AUDIT AND RISK COMMITTEE

AGENDA

Meeting to be held

FRIDAY 11 AUGUST 2017

8.30am

In the Manawatu District Council Chambers,
135 Manchester Street, Feilding

Dr Richard Templer
Chief Executive
MEMBERSHIP

Chairperson
Councillor Stuart Campbell

Deputy Chairperson
Councillor Barbara Cameron

Members
Her Worship the Mayor, Helen Worboys
Councillor Barbara Cameron
Councillor Stuart Campbell
Councillor Hilary Humphrey
Councillor Phil Marsh
Councillor Howard Voss

External Member – John Fowke
ORDER OF BUSINESS

1. MEETING OPENING

2. APOLOGIES

3. CONFIRMATION OF MINUTES

   Draft resolution

   That the minutes of the Audit and Risk Committee meeting held 19 May 2017 be adopted as a true and correct record.

4. DECLARATIONS OF INTEREST

   Notification from elected members of:

   4.1 Any interests that may create a conflict with their role as an elected member relating to the items of business for this meeting; and
   4.2 Any interests in items in which they have a direct or indirect pecuniary interest as provided for in the Local Authorities (Members’ Interests) Act 1968

5. NOTIFICATION OF LATE ITEMS

   Where an item is not on the agenda for a meeting, that item may be dealt with at that meeting if:

   5.1 The Council by resolution so decides; and
   5.2 The Chairperson explains at the meeting at a time when it is open to the public the reason why the item is not on the agenda, and the reason why the discussion of the item cannot be delayed until a subsequent meeting.

6. OFFICER REPORTS

   6.1 FOURTH QUARTER REPORT TO 30 JUNE 2017

   6.2 MANAWATU DISTRICT COUNCIL RISK REGISTER

   6.3 INSURANCE POLICIES HELD
6.4 FRAUD POLICY AND SENSITIVE EXPENDITURE POLICY


7. CONSIDERATION OF LATE ITEMS

8. NOTIFICATION OF ITEMS FOR NEXT MEETING

9. PUBLIC EXCLUDED BUSINESS

COMMITTEE TO RESOLVE:

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

a) Confirmation of minutes

That 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:

<table>
<thead>
<tr>
<th>General subject of each matter to be considered</th>
<th>Reason for passing this resolution in relation to each matter</th>
<th>Grounds under Section 48(1) for the passing of this resolution</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Confirmation of minutes re Underground Infrastructure Insurance</td>
<td>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; and Section 7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</td>
<td>Section 48(1)(a) – the public conduct of the relevant part of the proceedings would be likely to result in a disclosure of information for which good reason for withholding that information would exist, under Section 7 of the Local Government Official Information and Meetings Act 1987.</td>
</tr>
</tbody>
</table>

This resolution is made in reliance on Section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interests protected by Section 6 or Section 7 of the Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public as specified above.

10. MEETING CLOSURE
Minutes of a meeting of the Audit and Risk Committee held on Friday 19 May 2017, commencing at 8.30am in the Manawatu District Council Chambers, 135 Manchester Street, Feilding.

PRESENT:  
Cr Stuart Campbell  (Chairperson)  
Cr Barbara Cameron  
Cr Hilary Humphrey  
Cr Phil Marsh  
Mayor Helen Worboys  
Mr John Fowke

IN ATTENDANCE:  
Cr Alison Short  
Cr Michael Ford  
Richard Templer  (Chief Executive)  
Shayne Harris  (General Manager – Corporate and Regulatory)  
Brent Limmer  (General Manager - Community and Strategy)  
Hamish Waugh  (General Manager – Infrastructure)  
Frances Smorti  (General Manager – People and Culture)  
Michael Hawker  (Project Delivery Manager)  
Colleen Morris  (Chief Financial Officer)  
Danielle Balmer  (Communications Officer)  
Nichole Ganley  (Governance Support Officer)

ARC 17/012 MEETING OPENING

The Chairperson declared the meeting open.

ARC 17/013 APOLOGIES

There were no apologies

ARC 17/014 CONFIRMATION OF MINUTES

RESOLVED

That the minutes of the Audit and Risk Committee meeting held 10 February 2017 be adopted as a true and correct record.

Moved by:  Mayor Helen Worboys  
Seconded by:  Councillor Barbara Cameron

CARRIED

ARC 17/015 DECLARATIONS OF INTEREST

There were no declarations of conflict of interest.
NOTIFICATION OF LATE ITEMS

It was agreed to include a short discussion on following items of additional business:

External Audit
Cyber Security – WannaCry Ransomware Attack
Schedule of meetings.

RESOLVED

That the Audit and Risk Committee receives the late items for discussion.

Moved by: Councillor Phil Marsh
Seconded by: Councillor Barbara Cameron

CARRIED

THIRD QUARTER REPORT TO 31 MARCH 2017


RECOMMENDED

That the Council receives the Third Quarter Report to 31 March 2017.

Moved by: Councillor Phil Marsh
Seconded by: John Fowke

CARRIED

CONSIDERATION OF LATE ITEMS

EXTERNAL AUDIT – All of the members of the Audit and Risk Committee are invited to attend a meeting with Councillor Stuart Campbell and Mayor Helen Worboys and the external auditors. Councillor Stuart Campbell to advise of date and time.

 CYBER SECURITY - Councillor Stuart Campbell wished to note the conversation he had had with the Chief Executive in regards to Manawatu District Councils cyber security in light of the recent global WannaCry Ransomware Attack, set out in questions and answers below:

Does Council have a formal security risk management process? Yes

Does Council have a robust security assurance process to provide ongoing comfort over the effectiveness of our cyber security controls? Yes and Council underwent an external audit of its security systems in April 2017.
Who is responsible for cyber security issues? Chief Executive Officer to General Manager Corporate & Regulatory to Master Business Systems to staff member Bruce McKay who is the Systems & Networks Manager.

Does the Council meet all its regulatory and legal requirements for securing information? That I’m aware of, Yes. The General Manager Corporate and Regulatory commented that the implementation of JARVIS is to ensure our requirements under the Public Records Act are met. This isn’t a security issue but internal assurance of how and where our documents are stored.

The Chief Executive also noted the robust security systems and back up measures Council had in place to protect itself against cyber-attacks. The General Manager Corporate and Regulatory noted the Council does have Cyber Insurance.

The Committee requested this information be brought to the next Council meeting.

SCHEDULE OF MEETINGS

RESOLVED

That the Audit and Risk Committee hold bi-monthly meetings.

Moved by: Councillor Barbara Cameron
Seconded by: Mayor Helen Worboys

CARRIED

ARC 17/019 NOTIFICATION OF ITEMS FOR NEXT MEETING

Draft year-end financial statements to review
Risk Management Register
Review of Council Insurance Cover

The meeting adjourned at 9.50 am and reconvened at 9.58am.
RESOLVED:

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

a) Underground Infrastructure Insurance

That 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:

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Moved by: Councillor Barbara Cameron

Seconded by: Councillor Phil Marsh

CARRIED

The meeting went into public excluded session at 10.12am and resumed open session at 10.39am. For items ARC 17/021 to ARC 17/023 refer to public excluded minutes.
ARC 17/024  MEETING CLOSURE

The meeting closed at 10.40am

Approved and adopted as a true and correct record:

--------------------------------------------------------
CHAIRPERSON                                      DATE
Audit and Risk Committee

Meeting of 11 August 2017

Business Unit: Corporate and Regulatory
Date Created: 04 August 2017

Fourth Quarter Report to 30 June 2017

Purpose
To provide a summary to 30 June 2017 of the Council’s performance against 2016/17 Annual Plan.

Significance of Decision
The Council’s Significance and Engagement policy is not triggered by matters discussed in this report.

Recommendations
That the Audit and Risk Committee receive the Fourth Quarter Report and the Capital Expenditure Report for the period ended 30 June 2017.

Report prepared by:
Colleen Morris
Chief Financial Officer

Approved for submission by:
Shayne Harris
General Manager - Corporate and Regulatory

1 Contribution to the Council Vision and Council Outcomes
1.1 Relationship to the Council Outcomes that underpin the Council’s Vision:

Connected, vibrant and thriving Manawatu – the best rural lifestyle in New Zealand

<table>
<thead>
<tr>
<th>Manawatu District will improve the natural environment, stewarding the district in a practice aligned to the concept of kaitiakitanga.</th>
<th>The Manawatu will attract and retain residents.</th>
<th>Manawatu district develops a broad economic base from its solid foundation in the primary sector.</th>
<th>Manawatu and its people are connected via quality infrastructure and technology.</th>
<th>Manawatu’s built environment is safe, reliable and attractive.</th>
<th>Manawatu District Council is an agile and efficient organisation.</th>
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2 Background

2.1 Quarterly governance reports provide interim updates towards end of year results to be published in the Annual Report 2016/17. The Annual Report accounts for how Council performed against the 2016/17 Annual Plan and the non-financial measures included in the second year of the 2015-25 Long Term Plan. The reports summarise Council’s financial performance, progress on capital projects, levels of service performance and reasons for significant differences from what was planned.

3 Discussion and Options considered

3.1 This report is for information purposes. Any matters that require resolution would be reported separately to Council.

4 Operational Implications

4.1 There are no capital or operating expenditure implications, or maintenance costs associated with this paper.

5 Financial implications

5.1 Any financial implications would be reported separately to Council.

6 Statutory Requirements

6.1 Quarterly governance reports provide an overview of results towards the Annual Report, which will be prepared and audited in accordance with the requirements of the Local Government Act 2002.

7 Delegations

7.1 The Audit and Risk Committee’s Terms of Reference includes the responsibility for financial reporting, including the following:

- long term planning including the financial strategy;
- appropriateness of accounting policies;
- annual report; and
- internal report (monthly and/or quarterly).

8 Consultation

8.1 There are no consultation requirements associated with this matter.

9 Cultural Considerations

9.1 There are no cultural considerations associated with this report.
10 Conclusion

10.1 The quarterly reports are a mechanism of transparently reporting against progress towards achieving targets set in the Annual Plan and the Long Term Plan

11 Attachments

- Quarter Four Report
- Capital Expenditure Report for the period ended 30 June 2017
Attachment 1

Key Indicators
For the period ended 30 June 2017

Capital Expenditure

Loans Raised (excluding refinancing loans)

Total External Debt

Total Operating Revenue (excluding rates)

Total Operating Expenses

Key Performance Indicators

Key

- Annual Plan
- YTD Budget
- Actual - On Track
- Actual - Needs Monitoring
- Actual - Not achieving
Overall Council Summaries
For the period ended 30 June 2017

Comments:
In April 2017 we utilised our BNZ borrowing facility and raised $3m short-term. In May we raised $7m from the LGFA. A portion of this was used to repay the short term borrowing. In addition the Bowen St loan of $1.8m was refinanced in April.

The capital expenditure includes projects carried over from the 2015/16 year subsequent to the Annual Plan process.

In June all Fonterra shares were sold for $629k.

Support Services - continued on page 15
Community Facilities
For the period ended 30 June 2017

Revenue is from rates and user fees and charges.

MAC revenue budget was conservative due to the capital project. The Makino was closed for the first month of the first quarter.

No property sales transactions occurred.

Rental relief has reduced income on Feilding Depot.

Cemetery revenue is down as a result of less interments than anticipated. The corresponding costs are also below budget.

Expenditure is expected at planned levels for all activities for the year.

The property activity budget included a grant to the Bunnythorpe Hall committee of $240k that was committed through the boundary change agreement with PNCC. This grant has not been made and has been carried forward to the 2017/18 financial year. Financing costs are lower than planned as the work associated with the South Street development has not taken place and therefore the loan has not been raised.

$1m for the MAC redevelopment was carried forward from 2015/16 outside the Annual Plan process.

No work has been planned for the South Street/Kawakawa Road land development (budget $459k). This is part of the property activity.

Parks growth projects did not proceed and have been carried forward to the 2017/18 financial year. These include Greenspine, Railway land beautification, Makino Park and walkway linkages.

The capital expenditure report contains the progress of individual projects.

Makino - The Poolsafe Certificate was issued in April and is on display in the Makino’s Main Entrance.

Libraries - A total of 8.2 issues per capita was achieved for the year (target 12).

While 925 library events were held (target 920) only 13,212 participants attended these events (target 18,300). More robust information is now available and these targets are being addressed in the next LTP.

Property - Six hall reports were returned. Only Sanson hall has provided usage data (47 times for the year). We are proactively chasing and working with halls to provide this data.

The capital expenditure report contains the progress of individual projects.
Income is primarily from rates. Some Community Committees have experienced delays with project planning and won’t be in a position to progress projects until later this year. Remaining unspent Community Committee Project Funds ($62,000 from a total budget of $96,520) was carried forward to 2017/18 financial year.

Other projects, such as Community Development Fund, Community Committee Project Funds, Village Community Plans and the Spatial Plan have also been carried forward to the 2017/18 financial year.

The budget was for the Rangiwahia Hall toilets. Actual costs totalled $48k (budget $32k). External funding of $2k was received.

Economic Development - Satisfaction with economic development services has increased from 63% to 76% this year (target 80%). The Central Economic Development Agency (CEDA) is a key agent for Council’s economic development strategy. Economic growth in the district to the year ended March 2017 exceeded growth at both the regional and national levels.

Community Development - Satisfaction with the Community Development delivery and services has increased from 51% to 71% over the past year (target 90%)

Key

- **Annual Plan**
- **Year End Forecast**
- **YTD Budget**
- **YTD Actual - favourable OR unfavourable < 5% budget**
- **YTD Actual - unfavourable 5-15% budget**
- **YTD Actual - unfavourable > 15% budget**

Key

- **On Track**
- **Needs Monitoring**
- **Not achieving**
Emergency Management
For the period ended 30 June 2017

Income is primarily received through rates. The budget includes a small allowance for unexpected events. No such events have occurred this quarter. The planned capital expenditure for the year is $16k, for equipment renewals. Due to the transfer of this activity to FENZ, the expenditure was not considered necessary.

Civil Defence - The community survey carried out in May 2017 showed that 72% were satisfied with the Civil Defence services provided (target 90%, prior year 69%).

Rural Fire - The community survey carried out in May 2017 showed that 63% were satisfied with the Rural Fire services provided (target 90%, prior year 65%).
Environmental Services and Monitoring
For the period ended 30 June 2017

Building Control revenue is greater than anticipated as a result of increased numbers of building consents applications.

Animal Control - a greater number of dogs were registered than anticipated.

Building Control - support costs are higher than budgeted due to additional time required to process the increased applications. This is funded by the additional building control revenue.

District Planning - the costs associated with Precinct 4, urban growth plan change for Pharazyn St are $38k greater than budgeted.

At the time of setting the budget, staff time was allocated through support services. Staff began completing timesheets which resulted in a shift of costs from Environmental Health and Monitoring Services to District Planning and Policy, mainly in relation to resource consent and by-law monitoring.

There is no capital expenditure planned for this activity.

Building Control - Targets for building consent (BC) and code of compliance certificate (CCC) processing within the agreed timeframes were not met.
- 654 BCs issued - 85% compliance
- 827 CCCs issued - 95% compliance
- 77 fast track BCs issued - 76% compliance

For three months of the year the average waiting time for inspections exceed four days (target 90% booked within four days).

Environmental - Two of the targets not met relate to achieving the agreed response times 90% of the time:
- Eight food hygiene practice complaints that endanger public health - 88% responded to within 24 hours of notification.

(continued on page 15)
Governance and Strategy
For the period ended 30 June 2017

Income is received through rates and election cost recoveries from Mid Central Health and Horizons

Support services costs are lower than budgeted.

In 2015/16 the upgrade of the Council wing was planned. The purchase of furniture was delayed until July 2016 (total $15k).

There have been no breaches of the rating or debt limits set in the Financial Strategy. The limit for rates increases (as defined in the Financial Strategy) for the 2016/17 year is 5.9%. The rates set resulted in a 4.6% increase. The borrowing limit for the 2016/17 year is $74m. The proposed borrowing at the end of the year is $63m with year end borrowing at $59.6m.

The community survey carried out in May 2017 showed that 64% of ratepayers surveyed were satisfied with the opportunities for the community involvement in decision-making (target 80%). Satisfaction has increased from 48% in the previous year.

Key
- Annual Plan
- Year End Forecast
- YTD Budget
- YTD Actual - favourable OR unfavourable < 5% budget
- YTD Actual - unfavourable 5-15% budget
- YTD Actual - unfavourable > 15% budget

Key
- On Track
- Needs Monitoring
- Not achieving
Roading
For the period ended 30 June 2017

Revenue is received through rates and NZTA subsidy. The increased subsidy is a result of the increased expenditure.

The June 2015 flood put the 2015/16 programme behind schedule. Significant amounts were carried over to 2016/17 and projects are now being completed.

A number of projects (totalling $2.9m) have been carried forward to the 2017/18 financial year. Of these $1.5m related to growth projects and $0.6m bridge replacement as a result of flooding.

The capital expenditure report contains the progress of individual projects.

Three of the measures that have not been achieved relate to the customer satisfaction survey (all targets were 90% satisfaction):
- roads will get them safely to their destination -77%
- quality of the ride, condition of the roads - 70%
- ease of navigation and adequacy of signage - 88%

Five measures relate to the timeliness of responses to customer requests. The targets were not met for the following (all targets are 90% of the stated time):
- Contractor on-site within one hour of receiving notification of an urgent request - 64%

(continued on page 15)
Revenue is primarily from rates, gate takings at the transfer station and blue bag sales.

Increased volumes through the Feilding Transfer Station have resulted in revenue above budgeted levels.

Increased volumes through the Feilding Transfer Station have resulted in expenditure above budgeted levels. This has also resulted in a corresponding increase in revenue.

Overhead costs have reduced as the result of an internal reallocation of support costs.

Financing costs are $65k lower than budgeted as the Resource Recovery Centre has not commenced and the loan has not been required.

The main capital expenditure item budgeted for this activity is a Resource Recovery Centre. The construction estimates are higher than the budget. The business case is being re-assessed and this project is not likely to be completed this year.

All targets have been met.

Council adopted a new Waste Management and Minimisation Plan in June 2017 which increased the provision of Mobile Recycle Centre's to Halcombe and Apiti. These will be installed early in the 2017/18 financial year. Council is also planning to trial a Mobile Recycle Centre in Cheltenham in the 2017/18 financial year.
Stormwater
For the period ended 30 June 2017

All revenue is sourced from rates.

Operational costs are currently below budget ($286k). The weather has caused delays in work commencing. The scope of maintenance work required for all schemes in the last quarter will see actual expenditure increase. Some funds will be carried forward to the 2017/18 financial year.

Unbudgeted savings have been made by bringing the three waters maintenance and operating services in-house.

Financing costs are $121k lower than budgeted as the capital expenditure is lower than anticipated and the associated loans have not been raised.

Planned expenditure relating to growth is in the design stage. $2m for growth and renewal expenditure has been carried forward to the 2017/18 financial year.

The capital expenditure report contains the progress of individual projects.

All targets have been met.
Wastewater
For the period ended 30 June 2017

Revenue is from rates, tradewaste charges and volumetric charges.

Bringing the three waters maintenance and operating services in-house has resulted in savings. Savings have been reinvested into the network.

The All Of Government power pricing contract has resulted in savings on electricity costs that were not budgeted.

Financing costs are $70k lower than budgeted as the capital expenditure is lower than anticipated and the associated loans have not been raised.

Final resource consent conditions for the Feilding WWTP upgrade were granted on 24 November 2016, and these determine the design of irrigation. Some of the costs for irrigation have been deferred until the 2017/18 financial year. Trial irrigator construction is underway and a wastewater buffer lagoon is being built.

The Halcombe and Cheltenham WWTP discharge consent has been lodged, and we are waiting for feedback from Horizons.

The capital expenditure report contains the progress of individual projects.

A total of eight dry weather overflows were recorded in Feilding. The target is less than six per scheme.

All other targets were met.
Revenue is from rates and metered water. Bringing the three waters maintenance and operating services in-house has resulted in savings. Financing costs are $130k lower than budgeted as the capital expenditure is lower than anticipated and the associated loans has not been raised.

A number of projects have been carried forward to the 2017/18 financial year. These include Feilding treatment plant renewals, the Sanson storage and treatments.

The capital expenditure report contains the progress of individual projects.

Bacterial compliance - All samples taken indicate the water was safe i.e. no positive E. coli results. However there was technical non-compliance as not enough samples were taken during the year or there were interruptions to Feilding’s continuous monitoring system.

Protozoa compliance - Feilding did not demonstrate compliance in March and May. No treatment was in place for Himatangi Beach and Rongotea but secure bore status was achieved for both schemes toward the end of the year. Waituna West has secure bore status and is not required to demonstrate compliance. Sanson and Stanway-Halcombe do not comply but projects are in place to ensure future compliance.

(continued on page 15)
Health and Safety
For the period ended 30 June 2017

### Events reported

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<thead>
<tr>
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<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
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</thead>
<tbody>
<tr>
<td>Accident</td>
<td>5</td>
<td>2</td>
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</tr>
<tr>
<td>Incident</td>
<td>3</td>
<td>4</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Near miss</td>
<td>2</td>
<td>2</td>
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### Hazards and incidents

<table>
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<tr>
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<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
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<tbody>
<tr>
<td>New Hazards</td>
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<td>0</td>
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<tr>
<td>Existing Hazards</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Serious Incidents</td>
<td>1</td>
<td>2</td>
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</tr>
<tr>
<td>Minor Incidents</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Other Incidents</td>
<td>2</td>
<td>3</td>
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### Injuries sustained

- Near drowning, child playing on the inflatable, the hose came off the inflatable, she was instructed to get off and struggled to swim to the wall
- Makino boiler pivot controller came apart causing gas leak
- Leaving vehicle to get bucket of water for the frozen windscreen, slipped on moss fell to the ground receiving multiple injuries

### Notifiable events this quarter

- Open: 0
- Resolved: 6

### Status of hazards this quarter

- Notifiable: 0
- Not Notifiable: 20

### Serious incidents this quarter

- Near drowning, child playing on the inflatable, the hose came off the inflatable, she was instructed to get off and struggled to swim to the wall
- Makino boiler pivot controller came apart causing gas leak
- Leaving vehicle to get bucket of water for the frozen windscreen, slipped on moss fell to the ground receiving multiple injuries

### Policy and procedures this quarter

- Reviewed and updated the following:
  - Remote lone worker policy
  - Fatigue policy
  - Chemical management audit on water and wastewater sites

### Trainings and inductions this quarter

- First aid training
- Incident investigation training
- Risk Management training
- Advance HSNO training
- NZISM seminar Health & Safety at Work Act 2015 “The Journey”
- Safety guard conference better conversations
- Inductions completed for: 7 people

### Lost time (days) this quarter

- 5

### Wellness initiatives this quarter

These initiatives are designed to support staff and promote wellness in the workplace.

Initiatives undertaken:
- Hepatitis vaccination
- Workstation assessments
- Drug and alcohol checks
- Flu vaccinations

### Communication and education this quarter

The following communications went out to staff:
- Staff newsletters
- Cold or flu
- Everything you need to know about the DeFib
- Got the winter blues?
- If a disaster occurs...
- Your winter driving tips
- Our health clinic has had a bit of a makeover this week
Comments Continued

Environmental Services and Monitoring (from page 7)

Environmental
- 507 requests for service for other issues not endangering public health - 85% were responded to within 48 hours of notification.

Due to the transitional requirements in the Food Act, Food Control Plans relating to on-licences were required to be transferred by 30 June 2017, therefore these cannot be inspected until the next financial year, making this target unachievable. The target is for all premises to be inspected annually.

Licenced Premises - A total of 55 out of 56 licensed premises selling alcohol were inspected during the year (target 100%). The one not visited was a club and no contact could be made.

District Planning and Policy - All targets relate to achieving the agreed response times 100% of the time:
- 1 notified and limited notified consent proceeded to hearing and took 189 days to process (target 70 working days)
- 210 non-notified consent - 79% completed within 20 working days
- 70 controlled activities resource consents - 8% processed within 20 working days.

Increased numbers of consents has put pressure on resourcing. Consultants were utilised to assist with the increased volume. Currently controlled activities can be complex to process. We are reviewing the activity rules to ensure compliance within the 10 day timeframe required under the Resource Management Amendment Act can be achieved from October 2017.

Roading (from page 9)

- When requested, notifying the customer of the road reinstatement within one hour of receiving confirmation - 79%
- Responding to, acknowledging and resolving non-urgent request within five days - 45% (under the contract non-urgent work can be programmed for repair within three months or as instructed by Council)

It is acknowledged that the targets set are impractical and will be reviewed as a part of the Long Term Plan.

Water Supply (from page 13)

Response times - The target of one hour response time for urgent requests was exceeded. 43 urgent requests were made with a median response time of 1.1 hours.

Support Services (from page 2)

Support Services revenue is less than budgeted. This is primarily due to:
Revenue from shared services is $475k less than budgeted. This includes the infrastructure shared service and the internal audit service.

Interest and dividends are $83k less than budgeted as a result of using available funds instead of borrowing. Borrowing costs are considerably lower than planned.
Project is complete. Work included the renewal of the Feilding Cemetery toilets. 

This project is made up of the Tangimoana playground, Timona Park playground and general playground renewals. The project is for the Pohangina Domain and walkway and funding has been carried forward to 2017/18 as a part of community trust funding.

Developed design is underway for the Feilding Theatre. Completion of the project will depend on the Theatre Trust seeking additional funds.

In 2017/18 the Theatre Trust needs to source additional funding. The project is complete.

Physical

72
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127
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123

163
169
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175

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34
100%
| Notes/Comments                                                                                           | Actual | Budget | Variance | Full Year | Physical | Annual Plan | Carried Forward | YTD | YTD | YTD | Revised Budget | Completion | 2017 | in 2017/18 | Budget YTD reflects the amounts carried forward from 2015/16 after the Annual Plan was prepared. | 2017 | 2017 | 2017 |
|                                                                                                         | $000   | $000   | $000     | $000      | %        | $000        | $000          |     |     |     | $000          | %            | $000 | $000       |                                                                                  | $000 | $000 | $000 |
| Emergency Management                                                                                   | 0      | 16     | (16)     | 16        | 0%       | 16          | 0             |     |     |     | 0             | 0            |     | 0          |                                                                                   |     |     |     |
| Rural Fire - Equipment Renewal                                                                        | 0      | 16     | (16)     | 16        | 0%       | 16          | 0             |     |     |     | 0             | 0            |     | 0          | Capital expenditure was not required. All Rural Fire assets will transfer to Fire and Emergency New Zealand (FENZ) on 1 July 2017. |     |     |     |
| Total Emergency Management                                                                             | 0      | 16     | (16)     | 16        | 0%       | 16          | 0             |     |     |     | 0             | 0            |     | 0          |                                                                                   |     |     |     |
| District Development                                                                                    | 48     | 32     | 16       | 32        | 100%     | 32          | 0             |     |     |     | 0             | 0            |     | 0          | Project covers Randiwahia toilets. Project is complete. Funding from a third party ($2k) now received. |     |     |     |
| Community Planning - Renewal                                                                           | 48     | 32     | 16       | 32        | 100%     | 32          | 0             |     |     |     | 0             | 0            |     | 0          |                                                                                   |     |     |     |
| Total District Development                                                                             | 48     | 32     | 16       | 32        | 100%     | 32          | 0             |     |     |     | 0             | 0            |     | 0          |                                                                                   |     |     |     |
| Governance and Strategy                                                                                | 15     | 13     | 2        | 13        | 100%     | 13          | 0             |     |     |     | 0             | 0            |     | 0          |                                                                                   |     |     |     |
| Council Chamber Asset Purchase                                                                        | 15     | 13     | 2        | 13        | 100%     | 13          | 0             |     |     |     | 0             | 0            |     | 0          |                                                                                   |     |     |     |
| Roadung                                                                                                 |        |        |          |          |          |             |               |     |     |     |                |               |     | 0          |                                                                                   |     |     |     |
| CBD Redevelopment Projects                                                                             | 793    | 746    | 47       | 746       | 100%     | 614         | 0             |     |     |     | 0             | 0            |     | 0          | Projects complete. This includes the preparation for stage 3 Makoura Rd seal extension which been deferred to 2017/18 year. |     |     |     |
| Sub Unsealed Road Metalling                                                                            | 1,932  | 1,892  | 40       | 1,892     | 100%     | 1,892       | 0             |     |     |     | 0             | 0            |     | 0          | All sites are complete.                                                                 |     |     |     |
| Sub Sealed Road Resurfacing                                                                            | 1,433  | 1,932  | (499)    | 1,932     | 65%      | 1,332       | 565           | 0   |     |     | 0             | 0            |     | 0          | Additional NZTA emergency work funds will be needed in 2017/18 to complete this project. |     |     |     |
| Sub Cycle Facilities                                                                                    | 0      | 38     | (38)     | 38        | 0%       | 38          | 38            | 0   |     |     | 0             | 0            |     | 0          | NZTA has indicated that funding may be available in the 2018/21 National Land Transport Programme. Funds to be carried forward as a detailed business case is to be undertaken in 2017/18 for the Feilding to Palmerston North cycleway. |     |     |     |
| Sub Minor Improvements                                                                                 | 18     | 105    | (87)     | 105       | 60%      | 53          | 0             |     |     |     | 0             | 0            |     | 0          | Work is programmed in conjunction with new subsidised minor improvement projects and was not expended due to project deferrals. |     |     |     |
| Roading Growth                                                                                         | 616    | 1,949  | (1,333)  | 1,949     | 40%      | 1,458       | 1,469         | 0   |     |     | 0             | 0            |     | 0          | The surplus will be used to fund over spends in other subsidised renewal jobs |     |     |     |
| Sub Drainage Renewals                                                                                  | 674    | 229    | 445      | 229       | 100%     | 229         | 0             |     |     |     | 0             | 0            |     | 0          | The overspend is due to renewals associated with this year’s pavement rehabilitation projects. Other rehabilitation projects have been amended or deferred. This overspend is funded by an underspend in other renewal activities. |     |     |     |
| Sub Structures Renewals                                                                                | 803    | 330    | 473      | 330       | 100%     | 281         | 0             |     |     |     | 0             | 0            |     | 0          | Budget overspend will be offset by underspend in other renewal projects. |     |     |     |
| Sub Traffic Services Renewal                                                                           | 87     | 290    | (203)    | 290       | 100%     | 310         | 0             |     |     |     | 0             | 0            |     | 0          | The unspent funds have been used to fund over spends in other subsidised renewal jobs. Methodology for road marking has been reviewed with remarking being undertaken on a bi-annual rather than annual basis. |     |     |     |
| Sub Associated Improvements                                                                            | 27     | 62     | (35)     | 62        | 44%      | 53          | 53            | 0   |     |     | 0             | 0            |     | 0          | Work is programmed in conjunction with new subsidised minor improvement projects and has not been expended due to project deferrals. Surplus is used to fund over spends in other subsidised renewal jobs |     |     |     |
| Sub Pavement Rehabilitation                                                                            | 2,757  | 3,886  | (1,130)  | 3,886     | 90%      | 3,270       | 530           | 0   |     |     | 0             | 0            |     | 0          | The programme has been delayed and reduced due to inclement weather impacting on achievement. The surplus has been used to fund the over spends in other subsidised renewal jobs, with remainder to be carried over to fund delayed projects and the 2017/18 pavement renewals. |     |     |     |
| Sub Minor Improvement New                                                                               | 690    | 1,089  | (399)    | 1,089     | 70%      | 819         | 318           | 0   |     |     | 0             | 0            |     | 0          | Due to weather related delays Lees/Awahuri Rd intersection improvement project will span 2016/17 and 2017/18 financial years. |     |     |     |
| Subsidised Accelerated LED Ren                                                                           | 180    | 200    | (20)     | 200       | 0%       | 0           | 0             |     |     |     | 0             | 0            |     | 0          | This job was separated from traffic services renewals and attracts specific LED funding from NZTA. Costs are for the purchase of the luminaire only which are to be installed in 2017/18. A request will be made to carry forward the unspent expenditure. |     |     |     |
| Non Sub Road Reconstruction                                                                            | 729    | 840    | (112)    | 840       | 90%      | 871         | 0             |     |     |     | 0             | 0            |     | 0          | Projects have been delayed by inclement weather. A request will be made to carry forward all remaining unspent funds. |     |     |     |
| Non Sub Seal Extension                                                                                 | 312    | 145    | 167      | 145       | 100%     | 145         | 0             |     |     |     | 0             | 0            |     | 0          | Stage 3 of the Makoura Rd seal extension has been deferred to 2017/18. The overspend will be partially offset by an annual spend on new footpaths. |     |     |     |
| Non Sub Roading New Footpaths                                                                          | 66     | 165    | (99)     | 165       | 100%     | 165         | 0             |     |     |     | 0             | 0            |     | 0          | The project is complete. Budget underspend is offset by over spend for non-subsidised seal extensions. |     |     |     |
| Non Sub Footpath Renewals                                                                               | 155    | 158    | (4)      | 158       | 100%     | 78          | 0             |     |     |     | 0             | 0            |     | 0          | Project is complete                                                                            |     |     |     |
| Non Subsidised Road Renewal                                                                             | 166    | 191    | (25)     | 191       | 100%     | 99          | 0             |     |     |     | 0             | 0            |     | 0          | To be used in association with Seddon St and Wellington St non-subsidised reconstruction projects and footpath renewals. |     |     |     |
| Total Roadung                                                                                          | 11,436 | 14,327 | (2,891)  | 14,327    | 100%     | 11,707      | 2,920         | 0   |     |     | 0             | 0            |     | 0          |                                                                                   |     |     |     |
A design for Port St has been completed. The Kawakawa Rd/Turners Rd (Precinct 5) stormwater design is underway. Pharazyn St stage 124 400 40% (147) (2,555) 0 779 75% Subdivision consent has been granted with the land use consent in progress. Due to construction estimates being considerably higher than budgets, the business case is being re-assessed and is now planned for the 2018/19 year.

Total Stormwater

<table>
<thead>
<tr>
<th></th>
<th>Actual YTD</th>
<th>Budget YTD</th>
<th>Variance YTD</th>
<th>Revised Budget YTD</th>
<th>Full Year Completion</th>
<th>Annual Plan</th>
<th>Carried Forward</th>
<th>Notes/Comments</th>
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<tbody>
<tr>
<td></td>
<td>$000</td>
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<tr>
<td>Stormwater</td>
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<tr>
<td>Stormwater Growth Feilding</td>
<td>655</td>
<td>2,388</td>
<td>(1,733)</td>
<td>2,388</td>
<td>25%</td>
<td>1,541</td>
<td>1,549</td>
<td>A design for Port St has been completed. The Kawakawa Rd/Turners Rd (Precinct 5) stormwater design is underway. Pharazyn St stage 2 is complete and stage 3 is underway. No physical work has taken place this financial year. Needs for growth work have increased during this year.</td>
</tr>
<tr>
<td>Stormwater New Work Feilding</td>
<td>150</td>
<td>211</td>
<td>(61)</td>
<td>211</td>
<td>75%</td>
<td>211</td>
<td>60</td>
<td>The new stormwater in Wellington Rd is under construction as part of the road improvements. Poplar Grove and Mahi Grove investigations as a result of existing flooding issues will be resolved once landowner engagement is complete.</td>
</tr>
<tr>
<td>Stormwater Unplanned Renewals</td>
<td>375</td>
<td>1,144</td>
<td>(769)</td>
<td>1,144</td>
<td>40%</td>
<td>863</td>
<td>400</td>
<td>Design for McCorkindale St and Darby St improvement underway. West St is complete. Pipe inspections for other jobs indicate assets do not require replacement.</td>
</tr>
<tr>
<td>Stormwater Asset Renewal Tangimoana</td>
<td>8</td>
<td>0</td>
<td>8</td>
<td>0</td>
<td>100%</td>
<td>0</td>
<td>0</td>
<td>Investigation work for Tangimoana. Project still in progress.</td>
</tr>
<tr>
<td>Total Stormwater</td>
<td>1,187</td>
<td>3,742</td>
<td>(2,555)</td>
<td>3,742</td>
<td>3,742</td>
<td>2,615</td>
<td>2,009</td>
<td></td>
</tr>
<tr>
<td>Wastewater</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Oesludging Oxidation Ponds</td>
<td>0</td>
<td>139</td>
<td>(139)</td>
<td>139</td>
<td>0%</td>
<td>139</td>
<td>139</td>
<td>Sanson ponds de-sludging on hold pending future decisions on the consent.</td>
</tr>
<tr>
<td>Fielding WWTP Asset Renovations</td>
<td>1,524</td>
<td>2,181</td>
<td>(657)</td>
<td>2,181</td>
<td>75%</td>
<td>2,161</td>
<td>152</td>
<td>Detailed seismic strengthening design for administration building is complete, monitoring boxes are being installed, sedimentation tank chains and scrapers requirements are confirmed, and the master programmable logic controller replacement completed. Digestor replacement tender awarded, and the composting trial is complete. Physical works on the digestor replacement fully committed but not completed. Balance of physical works to be completed 2017/18 year.</td>
</tr>
<tr>
<td>Fielding WWTP Upgrade</td>
<td>1,597</td>
<td>1,682</td>
<td>(84)</td>
<td>1,682</td>
<td>99%</td>
<td>1,580</td>
<td>225</td>
<td>Construction of effluent storage pond complete. Final requirements for the pumping and pipework to fill the ponds are being confirmed.</td>
</tr>
<tr>
<td>Fielding WWTP - Irrigation</td>
<td>2,625</td>
<td>3,152</td>
<td>(527)</td>
<td>3,152</td>
<td>50%</td>
<td>1,803</td>
<td>1,200</td>
<td>Expenditure to be spread over the next two years due to consent conditions requiring one irrigator to be trialled during 2016/17 year. Irrigation contract and design yet to be finalised. Trial irrigator works are complete. Additional land was purchased in May 2017 ($1.1m).</td>
</tr>
<tr>
<td>Fielding WWTP Growth</td>
<td>203</td>
<td>160</td>
<td>43</td>
<td>160</td>
<td>80%</td>
<td>300</td>
<td>83</td>
<td>Inlet screen works completed. Grit removal chamber is in the design phase.</td>
</tr>
<tr>
<td>Fielding Wastewater Growth</td>
<td>246</td>
<td>200</td>
<td>46</td>
<td>200</td>
<td>100%</td>
<td>200</td>
<td>85</td>
<td>Churchill St sewer main project has been completed. The increased demand is a result of rapid growth within Precinct 4.</td>
</tr>
<tr>
<td>Fielding WWTP Nursery New Work</td>
<td>250</td>
<td>104</td>
<td>146</td>
<td>104</td>
<td>70%</td>
<td>104</td>
<td>30</td>
<td>The actual results include $164k increase in the value of plants held as inventory (work in progress for the irrigation project)</td>
</tr>
<tr>
<td>Fielding WWTP Sludge Disposal</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0</td>
<td>0 Late costs of 2015/16 project, now complete</td>
</tr>
<tr>
<td>Fielding Retention Renewals</td>
<td>34</td>
<td>0</td>
<td>34</td>
<td>0</td>
<td>100%</td>
<td>0</td>
<td>0</td>
<td>Costs are for the completion of minor items associated with sewer renewals from the 2015/16 year.</td>
</tr>
<tr>
<td>Wastewater New Connections</td>
<td>124</td>
<td>0</td>
<td>124</td>
<td>0</td>
<td>100%</td>
<td>0</td>
<td>0</td>
<td>New connections installed. Costs are demand driven and are funded by connection fees received.</td>
</tr>
<tr>
<td>Wastewater Pump Station Renewals</td>
<td>19</td>
<td>74</td>
<td>(55)</td>
<td>74</td>
<td>20%</td>
<td>74</td>
<td>74</td>
<td>New aerator has been installed.</td>
</tr>
<tr>
<td>Rongestra Renewals</td>
<td>50</td>
<td>520</td>
<td>(471)</td>
<td>520</td>
<td>10%</td>
<td>462</td>
<td>165</td>
<td>A consultant has been engaged to assist with the consent renewal application. There is a holding consent pending review of future options. New aerator has been installed.</td>
</tr>
<tr>
<td>Himatangi Sewerage New Work</td>
<td>(12)</td>
<td>0</td>
<td>(52)</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0</td>
<td>A late credit note raised by pump station supplier for 2015/16 year.</td>
</tr>
<tr>
<td>Sanson Renewals</td>
<td>37</td>
<td>601</td>
<td>(564)</td>
<td>601</td>
<td>0%</td>
<td>475</td>
<td>475</td>
<td>A consultant has been engaged to assist with the consent renewal application. Irrigation renewals are designed and are subject to the consent application. Horizons are reviewing the irrigation design to ensure that any renewal works meet their requirements. The irrigation system has reached the end of its life and needs total replacement. A feasibility review is underway subject to consent requirements and pending the wastewater strategy outcomes. This is a holding consent pending review of future options.</td>
</tr>
<tr>
<td>WW Unplanned renewals-Villages</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>100%</td>
<td>0</td>
<td>0</td>
<td>Work as required</td>
</tr>
<tr>
<td>Chiltonham Wastewater Renewal</td>
<td>27</td>
<td>243</td>
<td>(216)</td>
<td>243</td>
<td>0%</td>
<td>252</td>
<td>0</td>
<td>Awaiting information from Iwi and Horizons for consent notification. There is a holding consent pending review of future options.</td>
</tr>
<tr>
<td>Rongestra Wastewater Retculation</td>
<td>164</td>
<td>250</td>
<td>(86)</td>
<td>250</td>
<td>100%</td>
<td>0</td>
<td>0</td>
<td>Project was the renewal of the Trent St rising main. The project is complete.</td>
</tr>
<tr>
<td>Awahuri WWTP Renewals</td>
<td>5</td>
<td>20</td>
<td>(16)</td>
<td>20</td>
<td>0%</td>
<td>20</td>
<td>20</td>
<td>Surveyor to confirm site area prior to works starting. This is a holding consent pending review of future options.</td>
</tr>
<tr>
<td>Kimbolton Wastewater Treatment</td>
<td>15</td>
<td>50</td>
<td>(35)</td>
<td>50</td>
<td>100%</td>
<td>50</td>
<td>0</td>
<td>SCADA/ electrical works completed.</td>
</tr>
<tr>
<td>Halcombe WWTP Renewals</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0%</td>
<td>98</td>
<td>25</td>
<td>Project to hold pending consent compliance and a centralisation of the reticulation network.</td>
</tr>
<tr>
<td>Halcombe WWTP Discharge Consent</td>
<td>16</td>
<td>163</td>
<td>(147)</td>
<td>163</td>
<td>0%</td>
<td>113</td>
<td>0</td>
<td>Consent application lodged and awaiting final comments from Iwi and Horizons. Final costs depend on hearing requirements. A feasibility review is underway subject to consent requirements and pending the wastewater strategy outcomes. This is a holding consent pending review of future options.</td>
</tr>
<tr>
<td>District WWTPS Telemetry</td>
<td>0</td>
<td>94</td>
<td>(94)</td>
<td>94</td>
<td>0%</td>
<td>0</td>
<td>0</td>
<td>Unspent budget carried forward from 2015/16 year. Works has been deferred.</td>
</tr>
<tr>
<td>Total Wastewater 6,927</td>
<td>9,633</td>
<td>(2,707)</td>
<td>9,658</td>
<td>7,830</td>
<td>2,124</td>
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</tr>
</tbody>
</table>
The renewal programme is complete. Under budget due to savings on items purchased.

## Water

### Feilding WTP Renewals

<table>
<thead>
<tr>
<th>Actual YTD</th>
<th>Budget YTD</th>
<th>Variance YTD</th>
<th>Revised Budget YTD</th>
<th>Completion 2017</th>
<th>Annual Plan 2017 in 2017/18 Budget</th>
<th>YTD Variance</th>
<th>Notes/Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feilding WTP Renewals</td>
<td>127</td>
<td>1,345</td>
<td>(1,218)</td>
<td>1,345</td>
<td>10%</td>
<td>1,217</td>
<td>880 Report has been received on water treatment options for bores and is under consideration. Contractor for Awa St programmable logic controller works has been engaged. The Feilding Water Strategy will confirm a future pathway for the development of the water supply and will require completion of a business case. Other work has been deferred to the 2017/18 year in accordance with the revised water strategy.</td>
</tr>
<tr>
<td>Feilding Reticulation Renewals</td>
<td>680</td>
<td>893</td>
<td>(213)</td>
<td>893</td>
<td>80%</td>
<td>893</td>
<td>210 Completed projects include Bowen St, Dalzien Place, Haggitt St and Windsor Tce is currently in the design phase. Sandon Rd water main has been completed.</td>
</tr>
<tr>
<td>Feilding Water Supply Growth</td>
<td>310</td>
<td>732</td>
<td>(422)</td>
<td>732</td>
<td>50%</td>
<td>389</td>
<td>210 South St upgrades completed, West St complete (works carried over from 2015/16). Works in Pharaoh St (stage 3) is underway.</td>
</tr>
<tr>
<td>Feilding Water Pressure Zoned</td>
<td>39</td>
<td>240</td>
<td>(201)</td>
<td>240</td>
<td>25%</td>
<td>100</td>
<td>100 The pump station for MacDonald Heights has been designed and the pipe configuration around the reservoir is confirmed, and the pump supply and pipe installation is due to commence.</td>
</tr>
<tr>
<td>Feilding Water Metering/Backflow</td>
<td>11</td>
<td>74</td>
<td>(63)</td>
<td>74</td>
<td>1%</td>
<td>42</td>
<td>0 Work is in the design stage</td>
</tr>
<tr>
<td>Almaden WTP Optimisations</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>100%</td>
<td>0</td>
<td>0 Costs are for safety improvements to the treatment room. No further costs required.</td>
</tr>
<tr>
<td>Water Supply New Connections</td>
<td>8</td>
<td>0</td>
<td>8</td>
<td>0</td>
<td>100%</td>
<td>0</td>
<td>0 Costs are demand driven and funded by connection fees received.</td>
</tr>
<tr>
<td>Himatangi Water Asset Renewals</td>
<td>122</td>
<td>482</td>
<td>(360)</td>
<td>482</td>
<td>15%</td>
<td>380</td>
<td>50 The reservoir has been delivered and site works are underway.</td>
</tr>
<tr>
<td>Himatangi Water Supply New Work</td>
<td>9</td>
<td>43</td>
<td>(34)</td>
<td>43</td>
<td>12%</td>
<td>55</td>
<td>66 This project is for the security fences and access legalisation. Both projects are in progress.</td>
</tr>
<tr>
<td>Sanson Water Asset Renewal</td>
<td>0</td>
<td>13</td>
<td>(13)</td>
<td>13</td>
<td>0%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Sanson WTP New Works</td>
<td>487</td>
<td>1,248</td>
<td>(761)</td>
<td>1,248</td>
<td>30%</td>
<td>1,180</td>
<td>350 Drilling works for the new bore is complete. Awaiting test results to determine level of treatment required.</td>
</tr>
<tr>
<td>Rongotai Water Scheme</td>
<td>5</td>
<td>0</td>
<td>5</td>
<td>0</td>
<td>100%</td>
<td>0</td>
<td>0 Costs are demand driven and funded by connection fees received.</td>
</tr>
<tr>
<td>Water Supply Unplanned Renewals - Villages</td>
<td>7</td>
<td>0</td>
<td>7</td>
<td>0</td>
<td>100%</td>
<td>0</td>
<td>0 Replacement of valves and hydrants as and when needed.</td>
</tr>
<tr>
<td>Stanway/Hakatere WTP New Works</td>
<td>221</td>
<td>99</td>
<td>122</td>
<td>99</td>
<td>100%</td>
<td>94</td>
<td>0 Work was re-scoped to meet scheme committee requirements and funded from their existing funds.</td>
</tr>
<tr>
<td>Stanway/Hakatere WRS Renewals</td>
<td>50</td>
<td>84</td>
<td>(35)</td>
<td>84</td>
<td>50%</td>
<td>49</td>
<td>0 Bundled with capacity improvements works below</td>
</tr>
<tr>
<td>Stanway/Hakatere WWS Intake and Capacity Improvements</td>
<td>87</td>
<td>49</td>
<td>38</td>
<td>49</td>
<td>100%</td>
<td>84</td>
<td>0 Second stage of pipeline from Pryce's line to booster reservoir completed. Bundled with renewals budget.</td>
</tr>
<tr>
<td>Waituna West WRS Renewals</td>
<td>21</td>
<td>40</td>
<td>(19)</td>
<td>40</td>
<td>100%</td>
<td>40</td>
<td>0 Work as required</td>
</tr>
<tr>
<td><strong>Total Water Supply</strong></td>
<td><strong>2,188</strong></td>
<td><strong>5,343</strong></td>
<td><strong>(3,155)</strong></td>
<td><strong>5,343</strong></td>
<td><strong>4,537</strong></td>
<td><strong>1,866</strong></td>
<td></td>
</tr>
</tbody>
</table>

### Support Services and Other

#### Motor Vehicle Renewals

<table>
<thead>
<tr>
<th>Actual YTD</th>
<th>Budget YTD</th>
<th>Variance YTD</th>
<th>Revised Budget YTD</th>
<th>Completion 2017</th>
<th>Annual Plan 2017 in 2017/18 Budget</th>
<th>YTD Variance</th>
<th>Notes/Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motor Vehicle Renewals</td>
<td>309</td>
<td>260</td>
<td>49</td>
<td>260</td>
<td>100%</td>
<td>260</td>
<td>0 Revised budget has an approved carry over from 2015/16 year. The forecast includes the replacement for the stolen digger which is funded from insurance proceeds.</td>
</tr>
</tbody>
</table>

### Computer Hardware

<table>
<thead>
<tr>
<th>Actual YTD</th>
<th>Budget YTD</th>
<th>Variance YTD</th>
<th>Revised Budget YTD</th>
<th>Completion 2017</th>
<th>Annual Plan 2017 in 2017/18 Budget</th>
<th>YTD Variance</th>
<th>Notes/Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer Hardware</td>
<td>172</td>
<td>191</td>
<td>(19)</td>
<td>191</td>
<td>100%</td>
<td>191</td>
<td>0 The renewal programme is complete. Under budget due to savings on items purchased.</td>
</tr>
<tr>
<td>Software - Document Management</td>
<td>312</td>
<td>608</td>
<td>(296)</td>
<td>608</td>
<td>60%</td>
<td>608</td>
<td>296 Project underway and scheduled for completion in December 2017</td>
</tr>
<tr>
<td>Software Replacement</td>
<td>23</td>
<td>111</td>
<td>(88)</td>
<td>111</td>
<td>100%</td>
<td>52</td>
<td>0 Cost upgrade to Creative Cloud not going ahead. Costs are for Trapeze licence upgrade. Budget carry over from 2015/16 year is unlikely to be required due to cost savings in the Go-Shift project.</td>
</tr>
<tr>
<td>Boiler Replacement</td>
<td>32</td>
<td>30</td>
<td>2</td>
<td>30</td>
<td>95%</td>
<td>0</td>
<td>0 The project will be completed in July 2017</td>
</tr>
<tr>
<td>Establishment of the Three Waters Reticulation Team</td>
<td>228</td>
<td>261</td>
<td>(33)</td>
<td>261</td>
<td>100%</td>
<td>0</td>
<td>0 Unspent budget carried over from last financial year</td>
</tr>
<tr>
<td>Infrastructure Replacement</td>
<td>19</td>
<td>0</td>
<td>19</td>
<td>0</td>
<td>100%</td>
<td>0</td>
<td>0 Project complete</td>
</tr>
<tr>
<td>Infrastructure Computers</td>
<td>18</td>
<td>0</td>
<td>18</td>
<td>0</td>
<td>100%</td>
<td>0</td>
<td>0 Project complete</td>
</tr>
<tr>
<td>General Renewals</td>
<td>40</td>
<td>23</td>
<td>18</td>
<td>23</td>
<td>100%</td>
<td>23</td>
<td>0 Costs are for file room mobile shelving units replaced after the earthquake. $13k funded from the Insurance Reserve. May costs are for new desks required as part of office relocations.</td>
</tr>
<tr>
<td>General New Assets</td>
<td>27</td>
<td>28</td>
<td>(2)</td>
<td>28</td>
<td>80%</td>
<td>23</td>
<td>0 Costs are for wall removal in Community and Strategy area, new desks required as part of office relocations.</td>
</tr>
<tr>
<td><strong>Total Support Services and Other</strong></td>
<td><strong>1,180</strong></td>
<td><strong>1,512</strong></td>
<td><strong>(332)</strong></td>
<td><strong>1,512</strong></td>
<td><strong>1,156</strong></td>
<td><strong>296</strong></td>
<td></td>
</tr>
</tbody>
</table>

### TOTAL CAPITAL EXPENDITURE

<table>
<thead>
<tr>
<th>Actual YTD</th>
<th>Budget YTD</th>
<th>Variance YTD</th>
<th>Revised Budget YTD</th>
<th>Completion 2017</th>
<th>Annual Plan 2017 in 2017/18 Budget</th>
<th>YTD Variance</th>
<th>Notes/Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL CAPITAL EXPENDITURE</td>
<td>25,564</td>
<td>39,773</td>
<td>(14,210)</td>
<td>39,798</td>
<td>12,590</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Greater than 15% of budget
- Less than 5% greater than budget
- LOS = Level of Service
Manawatu District Council Risk Register

Purpose
To present the Manawatu District Council’s Risk Register for information.

Significance of Decision
The Council’s Significance and Engagement policy is not triggered by matters discussed in this report.

Recommendations
That the Audit and Risk Committee receive the report of the General Manager – Corporate and Regulatory dated 4 August 2017 presenting the Manawatu District Council’s Risk Register for information.

Report prepared by:
Allie Dunn
Governance Team Leader

Approved for submission by:
Shayne Harris
General Manager - Corporate and Regulatory

1 Contribution to the Council Vision and Council Outcomes

1.1 Relationship to the Council Outcomes that underpin the Council’s Vision:

<table>
<thead>
<tr>
<th>Manawatu District will improve the natural environment, stewarding the district in a practice aligned to the concept of kaitiakitanga.</th>
<th>The Manawatu will attract and retain residents.</th>
<th>Manawatu district develops a broad economic base from its solid foundation in the primary sector.</th>
<th>Manawatu and its people are connected via quality infrastructure and technology.</th>
<th>Manawatu’s built environment is safe, reliable and attractive.</th>
<th>Manawatu District Council is an agile and efficient organisation.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>√</td>
</tr>
</tbody>
</table>
2 Background

2.1 At its meeting held 21 April 2016, the Council adopted its Risk Appetite Statement to support its decision-making and option assessment.

3 Discussion and Options considered

3.1 The Risk Appetite Statement is a tool that is used to:

- Guide decision-making;
- Assist staff in assessing options; and
- Prioritise internal controls for risks and the audit programme to assess those controls.

3.2 A copy of this statement is attached in Appendix 1 to this report.

3.3 Following the adoption of the Risk Appetite Statement, the Council’s Risk Management Framework was updated.

3.4 A copy of the Council’s Risk Framework Risk-Rating Criteria is attached in Appendix 2 to this report.

3.5 The Council’s Draft Risk Register is attached in Appendix 3 to this report. The draft Risk Register sets out for each Business Unit risk information which details the risk description, cause of risk occurring, the possible impact or consequence of risk occurring and the MDC Strategic Objectives affected.

4 Operational Implications

4.1 There are no capital / operating expenditure implications or maintenance costs associated with this paper.

5 Financial implications

5.1 There are no direct financial implications associated with this paper.

6 Statutory Requirements

6.1 There are no statutory requirements associated with this paper. However the practice of identifying risks and determining how risks will be managed assists Council in maintaining legal compliance. In developing its Risk Appetite Statement, the Council recognised the need to place high importance on compliance, regulation and public protection and determined that it had no appetite for breaches in statute and regulation.

7 Delegations

7.1 The Terms of Reference for the Audit and Risk Committee include the responsibility for Risk management and the system of internal controls, including setting the Council’s appetite for risk, understanding the key risk areas including likelihood and consequences, considering the effectiveness of internal controls; and fraud risk and procurement risk.
8 Consultation

8.1 There are no community consultation requirements associated with this report.

9 Cultural Considerations

9.1 There are no cultural considerations associated with this report.

10 Conclusion

10.1 The Council’s Risk Appetite Statement developed in April 2016, along with the Councils Risk Framework Risk-Rating Criteria and draft Risk Register are presented to the Audit and Risk Committee for information.

11 Attachments

- Appendix 2 – Manawatu District Council’s Risk Framework Risk-Rating Criteria
- Appendix 3 – Manawatu District Council’s Draft Risk Register
Manawatu District Council – Risk Appetite Statement April 2016

Risk appetite is the level of risk we are willing to accept in the pursuit of our strategic objectives. Our aim is to consider all options to respond to risk appropriately and make informed decisions that are most likely to result in successful delivery whilst also providing an acceptable level of value for money.

The acceptance of risk is subject to ensuring that all potential benefits and costs are fully understood and that appropriate measures to manage risk are established before decisions are made. We recognise that the appetite for risk will vary according to the activity undertaken and hence different appetites and tolerances to risk apply.

Specifically, our approach is to minimise exposure to financial and compliance risk, whilst accepting and encouraging an increased degree of risk in other areas in pursuit of our strategic objectives as illustrated in the diagram and statements below.

We at Manawatu District Council (MDC) expect all decision-makers to take the following into account:

<table>
<thead>
<tr>
<th>MDC Strategic Objectives</th>
<th>Averse</th>
<th>Minimalist</th>
<th>Cautious</th>
<th>Open</th>
<th>Hungry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build people and culture</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Achieve purposeful growth and development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Achieve service levels</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Achieve strategic organisational transformation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintain public confidence</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deliver work programmes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintain legal compliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operate within financial targets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Operate within financial targets** – The Council has no appetite for risk in maintaining its long term financial viability and its overall financial strength. It will not trade off this objective for gains in other objectives. It aims to achieve its strategic and financial objectives subject to the following criteria:

- The Council sets a balanced overall budget and GM’s must then contain net expenditure within approved levels;
- To hold rate increases to the Local Government Cost Index (for the previous year), plus four percent in any one year; and
- The Council’s maximum level of debt servicing is set at 10% of planned revenue.

**Maintain Legal Compliance** – The Council recognises the need to place high importance on compliance, regulation and public protection and has no appetite for breaches in statute, regulation, professional standards, ethics, bribery or fraud. But it is prepared for minimal risk to seek benefits where aspects of compliance are negotiable.

**Deliver Work Programmes** – The Council accepts a cautious level of risk to deliver its complete work programme but only when non-delivery can be limited and any benefits heavily outweigh any non-delivery.

**Maintain Public Confidence** – It is regarded as important that the Council maintains public confidence in its actions and performance, however it is prepared to defend actions with a good reward despite negative response. Hence it has set a cautious appetite for risk in the conduct of any of its activities that puts its reputation in jeopardy but where it can justify the reward from those activities.

**Achieve Strategic Organisational Transformation** – The environment the Council works in is continually changing through both its internal operations and the services it provides. Change projects provide the Council with an opportunity to be an agile and effective Council and also to establish benefits for the longer term. The Council recognises that this may require high levels of risk and is open to accepting the risk subject to always ensuring that impacts are appropriately managed.

**Achieve Service Levels** – The Council is open to a high level of risk arising from the nature of the Council’s business operations and service delivery to deliver an appropriate level of service at value for money, whilst managing any impact.
Manawatu District Council – Risk Appetite Statement April 2016

**Achieve Purposeful Growth and Development** – The Council has a continuing obligation to invest in the development and growth of the District in a purposeful and planned manner. To achieve progressive and innovative development the Council has an open risk appetite whilst ensuring that benefits are assessed and risks are fully scrutinised and appropriately treated before developments are authorised.

**Build People & Culture** – The Council recognises that its staff are critical to achieving its objectives and therefore the support and development of staff is key to making the Council an enjoyable and safe place to work. It has a very high appetite for decisions that involve staffing or culture to support transformational change and ensure the Council is continually improving even if there is a chance of failure.
**Illustrative Likelihood Rating Scale**

<table>
<thead>
<tr>
<th>Likelihood Rating</th>
<th>Descriptor</th>
<th>Definition</th>
<th>Indicative Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Almost certain</td>
<td>The consequence is expected to occur on an annual basis</td>
<td>Every year or more frequently</td>
</tr>
<tr>
<td>4</td>
<td>Likely</td>
<td>The event has occurred several times or more throughout history of the organization</td>
<td>Every three years</td>
</tr>
<tr>
<td>3</td>
<td>Possible</td>
<td>The event might occur once in the organization</td>
<td>Every ten years</td>
</tr>
<tr>
<td>2</td>
<td>Unlikely</td>
<td>The event does occur from time to time</td>
<td>Every thirty years</td>
</tr>
<tr>
<td>1</td>
<td>Very Unlikely</td>
<td>Heard of something like that occurring elsewhere</td>
<td>Every 100 years</td>
</tr>
</tbody>
</table>

**Illustrative Consequence Rating Scale**

The categories below are a guide only – the organization should adopt categories specific to its risk universe.

<table>
<thead>
<tr>
<th>Consequence Rating</th>
<th>Financial Impact</th>
<th>People Effects</th>
<th>Reputation</th>
<th>Service Outputs</th>
<th>Legal &amp; Compliance</th>
<th>Management Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>&lt;$3m</td>
<td>One or more fatalities or severe irreversible disability to one or more people</td>
<td>National media coverage; Significant impact on funding for several years; long-term loss of clients</td>
<td>Total cessation of multiple services for many months</td>
<td>Major litigation costing $&gt;3m; Investigation by regulatory body resulting in long term interruption of operations</td>
<td>Restructuring of organisation with loss of many senior managers</td>
</tr>
<tr>
<td>4</td>
<td>$1m - $3m</td>
<td>Extensive injury or impairment to one or more persons</td>
<td>State media coverage; CEO departs affecting funding or causing loss of clients for many months</td>
<td>Disruption of multiple services for several months</td>
<td>Major breach of regulation with punitive fine, and significant litigation involving many weeks of senior management time and up to $3m legal costs</td>
<td>Significant disruption that will require considerable senior management time over several weeks</td>
</tr>
<tr>
<td>3</td>
<td>$300k - $999k</td>
<td>Short term disability to one or more persons</td>
<td>Local media coverage over several days; senior managers depart; noticeable loss of clients for many months</td>
<td>Total cessation of one service for a few months</td>
<td>Breach of regulation with investigation by authority and possible moderate fine, and litigation and legal costs up to $999k</td>
<td>Disruption that will require senior management time over several weeks</td>
</tr>
<tr>
<td>2</td>
<td>$10k - $299k</td>
<td>Significant medical treatment; lost injury time &lt;2 weeks</td>
<td>Local media coverage, and complaint to management</td>
<td>Same service disruption in the area</td>
<td>Breach of regulations; major fine or legal costs; minor litigation</td>
<td>Will require some senior management time over many days</td>
</tr>
<tr>
<td>1</td>
<td>&lt;$10k</td>
<td>First aid or minor medical treatment</td>
<td>No media coverage; complaint to employee</td>
<td>Minimal disruption</td>
<td>Minor legal issues or breach of regulations</td>
<td>Will require some management attention over several days</td>
</tr>
</tbody>
</table>

---

1 Descriptions for likelihood and consequence have been adapted from SA/SNZ HB 436:2013 Risk Management Guidelines – Companion to AS/NZS ISO 31000:2009

---

Risk Rating Criteria Template

Page 1 of 4
### Illustrative Description of Risk Levels

<table>
<thead>
<tr>
<th>Risk Level</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extreme</td>
<td>Requires ongoing executive level oversight. The level of risk warrants that all possible mitigation measures be analysed in order to bring about a reduction in exposure.</td>
</tr>
<tr>
<td>High</td>
<td>Action plans and resources required. The level of risk is likely to endanger capability and should be reduced through mitigation strategies where possible.</td>
</tr>
<tr>
<td>Moderate</td>
<td>This level of risk should not automatically be accepted for risk mitigation but rather a cost-benefit analysis is required to determine if treatment is necessary.</td>
</tr>
<tr>
<td>Guarded</td>
<td>Treatment when resources are available. The risk should be able to be managed via existing controls and normal operating procedures.</td>
</tr>
<tr>
<td>Low</td>
<td></td>
</tr>
</tbody>
</table>

### Illustrative Likelihood and Consequence Matrix

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consequence</strong></td>
<td>Medium (5)</td>
<td>High (10)</td>
<td>Very High (15)</td>
<td>Very High (20)</td>
<td>Very High (25)</td>
</tr>
<tr>
<td>5</td>
<td>Low (4)</td>
<td>High (8)</td>
<td>High (12)</td>
<td>Very High (16)</td>
<td>Very High (20)</td>
</tr>
<tr>
<td>4</td>
<td>Low (3)</td>
<td>Medium (6)</td>
<td>Medium (9)</td>
<td>High (12)</td>
<td>Very High (15)</td>
</tr>
<tr>
<td>3</td>
<td>Low (2)</td>
<td>Low (4)</td>
<td>Medium (6)</td>
<td>Medium (8)</td>
<td>High (10)</td>
</tr>
<tr>
<td>2</td>
<td>Low (1)</td>
<td>Low (1)</td>
<td>Low (3)</td>
<td>Medium (4)</td>
<td>High (5)</td>
</tr>
<tr>
<td>1</td>
<td>Low (1)</td>
<td>Low (1)</td>
<td>Low (3)</td>
<td>Medium (4)</td>
<td>High (5)</td>
</tr>
</tbody>
</table>
## MDC Risk Matrix

<table>
<thead>
<tr>
<th>Likelihood Guide</th>
<th>Likelihood of Occurrence</th>
<th>Risk Rating Level</th>
<th>Risk Impact</th>
<th>Risk Appetite Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is expected to occur in most circumstances</td>
<td>Every year or more frequently</td>
<td>Almost Certain</td>
<td>5</td>
<td>Guarded (5)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Moderate (10)</td>
<td>Moderate</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>High (20)</td>
<td>High</td>
</tr>
<tr>
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<td>Every 30+ years</td>
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### Risk Rating Criteria:

- **Is expected to occur in most circumstances:**
  - Every year or more frequently
  - Almost Certain: 5
  - Guarded (5)
  - Moderate (10)
  - High (20)
  - Extreme (40)
- **Will probably occur in most circumstances:**
  - Every 3 years
  - Likely: 4
  - Guarded (4)
  - Moderate (8)
  - High (16)
  - Extreme (32)
- **Might occur at some time:**
  - Every 10+ years
  - Possible: 3
  - Guarded (3)
  - Guarded (6)
  - High (12)
  - Extreme (24)
- **Could occur at some time:**
  - Every 30+ years
  - Unlikely: 2
  - Low (2)
  - Guarded (4)
  - Moderate (8)
  - High (16)
  - Extreme (32)
- **May occur only in exceptional circumstances:**
  - Every 100+ years
  - Rare: 1
  - Low (1)
  - Low (2)
  - Guarded (4)
  - Moderate (8)
  - High (16)

### Objective Impacted

- **Build people and culture:**
  - Hungry
  - Isolated incidents of short term decline in individual confidence/ morale
  - Lack of suitable candidates (internal/external) to fill key operational roles within a reasonable timeframe
- **Achieve purposeful growth and development:**
  - Open
  - Temporary disruption to delivery of products, services or systems
  - Minor disruption to delivery of products, services or systems
- **Achieve service levels:**
  - Open
  - Minor disruption to delivery of products, services or systems
  - Restrictions or disruption to delivery of products, services or systems
- **Achieve strategic organizational transformation:**
  - Open
  - Limited damage to the Council’s reputation; minor one-off negative local publicity or visible
  - Some negative publicity or short-term damage to the Council’s reputation at a national or regional level
- **Maintain public confidence:**
  - Cautious
  - Some attention from minor stakeholders with little to no publicity, but able to be limited damage to the Council’s reputation; minor one-off negative local publicity or visible
  - Some negative publicity or short-term damage to the Council’s reputation at a national or regional level
  - Negative publicity or damage to the Council’s reputation at a national or regional level
  - Significant and sustained negative publicity or damage to the Council’s reputation at a national or regional level
<table>
<thead>
<tr>
<th>Risk Rating Criteria</th>
<th>Template Page 4 of 4</th>
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<tbody>
<tr>
<td></td>
<td>resolved by routine management processes without impact to the Council’s reputation</td>
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</table>

| Deliver work programmes | Cautious | No key projects late; >85% of non-critical work completed | 1-3 key projects late; >85% of non-critical work completed | 3-5 key projects late; 70-85% of non-critical work completed | 5-10 key projects late; 50-70% of non-critical work completed | >10 key projects late; <50% of non-critical work completed |

| Maintain legal compliance | Minimalist | Breaches of a technical nature that do not expose the Council to legal action and can be managed through routine activities | Breach resulting in exposure to civil action | Breach resulting in threats of: legal action (civil and criminal), investigation by an administrative body, registrations, licenses or permits being revoked, adverse comments made in relevant inspections, reports or inquiries | Breach resulting in ministerial inquiry, warnings to senior management, fines or litigation greater than $500,000, registrations, licences or permits being revoked or closure of a few key services | Breach resulting in parliamentary scrutiny, prosecution, imprisonment, fines or litigation greater than $1 million or closure of multiple services |

| Operate within financial targets | Averse |

**Control Effectiveness Rating**

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<th>Control Rating</th>
<th>Descriptor</th>
<th>Definition</th>
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<td>High</td>
<td>Control operating effectively, no deficiencies noted</td>
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<td>2</td>
<td>Medium</td>
<td>Some deficiencies in the control have been identified however there are compensating controls to cover identified faults</td>
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<td>1</td>
<td>Low</td>
<td>Significant control deficiencies have been identified</td>
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<td>Business Unit</td>
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<td>Cause of Risk Occurring</td>
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<td>Inability to meet demands for procuring funding from authority</td>
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<td>Environmental Services &amp; Monitoring Group</td>
<td>Failure to obtain/maintain environment health service</td>
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<td>Environmental Services &amp; Monitoring Group</td>
<td>Inability to provide necessary provision of facilities for the older population</td>
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<td>Changes in public attitudes to solid waste</td>
<td>Public more aware of the need to reduce landfill</td>
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<tr>
<td>Solid Waste Group</td>
<td>Increase of tonne rate for waste taken to the landfill</td>
<td>Unique emissions trading scheme - current rate of per tonne</td>
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<tr>
<td>Solid Waste Group</td>
<td>Inadequate collection systems for waste</td>
<td>Lack of funds to support additional costs</td>
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<tr>
<td>E.G. MDC Business Unit</td>
<td>Fire - causes: electrical faults, faulty equipment, and unattended fires.</td>
<td>Major Event</td>
</tr>
<tr>
<td>E.G. MDC Business Unit</td>
<td>Weather changes can cause changes in crop yields and soil conditions.</td>
<td>Climate Change</td>
</tr>
</tbody>
</table>

**ATT3 Draft Risk Register v 0.2 Page 4 of 10**

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**Forecasting Assumptions**

- Major changes in resource consent conditions for new/upgraded infrastructure and also renewed resource consent
- Changes to the plan/authority/resource consent may result in consent issued with higher standards or tightening of existing consent conditions. Those contained in the Council Asset Management Plan.
- Additional financial risk to the project to apply for new resource consent.
- Operating in breach of consent would involve legal implications and potential fines.
- Changes to levels of service and standard of operation. Extra conditions may mean new works are delayed.

**Financial, Human Resources, Service Delivery, Business Continuity, Reputation, Strategic, Legal Compliance**

- Name or title of team member responsible for risk

**Risk Information**

- Forecasting Assumptions
  - Increased costs: Inflation rates differ significantly from forecasts.
  - Increased costs: Operating in breach of consent would involve legal implications and potential fines.
  - Changes to levels of service and standard of operation. Extra conditions may mean new works are delayed.

**Infrastructure Strategy**

- Infrastructure assets (including roads) would be damaged and delivery of services interrupted.
- Major Event: Health risks to communities from the absence of water and sanitary services.
- Infrastructure assets would be damaged and delivery of services interrupted.

**Vicky's Risk Register/LTP**

- Roading Group: Increase in Ageing population
- Financial, Human Resources, Service Delivery, Business Continuity, Reputation, Strategic, Legal Compliance

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**ATT3 Draft Risk Register v 0.2 Page 44**
<table>
<thead>
<tr>
<th>Business Unit</th>
<th>Risk Description/Risk Event Statement</th>
<th>Cause of Risk Occurring</th>
<th>Possible Impact/Consequence of Risk Occurring</th>
<th>MDC Strategic Objectives Affected</th>
<th>Risk Category</th>
<th>Risk Owner</th>
<th>Source of Risk</th>
<th>Page No</th>
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<td>Build People &amp; Culture, Achieve purposeful growth and development, Achieve positive social impact and measures, Achieve strategic organisational transformation, Achieve strategic organisational transformation, Maintain public confidence, Deliver work programmes, Maintain legal compliance, Operate with financial integrity</td>
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<td>Premises are damaged/destroyed because water was not available for firefighting.</td>
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<td>Supply of water is not sufficient to meet demand</td>
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<td>Health hazard to residents - Feilding, Rongotea and Sanson</td>
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<td>AMP 3 Waters P62</td>
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<td>Asset life shortened - Feilding and the Community</td>
<td>Supply of water is not sufficient to meet demand</td>
<td>AMP 3 Waters P65</td>
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<td>Major failures of old facilities - Feilding and the Community</td>
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**RISK INFORMATION**

| Water Supply Group          | Water shortage across Himatangi Beach                                       | Supply of water is not sufficient to meet demand               | AMP 3 Waters P242                      |                                                  |                |            |                |
| Water Supply Group          | Water shortage across Sanson                                               | Supply of water is not sufficient to meet demand               | AMP 3 Waters P243                      |                                                  |                |            |                |
| Water Supply Group          | Water shortage across Stanway-Halcombe                                      | Supply of water is not sufficient to meet demand               | AMP 3 Waters P244                      |                                                  |                |            |                |
| Water Supply Group          | Water shortage across Waituna West                                          | Supply of water is not sufficient to meet demand               | AMP 3 Waters P244                      |                                                  |                |            |                |
| Stormwater Group            | Stormwater not available for properities - Feilding, Rongotea and Sanson    | Supply of water is not sufficient to meet demand               | AMP 3 Waters P245                      |                                                  |                |            |                |
| Stormwater Group            | Stormwater not available for properities - Feilding, Rongotea and Sanson    | Supply of water is not sufficient to meet demand               | AMP 3 Waters P245                      |                                                  |                |            |                |
| Stormwater Group            | Stormwater not available for properities - Feilding, Rongotea and Sanson    | Supply of water is not sufficient to meet demand               | AMP 3 Waters P245                      |                                                  |                |            |                |
| Stormwater Group            | Stormwater not available for properities - Feilding, Rongotea and Sanson    | Supply of water is not sufficient to meet demand               | AMP 3 Waters P245                      |                                                  |                |            |                |
## RISK INFORMATION

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<th>Business Unit</th>
<th>Risk Description/Risk Event Statement</th>
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<th>RIS Strategic Objectives Affected</th>
<th>Risk Category</th>
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<th>Source of Risk</th>
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<td>Community Facilities Group</td>
<td>Loss of access to a building for more than 3 months</td>
<td>Fire or conditons</td>
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<td>Community Facilities Group</td>
<td>Poor asset design</td>
<td>Safety issues</td>
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<td>Recruving of one of the facilities</td>
<td>Lack of training of staff, insufficient guidance to meet minimum requirement</td>
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<td>Safety issues</td>
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<td>Community Facilities Group</td>
<td>Poor water quality (e.g. contamination or infection)</td>
<td>Poor operations procedures and inefficient water testing carried out</td>
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<td>Community Facilities Group</td>
<td>Unsystematic planning &amp; implementation of works</td>
<td>Ineffective chemical handling procedures and inadequate monitoring and testing</td>
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<td>Community Facilities Group</td>
<td>Not having a full knowledge of the conditions and remaining work for the purpose of the works</td>
<td>Inefficient asset management which results in mismanagement of assets, performance or condition</td>
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<tr>
<td>Community Facilities Group</td>
<td>Limitations on the opportunities for the delivery and implementation of projects to manage risk, services and programs</td>
<td>Inefficient management of software and infrastructure, inability to keep up to date with rapid changes in technology and meeting customer demands</td>
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<td>Community Facilities Group</td>
<td>Failure of control systems</td>
<td>Ineffective planning and management</td>
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<td>Community Facilities Group</td>
<td>Safety facility failure</td>
<td>Adequate maintenance or not structurally sound to meet required service standard</td>
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<td>Operation and use of parks, reserves, public conveniences and reserves</td>
<td>Inadequate management and planning</td>
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<td>Community Facilities Group</td>
<td>Local market diminished due to monopoly supplier and bundling of regional contracts</td>
<td>Incomplete or inaccurate planning</td>
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<td>Roading Group</td>
<td>Inadequate condition/performance assessments</td>
<td>Incomplete or inaccurate planning and monitoring</td>
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<td>Inadequate Footpath Accessibility</td>
<td>Failure to recognise changing modal choice e.g. mobility scooter use</td>
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<td>Improper condition assessments</td>
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RIS Strategic Objectives:
- Increase operational efficiency
- Achieve operational effectiveness
- Reduce costs and improve service delivery
- Enhance community engagement
- Maintain public confidence
- Deliver work programmes
- Maintain legal compliance
- Enhance with financial targets

Risk Category:
- RIS
- High
- Moderate
- Low

Source of Risk:
- RIS
- Major
- Minor

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<table>
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<th>Risk Description/Risk Event Statement</th>
<th>Cause of Risk Occurring</th>
<th>Possible Impact/Consequence of Risk Occurring</th>
<th>MDC Strategic Objectives Affected</th>
<th>Risk Category</th>
<th>Risk Owner</th>
<th>Source of Risk</th>
<th>Page No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roading Group</td>
<td>Ineffective working relationship with utilities</td>
<td>Ineffective working relationship with utilities</td>
<td>Utilities dig-up roads soon after resealing or other new work has been completed</td>
<td>Build People &amp; Culture, Achieve purposeful growth and development</td>
<td>Risk Category</td>
<td>Risk Owner</td>
<td>Source of Risk</td>
<td>Page No</td>
</tr>
<tr>
<td>Infrastructure Group</td>
<td>Underestimating effects of climate change</td>
<td>Underestimate the size, speed and extent of those changes</td>
<td>Potential under-design and capacity failures during natural weather events</td>
<td>Flood damage and asset failure</td>
<td>Risk Category</td>
<td>Risk Owner</td>
<td>Source of Risk</td>
<td>Page No</td>
</tr>
<tr>
<td>Roading Group</td>
<td>High winds, heavy rainfall, or snow events</td>
<td>Weather-related issues</td>
<td>Weather-related issues</td>
<td>Reduced performance of infrastructure and industries, reduced economic activity, infrastructure failure, or economic impacts of extreme weather events</td>
<td>Risk Category</td>
<td>Risk Owner</td>
<td>Source of Risk</td>
<td>Page No</td>
</tr>
<tr>
<td>Roading Group</td>
<td>Loss of resources</td>
<td>Turn-over of internal senior staff</td>
<td>Turn-over of internal senior staff</td>
<td>Loss of internal knowledge</td>
<td>Risk Category</td>
<td>Risk Owner</td>
<td>Source of Risk</td>
<td>Page No</td>
</tr>
<tr>
<td>System back-up</td>
<td>IT failure</td>
<td>Data loss</td>
<td>Data loss</td>
<td>Loss of data</td>
<td>Risk Category</td>
<td>Risk Owner</td>
<td>Source of Risk</td>
<td>Page No</td>
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<tr>
<td>Resources</td>
<td>Resource impact on inspection of Food Premises and meeting KPI targets</td>
<td>General Observation</td>
<td>General Observation</td>
<td>Resource impact on inspection of Food Premises and meeting KPI targets</td>
<td>Risk Category</td>
<td>Risk Owner</td>
<td>Source of Risk</td>
<td>Page No</td>
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<tr>
<td>Resources</td>
<td>Availability of internal senior staff</td>
<td>Resource impact on inspection of Food Premises and meeting KPI targets</td>
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</table>
Insurance Policies Held by Council

Purpose

To present information on the insurance policies held by Council.

Significance of Decision

The Council’s Significance and Engagement policy is not triggered by matters discussed in this report.

Recommendations

That the Audit and Risk Committee receive the report.

Report prepared by:
Shayne Harris
General Manager - Corporate and Regulatory

Approved for submission by:
Shayne Harris
General Manager - Corporate and Regulatory

1 Contribution to the Council Vision and Council Outcomes

1.1 Relationship to the Council Outcomes that underpin the Council’s Vision:

*Connected, vibrant and thriving Manawatu – the best rural lifestyle in New Zealand*

<table>
<thead>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

51
2 Background

2.1 Manawatu District Council's (MDC) insurances portfolio is negotiated as a shared service through the Manawatu-Wanganui Local Authority Shared Service (MWLASS).

2.2 The core seven the Councils collaborate together to source the most cost-effective insurance as a single entity but each Council has its own portfolio.

2.3 The Councils tender and appoint a broker to represent them and give advice over a three year term. The current broker is Aon New Zealand.

3 Discussion and Options considered

MDC Insurance Framework

3.1 The biggest insurance cover for Council is the material damages cover. It extends over a large range of assets and some years ago an assessment was carried out on the claims that were being made against the cover. The results indicated that we were not making significant claims. This prompted us to review the deductible threshold for this cover against the premiums being paid.

3.2 A decision was made to raise the deductible to $100,000 and to self-insure to that level. That threshold was judged to be the most cost effective between self-insurance risk and savings in premium.

3.3 MDC has a separate insurance fund that covers the material damages claims up to $100,000.

Council Cover

<table>
<thead>
<tr>
<th>Coverage</th>
<th>$ Amount</th>
<th>$ Deductible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Material Damage (Fire)</td>
<td>30,000,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Statutory Liability</td>
<td>2,000,000</td>
<td>500</td>
</tr>
<tr>
<td>Business Interruption</td>
<td>3,850,000</td>
<td>nil</td>
</tr>
<tr>
<td>Employee Liability</td>
<td>2,000,000</td>
<td>nil</td>
</tr>
<tr>
<td>Material Damages</td>
<td>Various up to 1,000,000</td>
<td>various</td>
</tr>
<tr>
<td>Motor vehicle</td>
<td>To market value</td>
<td>500</td>
</tr>
<tr>
<td>Crime</td>
<td>1,000,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Public / General liability</td>
<td>50,000,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Professional indemnity</td>
<td>50,000,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Personal accident and illness</td>
<td>25,000</td>
<td>nil</td>
</tr>
<tr>
<td>Underground assets</td>
<td>200,000,000</td>
<td>Up to $1,000,000 but could be more</td>
</tr>
</tbody>
</table>

4 Operational Implications

4.1 There are no capital / operating expenditure implications or maintenance costs associated with this paper.

5 Financial implications

5.1 There are no unbudgeted financial implications associated with this paper.
6  Statutory Requirements

6.1  Although there is no significant legal requirement for the Council to provide adequate insurance cover for its assets, it is considered prudent to make best endeavours to provide appropriate and cost effective levels of cover to enable Council to demonstrate good stewardship of its assets.

7  Delegations

7.1  The Council delegated to the Audit and Risk Committee the responsibility for:

Risk management and the system of internal controls, including:

a.  setting the Council’s appetite for risk;

b.  understanding the key risk areas including likelihood and consequences;

c.  effectiveness of internal controls; and

d.  fraud risk and procurement risk.

8  Consultation

8.1  There are no community consultation requirements associated with this report.

9  Cultural Considerations

9.1  There are no cultural considerations associated with this report.

10  Conclusion

10.1  This report provides an update to the Audit and Risk Committee on the level of insurance cover held by the Council.

11  Attachments

•  There are no attachments.
Manawatu District Council Fraud Policy and Sensitive Expenditure Policy

Purpose
To present the Manawatu District Council’s Fraud Policy and Sensitive Expenditure Policy for information.

Significance of Decision
The Council’s Significance and Engagement policy is not triggered by matters discussed in this report.

Recommendations
That the Audit and Risk Committee receive the report of the General Manager – Corporate and Regulatory dated 7 August 2017 presenting the Manawatu District Council’s Fraud Policy and Sensitive Expenditure Policy for information.

Report prepared by:
Allie Dunn
Governance Team Leader

Approved for submission by:
Shayne Harris
General Manager - Corporate and Regulatory
1 Contribution to the Council Vision and Council Outcomes

1.1 Relationship to the Council Outcomes that underpin the Council’s Vision:

**Connected, vibrant and thriving Manawatu – the best rural lifestyle in New Zealand**

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</tr>
</thead>
</table>

2 Background

2.1 As part of its suite of management policies, the Council has a Fraud Policy and a Sensitive Expenditure Policy.

2.2 Every employee of Manawatu District Council is required to read each of the policies and to sign that they have read and understood these.

2.3 The Audit and Risk Committee asked that the Fraud Policy and the Sensitive Expenditure Policy be reported to them for review.

3 Discussion and Options considered

3.1 The Council’s Fraud Policy was last updated in May 2012. A copy of the current version is attached for information.

3.2 The Council’s Sensitive Expenditure Policy was last updated in August 2015. A copy of the current version is attached for information.

4 Operational Implications

4.1 There are no capital / operating expenditure implications or maintenance costs associated with this paper.

5 Financial implications

5.1 There are no direct financial implications associated with this paper.

6 Statutory Requirements

6.1 There are no statutory requirements associated with this paper. However the practice of identifying risks and determining how risks will be managed assists Council in maintaining legal compliance. In developing its Risk Appetite Statement, the Council recognised the need to place high importance on compliance, regulation and public protection and determined that it had no appetite for breaches in statute and regulation.
7 Delegations

7.1 The Terms of Reference for the Audit and Risk Committee include the responsibility for Risk management and the system of internal controls, including setting the Council’s appetite for risk, understanding the key risk areas including likelihood and consequences, considering the effectiveness of internal controls; and fraud risk and procurement risk.

8 Consultation

8.1 There are no community consultation requirements associated with this report.

9 Cultural Considerations

9.1 There are no cultural considerations associated with this report.

10 Conclusion

10.1 The Council’s management policies relating to fraud and sensitive expenditure are provided for information purposes.

11 Attachments

- Appendix 1 – Manawatu District Council – Fraud Policy
- Appendix 2 – Manawatu District Council – Sensitive Expenditure Policy
Fraud Policy

Original Policy Dated: 10/06/2008
Policy Updated/Reconfirmed: 8/05/2012 (U)

Policy
The purpose of this policy is to ensure that any cases of suspected fraud or corruption are dealt with appropriately, in order to protect the assets, reputation and staff of Manawatu District Council.

Unauthorised possession (theft/robbery), unauthorised use, misappropriation, fraud, corruption, impropriety and dishonesty are unacceptable at the Manawatu District Council. Council treats this behaviour seriously and will investigate all suspected instances whether these involve Council employees or representatives, or external parties.

The Manawatu District Council Employment Policies and Information and in particular the House Rules outline the behaviours expected of staff at all times. Fraud is regarded and treated as a serious breach of House Rules and will be subject to disciplinary action which may result in dismissal.

Definitions
Fraud is the deliberate practice of deception in order to receive unfair, unjustified or unlawful gain and, for the purposes of the policy, includes forms of dishonesty. Within this definition, examples of fraud may include, but are not limited to:

- unauthorised possession or use, or misappropriation of funds or other assets
- impropriety in the handling or reporting of money or financial transactions
- forgery or alteration of any document or computer file/record belonging to the Manawatu District Council
- forgery or alteration of a cheque, bank draft or any other financial instrument
- bribery, corruption or coercion
- destruction, removal or inappropriate use/disclosure of records, data, materials, intellectual property or assets for gain
- any similar or related inappropriate conduct

Corruption is the lack of integrity or honesty (especially susceptibility to bribery) or the use of a position of trust for dishonest gain. Examples of when corrupt conduct occurs include:

- a member of staff improperly uses, or tries to improperly use, the knowledge, power or resources of their position for personal gain or the advantage of others
- a member of staff acts dishonestly or unfairly, or breaches public trust
- a member of the public influences, or tries to influence, a member of staff to use their position in a way that is dishonest, biased or breaches public trust
All agreements for/with all agency staff, seconded personnel, contractors and consultants should contain an express obligation on them to comply with this policy.

This policy distinguishes between fraud and error. Within this definition, “error” refers to an unintentional misstatement of information, such as financial information, including the omission of an amount or a disclosure.

If there is any question as to whether an action constitutes fraud, unauthorised possession or corruption, contact the Support Services Group Manager.

Application
This policy applies to:

- staff of Manawatu District Council
- any contractor or consultant who agrees to be covered by this policy under the terms of their engagement agreement
- temporary staff supplied through an agency
- seconded personnel

All agreements relating to agency staff, seconded personnel, contractors and consultants should contain an express obligation on them to comply with policy.

This policy does not apply to:

- minor fraud perpetrated by the public against Manawatu District Council. For example, providing wrong information on a licence application
- Councillors, who are subject to provisions within the Local Authorities (Members' Interests) Act 1968, the Local Government Act 2002, and Manawatu District Council’s Code of Conduct for Elected Representatives

This policy should be read alongside the Council’s Protected Disclosure policy.

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

The Manawatu District Council will treat all suspected instances of Fraud or Corruption by Council employees, representatives or external parties very seriously, and:

- will investigate all suspected instances of Fraud or Corruption by Council employees, representatives or external parties. Any proven allegations of Fraud or Corruption will be treated as serious misconduct and/or serious breach (as applicable), and may result in summary dismissal of an employee, or the immediate termination of a representative's contract with the Council
will seek to recover funds/assets lost through this behaviour wherever possible and practicable

where the behaviour could amount to an illegal activity, will refer that behaviour to the NZ Police at an appropriate time during the investigation process and/or any subsequent disciplinary process

is committed to developing and maintaining processes and procedures to prevent and detect fraud and corruption

Auditing

Internal audits will be carried out.

Procedures for reporting and investigating allegations of fraud

1 Any person to whom this policy applies, who believes on reasonable grounds that fraud is being, or has been, committed in the Manawatu District Council, shall report the matter following the procedure set out in the Manawatu District Council’s Protected Disclosure Policy. (NB: This policy was developed to comply with the statutory provisions of the Protected Disclosures Act 2000).

2 A person who believes that fraud is being, or has been committed in the Manawatu District Council must not attempt to conduct an investigation personally or to conduct any interviews or interrogations personally.

3 The authorities and procedures for the investigations of allegations of fraud are set out in the Manawatu District Council’s Protected Disclosure Policy.

4 The protections in respect of staff who report allegations of fraud under this policy are as set out in the Manawatu District Council’s Protected Disclosure Policy.

5 In dealing with allegations and cases of fraud, the Manawatu District Council will take account of the principles and procedures advocated by Audit New Zealand wherever appropriate.

6 Any cases of suspected fraud will be reported by the Chief Executive, via the Support Services Group Manager, to the Manawatu District Council’s external auditors as soon as practicable.
Sensitive Expenditure Policy

Original Policy Dated: 23 April 2012
Policy Updated/Reconfirmed: 08/05/2012 (U); 18/08/2015 (U)

Purpose

This policy addresses issues referred to in the Controller & Auditor-General’s good practice guide, ‘Controlling sensitive expenditure: Guideline for public entities’ (February 2007).

The purpose of this policy is to:

- set out clearly the principles and decision guidelines for sensitive expenditure
- set out clearly defined parameters for sensitive expenditure
- ensure that sensitive expenditure is assessed, authorised and reviewed consistently for all staff and elected members

Definitions

Conflicts of interest exist when staff duties or responsibilities to Council could be, or could perceived to be, affected by some other separate interest or duty. Conflicts of interest can have both legal and ethical dimensions.

Credit card has the normal meaning, but should be read as applying to vehicle fleet cards, purchase cards, and equivalent cards used to obtain goods and services before payment is made.

Proper and prudent behaviour, in relation to expenditure, includes identifying and managing conflicts of interest (or situations with the potential to be perceived as conflicts of interest); being fair, honest, transparent, circumspect, and careful to avoid undesired consequences; and being accountable for complying with organisational controls over expenditure.

Sensitive Expenditure is expenditure by Council that provides, has the potential to provide, or has the perceived potential to provide a private benefit to an individual staff or elected member, that is additional to the business benefit to Council of the expenditure. It also includes expenditure by Council that could be considered unusual for Councils purpose and/or functions.

Application

This policy applies to:

- staff of Manawatu District Council
- any contractor or consultant who agrees to be covered by this policy under the terms of their engagement agreement
- temporary staff supplied through an agency
- seconded personnel

All agreements relating to agency staff, seconded personnel, contractors and consultants should contain an express obligation on them to comply with policy.

This policy does not apply to:
items of sensitive expenditure specifically provided for by employment agreements
• severance payments
• the tax implications, if any, of either private or organisational benefits obtained from sensitive expenditure
• Councillors, who are subject to provisions within the Local Authorities (Members’ Interests) Act 1968, the Local Government Act 2002, and Manawatu District Council’s Code of Conduct for Elected Representatives

This policy should be read alongside the Council’s Protection Disclosures policy.

Policy

1. Principles applicable to sensitive expenditure

Council is spending public money – it is not the property of staff or elected members to do with as they please. Consequently, all expenditure should be subject to a standard of probity and financial prudence that is to be expected of a local authority and be able to withstand public scrutiny.

Those standards apply the principle that expenditure decisions:

• have a justifiable business purpose.
• preserve impartiality.
• are made with integrity.
• are moderate and conservative, having regard to the circumstances.
• are made transparently.
• are appropriate in all respects.

In practice, an authorised staff member will make the decision on and/or payment for each item of sensitive expenditure. They will need to exercise careful judgement in accordance with these principles and this policy. This will always be about balance in the particular context. The principles must also be applied as a set as all are equally important.

2. Deciding when sensitive expenditure is appropriate

The quantity of money spent on an item of sensitive expenditure may be small relative to Council’s total expenditure. However, each sensitive expenditure decision is important, because improper expenditure could harm the reputation of, and trust in, the Council as well as local authorities in general.

In deciding what appropriate sensitive expenditure is, Council staff and elected members need to take account of both individual transactions and the total amount of sensitive expenditure.

Even when sensitive expenditure decisions can be justified at the item level, the combined amount spent on a category of expenditure may be such that, when viewed in total, the entity could be criticised for extravagance and waste.
3. The responsibilities of the Mayor, Councillors and Executive Team

To be truly effective, this sensitive expenditure policy, procedures and other controls must be embedded in the Council’s values, practices and business processes. When this occurs, everyone at Council becomes involved in the proper and prudent management of sensitive expenditure.

Overall responsibility for this policy rests with those at the top of Council, the Mayor, Councillors and Executive Team. This group must make it clear to staff what is and is not acceptable sensitive expenditure. This group also must model those behaviours to the highest standard.

4. Good controls and judgement

Overall responsibility for this policy rests with those at the top of Council, the Mayor, Councillors and Executive Team. This group must make it clear to staff what is and is not acceptable sensitive expenditure. This group also must model those behaviours to the highest standard.

While the good controls at Council will assist good sensitive expenditure decisions, good judgement will also be required. This is because it is not possible or desirable to attempt to set rules for every possible situation that may arise. In the absence of a specific rule for a given situation, the Mayor, Councillors and the Executive Team are expected to exercise good judgement by taking the principles in this policy into account in the context of the given situation.

The Mayor, Councillors and the Executive Team are required to ensure transparency in both sensitive expenditure and remuneration systems, to avoid any trade-off between the two. Items of expenditure that may not be justified under the principles of this policy should not be included as part of an employee’s remuneration for the purposes of avoiding scrutiny against sensitive expenditure principles.

5. General controls for sensitive expenditure

Approval of sensitive expenditure

Approval of sensitive expenditure should be:

- given only where the person approving the expenditure is satisfied that a justified business purpose and other principles have been adequately met
- given before the expenditure is incurred, wherever practical
- made within delegated authority in accordance with the Delegations Manual and only where budgetary provision exists
- given by a person senior to the person who will not benefit or might be perceived to benefit from the expenditure, wherever practical. Where this is not possible, this fact should be recorded, and any such expenditure should be subject to some form of monitoring
- given only where the person approving the expenditure is satisfied the expenditure support the Council’s Vision and Values

In the case of the Executive Team the ‘one-up’ principle must be applied to the maximum extent possible. However, there will be some instances where an alternative approach will be required because there is no more senior person. In such instances, it is essential that there should be no
reciprocal arrangement for approving sensitive expenditure. For the Chief Executive, the Mayor will sign off the credit card expenditure. The Mayor does not have a credit card.

In the case of expenditure incurred by the Mayor or other elected officials (not explicitly approved by Council), this is subject to review by the Chief Executive for compliance with this policy.

Claims relating to sensitive expenditure

Claims relating to sensitive expenditure need to:

- clearly state the business purpose of the expenditure - where this is not clear from the supplier documentation supporting the claim, a written statement of the purpose should be included as part of the claim
- be accompanied by adequate original (not photocopied) supporting documentation, such as tax invoices or other validating documentation – credit card statements and EFTPOS receipts do not constitute adequate documentation for reimbursement
- document the date, amount, description, and purpose for minor expenditure (<$20) when receipts are not available
- be submitted promptly after the expenditure is incurred. Except in exceptional circumstances, this means within one month of the expenditure being incurred

The Mayor, Councillors and staff are, in accordance with the principles of this policy, required to exercise prudent judgement regarding all Council related expenditure.

6. Issue and operation of Council credit cards

Using credit cards is not a type of sensitive expenditure but is a common method of payment for such expenditure. This policy is designed to minimise the risks associated with their use namely:

- inappropriate business-related expenditure (in both quantity and type)
- to obtain cash for a business purpose, with subsequent expenditure being poorly documented or justified
- for personal benefit, by obtaining cash or paying for personal items

Eligibility for credit cards

The following sets out who is eligible for a credit card:

- the Chief Executive and General Managers authorised under this policy
- the Chief Executive may approve the issue of additional cards to staff where that is appropriate. Before authorising the issuing of additional cards the Chief Executive must be satisfied that they are strictly necessary to cover either regular travel or are to be used for administrative efficiencies eg. payment of properly authorised purchases from overseas

Use of credit cards
• In approving the issue of a card, the Chief Executive will confirm the approved credit limit. The credit limit will be set based on the minimum amount necessary to enable the cardholder to undertake their Council duties. The credit card limit for the Chief Executive shall be set at $10,000 and $5000 for General Managers.

• The Chief Executive will be responsible for monitoring all credit card use on a monthly basis. The approval process must be structured in accordance with Section 5. The cardholder will code items for posting in the accounting system. Credit card payments must be authorised like other invoices and in accordance with the Delegation Manual.

• On the card holder’s termination of employment the card will be returned to the Principal Financial Adviser who will arrange with the bank to cancel the card, physically destroy the card and confirm this to the Chief Executive.

• The use of Council credit cards for private expenditure or credit is prohibited except in exceptional circumstances, where prior approval is required from the Chief Executive. In these rare cases, the expenditure is to be fully reimbursed to Council prior to the monthly credit card payment being due.

• All credit card transactions must be supported by original documentation to explain and collaborate transactions. The business reason and other parties (if any) must be recorded along with the purpose of the meeting for all entertainment and travel transactions.

Credit cards may not be used to obtain cash advances unless:

• cash is required in an emergency (usually related to travel on Council business).

• cash is required for official purposes (in rare circumstances) and there has been express prior approval. This approval process must be structured in accordance with Section 5 above

• the unauthorised use or the misuse of a Council credit card is treated as a serious misconduct that will result in formal disciplinary action being taken. For repeat offenders or where the breach of this policy is significantly serious, the card will be automatically cancelled and subject to procedures under Council’s Discipline Policy

Credit card payments over the internet need to reflect good security practice:

Credit card payments over the internet need to reflect good security practice, such as purchasing from only established reputable companies known to Council. The cardholder must keep a copy of any online order forms and invoice to support the payment.

Online purchases must comply with Council’s normal purchasing policies and controls.

7. Travel and accommodation expenditure

Principles

Elected officials and Council staff may need to incur travel and accommodation costs while conducting Council business elsewhere in New Zealand or overseas. The principles of a justified business purpose, moderate and conservative expenditure, are particularly relevant for travel and accommodation expenditure.
Travel and accommodation expenditure should be economical and efficient, having regard to purpose, distance, time, urgency and personal health, security and safety considerations.

Where travel arrangements are extended to accommodate personal arrangements, all costs in addition to those that would be expected for the business component of the trip are the responsibility of the staff member or elected official. Travel costs of accompanying spouses, partners, or other family members will be the personal responsibility of the staff member or elected official.

**Air travel**

To the extent practical, air travel is to be booked well ahead of the actual travel date, so the expenditure is the most cost-effective possible.

Discounted economy or economy class and/or a discount airline is to be the first choice for journeys where the uninterrupted flight time is at least four hours or less, except where the distance or hours travelled, work schedule on arrival, or personal health, safety or security reasons make business class preferable. In all circumstances, first class travel is prohibited.

Council payment for membership of airline travel clubs e.g. Koru Club requires the express approval of the Chief Executive. Membership must be supported by a clear business purpose and reviewed annually.

**Air points** (from loyalty schemes) accruing to staff and elected officials carrying out their official duties remain the benefit of the Council, provided the use of carriers supplying air points does not result in Council incurring additional costs. Air points may be used by individuals as a quid pro quo for time of travel outside work hours and in recognition that membership of air points is an individual choice. Staff are required to book travel through the centralised travel process administrated by Customer Services.

**Meals and accommodation** when travelling

To the extent practical, accommodation is to be booked well ahead of the actual travel date, so the expenditure is the most cost-effective possible. This must take into account the location of the accommodation relative to the event, the standard of the accommodation and security issues.

Where Elected officials and Council staff choose to stay privately and where this will not significantly result in extra travel or other costs being incurred, a daily allowance of $50 per night may be claimed to allow a gift or contribution to be given to the host.

Council will not reimburse mini-bar/video expenses.

All charges for business related telephone calls, faxes, email and internet access made by Council staff or elected official while travelling on Council business will be reimbursed. Council will also pay for one toll call home (10-15 minutes) each day while staff are travelling on Council business.

Accommodation ‘check out’ times are to be observed. In the absence of extenuating circumstances, any additional costs incurred as a result of failing to check out on time are the responsibility of the staff member or elected official.

Reasonable expenses will be met for unexpected events eg. overnight expenses due to a cancelled plane flight.
Where meals are required while travelling, ‘actual and reasonable’ meal expenses may be claimed which includes alcoholic drink (generally one or two drinks). Claims need to be supported by receipts. Separate meal expenses may not be claimed if a meal has been provided as part of the meeting, conference, training etc.

8. Motor Vehicles and Taxis

Council requires that the most economical type and size of rental car be used, consistent with the requirements (including the distance and number of people) of the trip. Rental cars are only available for business conducted outside the district. Any fines (parking or traffic offences) incurred while using a rental vehicle are the responsibility of the driver.

Private use of a rental car is only permitted in exceptional circumstances (such as reasonable weekend use when the driver is away from home and undertaking work for Council before and after the weekend) and requires the express approval of a General Manager or Chief Executive. All additional costs as a result of private use are the responsibility of the employee or elected official.

Council expects the use of taxis to be moderate, conservative and cost effective relative to other transport options. Wherever practicable shuttle or bus services are to be used in lieu of taxis. Council funded taxis are not available for travel between home and office.

Taxi cards are only to be issued in an individual’s name and require the express approval of a General Manager or Chief Executive. All use of taxi cards/chits is to be transparent with the purpose of each trip recorded on the account.

Council vehicles (except those provided explicitly under a remuneration arrangement) are not available for private use. Any fines (parking or traffic offences) incurred while using a Council vehicle are the responsibility of the driver unless the fines relate to an aspect of the condition of the vehicle outside the driver’s control. Full details on the provision of use of Council vehicles are contained in the Council’s ‘Vehicle Policy’.

Generally, Council will not pay for travel by private motor vehicle where travel by other means is more practical and cost effective. Staff are expected to use a Council vehicle for Council business if one is available. Approval in advance via e-mail from the General Manager is required in all instances where reimbursement by Council is claimed. Where the General Manager has approved use of a private vehicle, mileage reimbursement for running costs will be made in accordance with the current Council ‘Vehicle Policy’. All reimbursement claims for use of a private motor vehicle must be made on Council’s expenses claim form located on the intranet (under Finance). Staff should attach the ‘approval e-mail’ to the expense claim.

The vehicle owner must ensure that they have appropriate insurance cover for the vehicle while it is being used on Council business. Any fines (parking or traffic offences) incurred while using a private vehicle on Council business are the responsibility of the driver.

Council vehicles may be provided explicitly under a remuneration arrangement. In most instances, Council vehicles will be attached to a particular position and not to an individual (and therefore will not be provided for explicitly under a remuneration arrangement). In those cases, the following provisions apply in addition to those in Council’s ‘Vehicle Policy’.
• a vehicle provided to the Chief Executive (or any replacement) require the express approval of the Mayor. This approval will confirm the capital expenditure amount
• vehicles (or replacements) provided to other staff require the express approval of the Chief Executive. In determining whether a vehicle is provided and the type of vehicle, the Chief Executive will consider specific industry practices, market requirements, the job function, and Council’s vehicle replacement policy
• Any fines (parking or traffic offences) incurred while using a Council vehicle provided under a remuneration arrangement are the responsibility of the driver unless the fines relate to an aspect of the condition of the vehicle outside the driver’s control

9. Tipping
The probity issue associated with tipping is that it is discretionary and usually undocumented expenditure. Tipping should not in any circumstances be extravagant. The principle of moderate and conservative expenditure is particularly relevant.

Council will not reimburse staff or elected officials for tipping while they are on business in New Zealand. Council will reimburse staff and elected officials for low to moderate tipping during international travel only in places where tipping is local practice.

10. Other travel issues

The use of communication technology
Council expects that the use of communication technology equipment eg. cell phones, telephones, email and internet access should be moderate. Reasonable private use to clear email and communicate with family members is permitted.

Private travel linked with official travel
Staff and elected officials with the express approval of the Chief Executive or Mayor (as applicable) may undertake private travel before, during or at the end of Council travel, provided there is no additional cost to Council and the private travel is only incidental to the business purpose of the travel.

Travelling spouses, partners, or other family members
As a general principle, travel cost for accompanying spouses, partners or other family members are a personal expense and will not be reimbursed by Council. In those rare instances where the involvement of a spouse directly contributes to a clear business purpose and pre-approval has been obtained from the Chief Executive, then Council may contribute to all or part of the additional costs

The cost of stopovers
Council will only reimburse the cost of any stopover where they are pre-approved by the Chief Executive and have a clear business purpose.

11. Entertainment and hospitality expenditure
Entertainment and hospitality can cover a range of items from tea, coffee and biscuits to catering, such as meals and alcohol. It also includes non-catering related items, such as Council funded entry to sporting or cultural events.
Expenditure on entertainment and hospitality is sensitive because of the range of purposes it can serve, the opportunities for private benefit and the wide range of opinions on what is appropriate.

**Business purposes of entertainment and hospitality**

Five business purposes of entertainment and hospitality have been identified:

- building relationships
- representing the organisation
- reciprocity of hospitality where this has a clear business purpose and is within normal bounds – acceptance of hospitality is expected to be consistent with the principles and guidance for provision of hospitality
- recognising significant organisation achievement
- building revenue

In occasional circumstances, supporting the Council’s internal organisational development may also be a legitimate business purpose for moderate expenditure.

Given the many non-commercial functions of Council, there will only be limited justification for expenditure under some of the five purposes of entertainment and hospitality above, except in commercial business units.

The principles of a justified business purpose, moderate and conservative expenditure are particularly relevant to Council. Council requires tight control of expenditure and transparent reporting.

**Entertainment and hospitality expenditure**

Where practical, pre approval via email from the General Manager on all entertainment and hospitality expenditure is required. Approvals require clear documentation including the date, venue, costs, recipients and benefits derived and/or reasons for the event. The most senior person present should approve and confirm the expenditure as being appropriate.

**12. Goods and services expenditure**

**Disposal of surplus assets**

This section covers obtaining, disposing or using goods and services that are not covered by the terms and conditions of employment.

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

Council will not dispose of assets to staff or elected officials or related parties at a discounted rate if a greater net value is likely to be realised by an alternative method of sale.

The principles of preserving impartiality and integrity are particularly relevant. Council expects staff disposing of assets not to benefit personally from the disposal. All disposals are to be handled in a manner that ensures the staff’s personal judgement or integrity are not compromised.
To ensure transparency, fairness and receipt of best value for Council, the disposal of assets, which have become obsolete, worn out or surplus to requirements, shall normally be conducted on the open market or by way of trade-in on a replacement asset.

Where disposal to officers or elected officials is approved by the Chief Executive (or delegated by the Chief Executive), the following principles shall apply:

- Officers involved in disposing of the asset shall not benefit from the disposal
- All assets identified for disposal to officers shall be valued and subject to a tender or other process that is appropriate to the value of the asset
- Assets shall not be sold at a discounted rate to officers or elected officials if a greater value could be realised by an alternative method of disposal.

**Gifts and Loyalty Rewards**

For the purposes of this policy, ‘gift’ shall refer to any gift, loyalty reward or inducement.

A gift is usually given as a token of recognition of something provided by the recipient. The giving of gifts must be appropriate, transparent and reasonable.

The giving of gifts by Council requires the prior approval of the General Manager.

The receiving of a gift is not strictly ‘sensitive expenditure’; nevertheless, it is a sensitive issue. It is especially important that receiving a gift does not alter Councils or a staff member’s decision-making, as this could be perceived as acting without impartiality or integrity.

Any Staff contractor, who works on behalf of Council, or elected member, shall not accept any gift, reward or inducements arising from any transaction on behalf of Council. They shall be viewed as Council property and reported to the Chief Executive or General Manager and shall not be used for personal benefit or gain. This is to protect both the individual and the organisation from any perceived impartiality or potential inappropriate advantage.

The Chief Executive or General Manager shall consider the following points to determine the appropriate disposal of any gift, reward, discounts or inducements:

- If the value of the ‘gift’ is less than $100 for elected members, or less than $50 for staff, the Chief Executive/General Manager may allow the elected member/employee to keep the gift if considered appropriate.

- If the value of the gift is more than the value prescribed above, or is considered inappropriate for personal distribution (as above), the gift shall be registered with Human Resources. The Chief Executive/General Manager in conjunction with Human Resources may then distribute any such gifts including:
  - Internal staff rewards such as competition prizes where all staff have the opportunity of benefiting from the gift
  - Not for profit Community Groups and charity organisations
  - Discretionary allocation of a gift over $100/$50 to an elected member/staff member may be decided by the Chief Executive/General Manager. They will consider equity, association with provider and appropriateness of the person receiving the gift.
Under no circumstances should a gift be accepted from an organisation or individual who is involved in the process of negotiating or tendering for the supply of goods or services to the Council.

**Private use of Council assets**

Any physical item owned, leased or borrowed by Council is considered an asset for the purpose of this policy. This includes photocopiers, telephones, cell phones, laptops, iPads, cameras, means of accessing the Internet, and stationery.

The principles of transparency, moderate and conservative expenditure, are particularly relevant. Private use for personal purposes will only be permitted in limited circumstances. Staff should refer any proposed use to his/her General Manager to authorise private use.

Payment for the cost of personal use of assets is to be reimbursed to Council, unless the General Manager deems it is impractical or uneconomic to separately identify those costs. Staff should quote the correct GL code and make payment through Council’s Customer Services, attaching the receipt of payment to the account.

The use of Council assets in any private business that any employee or elected official may operate is strictly prohibited.

Staff provided with IT hardware and software to be housed at their place of residence to assist with Business Continuity Planning are permitted reasonable levels of private use of such equipment.

**Council use of private assets**

Council may decide that reimbursing staff for use of private assets is appropriate for reasons such as cost, convenience or availability. Council may also decide to do this in circumstances where it would not fully use an asset of the same type if it acquired it directly. Examples include private motor vehicles, private cell phones and private computers.

The main issue associated with Council’s use of private assets is the risk of the Council paying or reimbursing amounts that inappropriately benefit the staff member or elected official. Therefore, approval by the General Manager is required. In assessing the request, the General Manager will pay particular attention to the principles of a justified business purpose and preserving impartiality and integrity.

Staff members must not approve or administer payments to themselves for the Council’s use of their private assets.

**Private use of Council suppliers**

As staff may have access to some Council suppliers on the same basis as Council, they may receive preferential access to goods or services, and potentially at a preferential price, which is not available to the public (this is treated as private use of official procurement processes). The risk is that the availability of the discount to staff will influence the choice of Council suppliers. Council’s selection of suppliers must be in Council’s interest and decisions should not be affected by the availability or possibility of purchasing privileges for staff.
Staff may make use of any preferential access to goods or services through Council’s suppliers under the following conditions:

- Prior approval of the supplier by a General Manager is required
- Staff involved in the selection of preferred suppliers require General Managers express approval for all orders
- All purchases are to be processed through the Council’s purchase order system and coded to a specific GL number for reconciliation purposes
- All orders are to be issued on a cash sale basis only and the staff member must pay in full for the goods and services when invoiced from the supplier
- Council is not to be used as a source of credit
- Staff may not use Council purchasing privileges on behalf of any third party. This includes family members or friends

In rare circumstances, a Council order may cover expenditure with a personal component eg. Travel or accommodation booking. In this case, payment to Council for the personal component must be made on the confirmation of the cost or the receipt of the invoice from the supplier, whichever is received earliest.

Elected officials may have preferential access to goods or services through Council’s suppliers on the same basis as staff, provided there is no real or perceived conflict of interest.

**13. Staff support and welfare expenditure**

**Clothing**

Other than approved corporate clothing as per Council’s Corporate Uniform policy or health and safety-related clothing, staff will not be clothed at the Council’s expense, when they are engaged in a normal business activity.

Council guidelines on the provision of subsidy on Council branded clothing are contained in the Council’s ‘Corporate Uniform Policy’.

**Care of dependants**

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

**Financing Social Club activities**

Staff social clubs typically provide the opportunity for staff to have social interaction with both immediate work colleagues and other people in Council with whom they would not normally have contact. Social clubs may also assist staff to gain a better understanding of the wider roles and functions of Council and its business units.

Council may make a prudent and reasonable monetary contribution to a social club(s). The contribution may be in the form of an all-purpose grant towards the club’s annual budget or it may be a grant or subsidy for a specific event.
Before approving a grant to be made the Chief Executive must be satisfied that there is a justified business purpose for the contributions. This purpose would typically be connected with organisational development and staff welfare.

**Farewells and retirements**

Expenditure on farewells and retirements includes spending on functions, gifts and other items when staff are leaving or retiring from Council.

Expenditure on farewells and retirements should not be extravagant or inappropriate to the occasion. The principle of moderate and conservative expenditure is particularly relevant.

Expenditure on farewells or retirements is to be pre-approved by the General Manager or Chief Executive.

**Sponsorship of staff or others**

Staff taking part in an activity that is not part of their job, such as a sporting event, may be sponsored by Council through the provision of, or payment for, goods or services (for example, a t-shirt or an entry fee).

Sponsorship should have a justified business purpose. This could include publicity for the Council and its objectives and organisational development. The cost to Council must be moderate and conservative. If the sponsorship does not have a justified organisational purpose, the cost is a donation.

In normal circumstances, sponsorship will be provided through a social club rather than directly to the staff member.

Sponsorship of people who are not staff must be undertaken in a manner that is transparent. It is also preferable that, if non-staff are sponsored, the sponsorship is of an organisation they belong to, rather than directly of the individual.

**14. Other types of expenditure**

**Donations**

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

Council requires donations to be:

- lawful in all respects
- disclosed in aggregate in the Council’s annual report
- made to a recognised organisation by normal commercial means (not to an individual)
- not in cash
- non-political

The detailed policy and monetary limits are included in the Council ‘Grants Policy’.

**Koha**
Koha payments must be approved in accordance with the ‘Koha Policy’.

**Communications technology**

Communications technology, such as cell phones, tablets, iPads, laptops, telephones, email and internet access is widely used in the Council workplace. While some personal use of this technology may be unavoidable, excessive use incurs costs, including lost productivity to Council and the direct cost of the technology.

Council’s policies on general and personal use of communications equipment is contained within Council’s ‘Communication Technology Policy’.

Where it is administratively possible and cost effective Council will require reimbursement of personal use.