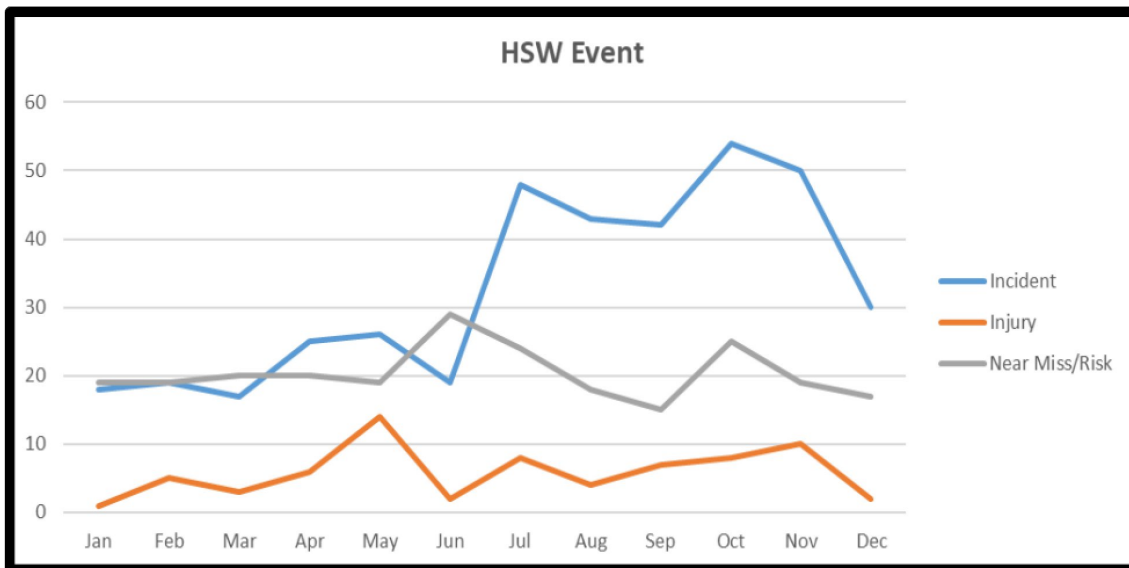
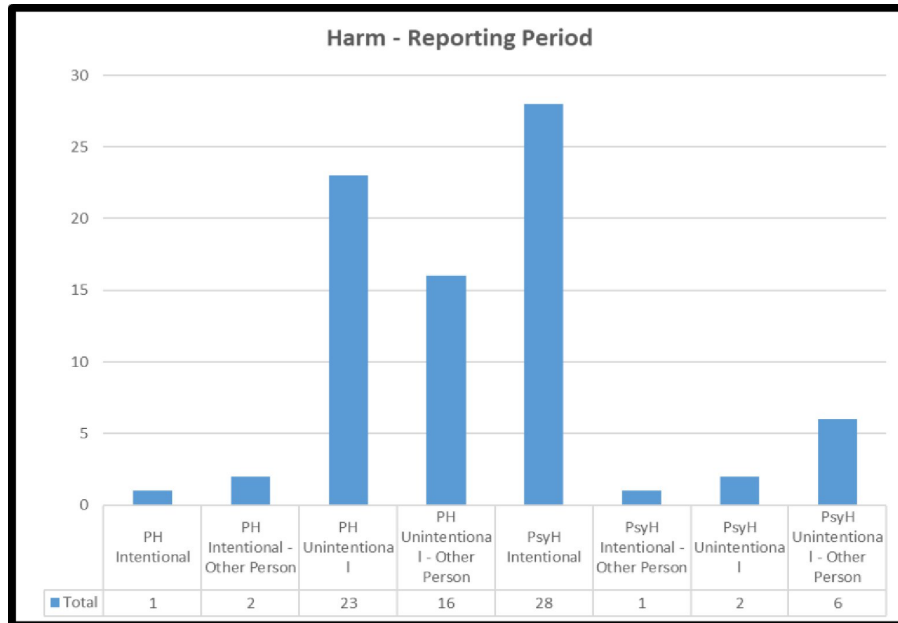
Council is actively verifying contractor health and safety systems through SiteWise, an independent prequalification platform that assesses contractor health and safety performance. The latest data indicates that the contractors engaged by Council have an average health and safety score of 87%, exceeding the national average of 84%. This reflects Council's commitment to working with high-performing contractors and ensuring robust safety standards across all projects.

Verification/Monitoring of Health, Safety and Wellbeing Systems

Relevant Officer Duties - Section 44 (d)(e) & (f) of the Health and Safety at Work Act 2015

Event, Injury and Harm Reporting Period (December 2024 – January 2025)





Health, Safety, and Wellbeing Summary

The reported events across the December 2024 – January 2025 period indicate an increase in reporting, continuing the upward trend observed in 2024. This rise in reported incidents and near misses suggests that the increase is due to a more user-friendly system for end users.

Key Insights

Increase in HSW Events

- 2024 has seen an increase in reported incidents, injuries, and near misses compared to previous years.
- The number of injuries declined over the same period, indicating improved hazard identification and risk mitigation efforts.
- This could indicate greater awareness and engagement with the reporting process, particularly with the introduction of a more user-friendly reporting system.

Exposure Types

- The most notable risk category remains psychosocial (Intentional) harm, particularly affecting workers.
- A significant portion of these incidents are detected through the Customer Services phone monitoring system (Genesys).

Common Injury and Risk Patterns

- Pain/Strain/Discomfort continues to be the leading category of reported workplace harm.
- This suggests there could be a need for further ergonomic interventions, manual handling training, and workplace adjustments to preventable injuries.

Understanding the 2024 Reporting Increase

- While incident numbers have risen, this could reflect the impact of a more accessible and user-friendly reporting system rather than an actual increase in risk.
- Ongoing monitoring is essential to determine whether these trends reflect genuine risk escalation or improved hazard identification and reporting behaviours.

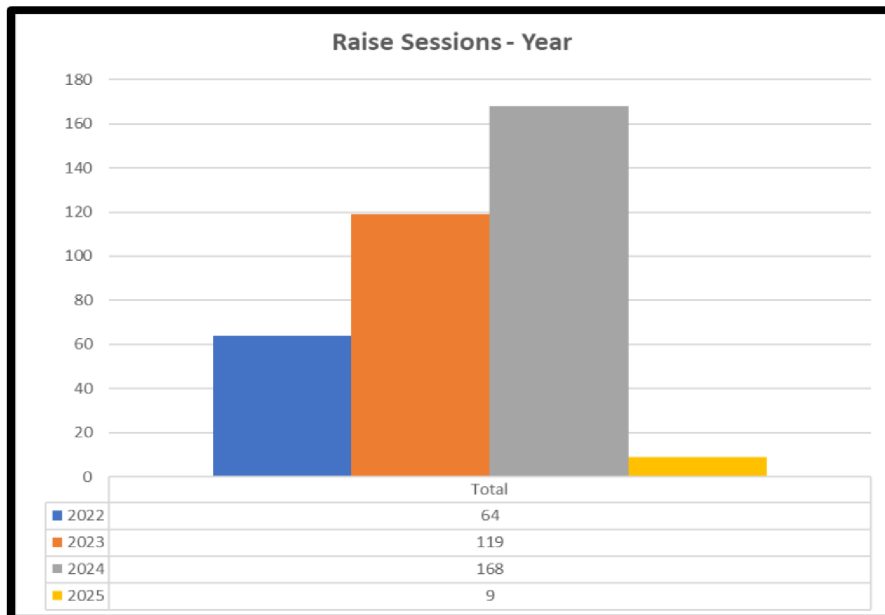
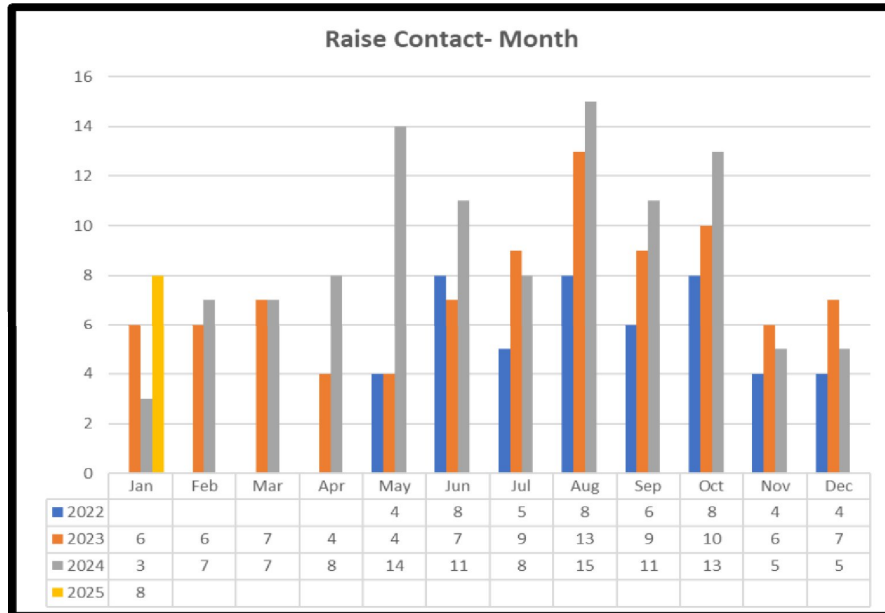
Conclusion

- The increase in incident and near-miss reporting in 2024 indicates stronger safety engagement and hazard awareness.
- The reduction in injuries suggests that risk controls are becoming more effective, but continued focus on psychosocial risks and ergonomic hazards is essential.

EAP Service

Average sessions per month – 10.

Average employees contacting per month – seven.



EAP Summary

The Employee Assistance Program (EAP) continues to play an important role in supporting the wellbeing of our workforce, with year-on-year increases in worker engagement.

Key Insights

- 29% of workers have utilised EAP services, reflecting strong engagement.
- The average number of sessions per worker is 2.5, indicating ongoing support and follow-up care.
- There has been a consistent increase in EAP usage year-on-year, with both contacts and sessions rising significantly from 2022 to 2024.

EAP Service Impact

The growing participation rates suggest that employees find value in the service, and the increase in session numbers highlights that many are returning for continuous support. This demonstrates that EAP is effectively addressing workplace stressors and personal challenges, contributing to a healthier and more resilient workforce.

Conclusion

- The continued growth in EAP engagement reinforces its importance in employee wellbeing strategies.
- Monitoring trends into 2025 will help assess whether demand remains steady or increases further.
- Further promotion and accessibility initiatives may help ensure that all employees are aware of the support available.

The EAP service is providing valuable, proactive support to employees, fostering a positive workplace culture that prioritises mental health and wellbeing.

Next Steps

Regular HSW reporting to the Executive Leadership Team, and in summary to the Risk and Assurance Committee on the priorities that the HSW team either close off or add as part of their 'build' work programme will ensure a high level of accountability and monitoring of the plan remains ongoing.

Attachments

Appendix 1 - Contractor Management – A5768054



CONTRACTOR ASSESSMENT SCORES

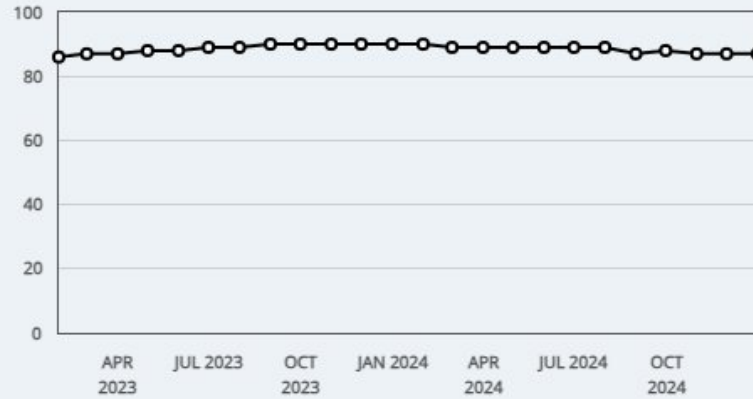
YOUR CONTRACTORS

NUMBER OF YOUR SELECTED CONTRACTORS AT EACH STAGE



YOUR SELECTED CONTRACTORS AVG. SCORE

87%



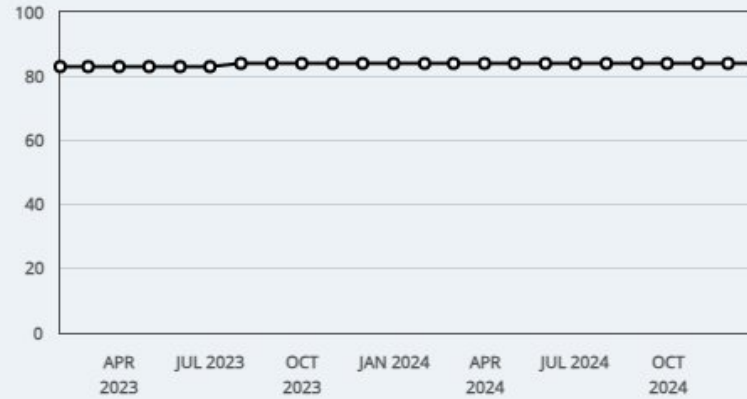
ALL CONTRACTORS

NUMBER OF CONTRACTORS AT EACH STAGE IN SITEWISE



ALL CONTRACTORS AVG. SCORE

84%



FINANCIAL RISKS UPDATE

To:	Risk and Assurance Committee
Meeting Date:	Tuesday 18 February 2025
From:	Jaimee Botting – Manager Financial Planning
Approved:	Patricia Christie - Group Manager - Finance and Assurance
Approved Date:	Wednesday 12 February 2025
Open Agenda:	Yes

Purpose and Summary

The purpose of this report is to provide an update on the Council's financial risks.

Recommendations

That the Risk and Assurance Committee:

1. Receives the report 'Financial Risks Update'.

Background

This report provides the Committee with an update on key financial risks. This quarter's report is focused on Council's compliance with our Treasury policy.

Issues

Treasury risk

Attached as Attachment 1 is the December 2024 Treasury Report from Bancorp.

This report shows that at 31 December 2024 Council had core debt of \$125.7 million in place (unchanged from November 2024).

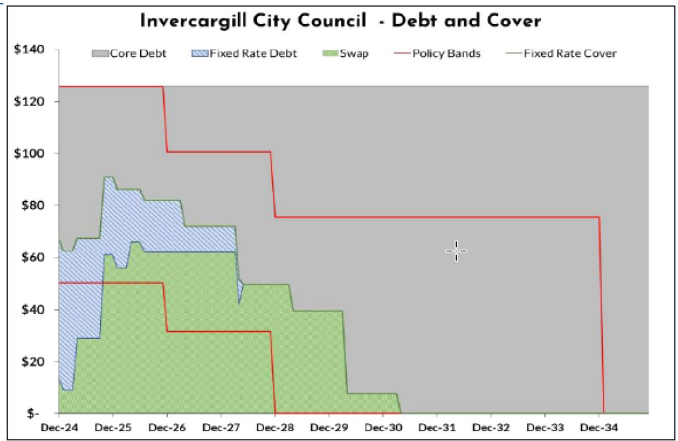
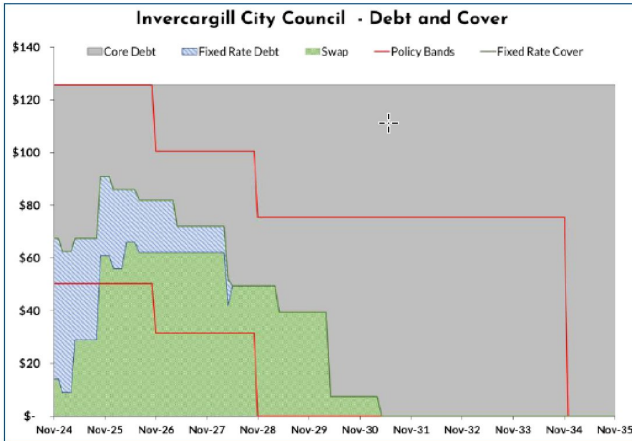
Council is in compliance with all policy measures:

- Transactions been transacted in compliance with policy
- Fixed interest rate cover is within policy control limits
- Funding maturity profile within policy control limits
- Liquidity within policy control limits

- Counterparty exposures within control limits

as at 28 November 2024 report

as at 31 December 2024 report

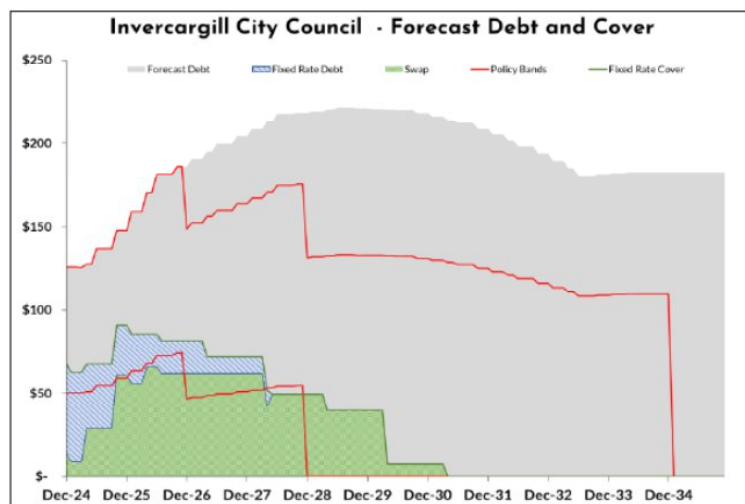


Council's policy bands are:

Period to Maturity	Minimum	Maximum
0 – 2 years	40%	100%
2 – 4 years	25%	80%
4 – 10 years	0%	60%

The below graph represents Council's projected debt compared to the policy bands.

Forecast debt represents 80% of the borrowings within LTP 2024-2034 less 3 waters debt.



It shows there is a potential future breach in 2028. We will monitor this over time along with future capital programme movements.

It is noted in the Treasury report that Council's average cost of funds is 3.36% a decrease on the 3.49% at November. This is expected to increase in coming years as the very low-rate debt matures and is replaced with current rates and the additional borrowing required to fund our capital programme.

At 30 December 2024 fixed rate borrowing from LGFA was between 3.82% and 4.93% depending on maturity for an AA+/AA rated Council. The most recent rates from LGFA on 4 February 2025 had fixed borrowing rates between 3.89% and 5.52% depending on maturity for an AA+/AA rated Council.

Invercargill Central Limited loan advance

As at 31 December 2024, the balance of the loan to Invercargill Central Limited was \$18.25 million. This has decreased by \$0.89 million since 1 July 2024. The reduction is due to principal repayments.

Procurement

Since 1 June the procurement function has been involved with the procurement of contracts to the value of \$42.6 million. In addition the function has worked on or is working on 38 different procurement exercises.

Monitoring of different aspects of the procurement framework, including spend without contract, local spend and adherence to the procurement policy is continuing.

Next Steps

Continue to monitor for any breaches of financial and procurement policies.

Continue to review current forecast capital spend to identify 2024/2025 funding needs given current market position.

Attachments

1. Invercargill CC Treasury Report as at 31 December 2024 (A5761001)



A5761001

Treasury Dashboard Report

31 December 2024

STRICTLY PRIVATE AND CONFIDENTIAL



BANCORP
BANCORP TREASURY SERVICES LIMITED



Economic Commentary (for the December 2024 quarter)

2

Global

10 Year Government Bond Rates						
	US	NZ	Australia	UK	Germany	China
30-Sep-24	3.85%	4.24%	4.00%	4.00%	2.12%	2.17%
31-Dec-24	4.60%	4.41%	4.36%	4.57%	2.36%	1.67%
Change	+0.75%	+0.17%	+0.36%	+0.57%	+0.24%	-0.50%

As the above table shows, US long-term rates have moved significantly higher in the December quarter. Behind this move is a view that Trump's pro-growth policies will make the US Fed more cautious in delivering further rate cuts. Trump's inauguration on the 20th of January will be closely watched as he rolls out his policies, focusing on tariffs, geopolitics, immigration settings and future US government debt levels. Market expectations of further Fed rate cuts have been paired back with no rate cut expected at the next meeting on 29 January. However, there remain expectations of at least two rate cuts in 2025.

The US remains the global economy's bright spot, with China and Europe remaining weak. China is particularly vulnerable, given the threat of significant US tariffs. Europe is emerging from a period of stagnation, a Ukrainian/Russian-induced energy crisis and is exposed to protectionist US trade policies.

In Australia, the Reserve Bank of Australia ("RBA") has continued with a cautious approach to monetary policy, saying that inflation remains too high. This has resulted in continued restrictive policy settings. However, the market is pricing in 50 basis points of cuts by August 2025

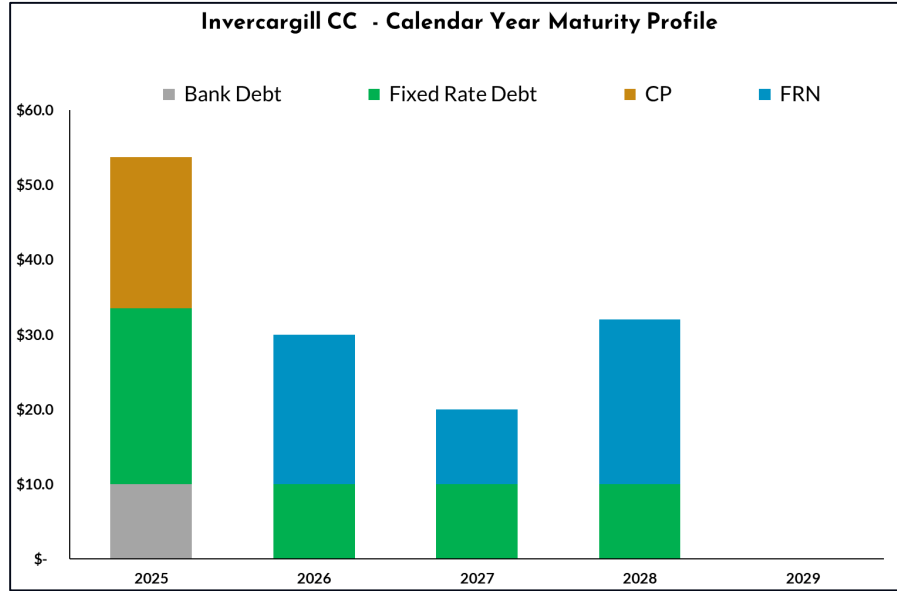
New Zealand

	OCR	90 day	2 year swap	3 year swap	5 year swap	7 year swap	10 year swap
30-Sep-24	5.25%	4.87%	3.58%	3.47%	3.55%	3.70%	3.89%
31-Dec-24	4.25%	4.17%	3.38%	3.38%	3.52%	3.72%	3.93%
Change	-1.00%	-0.70%	-0.20%	-0.09%	-0.03%	+0.02%	+0.04%

Over the December quarter, the Reserve Bank of New Zealand ("RBNZ") cut the Official Cash Rate ("OCR") by 50 basis points in October and a further 50 basis points in November to take it to 4.25%. In delivering the *Monetary Policy Statement* ("MPS") on 27 November, the RBNZ expressed confidence that inflation was near the midpoint of the 1.0-3.0% inflation target, while indicating that economic activity is subdued and that the economy has excess productive capacity. The shock September quarter Gross Domestic Product ("GDP") released in mid-December reinforced that the RBNZ has more work to do with the market now expecting a 50 basis point cut in February. The GDP result revealed a 1.0% decline in the September quarter (compared to market expectations of -0.4%) while the annual measure fell 1.5%, and included a downward revision to the June quarter fall to -1.2%, representing the weakest 6-month period since 1991 (excluding Covid periods).

Over the quarter, the upward movement in US long-term rates saw significant changes in the shape of the NZ yield curve, resulting in substantial changes in forward-start swap pricing. However, the typical correlation between NZ and US longer-term rates has temporarily broken down following the GDP numbers, which has helped deliver more attractive swap rates. Current market expectations are for 1.0% of cuts by August 2025 and an OCR low of 3.00% by October 2025.

Liquidity and Funding



Core ICC Debt

\$125.7m

External Council Drawn Debt

Total LGFA debt (includes on-lending)

\$145.5

Funds Drawn from LGFA

Liquidity = bank facility headroom + cash in bank + term deposits

\$38.7m

Liquidity Ratio (must be >110%)

126.6%

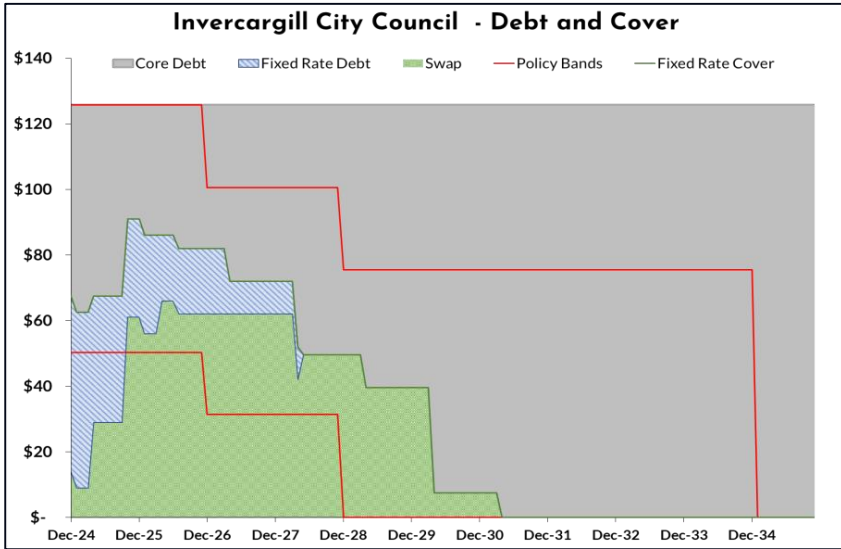
Definition: (Term Deposits + cash in bank + Lines of Credit + Drawn Debt)/Drawn Debt which includes on lending

Cost of Funds at 31 December 2024

3.36%

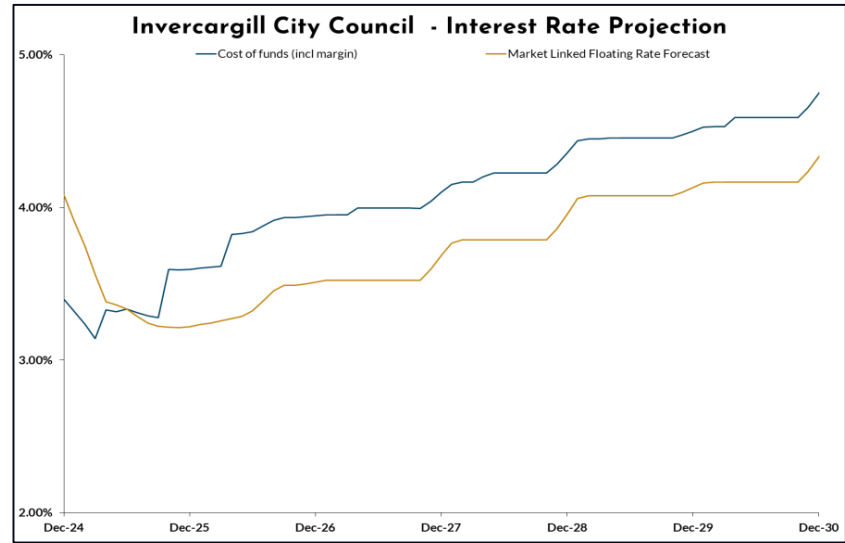
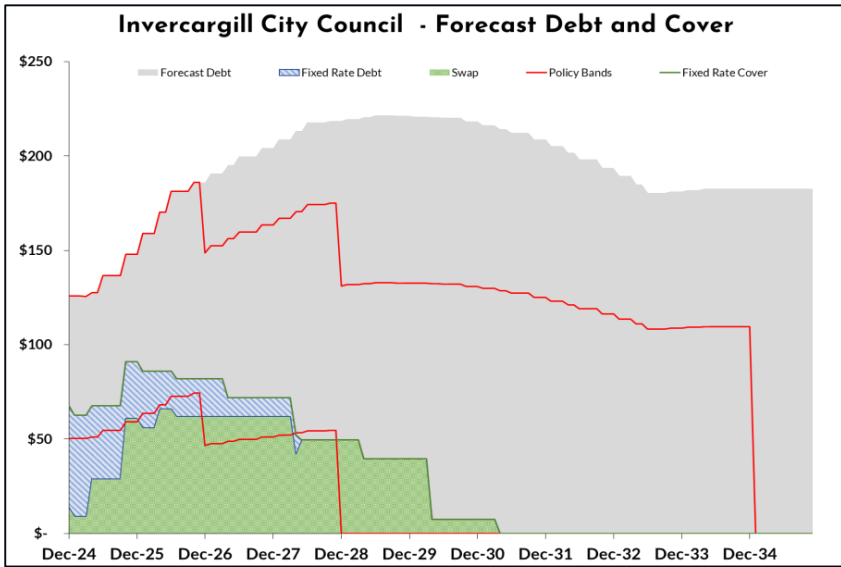
Policy Compliance	Compliant
Have all transactions been transacted in compliance with policy?	Yes
Is fixed interest rate cover within policy control limits based on current debt?	Yes
Is the funding maturity profile within policy control limits?	Yes
Is liquidity within policy control limits?	Yes
Are counterparty exposures within policy control limits?	Yes

Interest Rate Risk Management



Policy Bands			
Term	Minimum	Maximum	Policy
0-2 years	40%	100%	Compliant
2-4 years	25%	80%	Compliant
4-10 years	0%	60%	Compliant

Current % of Debt Fixed	53.7%
Current % of Debt Floating	46.3%
Value of Fixed Rate (m)	\$67.5
Weighted Average Cost of Fixed Rate Instruments	2.28%
Value of Forward Starting Cover	\$69.5
Value of Floating Rate (m)	\$58.2
Current Floating Rate	4.08%
All Up Weighted Average Cost of Funds Including Margin	3.36%
Total Facilities In Place	\$135.7



Invercargill City Council - Funding

5

As at 31 December 2024, ICC had \$125.7million of core debt, all of which is sourced from the Local Government Funding Agency (“LGFA”) using Commercial Paper (“CP”), Floating Rate Notes (“FRN”), and Fixed Rate Bonds (“FRB”), which are detailed in the table below.

Instrument	Maturity	Yield	Margin	Amount
LGFA CP	29-Jan-25	4.70%	0.15%	\$20,236,932
LGFA FRB	15-Apr-25	1.49%	N/A	\$15,000,000
LGFA FRB	15-Oct-25	0.59%	N/A	\$8,500,000
LGFA FRB	15-Apr-26	1.09%	N/A	\$10,000,000
LGFA FRB	29-Apr-27	2.62%	N/A	\$10,000,000
LGFA FRB	15-May-28	4.06%	N/A	\$10,000,000
LGFA FRN	29-Apr-26	4.90%	0.37%	\$10,000,000
LGFA FRN	29-Apr-26	4.97%	0.44%	\$10,000,000
LGFA FRN	29-Apr-27	5.06%	0.55%	\$10,000,000
LGFA FRN	29-Apr-27	5.32%	0.83%	\$12,000,000
LGFA FRN	29-Apr-28	5.09%	0.56%	\$10,000,000
Total				\$125,736,9325

LGFA Funding Rates as at 31 December 2024

6

Listed below are the credit spreads and applicable interest rates as at 31 December 2025 for Commercial Paper ("CP"), Floating Rate Notes ("FRN") and Fixed Rate Bonds ("FRB"), at which ICC could source debt from the Local Government Funding Agency ("LGFA").

Maturity	Margin	FRN (or CP Rate)	FRB
3 month CP	0.15%	4.32%	N/A
6 month CP	0.15%	4.02%	N/A
April 2025	0.41%	4.58%	4.34%
April 2026	0.41%	4.58%	4.34%
April 2027	0.58%	4.75%	3.82%
May 2028	0.72%	4.89%	3.87%
April 2029	0.85%	5.02%	4.04%
May 2030	0.95%	5.12%	4.16%
May 2031	1.02%	5.19%	4.33%
May 2032	1.05%	5.22%	4.48%
April 2033	1.09%	5.26%	4.59%
May 2035	1.12%	5.29%	4.76%
April 2037	1.18%	5.35%	4.93%

Disclaimer

IMPORTANT NOTICE

Statements and opinions contained in this report are given in good faith, but in its presentation, Bancorp has relied on primary sources for the information's accuracy and completeness. Bancorp does not imply, and it should not be construed, that it warrants the validity of the information. Moreover, our investigations have not been designed to verify the accuracy or reliability of any information supplied to us. It should be clearly understood that any financial projections given are illustrative only. The projections should not be taken as a promise or guarantee on the part of Bancorp. Bancorp accepts no liability for any actions taken or not taken on the basis of this information and it is not intended to provide the sole basis of any financial and/or business evaluation. Recipients of the information are required to rely on their own knowledge, investigations and judgements in any assessment of this information. Neither the whole nor any part of this information, nor any reference thereto, may be included in, with or attached to any document, circular, resolution, letter or statement without the prior written consent of Bancorp as to the form and content in which it appears.

CONFIDENTIALITY

The information provided herein is provided for your private use and on the condition that the contents remain confidential and will not be disclosed to any third party without the consent in writing of Bancorp first being obtained.

GET IN TOUCH

Bancorp Treasury Services Ltd
Head Office, Level 3, 30 Customs Street, Auckland
09 912 7600

www.bancorp.co.nz

2024 – 2034 LONG-TERM PLAN AUDIT MANAGEMENT REPORT

To:	Risk and Assurance Committee
Meeting Date:	Tuesday 18 February 2025
From:	Rhiannon Suter - Manager – Strategy, Policy and Engagement
Approved:	Patricia Christie - Group Manager - Finance and Assurance
Approved Date:	Thursday 13 February 2025
Open Agenda:	Yes

Purpose and Summary

This report provides the Risk and Assurance Committee with the 2024 – 2034 Long-term plan Audit Management Report and overview of the proposed response.

Recommendations

That the Risk and Assurance Committee:

1. Receives the report “2024 – 2034 Long-term Plan Audit Management Report”
2. Receives the “Report to the Council on the audit of Invercargill City Council’s Long-term Plan for the period 1 July 2024 – 30 June 2034.” (A5757074)
3. Notes and provides feedback on the proposed approach to the identified issues in preparation for the 2027 – 2037 Long-term plan.

Recommend to Council to:

4. Confirm the additional unbudgeted expenditure on Long-term Plan audit fees of \$25,918.

Background

The Long-term Plan Audit Management Report was received in December 2024. The Audit was unmodified, with one matter of emphasis, the deliverability of the capital programme, which was also a matter of emphasis in 2021.

The Audit Management Report identifies that Audit New Zealand will be seeking additional audit fees above the proposal for the Long-term plan audit and that these are expected to be in the order of \$25,000.

Issues

	Item	Proposed response
1	Timeliness of capital renewal profiles, Alternative Water Supply and Clifton Wastewater Projects	<p>Confirm proposed parallel LTP Asset and Water Service Delivery Plan development</p> <p>Build early review dates for key Infrastructure information</p>
2	Timeliness of land valuation assessments	<p>Confirm land disposals are likely to continue to be an issue for 2027 LTP</p> <p>Identify and seek valuations earlier in the process</p>
3	Revisions to assumptions due to economic volatility requiring audit rework	<p>Plan for review of key assumptions immediately prior to consultation if required</p> <p>Review of appropriateness of BERL inflation assumptions</p> <p>Plan for enhanced scenario modelling in preparation of assumptions</p> <p>Advocate for earlier Waka Kotahi input</p>
4	Infrastructure Strategy notes Asset Failure Risk is intended to be managed through criticality assessment of Renewals, increasing performance information and maintaining debt headroom	<p>Priority focuses on these areas as part of the Asset Management Improvement Plan</p>
5	Risk of building backlog of renewals work above levels of depreciation funding	<p>Monitor build up renewals backlog as part of Asset Management Improvement Plan</p>
6	Uncertainty around cost profile of two major projects – Clifton Wastewater and Alternative Water Supply	<p>Confirm proposed parallel LTP Asset and Water Service Delivery Plan development</p> <p>Assess how new water regulations will impact project development</p> <p>Confirm project development timelines for these two projects</p>
7	Deliverability of the Capital Programme	<p>Quarterly monitoring of delivery against budget – consider implementation of incremental targets</p> <p>Preparation of material underpinning assumption ahead of audit including as identified:</p> <ul style="list-style-type: none"> - Internal capacity of PMO and other project delivery - Presence of new contractors in the market - Detailed forecasting of projects within the programme, including

		stage of development and procurement - Detailed historic delivery information
8	Use of generalised rather than activity-based inflation rates	Evolution of financial modelling to enable use of activity level inflation forecasts

Next Steps

Preparation for the 2027 – 2037 Long-term Plan has commenced and the actions identified as a result of the Management Report will be included.

Attachments

1. Report to the Council on the audit of Invercargill City Council's Long-term Plan for the period 1 July 2024 – 30 June 2034 (A5757074)
2. Letter for additional fee recoveries (A5757070)

A5757074

Report to the Council on the audit of

Invercargill City Council's
long-term plan for the period
1 July 2024 to 30 June 2034

Contents

Key messages	3
1 Our audit report.....	4
2 Areas of audit emphasis.....	6
Appendix 1: Uncorrected Misstatement.....	12
Appendix 2: Mandatory disclosures.....	13

Key messages

We have completed the audit of Invercargill City Council's (the City Council's) long-term plan (LTP) for the period 1 July 2024 to 30 June 2034. This report sets out our findings from the audit.

Audit report

We issued an unmodified audit report on the City Council's LTP on 27 June 2024.

This meant we are satisfied the City Council's LTP meets its statutory purpose, and that underlying information and assumptions used to prepare the LTP provided a reasonable and supportable basis for its preparation.

Our audit report also contained an emphasis of matter paragraph. This drew readers attention to the disclosures in the LTP outlining the uncertainty over the deliverability of the City Council's infrastructure capital programme. This matter is discussed further in section 2.2.1 of this report.

Content of the consultation document

The LTP communicates the important issues affecting Invercargill City over the next 10 years. The City Council identified the following key issues for consultation:

- Increasing the quality and availability of Council run housing for the elderly.
- Regional climate change strategy.
- Glass recycling bins.

Each of these issues is clearly articulated in the LTP and provided a reasonable basis on which the Council consulted with the community. The outcomes of consultation were considered by the City Council, with final decisions being incorporated into the 2024-2034 long-term plan.

Areas of audit emphasis

Our audit plan outlined the areas of emphasis identified for the audit. We discuss these matters and the outcome of our procedures in section 2 of this report.

Thank you

We would like to thank the Council, management and staff for their assistance and engagement during the audit



Chris Genet
Director
17 January 2025

1 Our audit report

1.1 We issued an unmodified audit report



We issued an unmodified audit opinion on 27 June 2024.

This means we were satisfied:

- the plan provides a reasonable basis for:
 - long-term, integrated decision-making and co-ordination of the Council’s resources; and
 - accountability of the Council to the community; and
- the information and assumptions underlying the forecast information in the plan are reasonable; and
- the disclosures required by Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations) is complete and accurately reflect the information drawn from the plan.

We also found the underlying information and assumptions used to prepare the LTP are reasonable.

Without modifying our opinion, we also drew readers’ attention in our audit report to the uncertainty over deliverability of the infrastructure capital programme. This matter is discussed further in section 2.2.1 of this report.

1.2 Uncorrected misstatements

The misstatement that has not been corrected is listed along with management’s reason for not adjusting the misstatement in Appendix 1. We are satisfied that the misstatement is individually and collectively immaterial.

1.3 Quality and timeliness of information provided for audit

The 2024-34 LTP round was the most challenging yet. The sector faced complex challenges in balancing affordability and service delivery against a backdrop of a significant programme of legislative reform, and uncertainty of policy direction following the 2023 general election.

This uncertainty extended to the preparation of the long-term plan. Of most importance was uncertainty surrounding the form of future service delivery for three waters infrastructure, as well as uncertainty on the content and timing of the long-term plans themselves.

Guidance on how these matters were to be dealt with in long-term plans and legislative relief was eventually provided. The City Council chose not to defer its long-term plan but elected not to have its consultation document (CD) audited.

Despite audit assurance over the CD not being required, we agreed with management it remained beneficial for us both to complete as much of the audit as possible at the initial CD stage. This was with the view to reduce risk and pressure at the final LTP stage.

When auditing the underlying information, requested information was generally provided within expected timeframes and to a good quality. Management continues to be well engaged in supporting the audit process and are focussed on continuous improvement.

We agreed further information would be required to support capital renewals profiles, the Alternative Water Supply, and Clifton Wastewater projects and the Council's assumption regarding land sales. These were not going to be readily available at the time the CD was being prepared, therefore we agreed this would be looked at further during the final LTP visit.

We experienced further delays in the provision of this information at the final audit visit. Other information we requested was provided in expected timeframes. Given the complexity and delays experienced with these matters, additional audit effort was necessary to complete the LTP audit.

In addition to this, necessary changes were required at the final LTP stage. These were primarily amendments to assumptions (e.g Waka Kotahi funding, inflation and interest), and changes resulting from consultation. The level of change necessitated additional review of models and documents beyond what we allow for in our audit proposal.

As a result of the additional work performed, we intend to seek recovery of the additional costs from you. A separate letter will be sent seeking this recovery and outlining the reasons for it. We intend to discuss this with you and negotiate a fair recovery.

2 Areas of audit emphasis

During the planning stage of the audit and our review of the content of the LTP, we identified the following key risks and issues which were areas of emphasis during our audit. In this section of the report, we comment on our findings on those matters.

2.1 Financial strategy and infrastructure strategy

2.1.1 Financial strategy

We gained an understanding of the City Council's financial strategy and evaluated its compliance with the requirements of sections 100 and 101A of the Local Government Act 2002 (LGA) including the balanced budget requirements.

In line with the previous financial strategy, the key focus and challenge of this financial strategy is balancing the City Council's proposed capital spend, with rate increases and borrowings.

In considering the prudence of the strategy we considered the following matters:

- Debt is initially \$181.325 million. It is then forecast to increase over the life of the plan to \$445 million in 2034. Debt peaks at year 10 as a result of a more intensive capital programme over the LTP period.
- The City Council manages its debt cap via its net debt position. Debt headroom of at least \$140 million is maintained through the life of the plan. The LGFA will allow borrowing to 300% of the City Council's annual operating revenue based on its AA+ credit rating, the internal limits the City Council places on itself change throughout the forecast period but do not exceed 200% of operating revenue. This is in order to manage affordability of debt servicing costs.
- The growth in rates revenue from \$78.809 million at year 1 to \$135 million in year 10, helps the City Council repay some debt over the life of the plan, and fund its capital programme.
- The City Council has elected to have an unbalanced budget for the first two years of the LTP years, and they will then achieve a balanced budget for the remaining seven years. This is primarily driven by the phasing of it increasing funding of depreciation on infrastructure assets.
- The proposed rates increase for the first year is 10.42% which is the highest rate increase in the entire LTP. This increase is needed to address costs that have risen sharply due to cumulative inflation, and previous capital underspends.

The City Council is clear about its priorities in the financial strategy but has a delicate balance to achieve. We have confirmed that there are strong linkages between the financial strategy, asset management plans, and infrastructure strategy, with clear and consistent

messages flowing through all documents. We have therefore concluded that the financial strategy is prudent and appropriately reflected in the LTP.

2.1.2 Infrastructure strategy

We developed an understanding of the City Council's infrastructure strategy and evaluated its compliance with the requirements of the Local Government Act 2002. We also gained an understanding as to how the City Council proposes to fund renewals and its proposed overall approach to manage the assets included in the infrastructure strategy.

Our review of the infrastructure strategy included close focus on two matters. These were the renewals profiles proposed, and the uncertainty surrounding the costing of two projects (alternative discharge solutions for Clifton wastewater and an alternative water supply for the city).

Renewals profiles

The City Council has modelled its infrastructure and developed renewals forecasts for the next 30 years. The renewals planning approach is based on age, material, and criticality, with modifications made based on analysis of maintenance records and customer complaints.

The infrastructure strategy outlines how the City Council intends to manage its infrastructure assets. The City Council aims to invest in infrastructure to maintain levels of service and their asset renewal strategy focuses on critical assets by replacing critical assets before failure and non-critical assets will be allowed to operate to their expected lives and/or beyond.

This approach has the potential to increase asset failure risk, which the City Council recognises and is transparent about. The City Council intends to manage this through criticality assessment of renewals, increasing its performance information, and maintaining debt headroom so any low criticality asset failures may be quickly rectified if they occur.

The City Council has a delicate balance to achieve in setting its renewals profiles for the LTP. The need to increase investment in aging infrastructure assets has a natural tension with the deliverability assumption. Affordability is also a constraint on the level of renewals which can be planned.

The infrastructure strategy seeks to increase renewals investment for key infrastructure to the rate of depreciation. It follows a phased approach to achieving full depreciation funding. Full funding occurs for water supply in year 2 and sewerage, stormwater and property in year 5. Roading is funded at 80% of depreciation which is more than sufficient given the 51% funding assistance rate in the 2024-27 NLTP.

A related challenge is the age of Infrastructure assets in Invercargill, especially the pipe reticulation network. Much of the original pipework will reach the end of its useful life within the period of the strategy. Whilst investment is being increased to the level of consumption (depreciation) the backlog of renewals increases over the period of the LTP.

This is because theoretical requirements are greater than the level of depreciation, given the current stage the City Council's assets are at in their lifecycle.

In considering the strategy we agreed the level of renewals cannot realistically increase any further. This would cause the capital programme to reach a point it is not reasonable to assume it is deliverable. Equally the rising levels of debt towards the end of the forecast period serve as a further affordability constraint (both to debt limits and the impact of servicing costs).

In rationalising the capital programme, we also observe new capital projects are generally committed, or fundamental to the City Council (for example, an alternative water supply). Therefore, the ability to defer or cancel such projects to allow for renewals is reduced.

Given the above factors we consider the strategy is reasonable as it strikes an appropriate balance between renewing assets, deliverability of the capital programme and affordability.

The estimated cost for significant projects in the financial forecasts and infrastructure strategy

The infrastructure strategy outlines key infrastructure decisions for the City Council for the next thirty years. Within the strategy are two key projects which occur within the financial forecast period which are highly uncertain as to the necessary solution that is required and therefore their estimated cost.

These projects are the alternative discharge solutions for the Clifton Wastewater treatment plant and the development of an alternative water supply to increase the redundancy and resilience of the City Council's water supply network.

For Clifton Wastewater, the City Council is required to renew its discharge consent which due to expire soon. Conditions of consent may require a change in the approach required, the technology used, and the methods of disposal. Significant additional investment is expected to meet community requirements.

Six options are being considered in relation to how wastewater will be discharged. These include discharge to the estuary, a range of longer ocean outfalls, and discharge to land. The solution which is required will be determined from the consent which will not be known until 2027. The costs proposed range from \$41 million for the cheapest option (discharge to estuary) through to \$217 million if the City Council were required to discharge to land. To confirm the range of estimates, we have confirmed the cost estimates to source information provided by consultants Alta and Utility New Zealand.

The City Council's estimate within the financial forecasts lies just below the midpoint of the range. This effectively reflects one of the midpoint solutions is the most likely, and some cost savings in relation to consenting may be achievable with reform of the Resource Management Act and possibility for the consent to fit within Fast Track Approvals requirements. Whilst the estimate is a matter of professional judgement, we consider it reasonable with respect to the range provided (noting the clear uncertainties present).

For the Alternative Water Supply the City Council aims to build the resilience of the critical assets as there is currently a single source of water from the Oreti River for the region. This will ensure that the community have access to quality drinking water in extreme weather events (flooding and droughts), coastal inundation and natural disaster.

The City Council's business case process is more progressed. The strategic case for the project is in place. A long list of water source options was obtained from consulting engineers Utility NZ and Alta. Their advice includes 10 options ranging from \$74 million to \$933 million which include local river sources, lake sources and even Seawater Desalination.

Given the uncertainty in the estimated cost for these two projects the City Council has disclosed the status of the projects, and the ranges for their cost in the Infrastructure Strategy. They also outlined the course of action they will take if the project costs are higher than what they have allowed for in the financial forecasts (for Clifton this is to use borrowing headroom and for the Alternate Water Supply this would be to not proceed with the project).

Overall, we have concluded the estimates reflect the best information available to the City Council and the uncertainty in their cost is transparently disclosed in the Infrastructure Strategy.

Overall, we are satisfied that the infrastructure strategy is fit for purpose and the supporting underlying information is considered reasonable.

2.2 Assumptions

We reviewed the City Council's significant forecasting assumptions and confirmed that they are materially complete. We also performed testing of selected assumptions, in the financial forecasts, to check that they have been reasonably applied.

- Climate change assumption and associated disclosures.
- Waka Kotahi funding assumption.
- Affordable waters reform – Local Water Done Well assumptions and associated disclosures.
- Capital expenditure do-ability assumption and associated disclosures.
- Economic and financial assumptions.
- Land sales.
- Significant forecasting assumptions.

We have confirmed that all significant forecasting assumptions disclose the appropriate level of uncertainty associated with the assumption. For all significant forecasting assumptions that involve a high level of uncertainty, the uncertainty, and an estimate of the

potential effects of the uncertainty on the financial forecasts are appropriately disclosed in the LTP.

Overall, we have concluded assumptions are reasonable and supportable and appropriately disclosed in the LTP and underlying information.

2.2.1 Capital expenditure do-ability assumption

The City Council has assumed that its capital expenditure programme will be achieved in its infrastructure strategy.

In reviewing the assumption, we initially considered the City Council's recent track record of delivery. For the 2021 to 2023 financial years, the City Council on average delivered 70% of its budgeted capital programme.

Forecast capital expenditure in the plan also reflects a step increase in size. The capital programme delivered over the 2021 -2023 financial years averaged \$42 million per year, whereas the forecast programme in the LTP ranges from \$46 million to \$103 million in each individual year.

Given the track record of spend and the increased size of the forecast programme the assumption carries a high degree of uncertainty. Because of this we sought further support for the reasonability of the assumption. This included:

- understanding internal capacity within the project management office and the presence of new contractors in the market;
- reviewing the makeup of forecast projects, which specifically identified the average forecast spend was distorted by three large projects (Bluff and Clifton Wastewater, and Alternative Water Supply) and outside of these the level of spend was similar to what had been achieved;
- consideration of year-to-date delivery in 2024; and
- review of the level of projects in the forecast period under contract or within an active procurement process.

Following consideration of these factors above we concluded the City Council's assumption is reasonable. However, given the level of uncertainty present and the increased programme size we included an emphasis of matter paragraph in the audit opinion.

The purpose of the paragraph is to draw readers attention to the assumption and its related disclosures. This is because in our opinion the context of the assumption and its uncertainty is fundamental to readers' understanding of the long-term plan.

2.3 The City Council's rates setting process for 2024/25 financial year

The City Council engaged a legal service provider to perform a review of the rates setting process for the 2024/25 financial year. We obtained their advice and confirmed no material issues were identified. We also reviewed the rates setting documents and process as part of the LTP audit.

Overall, we were satisfied that:

- the Revenue and Financing Policy includes the content necessary to set rates validly in future years;
- the funding impact statement and the draft rates resolution include rates that can lawfully be set for the first financial year of the plan; and
- the information about the rates in the funding impact statement and the draft rates resolution are consistent.

We did not identify any areas of legislative non-compliance from our review.

2.4 Performance framework

Appropriate forecast performance information needs to be well selected to provide a meaningful picture of the local authority's activities and levels of service. As part of our review of the long-term plan we assessed the adequacy of the City Council's performance framework.

The performance framework in the 2024-34 LTP is a continuation of the framework included within the previous long-term plan.

Overall, we concluded the performance framework is appropriate in the long-term plan and compliant with relevant legislation and reporting standards.

Appendix 1: Uncorrected Misstatement

The misstatement that has not been corrected is listed below. We have assessed the impact of this both on individual years and a cumulative basis (where necessary) and the impact did not exceed our relevant materiality.

- The Council has used generalised forecast inflation rates for capital and operating expenditure rather than activity-based inflation rates (specific to individual Council activities) throughout the 10-year period.

There were no other uncorrected misstatements or disclosure deficiencies.

Appendix 2: Mandatory disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the consultation document and reporting that opinion to you. This responsibility arises from section 94 of the Local Government Act 2002.</p> <p>The audit of the LTP does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter dated 23 March 2024 contains a detailed explanation of the respective responsibilities of the auditor and the City Council.</p>
Assurance standards	<p>We carry out our audit in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): <i>Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</i> and the International Standard on Assurance Engagements 3400: <i>The Examination of Prospective Financial Information</i>, and the Auditor-General's auditing standards.</p>
Auditor independence	<p>We confirm that, for the audit of the City Council's LTP for the period 1 July 2024 to 30 June 2034, we have maintained our independence in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 <i>International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)</i> (PES 1) and Professional and Ethical Standard 3 <i>Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements</i> (PES 3), issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to our audit of the City Council's LTP and all legally required external audits, we have provided an assurance report on certain matters in respect of the Council's Debenture Trust Deed. These assignments are compatible with those independence requirements. Other than these assignments, we have no relationship with or interests in the City Council or any of its subsidiaries.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the City Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the City Council during or since the audit.</p>

Area	Key messages
Unresolved disagreements	We have no unresolved disagreements with management about matters that, individually or in aggregate, could be significant to the consultation document. Management has not sought to influence our views on matters relevant to our audit report.

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

Level 3, 335 Lincoln Road

PO Box 2

Christchurch, 8140

www.auditnz.parliament.nz





A5757070

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

21 January 2025

Level 3, 335 Lincoln Road
Addington
PO Box 2, Christchurch 8140

Patricia Christie
Group Manager, Finance and Assurance
Invercargill City Council
Private Bag 90104
Invercargill 9840

cc: Rhiannon Suter (Manager - Strategy, Policy and Engagement)

Tēnā koe Patricia

Confirming costs for your 2024-34 long-term plan audit

Further to Assistant Auditor-General, Local Government Mark Maloney's letter of 19 July 2024 (a copy is attached for your reference), I am writing to begin the process of confirming costs for Invercargill City Council's 2024-34 long-term plan (LTP) audit.

As explained in that letter, the Office of the Auditor-General (OAG) has set out its expectations about the cost recovery process for additional hours spent auditing councils' 2024-34 consultation documents and LTPs. This additional work has been necessary to ensure the high-quality delivery of each audit.

The OAG wants to ensure that the recovery process is fair to councils and auditors, and reflects the additional hours required because of matters which are beyond the auditor's control. The OAG moderates all recoveries to ensure that costs due to audit inefficiencies are not recovered.

I would like to meet to discuss and agree a total amount to be recovered. We have reviewed the actual total hours spent on your council's LTP audit to establish how much can be recovered. For your council, we have calculated that 93.5 additional hours can be recovered (that is, additional hours that are not attributable to audit inefficiencies). These hours are attributable to additional work carried out in the following areas:

- additional time for review of significant capital project estimates for Clifton Wastewater Treatment Plant and the Alternative Water Supply; and
- review of property valuation underpinning land sales estimates for surplus land the Council intends to sell;
- additional work relating to the impact of the Waka Kotahi New Zealand Transport Agency indicative funding announcement. While the information was provided to Council late by the agency an assessment of the impact of the variance between the forecast costs

expected to be funded and the actual indicative costs confirmed was necessary. This required repeating some work late in the audit process; and

- additional work on considering the Council's renewals profiles and asset backlog information.

The total cost that we have attributed to these matters and propose to recover is \$25,918. This has been moderated and approved by the OAG.

Please let me know when you would be available to meet to discuss this matter. You can also contact me if you wish to discuss any matters in this letter before then.

Nāku noa, nā



Chris Genet

TAX RISK GOVERNANCE POLICY

To:	Risk and Assurance Committee
Meeting Date:	Tuesday 18 February 2025
From:	Hannah Kennedy – Policy Analyst
Approved:	Patricia Christie - Group Manager - Finance and Assurance
Approved Date:	Thursday 13 February 2025
Open Agenda:	Yes
Public Excluded Agenda:	No

Purpose and Summary

This report presents the updated Tax Risk Governance Policy for approval.

Recommendations

That the Risk and Assurance Committee:

1. Receives the report "Tax Risk Governance Policy".
2. Endorses the updated Tax Risk Governance Policy.

Recommends to Council:

3. That the updated Tax Risk Governance Policy be adopted.

Background

The Tax Risk Governance Policy was developed in 2021 with the assistance of PricewaterhouseCoopers. It has been reviewed as part of our standard periodic review for all policies.

Issues

There are no major changes proposed to this policy. There is a change to the review period proposed with the review period extending from three years to six years, which will have the next review in 2031.

Minor amendments have been made for clarity and typos, and the list of Council Group members has been updated. The policy format has also been updated to Council's current template.

Community Views

This policy is not significant in terms of Council's Significance and Engagement Policy, and it is an operational policy. Public consultation is not necessary.

Implications and Risks

Strategic Consistency

The policy is unchanged and maintains Council's low appetite for risk.

Financial Implications

There are no direct financial implications arising from this policy.

Legal Implications

There are no particular legal implications from this policy. The Inland Revenue Department considers such policies as key risk framework documents, and there is an expectation from them that all large organisations should have one in place.

Climate Change

There are no climate change implications.

Risk

This policy forms part of Council's risk framework.

Next Steps

If approved, the updated policy will be circulated among relevant staff. This will also assist in ongoing awareness.

Attachments

1. Draft Updated Tax Risk Governance Policy (A3542789)

A3542789



Tax Risk Governance Policy





Purpose

This document establishes the tax governance framework for the Invercargill City Council Group (the Group). For this purpose, the Group explicitly includes:

- Invercargill City Council
- Invercargill City Holdings Limited
- Invercargill Airport Limited
- Electricity Invercargill Limited

Background

The Group has a high public profile, and relatively speaking, the entities in the Group are considered to be significant enterprises. As such, the Group must maintain exemplary governance and tax compliance standards.

Although Invercargill City Council (Council) is largely exempt from paying income tax, there are a number of nuances to the income tax legislation that applies to a local authority; the other entities in the Group have the usual income tax obligations of other taxpayers.

In addition, the entities in the Group are required to correctly account for Goods and Services Tax, Fringe Benefit Tax, PAYE, and a range of other withholding taxes. These taxes make up a significant portion of the New Zealand Government's annual tax take. Accordingly, the Group's tax obligations cannot be taken lightly.

Inland Revenue has signalled its expectation that all large organisations should have tax risk management incorporated within their governance framework. This is consistent with international best practice; tax authorities in foreign jurisdictions, including Australia and the United Kingdom, have been advocating this approach is taken by large Public and Private sector organisations.



Risk Management

The Risk and Assurance Committee is, along with other responsibilities, tasked to:

- Assist the Group Manager Finance and Assurance to determine the Group's appetite for risk.
- Review whether management has in place a current and comprehensive risk management framework and associated procedures for effective identification and management of the Group's significant risks.
- Consider whether appropriate action is being taken by management to mitigate the Group's significant risks.
- Ensure that management is kept apprised of the Group's governance body's views on uncontrolled risk.
- Ensure management are keeping the Risk and Assurance Committee fully apprised of all independent sources of assurance, via the risk management framework.

Proactive tax risk management can facilitate mitigation of:

- Operational risk – by way of reducing the potential for reputational damage befalling the Group as a result of non-compliance, and the possible negative impacts on various stakeholders, such as employees and suppliers.
- Financial risk – through minimising the financial impact of non-compliance, and the costs associated with over- or under-paying tax by the Group.
- Compliance risk – in terms of ensuring areas of non-compliance are identified, thereby minimising any penalties or interest being imposed by Inland Revenue and reducing the risk of the Group being subject to an Inland Revenue audit.

Tax Risk Profile

The Group has an obligation to fulfil its tax compliance obligations as required by tax legislation, including the Income Tax Act 2007, Goods and Services Tax Act 1985 and Tax Administration Act 1994.





Given the high profile and public nature of the Group, there is a need to adopt a conservative approach towards tax compliance. Accordingly, the Group will adopt a “LOW” tax risk profile such that it has an open and honest working relationship with Inland Revenue.

Tax Risk Management Strategies

The following strategies will be adopted by the Group to ensure that it maintains a low tax risk profile and effectively manages its tax obligations and potential tax risks.

The Group will develop a tax risk management plan to be formally adopted by the Risk and Assurance Committee. The plan will be reviewed *at least* every three years. The plan will:

- Identify key areas of tax compliance risk that are faced by the Group.
- Establish the steps required to effectively manage or mitigate each risk area.
- Provide clear and realistic time frames to carry out the steps.

Responsibility for tax issues

The Group Manager Finance and Assurance has overall responsibility for the management of the tax issues of the Group. As appropriate, the Group Manager Finance and Assurance may delegate responsibility for tax issues to another appropriately qualified person.

The Group Manager Finance and Assurance has overall responsibility as the myIR account owner for the Group. The Group Manager Finance and Assurance is responsible for administering and maintaining staff delegations and permissions of myIR login accounts and for ensuring delegations are updated as and when staff leave or join the organisation.

Reporting tax risks to Risk and Assurance Committee

Any ‘significant tax risks’ will be reported in the first instance to the Group Manager Finance and Assurance as soon as they are identified and, where appropriate, to the chair of the Risk and Assurance Committee within two weeks of being identified.



A 'significant tax risk' to the Group may include, but is not limited to, a circumstance where an incorrect interpretation is made that results in a situation where:

- Penalties and interest could be imposed against an entity in the Group.
- A tax liability is required to be settled that is in excess of \$20,000.
- An entity in the Group could be subject to prosecution.
- An accusation of tax avoidance could be levied.
- There is risk of negative publicity.

The Group will report on all tax risk management matters to the Risk and Assurance Committee at least once a year. As part of that report, a summary should be prepared and presented to the Risk and Assurance Committee setting out key issues, and may include the following:

- Key financial information including any outstanding taxes due, and any interest or penalties imposed during the year.
- Particulars of any proposed legislative tax changes which could impact on the Group.
- Details of any significant outstanding taxes in dispute with Inland Revenue.
- Details of advice sought and future matters to consider.
- A table of tax tools and services used and whether each aligns with the Group's 'LOW' risk tax profile; i.e. Strategy vs Achievement.

Any significant penalties and interest (over \$5,000 in total) for any tax type should be reported to the Risk and Assurance Committee, at the earliest opportunity.

Tax awareness and training

The Group will ensure that all relevant staff are provided with adequate training and resources to effectively identify and manage its tax obligations and risks. Where appropriate, this may involve sending selective staff on external courses or engaging an external speaker to conduct in-house training.





Meetings and correspondence with Inland Revenue

The Group will endeavour to maintain strong working relationships with Inland Revenue, other government bodies, and related third parties. All dealings with external parties will be undertaken in a professional and timely manner.

Apart from routine PAYE, FBT and GST returns and payments, all other correspondence, meeting requests or queries from Inland Revenue must be immediately referred to the Group Manager Finance and Assurance. The Group Manager Finance and Assurance is the only person authorised to correspond or meet with Inland Revenue to discuss the tax matters of the Group – although they may delegate this responsibility to others where appropriate.

Tax advice and rulings

The Group will maintain detailed information and computations supporting all tax return filing positions. If there is any uncertainty in respect of a filing position where the amount of tax exceeds \$10,000, the Group will seek written advice from external tax advisors.

In some instances, the degree of uncertainty over a particular tax issue may warrant seeking a Binding Ruling from Inland Revenue. No approach should be made for a Binding Ruling without the prior approval of the Group Manager Finance and Assurance. However, the Group Manager Finance and Assurance may obtain agreement from the Risk and Assurance Committee if considered appropriate.

Tax returns and payments

The Group will file all returns and pay any resulting tax liability on, or before, the stipulated due dates. When preparing and filing tax returns, the Group will be transparent, and fully disclose all relevant information supporting a tax position in a tax return. The Group will only adopt tax positions that are highly likely to be correct based on current law. Notwithstanding this, the Group will endeavour to ensure that the most tax efficient position is adopted.

Any tax payments in excess of \$20,000 must be authorised by the Group Manager Finance and Assurance. However, the Group Manager Finance and Assurance may delegate this in accordance with the Group's delegation authorities.





Tax payments must be supported by detailed tax computations and explanations which are initialled by the preparer and then countersigned by that person's superior prior to payment.

The Group Manager Finance and Assurance (or someone delegated by the Group Manager Finance and Assurance) will review the Group's Inland Revenue accounts on a monthly basis to ensure that all returns have been assessed by Inland Revenue and payments have been allocated appropriately. Any unreconciled items will be reported to the Group Manager Finance and Assurance.

Filing and record keeping

In terms of the Tax Administration Act 1994, the Group is required to retain tax records for seven years. To assist in archiving and the subsequent retrieval of relevant tax records, the Group will separately file each tax return and supporting computation and advisory correspondence based on the year of assessment and tax type.

In addition, the Group will maintain a detailed index of the relevant tax files to enable their efficient retrieval should they be requested by Inland Revenue in later years. Specifically, the index should contain details relating to the file reference, relevant tax period, tax type, subject of the document on file and location of the file, and evidence of review by the Group Manager Finance and Assurance. This index should be maintained irrespective of whether the information is in electronic or hard copy format.

Regular reviews

The tax risks of the Group potentially increase over time through a combination of personnel and legislative changes. To ensure the tax compliance procedures of the Group are kept up to date and accurate, an independent external review of GST, PAYE/Withholding Taxes and FBT should be undertaken every three years. This review will tend to be undertaken in a 'rolling' format, with a different tax type being reviewed each year.





Penalties and voluntary disclosures

Wherever possible the Group should endeavour to minimise any penalties and Use of Money Interest. Accordingly, any tax discrepancies identified should be addressed and disclosed to Inland Revenue as soon as possible. Unless the discrepancy has been identified pursuant to a (current) tax investigation, the Group (in consultation with the Risk and Assurance Committee) should always consider making a Voluntary Disclosure as a means of minimising any potential penalties.

Revision History:	2021, 2025
Effective Date:	
Review Period:	This Policy will be reviewed every six (6) years, unless earlier review is required due to legislative changes, or is warranted by another reason requested by Council.
New Review Date:	February 2031
Associated Documents / References:	
Supersedes:	Tax Risk Governance Policy 2021
Reference Number:	A3542789
Policy Owner:	Group Manager Finance and Assurance Manager – Financial Services, Manager – Financial Planning, ICHL Group Finance Lead, Financial Accountant
Policy Training:	

