

Notice is given that an ordinary meeting of the Full Council will be held on:

**Date:** Friday 18 December 2020  
**Time:** 10.00 am  
**Meeting Room:** Tasman Council Chamber  
**Venue:** 189 Queen Street  
Richmond

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## Full Council

### AGENDA

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#### MEMBERSHIP

<b>Mayor</b>	Mayor T King	
<b>Deputy Mayor</b>	Deputy Mayor S Bryant	
<b>Councillors</b>	Cr C Butler	Cr D McNamara
	Cr B Dowler	Cr D Ogilvie
	Cr M Greening	Cr T Tuffnell
	Cr C Hill	Cr A Turley
	Cr C Mackenzie	Cr T Walker
	Cr K Maling	Cr D Wensley

(Quorum 7 members)

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## AGENDA

**1 OPENING, WELCOME**

**2 APOLOGIES AND LEAVE OF ABSENCE**

**Recommendation**

**That apologies be accepted.**

**3 PUBLIC FORUM**

**4 DECLARATIONS OF INTEREST**

**5 LATE ITEMS**

**6 CONFIRMATION OF MINUTES**

**7 PRESENTATIONS**

Nil

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## 8 REPORTS

### 8.1 ADOPTION OF TASMAN DISTRICT COUNCIL'S ANNUAL REPORT 2019/2020

Decision Required

<b>Report To:</b>	Full Council
<b>Meeting Date:</b>	18 December 2020
<b>Report Author:</b>	Brylee Wayman, Senior Policy Advisor; Matthew McGlinchey, Finance Manager; Charlotte Thomas, Financial Accountant
<b>Report Number:</b>	RCN20-12-15

#### 1 Summary

- 1.1 The Annual Report for the year ended 30 June 2020 (under separate cover) is presented with this report for adoption.
- 1.2 The Council is required, by the Local Government Act 2002 (LGA), to prepare and adopt an Annual Report and have it audited. Usually this is required by 31 October each year. However, this year, the Covid-19 (Further Management Measures) Act has extended the statutory deadline to 31 December 2020 for Local Government to adopt Annual Reports (s98A of the LGA).
- 1.3 In 2020, the Covid-19 pandemic has affected the audit priorities for the Office of the Auditor General (OAG) and the availability of their technical team to review several matters relating to this Annual Report. This has resulted in a significant delay in the audit process by Audit New Zealand (Audit NZ), who audit the Annual Report on behalf of the OAG. At the time of writing, Audit NZ were still finalising the audit. Any further changes due to the audit will be tabled at the meeting along with a final version of the Annual Report.
- 1.4 The Annual Report 2019/2020 presents a picture of the Council's financial and non-financial performance for the year. The Annual Report is a key record for local authorities and assists Councillors and the public to understand the activities and services provided throughout the year. This is the second year reporting against the Long Term Plan (LTP) 2018-2028 and includes a commentary on progress against the performance measures and Financial Strategy goals contained in that LTP.
- 1.5 The Council ended the year with net debt of \$156.2 million against a budgeted \$191.0 million (Annual Plan 2019/2020). The total comprehensive revenue and expense of \$103.0 million are comprised of the surplus of \$26.9 million and \$76.1 million of other comprehensive revenue.
- 1.6 There are 121 performance targets set by the Council in the Long Term Plan 2018-2028. The Council has achieved or nearly achieved 80% of the targets. This is a marked improvement compared with 69% in the 2018/2019 financial year, especially given the extra challenges with Covid-19 this year. These results demonstrate that for the most part, the Council is meeting the expectations set out in the Long Term Plan.

- 1.7 The Summary Annual Report 2019/2020 is also provided under separate cover. The Council is required to prepare a summary of the information contained in its annual report, which must represent, fairly and consistently, the information regarding the major matters dealt with in the annual report.

<b>2 Draft Resolution</b>
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**That the Full Council:**

- 1. receives the Adoption of Tasman District Council's Annual Report 2019/2020 report RCN20-12-15; and**
- 2. notes the signed report from Audit NZ tabled at the Council meeting; and**
- 3. adopts the Annual Report 2019/2020 including the audit report, provided under separate cover, pursuant to section 98 of the Local Government Act 2002,; and**
- 4. approves the Summary Annual Report 2019/2020, provided under separate cover; and**
- 5. delegates to the Chief Executive Officer the ability to sign off any minor editorial amendments to the Annual Report and its Summary, prior to them being printed for the public and made available on the Council website.**

**3 Purpose of the Report**

- 3.1 To adopt the Council's Annual Report 2019/2020 for the year ended 30 June 2020.

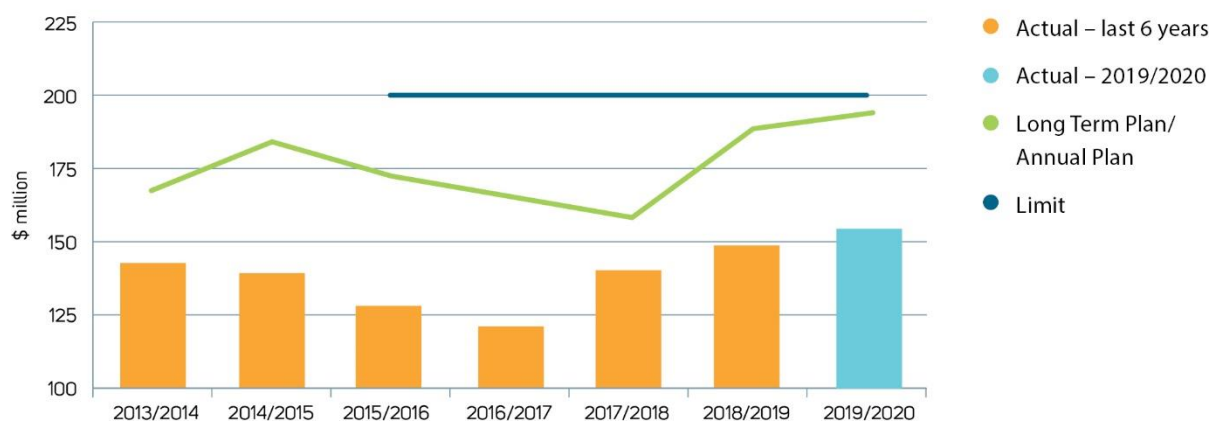
**4 Background and Discussion**

- 4.1 The purpose of an annual report under the Local Government Act 2002 is to:
- compare the actual activities and the actual performance of the local authority in the year with the intended activities and the intended level of performance, as set out in respect of the year in the Long Term Plan and the Annual Plan; and
  - promote the local authority's accountability to the community for the decisions made throughout the year by the local authority.
- 4.2 The Council is required by section 98 of the Local Government Act 2002 to prepare and adopt an Annual Report and have it audited. Usually this is required by 31 October each year. However, this year, the Covid-19 (Further Management Measures) Act has extended the statutory deadline to 31 December 2020 for Local Government to adopt Annual Reports (s98A of the LGA).
- 4.3 In 2020, the Covid-19 pandemic has affected the audit priorities for the Office of the Auditor General (OAG) and the availability of their technical team to review several matters relating to this Annual Report. This has resulted in a significant delay in the audit process by Audit New Zealand (Audit NZ), who audit the Annual Report on behalf of the OAG. At the time of writing, Audit NZ were still finalising the audit. Any further changes due to the audit will be tabled at the meeting, along with a final version of the Annual Report.
- 4.4 While the audit report will hopefully be completed and available at the meeting, there is a risk that it will be further delayed due to Audit NZ's resource capacity.
- 4.5 Staff have prepared the Annual Report (under separate cover) for the year ended 30 June 2020, which includes financial and non-financial information. The information contained in the Annual Report was prepared with input from a number of staff throughout Council.
- 4.6 Staff reported the Draft Annual Report to the Audit and Risk Committee (the Committee) meeting on 2 December 2020. At the meeting the Committee resolved that it:
- receives the Draft Annual Report 2019/2020 report; and
  - notes that the draft Annual Report audit will be finalised before the Annual Report is presented to Council for adoption; and
  - recommends to the Council the adoption of the Annual Report for the year ended 30 June 2020 pursuant to Section 98 of the Local Government Act 2002, based on the information presented at that Committee meeting and discussion with the Auditor.

## Key Financial Results

4.7 The Council has continued to manage debt within its self-imposed financial cap of \$200 million with net debt being lower than budgeted. We have also moderated rates income increases to remain below our 3% per annum cap allowing for growth.

FIGURE 1. How Are We Tracking Against Planned Net Debt?



4.8 During 2019/2020 rates revenue increases were 2.74%, which is under the 3% cap set as part of the Long Term Plan 2018-2028.

4.9 The Council ended the year with net debt of \$156.2 million against a budgeted \$191.0 million (Annual Plan 2019/2020).

4.10 The financial performance reflects ongoing operational savings achieved by the Council, delayed capital expenditure for some large projects and lower debt. A number of external factors moving in the Council's favour also assisted the result. External factors include:

- lower borrowing costs than expected;
- low inflation;
- higher than anticipated growth; and
- increased revenue from forestry activities, through a change in market demand.

4.11 While the COVID-19 pandemic did have an impact on Council, it was not as material as we expected in the current financial year and overall a surplus on the budget was still achieved.

4.12 The total comprehensive revenue and expense of \$103.0 million are comprised of the surplus of \$26.9 million and \$76.1 million of other comprehensive revenue. Other comprehensive income includes \$29.9 million gain on revaluation of Port Nelson Limited assets and a \$45 million revaluation gain on the Council's three waters, transport and refuse assets.

4.13 The Council ended the year reporting an accounting surplus of \$26.9 million against a budget surplus of \$17.3 million. This equates to a favourable variance of \$9.6 million, due to:

- |                                  |                 |
|----------------------------------|-----------------|
| ○ vested assets                  | \$7.3 million ↑ |
| ○ operating subsidies and grants | \$2.1 million ↑ |
| ○ capital subsidies and grants   | \$1.4 million ↓ |
| ○ maintenance                    | \$3.3 million ↑ |



○ depreciation	\$1.5 million ↑
○ share of joint operation deficit	\$5.8 million ↓
○ net forestry surplus	\$1.7 million ↑
○ unrealised gain on revaluation of forestry	\$2.3 million ↑
○ unrealised loss on interest rate derivatives	\$4.3 million ↓
○ present value adjustment for loan	\$3.3 million ↑
○ other movements	\$0.4 million ↓

- 4.14 This better than budgeted position has enabled the Council to also record a lower total net debt position, \$156.2 million against a budgeted \$191.0 million (Annual Plan 2019/2020).
- 4.15 The Council funds the balance sheet as a whole. This has enabled the Council to use deferred expenditure and operational savings, along with some reserves previously held as cash, to keep external debt down. Lower debt and strong financial management of debt, means the Council's exposure to finance charges is mitigated.
- 4.16 Total net assets under the Council's control now total \$1.59 billion, up \$103 million from the previous year.
- 4.17 Total rates revenue for the year was \$76.0 million, up from \$73.4 million last year, with growth in the District forming part of this increase. During 2019/2020 rates revenue increases were 2.74%.
- 4.18 Total revenue from all other sources was \$84.5 million – down from the 2018/2019 amount of \$87.4 million. This is a mixture of development contributions, higher fees and charges, forestry income and higher movements in revaluations.

### Non-Financial Performance

- 4.19 The Council measures its service performance each year using a core set of indicators that are determined through the Long Term Plan (LTP) and Annual Plan. The results present a high-level view of performance. More results from other performance, environmental and regulatory monitoring can be found in the public reports held on the Council's website or by contacting the Council.
- 4.20 There are 121 performance targets that the Council has set in the Long Term Plan 2018-2028. The Council has fully achieved 85 of our targets, 12 were achieved within 5% of the target, 19 were not achieved and there were five that we either did not have the full information available to report on, or they were not due to be measured this year. We have achieved or nearly achieved 80% of all targets, which is a marked improvement compared with 69% in 2018/2019. These results demonstrate that for the most part, the Council is meeting the expectations set out in the Long Term Plan. The results achieved for each performance measure and the comparison between years are explained in detail in Part 4 of the Annual Report.
- 4.21 In some cases, the impacts of the Covid-19 pandemic and alert level restrictions affected performance (e.g. library visits, earnings for Council Enterprises, recycling, and customer response timeframes). Staff capacity and workload issues affected our performance in areas such as resource consent processing times. In other cases, further investigation and investment are required to address performance issues, such as drinking water standards and fire hydrant compliance.

## Summary Annual Report

- 4.22 The Council is also required to prepare a summary of the information contained in its annual report, which must represent, fairly and consistently, the information regarding the major matters dealt with in the annual report.
- 4.23 The Summary Annual Report 2019/2020 is provided under separate cover.
- 4.24 The Council intends to have the Annual Report and Summary available on our website within one month after its adoption as required by the Local Government Act 2002. We recommend that the Chief Executive be delegated authority to sign off any minor editorial amendments to the Annual Report and the Summary, following adoption and prior to publication.
- 4.25 The Annual Report and the Summary will be professionally laid out for text, graphs, photographs and infographics following adoption by the Council and prior to printing and posting on the Council's website. The design versions of the Annual Report and the Summary will also be reviewed by Audit NZ. Due to the timing of adoption this year being just before the Christmas shutdown period, the design and hard copy versions of the Annual Report and the Summary will available slightly later at service centres and libraries.
- 4.26 We will highlight the publication of the Annual Report and Summary Annual Report through an article in Newsline, including some of the key results and outcomes.

## 5 Options

### Option 1 – Preferred Option - Adopt the Annual Report and approve the Summary Annual Report 2019/2020, including any minor amendments.

- 5.1 The advantage of this option is that the Council will adopt the Annual Report and its summary within the statutory deadline of 31 December 2020. This option is also consistent with the recommendation from the Audit and Risk Committee. The Council should ensure it is satisfied with the content prior to adopting the Annual Report. Once adopted the Annual Report becomes the public record of the Council's performance for the year.

### Option 2 – Request significant changes to the Annual Report 2019/2020 and defer its adoption.

- 5.2 The advantage of this option is that the Council can ensure it is satisfied with the content prior to adopting the Annual Report. The disadvantage is that it is not possible for staff to make the alterations and liaise with Audit New Zealand to complete the audit in time for adoption by 31 December 2020. This means the Council will be listed in the OAG's report to Parliament as failing to deliver the Annual Report on time.

## 6 Strategy and Risks

- 6.1 The form of the financial content is highly regulated by statute and accounting standards.
- 6.2 In 2020, the Covid-19 pandemic has affected the audit priorities for the Office of the Auditor General (OAG) and the availability of their technical team to review several matters relating to this Annual Report. This has resulted in a significant delay in the audit process by Audit New Zealand (Audit NZ), who audit the Annual Report on behalf of the OAG. At the time of writing, Audit NZ were still finalising the audit. While the audit report will hopefully be

completed and available at the meeting, there is a risk that it will be further delayed due to Audit NZ's resource capacity. This would mean the Council would not comply with s98A of the LGA and would result in the Council being listed in OAG's report to Parliament as failing to deliver the Annual Report on time.

- 6.3 There are no other significant risks associated with the Council adopting its Annual Report 2019/2020.

## 7 Climate Change Impact Assessment

Climate Change Consideration	Assessment	Explanation of Assessment
Is this activity associated with one of the goals in Council's Climate Action Plan?	<i>The Annual Report 2019/2020 and the Summary both contain a summary of Council's activities and progress in relation to the Climate Change Action Plan.</i>	4(d) Council reports on its progressive implementation of this climate action plan.
Will this decision affect the ability of Tasman District to proactively respond to the impacts of climate change?	<i>This decision will have no impact on resilience to Climate Change and the ability of the Council or District to proactively respond to the impacts of climate change.</i>	

## 8 Policy / Legal Requirements / Plan

- 8.1 Section 99 of the Local Government Act 2002 (the Act) mandates that all local authorities must have their Annual Report, and Summary Annual Report, audited by the Office of the Auditor General.
- 8.2 Under the Act, Section 98(3), the Council's annual report must be completed and adopted, by resolution, within four months after the end of the financial year to which it relates. However, this year, the Covid-19 (Further Management Measures) Act has extended the statutory deadline to 31 December 2020 for Local Government to adopt Annual Reports (s98A of the LGA).
- 8.3 The Annual Report 2019/2020 has been prepared to fulfil the requirements of Part 3, Schedule 10 of the Act.
- 8.4 The Annual Report 2019/2020 has been prepared in accordance with the requirements of the Act which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).
- 8.5 The financial statements have been prepared in accordance with Tier 1 PBE (Public Benefit Entities) accounting standards. These financial statements comply with PBE Standards.

- 8.6 The Act requires the Annual Report to be audited. The Council's audit is carried out by Audit NZ on behalf of the Office of the Auditor General.
- 8.7 An Audit Report will be handed to the Council by the Auditor at the meeting.

## 9 Consideration of Financial or Budgetary Implications

- 9.1 The cost of producing the Annual Report 2019/2020 is provided from existing budgets.
- 9.2 The fee for the audit of the Council's Annual Report is \$127,000 (excluding disbursements and additional Covid-19 costs) and \$4,000 for the Debenture Trust Deed Audit. Additional audit fees are likely to be incurred above the estimate. There was additional time spent auditing the Infrastructure Asset revaluation, Vested Assets and technical matters regarding the accounting for Waimea Water Ltd. This is expected to be partially offset by significantly decreased disbursements.

## 10 Significance and Engagement

- 10.1 The reporting of Council activities for the year is a sizeable undertaking, however the adoption of the Annual Report, as a decision of the Council, is of low significance under the Significance and Engagement Policy. Staff consider that engagement with the community is not required prior to the adoption of the Annual Report. The report is a summary of the Council's activities over the year and public input cannot alter the Council's results for the 2019/2020 year.

Issue	Level of Significance	Explanation of Assessment
Is there a high level of public interest, or is decision likely to be controversial?	Low	The decision before the Council is whether or not to adopt the Annual Report. Public interest in this decision is considered low.
Is there a significant impact arising from duration of the effects from the decision?	Low	The Annual Report documents the Council's performance in 2019/2020, which ended on 30 June 2020. Although the decision to adopt it is permanent, the impact arising from it is very minor.
Does the decision relate to a strategic asset? (refer Significance and Engagement Policy for list of strategic assets)	Low	The Annual Report documents the financial and non-financial performance of a number of strategic assets in 2019/2020. However, it is not a mechanism by which the ownership nor operation of strategic assets can be altered.
Does the decision create a substantial change in the level of service provided by Council?	N/A	The Annual Report documents performance against levels of service but is not a mechanism to change levels of service.

Issue	Level of Significance	Explanation of Assessment
Does the proposal, activity or decision substantially affect debt, rates or Council finances in any one year or more of the LTP?	N/A	The decision for the Council is whether to adopt the Annual Report no effect on Council finances.
Does the decision involve the sale of a substantial proportion or controlling interest in a CCO or CCTO?	N/A	
Does the proposal or decision involve entry into a private sector partnership or contract to carry out the deliver on any Council group of activities?	N/A	
Does the proposal or decision involve Council exiting from or entering into a group of activities?	N/A	
Does the proposal require inclusion of Māori in the decision making process (consistent with s81 of the LGA)?	N/A	

## 11 Conclusion

- 11.1 The Council must prepare and adopt an annual report each year, with a statutory deadline of 31 December 2020 this year.
- 11.2 The Annual Report 2019/2020 and the Summary have been completed and are presented for adoption and approval. A draft of the Annual Report was reviewed by the Audit and Risk Committee on 2 December 2020.
- 11.3 Our Annual Report for 2019/2020 demonstrates positive financial and non-financial outcomes for the Council.
- 11.4 The accounting surplus is \$26.9 million. This is \$9.6 million ahead of budget. This better than budgeted position has enabled the Council to record a lower total net debt position than budgeted, being \$156.2 million against a budgeted \$191.0 million (Annual Plan 2019/2020).
- 11.5 The Council fully or nearly achieved the majority (80%) of its performance targets and did not achieve 16% of targets. This is a marked improvement compared with 2018/2019 Financial Year.

- 11.6 The draft Annual Report fairly and comprehensively sets out the performance of the Council during the 2019/2020 year.
- 11.7 While the audit report will hopefully be completed and available at the meeting, there is a risk that it will be delayed due to Audit NZ's resource capacity. This would mean the Council would not comply with s98A of the LGA, and would result in the Council being listed in OAG's report to Parliament as failing to deliver the Annual Report on time.

## **12 Next Steps / Timeline**

- 12.1 Receive the auditor's opinion at Full Council meeting on 18 December 2020.
- 12.2 Following adoption of the Annual Report 2019/2020, the next steps are to:
- make the Annual Report and Summary available on our website;
  - prepare and audit the professionally designed versions of the Annual Report and Summary Annual Report documents for publication (hard copies and electronic); and
  - distribute copies to service centres and libraries.

## **13 Attachments**

Attachments will be provided under separate cover

## 8.2 DIRECTIONS FOR THE LONG TERM PLAN 2021-2031 CONSULTATION DOCUMENT AND DEVELOPMENT AND FINANCIAL CONTRIBUTIONS POLICY

Decision Required

<b>Report To:</b>	Full Council
<b>Meeting Date:</b>	18 December 2020
<b>Report Author:</b>	Sharon Flood, Strategic Policy Manager; Matthew McGlinchey, Finance Manager; Dwayne Fletcher, Activity Planning Manager
<b>Report Number:</b>	RCN20-12-16

Item 8.2

### 1 Summary

- 1.1 The Council is required to publish a consultation document for its Long Term Plan (LTP) and carry out public consultation using the Special Consultative Procedure.
- 1.2 Staff and Councillors have been working on developing the contents of the Consultation Document and supporting information for the LTP 2021-2031 over the past year.
- 1.3 The programme that makes up the LTP and limits for rates revenue increases and net debt have been central to the discussions. To enable the LTP Consultation Document and other supporting information to be prepared, it is necessary for the Council to confirm the proposed limits for rates revenue increases and net debt across the 10 years.
- 1.4 It is proposed that the Council increase its financial limits for both net debt and rates income increases to allow the proposed work programme and levels of service to occur. In order to provide certainty for the development of the LTP Consultation Document and other supporting information including the Activity Management Plans, staff are seeking that the Council adopts the following financial strategy limits for the 10 years of the LTP 2021-2031:
  - 1.4.1 debt limit of \$260 million; and
  - 1.4.2 maximum rates income increases capped at a maximum of under:
    - 4.5% in Years 1 to 3 (2021/2022 to 2023/2024)
    - 7.0% in Years 4 and 5 (2024/2025 and 2025/2026)
    - 4.5% in Years 6 to 10 (2026/2027 to 2030/2031).
- 1.5 In order to develop the LTP Consultation Document and supporting information, staff have had to make a number of forecasting assumptions. These were discussed with Councillors and have been informally reviewed by Audit New Zealand. See **Attachment 1** for the full list of assumptions.
- 1.6 In order to help keep rates affordable for the first four years of the LTP, it is proposed to temporarily suspend contributions to the Council's Emergency Fund. In the event of an emergency, the Council will ensure it has sufficient debt headroom to fund any additional costs.

- 1.7 On 20 August 2020, the Strategy and Policy Committee approved the Community Outcomes statements for inclusion in the LTP 2021-2031 Consultation Document. The full list of Community Outcomes, including descriptors are appended in **Attachment 2** of this report.
- 1.8 The Development and Financial Contributions Policy were discussed with Councillors at a LTP workshop on 19 November 2020. This report seeks to formalise the directions discussed to enable the drafting of the policy for public consultation.
- 1.9 The Waimea Water and Wastewater Network Strategy directs a number of projects in the proposed LTP 2021-2031 work programme. This report seeks agreement on the recommendations in the strategy to confirm the projects included in the draft LTP 2021-2031 budgets for community consultation.

<b>2 Draft Resolution</b>
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**That the Full Council:**

- 1) **receives the Directions for the Long Term Plan 2021-2031 Consultation Document and Development and Financial Contributions Policy report RCN20-12-16; and**
- 2) **adopts the following Financial Strategy limits to include in the Long Term Plan 2021-2031 Consultation Document:**
  - a) **net external debt is limited to a maximum of \$260 million;**
  - b) **maximum total rates revenue increases per annum limited to the following (excluding an allowance for growth)**
    - i) **4.5% in Years 1 to 3 (2021/2022 to 2023/2024)**
    - ii) **7.0% in Years 4 and 5 (2024/2025 and 2025/2026)**
    - iii) **4.5% in Years 6 to 10 (2026/2027 to 2030/2031); and**
- 3) **adopts the Forecasting Assumptions (Attachment 1 dated 4 December 2020) as supporting information for the development of the Long Term Plan 2021-2031; and**
- 4) **adopts the Community Outcomes descriptors as supporting information for the Long Term Plan 2021-2031 Consultation Document (Attachment 2 dated 4 December 2020); and**
- 5) **approves suspending the annual contributions to the Council's Emergency Reserves Fund for the first four years of the Long Term Plan (years 2021/2022 to 2024/2025); and**
- 6) **notes that in the event of an emergency, the Council may need to debt fund any costs related to any response and recovery that are over the funding available in the Emergency Reserves Fund; and**
- 7) **approves the recommended changes to the Development and Financial Contributions Policy as set out in paragraphs 4.21 to 4.24 of this report; and**
- 8) **adopts the Waimea Water and Wastewater Network Strategies and work programmes, as set out in paragraphs 4.25 and 4.28 of this report for inclusion in the Activity Management Plans and Long Term Plan Consultation Document.**



### 3 Purpose of the Report

- 3.1 The purpose of this report is to provide direction to staff in order to prepare the Long Term Plan (LTP) Consultation Document, supporting information, policies and Activity Management Plans.

### 4 Background and Discussion

- 4.1 The Council is required by the Local Government Act (2002) to adopt a LTP and review it every three years. The LTP sets out the Council's activities, plans, budgets and policies and must be adopted before the beginning of the first financial year it relates to (30 June 2021).
- 4.2 The Council is required to develop and consult on a LTP consultation document and the information that is relied upon to develop the content of the consultation document (supporting information). The LTP supporting information will be made available to the community with the Consultation Document when it opens for submissions.
- 4.3 The following is a list of the supporting information that will be relied on to develop the content of the LTP 2021-2031 Consultation Document:
- a) Draft rates impact example properties;
  - b) Draft accounting information (including inflation adjusted forecast accounts, reserve funds and financial regulation benchmarks);
  - c) Draft forecasting assumptions;
  - d) Draft Vision, Community Outcomes and Strategic Priorities;
  - e) Draft Financial Strategy;
  - f) Draft Infrastructure Strategy;
  - g) Draft Statement on Fostering Māori Participation in Council Decision Making;
  - h) Treasury Risk Management Policy (including Investment Policy and Liability Management Policy);
  - i) Significance and Engagement Policy;
  - j) Draft Activity Management Plans; and
  - k) Draft Council Activities Summary.
- 4.4 The Treasury Risk Management Policy and Significance and Engagement Policy were adopted by the Council earlier this year. The Vision, Community Outcome descriptors and the Strategic Priorities were adopted for community consultation in August 2020.
- 4.5 The supporting information still to be formally adopted for consultation will be presented at the 25 February 2021 Full Council meeting for adoption.
- 4.6 In addition to the supporting information listed above, there are several LTP related policies and documents that the Council will also be asked to adopt on 25 February 2021. These documents will be consulted on concurrently with the LTP Consultation Document. These include:
- a) Draft Revenue and Financing Policy including the Waimea Community Dam rating consultation;

- b) Draft Rates Remission Policy;
- c) Draft Policy on Rates Relief for Māori Freehold Land;
- d) Draft Development and Financial Contributions Policy; and
- e) Draft Schedule of Fees and Charges.

### Proposed Financial Limits

- 4.7 It is proposed that the Council increase both of its current financial limits for consultation through the LTP. In particular, it is proposed to increase the:
- 4.7.1 external net debt limit to \$260 million; up from the current \$200 million limit; and
  - 4.7.2 maximum total rates revenue increases per annum limited to (excluding an allowance for growth):
    - 4.5% in Years 1 to 3 (2021/2022 to 2023/2024)
    - 7.0% in Years 4 and 5 (2024/2025 and 2025/2026)
    - 4.5% in Years 6 to 10 (2026/2027 to 2030/2031).
- 4.8 The current financial limits were introduced in 2015 with the aim of keeping debt and rates at a level that was affordable for the community. Over the past six years, the Council has managed its finances to ensure the limits were met. However, with current growth being experienced in Tasman, additional regulatory requirements imposed by Government and the increasing need to replace and maintain our assets, the Council is looking at increased costs.
- 4.9 The new net debt limit of \$260 million allows for inflation and the continued high growth that the area is experiencing. While developers will fund the new growth related infrastructure through development and financial contributions, the Council must fund the new infrastructure upfront. This combined with a significant increase in the capital cost of completing projects has put further pressure on the Council's projected net debt.
- 4.10 The proposed new maximum total rates revenue increases across the 10 years of the LTP is an average of 4.5%. In the first three years, we are forecasting the increase to remain below 4.5% after an allowance for growth. In years four and five, the proposed work programme results in a higher rates increase to around 7%, before dropping back down to below 4.5% for the remaining five years. The LTP is due for review again before years four and five (LTP 2024-2034).
- 4.11 As a result of the Covid-19 pandemic, the Council made a decision to implement a 0% rates income increase for this financial year (2020/2021); this was instead of the proposed 2.97%. This decision has had an impact on the proposed rates increase for Year 1 of the LTP. In addition to the proposed maintenance and renewal programme for the next 10 years, the following list of items are also impacting the proposed rates increases:
- 4.11.1 capital spend requirements;
  - 4.11.2 salary pressure;
  - 4.11.3 inflation;
  - 4.11.4 Waimea Community Dam cost increases; and
  - 4.11.5 Central Government reforms.

### Forecasting Assumptions

- 4.12 The Forecasting Assumptions were discussed at the LTP workshops in March and November 2020. These assumptions underpin the development of the LTP Consultation Document and supporting information including budgeting and financial information.
- 4.13 The Assumptions have been reviewed by Audit New Zealand. In response to their comments, we have made a few minor amendments, which are tracked in **Attachment 1**. As circumstances change and as events occur, our assumptions may need to change in response.
- 4.14 The draft Forecasting Assumptions are presented at this meeting to provide the community with an understanding of the proposed content of the LTP Consultation Document, including the financial limits.

### Community Outcomes

- 4.15 Our Community Outcomes describe what the Council wishes to achieve to promote the social, environmental, economic and cultural well-being of Tasman communities in the present and for the future.
- 4.16 On 20 August 2020, the Strategy and Policy Committee considered the comments received through the LTP early community consultation process. At that meeting, the Committee finalised and approved the Community Outcomes statements for inclusion in the LTP 2021-2031 for consultation. The Committee noted that specific reference to climate change and libraries should be included in the relevant outcome descriptors.
- 4.17 The full list of Community Outcomes, including descriptors, is attached to this report (**Attachment 2**), and will be provided as supporting information for LTP 2021-2031 consultation.

### Emergency Event Funding

- 4.18 At a LTP Workshop in November 2020, Councillors indicated support to temporarily suspend emergency fund reserves contributions for Years 1 to 4 of the LTP 2021-2031. The purpose of the proposed suspension was to keep rates at an affordable level for the community. This report seeks formal confirmation of that direction.
- 4.19 Although we propose to suspend our contributions, the intention is that in the event of an emergency we may need to debt fund the costs of any response or recovery where they exceed the emergency reserve funds available. Please note that the Council does not hold the emergency fund reserves in cash.
- 4.20 The Council's existing Emergency Event Funding Policy sets how the disaster fund will be utilised and the maximum fund levels for each disaster activity areas. If the Council agrees, staff will update the policy to reflect the suspended contribution for the first four years of the LTP 2021-2031.

### Development and Financial Contributions Policy

- 4.21 At a LTP workshop in November 2020, Councillors discussed a number of proposed minor amendments to the Development and Financial Contributions Policy. Staff are seeking that the directions provided at the workshop are formally resolved so that we can begin making the required changes to the policy for consultation next year alongside the LTP Consultation Document.
- 4.22 In terms of the proposed changes to the policy, staff propose to:

- 4.22.1 remove Brightwater and Wakefield from the Stormwater charge – as there are no works planned in these areas over the next three years of the LTP;
- 4.22.2 change the demand measure for Transport from carparks (3 per Household Units of Demand (HUD)) to trips per day per (8 per HUD); and
- 4.22.3 allow applications for remissions where:
- a development is being undertaken by a community housing provider if they are a Registered Community Housing provider with the Community Housing Regulatory Authority, excluding Kāinga Ora;
  - where the value and nature of the works proposed by a developer reduces the need for works proposed by the Council in its capital works programme for growth.
- 4.23 A number of other amendments to the policy are proposed to align with the Tasman Intensification Action Plan. These include:
- 4.23.1 measuring the building footprint instead of the total floor area of a building to enable two-storey buildings to qualify;
- 4.23.2 amending the definition of a bedroom; and
- 4.23.3 changing the area for a minor dwelling to 85 m<sup>2</sup>;
- 4.24 Staff propose amendments to the special assessment criteria within the current policy to narrow the current wide discretion. Special assessments enable staff to make a bespoke assessment of the development contributions for individual developments. The proposed criteria for a special assessment are:
- 4.24.1 the development is of relatively large scale;
- 4.24.2 the development is likely to have less than half or more than twice the demand assumed in the policy;
- 4.24.3 non-residential development does not fit into an industrial, retail, or commercial land use; and
- 4.24.4 non-residential development may use more than 5 m<sup>3</sup> of water per day.

### **Waimea Water and Wastewater Network Strategies**

- 4.25 In August 2020, staff briefed Councillors on the Waimea Water and Wastewater Strategies. The network challenges, options analysis and recommendations were presented which have been used to formulate a proposed programme of works in the Activity Management Plans (AMPs) and LTP.
- 4.26 The Waimea Water Strategy sets out an approach to provide safe and secure water supply to Brightwater/Hope, Wakefield and Eighty-Eight Valley that can accommodate future growth. The proposed staged work programme in the Waimea Water Strategy will be reflected in the AMPs and the LTP and includes:
- 4.26.1 supplying the Hope area with surplus water from Richmond supply;
- 4.26.2 installing new pump station and trunk main from Wakefield to supply Eighty-Eight Valley;
- 4.26.3 upgrading Bird Road Pump Station;

- 4.26.4 developing a new bore field at Clover Road;
  - 4.26.5 installing a new water main from Clover Road bores to Wakefield; and
  - 4.26.6 installing a new Clover Road Water Treatment Plant and reticulation.
- 4.27 The Waimea Wastewater Strategy sets out an approach to provide additional capacity to accommodate future demand and reduce overflows from the Waimea network. The strategy sets out a staged programme of works including:
- a) new Brightwater bypass pump station with additional storage capacity;
  - b) gravity main capacity upgrades between Wakefield and Brightwater;
  - c) Brightwater rising main capacity upgrades;
  - d) gravity main capacity upgrades between Burkes Bank and Ranzau Road; and
  - e) gravity main capacity upgrades between Ranzau Road and Three Brothers Corner.
- 4.28 The proposed programmes provide staged, fit-for-purpose solutions and allows flexibility and agility to be able to respond to growth as it occurs. It is however, a change in direction to that agreed in the previous Water and Wastewater AMPs and requires substantial Council investment in order to implement the proposed network changes. For this reason, staff are seeking formal endorsement of the strategies ahead of the draft LTP being finalised.

<b>5 Options</b>
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- 5.1 **Option 1** – Preferred Option – Staff recommend that Council:
- 5.1.1 adopts the following for inclusion into the LTP Consultation Document and supporting information: the proposed Financial Strategy Limits; the Forecasting Assumptions, and the community outcome descriptors; and
  - 5.1.2 confirms the directions for the Development and Financial Contributions Policy, and
  - 5.1.3 agrees to suspend contributions to the Emergency Event Funding Policy for the first four years of the LTP, and
  - 5.1.4 includes the Water and Wastewater Strategies and associated work programmes into the Activity Management Plans and LTP Consultation Document.
- Advantages:**
- 5.1.5 Provides staff with certainty about the financial limits under which for the development of the LTP Consultation Document and supporting information;
  - 5.1.6 Adopting the LTP Forecasting Assumptions provides certainty and informs the community of the assumptions underpinning the LTP Consultation Document and supporting information;
  - 5.1.7 Confirming the Waimea Water and Wastewater Strategies staged programme of works, allows staff to continue to draft the Council's AMPs and associated budgets with some confidence;
  - 5.1.8 Confirming the directions for the Development and Financial Contributions Policy allows staff to proceed with drafting the Policy;

- 5.1.9 Confirming the intention to not make contributions to the emergency fund reserves for the first four years of the LTP 2021-2031, enables staff to proceed with drafting of the Consultation Document and supporting information; and
- 5.1.10 Adopting the Community Outcomes descriptors provides certainty and allows staff to focus on developing other parts of the supporting information.

**Disadvantages:**

- 5.1.11 Limits the Council's ability to change the supporting documents, financial limits and direction on any of these matters prior to adoption of the LTP Consultation Document in February 2021.

- 5.2 **Option 2** – Delay confirming or adopting any or all of the proposals in this report.

**Advantages**

- 5.1.1 Retains the Council's ability to change the supporting documents, financial limits and direction on any of these matters prior to adoption of the Consultation Document in February 2021.

**Disadvantages**

- 5.2.2 Affects the ability for staff to draft the LTP Consultation Document, Development and Financial Contributions Policy and supporting information including the AMPs in time for community consultation in March 2021.

<b>6</b>	<b>Strategy and Risks</b>
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- 6.1 Public consultation on the LTP 2021-2031 Consultation Document is planned from 4 March to 6 April 2021. The consultation document must be published as an effective basis for public participation. The intention is to publish supporting information to supplement the Consultation Document.
- 6.2 Councillors have provided direction to the financial limits. It is prudent that these financial limits are adopted by the Council to provide staff with certainty that the work programmes and associated budgets developed for the LTP Consultation Document will not change before consultation in March 2021.
- 6.3 The Forecasting Assumptions are supporting information due to be published alongside the LTP Consultation Document.
- 6.4 There are a number of policies that are required to be included in the LTP that require consultation in accordance with section 82 of the Local Government Act (LGA) 2002. It is intended that these policies will be subject to consultation at the same time and in parallel with the LTP Consultation Document in March and April 2021. One of the policies that requires section 82 consultation is the Development and Financial Contributions Policy.
- 6.5 The LTP Consultation Document, remaining supporting information and policies for concurrent consultation will be presented to the Council for adoption on 25 February 2021.
- 6.6 The timeline between the adoption of these documents and the start of the consultation period is short. There is a risk that if the Council decides to make changes to any of these documents on 25 February 2021 our ability to carry out the consultation on schedule could be compromised. If the consultation is delayed this may affect Council's ability to adopt the LTP by 30 June 2021 and to strike the rates for the 2021/2022 year.

- 6.7 Given the current constraints Audit NZ are operating under due to the Covid-19 pandemic, there is a risk that the required audit of the Consultation Document and supporting information will not be completed in time to allow us to formally consult in early March 2021.
- 6.8 It is likely that the proposed Waimea Community Dam new rating proposal will be controversial.

## 7 Climate Change Impact Assessment

Climate Change Consideration	Assessment	Explanation of Assessment
Is this activity associated with one of the goals in Council's Climate Action Plan?	Yes	The LTP programme as described in the AMPs makes numerous contributions to the Climate Action Plan. These contributions were summarised at a workshop on 30 September 2020. The rates revenue increase and debt caps enable many of these contributions to be made.
Will this decision affect the ability of Tasman District to proactively respond to the impacts of climate change?	This decision will increase resilience to Climate Change and the ability of the Council and the District to proactively respond to the impacts of climate change.	The LTP programme as described in the AMPs makes numerous contributions to the Council and District's resilience to climate change. These contributions were summarised at a workshop on 30 September 2020. The rates revenue increase and debt caps enable many of these contributions to be made.

## 8 Policy / Legal Requirements / Plan

- 8.1 Under section 93A of the LGA, the Council is required to prepare a consultation document on its LTP and consult on it using the Special Consultative Procedure. The LGA specifically prohibits the Council from consulting on a draft LTP, but requires, under Section 93G, that the Council must prepare and adopt information that is relied upon by the content of the consultation document, is necessary to enable the Auditor General to give an audit statement and provides the basis for the preparation of the LTP.
- 8.2 Schedule 10 of the LGA requires that the LTP clearly identifies the significant forecasting assumptions and risks underlying the financial estimates.
- 8.3 Under section 102 of the LGA, the Council must adopt a policy on development contributions and/or financial contributions.
- 8.4 Under section 93 of the LGA one of the purposes of the LTP is to describe the community outcomes of the District.

## 9 Consideration of Financial or Budgetary Implications

- 9.1 The total rates income increase and net debt caps for the Financial Strategy are noted in section 4.
- 9.2 The engagement and consultation processes associated with the LTP 2021-2031 are provided for in the 2020/2021 Council budgets.

## 10 Significance and Engagement

- 10.1 Overall, the significance of the decisions in this report are considered to be low to medium. This report provides direction for the development of the LTP 2021-2031 Consultation Document, supporting information including the AMPs and policies. All matters subject to this report will be consulted on through the LTP formal submission process as required by the LGA.

Issue	Level of Significance	Explanation of Assessment
Is there a high level of public interest, or is decision likely to be controversial?	Medium	The decision in this report is to provide direction for the development of the LTP Consultation Document, supporting information and policies. The changes will be formally consulted on through the LTP Consultation Document.
Is there a significant impact arising from duration of the effects from the decision?	Low	The supporting documents and financial strategy limits are generally reviewed three-yearly as part of the LTP process. The Council can choose to amend its Development and Financial Contributions Policy and Emergency Event Funding Policies at any time.
Does the decision relate to a strategic asset? (refer Significance and Engagement Policy for list of strategic assets)	N/A	
Does the decision create a substantial change in the level of service provided by Council?	Medium	The proposed higher rates revenue increase and debt caps enable a range of projects and programmed aimed at either sustaining or improving levels of service across a number of activities.
Does the proposal, activity or decision substantially affect debt, rates or Council finances in any one year or more of the LTP?	Medium	Although a higher rates revenue increase and debt cap will impact the Council's finances – this report provides only direction for staff to develop the LTP Consultation Document and supporting information.



Issue	Level of Significance	Explanation of Assessment
Does the decision involve the sale of a substantial proportion or controlling interest in a CCO or CCTO?	N/A	
Does the proposal or decision involve entry into a private sector partnership or contract to carry out the deliver on any Council group of activities?	N/A	
Does the proposal or decision involve Council exiting from or entering into a group of activities?	N/A	
Does the proposal require inclusion of Māori in the decision making process (consistent with s81 of the LGA)?	Low	Māori may have an interest in a range of issues related to the LTP as a whole. As this report provides direction only for the drafting of the LTP Consultation Document, there is opportunity for formal submissions.

## 11 Conclusion

- 11.1 Staff and Councillors have been working on developing the contents of the Consultation Document, supporting information and policies for the LTP 2021-2031 over the past year.
- 11.2 To enable public consultation to commence on 4 March 2021, the LTP Consultation Document and multiple pieces of supporting information must be adopted.
- 11.3 This report seeks that the Council confirms a number of directions provided at several LTP workshops held over the past few months. This is required to provide staff with certainty as they prepare the LTP Consultation Document, supporting information and policies in preparation for public consultation in March 2021.

## 12 Next Steps / Timeline

- 12.1 The LTP Consultation Document and supporting information will be drafted over the coming months for adoption in late February 2021.

## 13 Attachments

- |  |    |
|--|----|
| 1. <a href="#">Forecasting Assumptions for LTP 2021-2031 - 4 December 2020</a> | 27 |
| 2. <a href="#">Community Outcomes with Descriptors for LTP 2021-2031</a>       | 69 |



## ASSUMPTIONS FOR THE DEVELOPMENT OF TASMAN LTP 2021-2031

Council's LTP 2021-2031 is required to contain information on the significant forecasting assumptions underlying the information contained in the consultation document and supporting information. These assumptions include assessments of a number of factors that might impact on Council and the community, including the future course of the Covid 19 pandemic, consideration of anticipated changes in the population over the next 30 years, the economic and financial environment, how Council will provide services over the next 30 years, and external factors such as climate change and Government legislation.

The assumptions are based on current information, but actual results might differ and these differences could potentially be significant. Therefore, an assessment of how likely the actual results are to vary from the assumptions and the impact the variances would have on Council is included.

This document provides the overarching assumptions relating to Council's activities. In addition to the assumptions in this document, activity specific assumptions can be found in each of the activity sections and Council's Activity Management Plans, Financial Strategy and Infrastructure Strategy (which are available as separate documents).

POPULATION CHANGES AND GROWTH ASSUMPTIONS			
ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>Population growth:</p> <p>The overall population of Tasman is expected to increase by 7,700 residents between 2021 and 2031, to reach 64,300. The District will experience ongoing population growth over the next 30 years but the rate of growth will slow over time.<sup>1</sup> Population growth will be distributed across 15 settlements and 5 Ward Remainder areas based on the direction from the Nelson Tasman Future Development Strategy and on demographic and development trends for each Ward.</p> <p>The growth assumption also considers non-resident demand for holiday home properties and assumes the current proportion of dwellings which are used as holiday homes.</p> <p>Based on these assumptions, Council is planning a further 4,300 dwellings and 160 new commercial or industrial buildings<sup>2</sup> will be required by 2031.</p>	<p>That population growth and development are higher or lower, due to a range of factors, including migration patterns, housing demand, and landowner/developer decisions. Positive net migration is the major contributor to the District’s population growth and increasingly offsets natural decrease (more births than deaths). Migration patterns could be affected by:</p> <ul style="list-style-type: none"> <li>• International border restrictions</li> <li>• An increase in the number of returning New Zealanders</li> <li>• House prices and incomes relative to other regions and countries</li> <li>• Housing supply in other regions.</li> </ul> <p>The demand and supply of new commercial and industrial buildings are influenced by a range of factors, including the economic and employment trends.</p>	<p>Medium</p>	<p>If population growth is higher than assumed, debt incurred by Council to fund the growth related portion of infrastructure will be repaid more quickly than assumed. Higher growth than planned could also result in an insufficient amount of serviced land (including infrastructure) for development and a worsening of housing affordability. Council may be required to undertake further changes to the Tasman Resource Management Plan and/or increase its investment in infrastructure to make more land for development available.</p> <p>If population growth is lower than assumed it may take longer for Development Contributions to pay off debt incurred to fund growth related infrastructure. Council may need to revise its capital programme for growth related infrastructure. The forecast increases in rates and development contributions may be smaller than anticipated.</p>

<sup>1</sup> [Tasman District Population Projections, Natalie Jackson Demographics, November 2019, using the medium scenario](#)

<sup>2</sup> Estimated using Property Economics business land forecasting model, using the medium population scenario.

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>Ageing population: The proportion of the population aged 65 years and over is projected to increase from 21% in 2018 to 29% by 2031 (medium scenario). This increase, known as structural ageing, means that total population growth rates are projected to slow down over time. The population in some parts of the District are projected to start to decrease from 2038. The increasing age of the population is also likely to mean a reduction in average household size, as more people live alone or as couples without children. This would result in an increased demand for housing, particularly smaller, accessible housing. The ageing population is also likely to mean more residents on limited incomes, and more residents with disabilities and health issues. An increase in the number of residents with disabilities and health issues is likely to increase demand for more accessible footpaths, seating and toilets, and a need to adapt the way information and services are provided.</p>	<p>Once a population has more than 20 per cent aged 65+ years it is usually approaching the end of natural increase. This is forecast to be the case for Tasman even under the high growth population scenario.</p> <p>The age structure of Tasman’s population is also affected by migration patterns, which have historically included a net loss of 15-24 year olds. There is potential for the Covid 19 pandemic and border restrictions to reduce the number of young residents leaving the region. There is also potential for an increase in the number of relatively younger expatriates returning to New Zealand.</p>	<p>Low</p>	<p>If the population ages faster than assumed, Council may reduce levels of service and/or future investment in infrastructure and facilities in order to reduce future rates increases. Due to an associated reduction in the average household size, it may also be necessary to consider servicing additional land for development to meet the increased demand for housing. This could require increased borrowing. Council may also need to reconsider the mix of services, facilities and infrastructure it provides to meet the needs of the older population structure.</p> <p>If the population ages more slowly than assumed, Council may consider selective increases in levels of service and/or future investment in infrastructure and facilities with the likely consequence of increased future rates rises. Due to an associated lower demand for housing, Council may also reduce its investment in infrastructure to support the growth in land for development (which would reduce debt) and may need to reconsider the mix of services, facilities and infrastructure it provides to meet the needs of the younger population structure.</p>

**Item 8.2**

**Attachment 1**

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p><b>Urban Development</b></p> <p>That as a Regional Council and Territorial Authority, Council meets ss.30 and 31 of the Resource Management Act to ensure there is sufficient development capacity in relation to housing and business land to meet the expected demands of the region.</p> <p>This requires sufficient housing and business land capacity (including the competitiveness margin) to be appropriately zoned and serviced by the required timeframes. Necessary infrastructure development features in the Activity Management Plans.</p> <p>That Council meets its obligations as a Tier 2 urban environment under the National Policy Statement (NPS) on Urban Development, including encouraging intensification, reviewing its Future Development Strategy, preparing a housing and business capacity assessment and making required alterations to the District and Regional Plan by set timeframes.</p> <p>In encouraging intensification, Council’s adopted intensification action plan has a number of items that are included in the LTP 2021-2031 such as – funding of infrastructure for water supply, wastewater, stormwater and transport (private, public and active), creation of “greenways”, further exemptions from development contributions.</p>	<p>There is a risk that the housing and business needs of the region are different to those we have assumed, due to factors relating to the population growth, housing preferences and economic situation assumptions. There is a risk that the growth infrastructure projects are not completed in time to provide the sufficient housing and business capacity required by the NPS Urban Development.</p> <p>By July 2021 we need to complete a Housing and Business Assessment which will examine this in detail. The main risk is that we do not have the right type of capacity according to need.</p>	<p>Low in Years 1-3, Medium in Years 4-10</p>	<p>If there is insufficient capacity of the right type, Council will need to immediately notify the Minister for Environment. Council would likely need to bring forward infrastructure to service further areas for development. This could increase Council borrowing and/or impact Development Contribution levels.</p>

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>Rates Affordability: Council assumes that the number of rate payers for whom rates affordability is a significant issue will increase as our population ages.</p> <p>As noted in the Ageing Population section the proportion of residents aged 65 years and over is expected to increase over the next 20 years. Some older residents who are no longer in employment will be less able to fund increases in rates for new services/infrastructure. Relatively high number (41.1%) of Tasman District workers are employed in low-skill occupations compared to national figures (35.6%). As a result of the economic impact of the Covid-19 pandemic and the impact on household incomes the payment of rates by some households and businesses is expected to become more difficult, especially during the first few years of the LTP 2021-2031.</p>	<p>That rates become more unaffordable than expected as a result of either an increasing proportion of older people, higher numbers of low-skilled workers in the District or the economic downturn is more severe or prolonged than assumed.</p> <p>There is a slight risk that household incomes are higher than assumed and rates become more affordable.</p>	Low	<p>If rates become more unaffordable, Council may choose to reduce levels of service and/or future investment in infrastructure and facilities in order to reduce future rates increases.</p> <p>If rates become more affordable, Council may selectively increase levels of service and/or future investment in infrastructure and facilities.</p>
<p>Development Contributions (DC's): Assumptions on the development contributions are included in our Development and Financial Contributions Policy – copies are available on Council's website. The amount Council expects to collect in DC's over the next ten years will be determined once our financials are agreed through developing the LTP 2021-2031. Add specific projected DC's figure once know.</p>	That Council receives development contributions more slowly than assumed.	Low in Years 1-3, Medium in Years 4-10	If development contributions are received more slowly, Council will hold debt for growth related infrastructure investment for longer. This may put pressure on Council's net debt limit in its Financial Strategy. It will also raise the cost of future development contributions as interest accumulates. Council may have to consider either reducing other debt, or revising the debt limit in its Financial Strategy.





ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
Reserve Financial Contributions (RFC's): Assumptions on the Reserve Financial Contributions are included in our Development and Financial Contributions Policy – copies are available on Council's website. The amount Council expects to collect in RFC's over the next ten years will be determined once our financials are agreed through developing the LTP 2021-2031. Add specific projected RFC's figure once known.	That Council receives development contributions more slowly than assumed.	Low in Years 1-3, Medium in Years 4-10	If development contributions are received more slowly, Council will hold debt for growth related infrastructure investment for longer. This may put pressure on Council's net debt limit in its Financial Strategy. It will also raise the cost of future development contributions as interest accumulates. Council may have to consider either reducing other debt, or revising the debt limit in its Financial Strategy.

OPERATIONAL ASSUMPTIONS			
ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
Amalgamation and Shared services: That Council will continue through the term of the LTP 2021-2031 as a separate unitary authority. Council will continue to work with other entities to develop shared services where this provides economic and social benefits to our communities.	That the Nelson and Tasman Councils amalgamate to form one combined Council for the wider region or the Council does not continue in its current form. That some shared services arrangements are discontinued during the LTP 2021-2031 period.	Low	Amalgamation of the two councils or Council's organisational form changing in another way would involve a fundamental reconsideration of the levels of service, capital programme, and finances under a new amalgamated Council. Shared services are in place because there are financial, coordination or other benefits to the parties involved. If some of these are discontinued, there could be increased costs for Council and/or lower levels of service.

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>Council's Resource Consents: That the resource consents held by Council will not be significantly altered, and any that are due to expire during the next 10 years will be replaced with similar consents if required.</p>	<p>That the resource consents held by Council are significantly altered, or the rules significantly changed increasing the consent condition requirements and cost.</p> <p>That the resource consents held by Council cannot be replaced.</p>	<p>Low</p>	<p>If consent conditions or planning rules are significantly altered, increased compliance costs are expected. Council may need to consider changing the way it provides the consented activity, or review the fees, charges and/or rates charged in order to cover the additional costs of compliance.</p> <p>If new resource consents for an activity are not approved or are approved for a shorter term, Council will need to consider the implications in terms of cost and level of service.</p>
<p>Availability of contractors and materials: Contractors and materials will be available to undertake the work required to agreed standards, deadlines and to budget.</p>	<p>That contractors and/or materials are not available to undertake the planned works.</p>	<p>Low to Medium</p>	<p>Council competes with Central Government and the private sector for the available contractor resources.</p> <p>If contractors or materials are not available, Council's programme of work would have to be reduced and/or amended. This would impact the levels of service for a number of activities and the cost of providing them, as well as potentially slowing growth.</p>

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>Delivery of Council's Capital Programme</p> <p>Capital budgets have been prepared assuming that they will be delivered. However, Council also appreciates that issues occur that mean that all projects will not be delivered on time. As a result, a capital lag of 10% of the following activities capital spend has been built into the plan;</p> <ul style="list-style-type: none"> <li>• Stormwater</li> <li>• Water</li> <li>• Property</li> <li>• Reserves spend funded by Reserve Financial Contributions</li> <li>• Wastewater</li> </ul> <p>This recognises that certain projects will not be completed on time but acknowledges that Council is unsure which project or projects this will relate to.</p>	<p>That there are delays in the delivery of projects in the capital programme greater than the 10% lag assumed.</p> <p>Alternatively, that more of the delivery of projects in the capital programme is delivered on time than assumed through the 10% lag.</p>	Medium	<p>Most Council capital expenditure is funded through borrowing. The risk of not spending the forecast level of capital is that Council does not reach its projected net debt figure in the Financial Strategy. In addition, delays in delivering capital projects will result in lower than planned operational costs associated with the creation of these assets being later. These then flow on into the Profit and Loss account as a surplus because interest and operational costs are lower than planned. As a result, Council will collect more in rates than necessary.</p> <p>If more projects are delivered on time than anticipated, Council's debt will be higher than forecast with an associated increase in interest costs.</p> <p>\$1m more or less in debt equates to a rating impact of plus or minus \$80,000 per annum.</p>
<p>Staff numbers and accommodation:</p> <p>Populate following Council Workshop on 3 December 2020</p>			

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>Demand for digital services: Council will be required to invest in the upgrade of some Information Technology systems and the replacement of others to ensure that Council work can continue without an unacceptable level of risk of failure. Many residents will expect to be able to communicate and carry out transactions with Council through digital means.</p> <p>The availability of Broad-band connectivity is now widespread across the region, with coverage expected to be extended to all community centres within the next three years.</p>	<p>That funding is not available to invest to the extent required for this activity.</p>	<p>Low</p>	<p>The investment in technology over the last LTP 2018-2028 period was insufficient to modernise the Council’s core technology. The spend required going forward is substantial compared with the IT investment of previous years.</p> <p>If Council is not able to invest adequately in digital services, there will be a heightened possibility that Council information may be lost or corrupted, and that the age of our core systems will preclude them underpinning greater electronic processing of activity and more relevant on-line engagement with residents. In addition, operating efficiencies may not be realised resulting in higher staff numbers and costs.</p> <p>More general access to high bandwidth broadband facilities will result in increasing numbers of residents wanting to conduct their business on-line. Residents will demand more information and more feature rich electronic services from Council.</p>

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>Three Waters activities</p> <p>The Taumata Arowai – Water Services Regulator Act 2020 was passed in late July 2020. This new Crown entity is currently being established and will become responsible for drinking water regulation once a separate Water Services Regulator Bill is passed (anticipated to be mid-2021).</p> <p>The Government’s starting intention is for publicly-owned multi-regional models for water service delivery (with a preference for local authority ownership). However final decisions on a service delivery model are yet to be determined.</p> <p>Council has signed a MOU with Central Government and is participating in the exploration of future service delivery options.</p> <p>In all eventualities the community will continue to need three waters services (whether Council delivers them or not) and the continued provision of these activities are included in the LTP 2021-2031 financial forecasts.</p>	<p>The management of the three waters networks in Tasman is transferred to another entity, such as a new water company or a council controlled organisation.</p>	<p>High</p>	<p>Transfer of Council’s three waters assets and activities to another entity will have significant impact on Council’s finances and operations.</p> <p>The three waters services make up a substantial portion of Council’s assets, costs and revenues, as follows<sup>3</sup>:</p> <ul style="list-style-type: none"> <li>• Operating revenue \$31.6 million</li> <li>• Direct costs of running the activities \$20 million</li> <li>• Internal charges and overheads \$3.7 million</li> <li>• Value of three water assets \$411 million.</li> <li>• Value of any debt incurred to fund the activities \$112.3 million</li> </ul>

<sup>3</sup> 2019/2020 figures.

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>Reform/Repeal of Resource Management Act. That there will continue to be obligations on Council to develop, implement and maintain resource management plans. Council will continue to have regulatory authorising environment and monitoring and compliance functions.</p>	<p>Central Government has signalled its intention to reform environmental/planning legislation. Whilst some very high level directions for this legislative change have been signalled, the details and implications for Council are not yet known.</p> <p>The final form of the legislation could have substantial impacts on Council’s organisation and resourcing.</p>	<p>Low for Years 1-3, High for Years 4-10.</p>	<p>Until the legislative changes are further developed it is difficult to estimate the likely impact on Council. The environmental management activity makes up a substantial portion of Council’s costs and revenues, as follows<sup>4</sup>:</p> <ul style="list-style-type: none"> <li>• Operating revenue \$12.8 million</li> <li>• Direct costs of running the activities \$7.6 million</li> <li>• Internal charges and overheads \$4.9 million</li> <li>• Value of any debt incurred to fund the activities \$1.4 million</li> </ul>
<p>Freshwater Regulatory Changes That the resources budgeted for implementation of the Resource Management Act Freshwater amendments, NPS Freshwater, NES for Freshwater (various) and Stock Exclusion regulations will be adequate.</p> <p>These Freshwater changes have reduced the implementation timeframes from 10 years to four years while imposing additional requirements. Resourcing has been provided in the LTP 2021-2031 budget at the minimum level considered adequate.</p>	<p>That the resourcing provided in the LTP 2021-2031 proves inadequate to meet the expectations of the community and Council’s partners, resulting in further costs.</p>	<p>Medium</p>	<p>These are recent instruments and Council is still determining the full implications of them and the associated costs/resourcing implications. If there are additional costs these could result in the need to increase rates or consider reducing discretionary levels of service.</p>

<sup>4</sup> 2019/2020 figures.

**Item 8.2**

**Attachment 1**



ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>Resourcing for Proposed National Policy Statements and National Environmental Standards</p> <p>That the resources budgeted for implementation of the regulatory changes noted below will be adequate.</p> <p>Council has provided resourcing in the LTP 2021-2031 for the following:</p> <ul style="list-style-type: none"> <li>• proposed NPS Indigenous Biodiversity</li> <li>• proposed NPS Highly Productive Land</li> <li>• proposed amendments to NES Air Quality and proposed amendments to the NES for Sources of Human Drinking Water</li> <li>• proposed NES for Wastewater Discharges and Overflows</li> <li>• proposed NES for the Outdoor Storage of Tyres.</li> </ul> <p>These regulatory changes are under development but have not been finalised. Council has provided resourcing in the LTP 2021-2031 to cover policy, information, consenting, monitoring and compliance functions.</p>	<p>The final form and obligations required through the new instruments require additional resourcing than provided for in the LTP 2021-2031.</p>	<p>Medium</p>	<p>If Council is unable to adequately administer the new obligations, there is the potential for legal challenge and risk of intervention by the Minister for the Environment under S24 of the Resource Management Act.</p> <p>As these regulatory instruments were not finalised at the time of developing the LTP 2021-2031, the full requirements and implications for Council is not known.</p> <p>If there are additional costs these could result in the need to increase rates or consider reducing discretionary levels or service.</p>

EXTERNAL ASSUMPTIONS			
ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>Covid 19 New Zealand avoids a widespread outbreak of Covid 19 and is at alert Level 1 through 2021<sup>5</sup>. Stringent boarder restrictions remain in place until the end of 2021<sup>6</sup> and a vaccine is widely available in 2021.</p>	<p>The future course of the Covid 19 pandemic is hard to predict. Risks include:</p> <ul style="list-style-type: none"> <li>• a recurrent resurgence of the Covid 19 virus in New Zealand.</li> <li>• unknown timing and efficacy of a vaccine</li> <li>• unknown length of border restrictions</li> </ul>	Medium	<p>Further periods of restrictions at Level 3 or 4 may have negative impacts on the Tasman community and economy. In this scenario Council will continue to provide essential services and continue some discretionary services by remote working. Many discretionary services will be curtailed. Completing capital works programmes may become more difficult to achieve due to social distancing measures. The economic impact will increase pressures for Council to limit rates increases, potentially at the expense of lower levels of service.</p> <p>At the same time Council will have two important roles: to support the local economy as a significant consumer of goods and services; and to invest in economic and community infrastructure to maintain confidence generally. At the same time many of Council's services which might be considered discretionary, e.g. providing public places will become more important in enabling community members to remain connected.</p>

<sup>5</sup> Local Government Cost Adjustor Forecasts: Three Scenarios. Mahuru 2020. BERL

<sup>6</sup> Local Government Cost Adjustor Forecasts: Three Scenarios. Mahuru 2020. BERL



ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p><b>Economic Environment</b> The Tasman economy is expected to experience a downturn in 2021 and 2022, due to the impact of the Covid-19 pandemic<sup>7</sup>. While the economy is forecast to start gradually recovering from the September quarter 2020<sup>8</sup>, unemployment is expected to slowly recover to between 3.5%<sup>9</sup> and about 5%<sup>10</sup> by around 2030.</p> <p>Around a third of Tasman’s economy is focused on agriculture and manufacturing which is at lesser risk of restrictions, but may still feel the impact of any ongoing global downturn. The productivity of the agricultural sector in particular is likely to be negatively affected by limited access to seasonal workers from overseas due to border restrictions.</p> <p>Tourism accounts for around 11% of Tasman’s economy and will be significantly impacted for the next few years by New Zealand’s international border restrictions and reduced visitor numbers.</p>	<p>The timing and extent of the economic downturn or recovery may be lower or higher than forecast due to:</p> <ul style="list-style-type: none"> <li>• the level of central government support provided to individuals, businesses, and other organisations</li> <li>• the timing and availability of a Covid-19 vaccine</li> <li>• central government policy, including border restrictions</li> <li>• the global economic situation and other national or international factors</li> </ul>	Medium	<p>The demand for various Council services and several sources of Council revenue are dependent on the incomes of residents and businesses.</p> <p>There is a risk that the economic downturn is worse or longer than expected, having a negative impact on rates affordability and various parts of Council’s business and revenue streams, including rates, fees and charges, dividends, and revenue from commercial activities. Council may be called upon to deliver higher levels of service in areas such as community support and working with central government to deliver economic stimulus packages which could require a need to re-direct Council resources or to increase borrowing.</p> <p>There is a risk that the economic situation recovers faster than expected and Council may have reduced budgets more than necessary.</p>

<sup>7</sup> Infometrics April 2020 forecast.

<sup>8</sup> Local Government Cost Adjustor Forecasts: Three Scenarios. Mahuru 2020. BERL

<sup>9</sup> Deloitte COVID-19 scenario modelling tools for local authorities, October 2020. Note forecast numbers are for the Westcoast/Nelson-Tasman/Marlborough region

<sup>10</sup> Local Government Cost Adjustor Forecasts: Three Scenarios. Mahuru 2020. BERL

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>Climate Change:</p> <p>We have based our climate change assumptions on the NIWA-modelled climate change projections for Tasman District (see separate table at the end of this document). The scenarios our assumptions are based on are expressed as a range, from higher emissions to lower emissions, for a number of climate-related parameters.</p> <p>Council assumes that it is not possible to reduce the mid-century warming, due to the amount of carbon dioxide already accumulated in the atmosphere – i.e. that the projections for mid-century are already ‘locked in’.</p> <p>As a consequence of climate change, natural disasters will occur with increasing frequency and intensity. The weather-related and wildfire events the District has experienced in recent years are consistent with predictions of climate change impacts. For low lying coastal land there will be increasing inundation and erosion from sea level rise and storm surge. Adaptation can help reduce our vulnerability and increase our resilience to natural hazards.</p> <p>We assume that sea levels will continue to rise and are likely to rise at an accelerated rate over time. Our plans assume a sea level rise (SLR) of up to 0.3m by 2045, 0.9m by 2090 and 1.9m to 2150 (metres above 1986-2005 baseline), in line with the Ministry for the Environment’s</p>	<p>There is an overall risk that the effects of climate change are more severe than the scenarios Council’s assumptions are based on and/or sea level rise is higher than the MFE predicted advice levels.</p>	<p>High</p>	<p>There will be social, cultural, economic and environmental implications of climate change for individuals, landowners, businesses, iwi, and the wider community, in addition to the broader implications for the District. Examples of types of impacts include: damage to/loss of assets, property, infrastructure and facilities from coastal storm inundation events, sea level rise, flooding and/or wildfire; issues with water supply security; increased wastewater overflows; inadequate flood protection structures; increased biosecurity incursions and impacts on biodiversity.</p> <p>The separate table at the end of this document details the impacts and implications of the specific climate change scenarios our assumptions are based on. The financial cost to Council of responding to these impacts has not been quantified, but is likely to be significant. If the impacts are more severe than anticipated, the financial costs will be even higher. A wide range of Council’s services and planned infrastructure provision may be affected, particularly in coastal areas.</p> <p>Council will need to monitor the effects of climate change and sea level rise over</p>

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>Climate Change (continued) Coastal Hazards and Climate Change Guidance (2017). For coastal subdivisions, greenfield developments and major new infrastructure, we are planning for 1.9m SLR by 2150. All sea-level rise assumptions are based on the RCP8.5H+ scenario set out in the MfE guidance (2017).</p>			<p>time and review its budgets, programme of work and levels of service accordingly.</p>
<p>Natural Hazards: There will be some localised natural hazard events during the term of this LTP. For example, localised flooding, landslips or wildfires, but with impacts that are limited-.</p> <p>There remains a modest chance of a medium sized event occurring in the next 10 years 2021-2031.</p> <p>Council assumes that 60% of the repairs to underground assets will be funded by Central Government and 51% of roading assets by Waka Kotahi/NZTA.</p>	<p>That there is a modest or larger event during the period of the LTP 2021-2031. The effects of climate change increases the likelihood of many types of larger natural hazard events.</p> <p>The Nelson Tasman Civil Defence Emergency Management (CDEM) Plan states that the natural hazards with the highest residual risk (i.e. risk that remain after treatment) for Nelson Tasman are: earthquakes (infrequent but significant impact), plant and animal pests/diseases, high winds, large scale slope failure and drought.</p>	<p>Medium</p>	<p>Council has sufficient borrowing capacity above its self-imposed debt cap to be able to use in the case of a natural hazard event.</p> <p>Following an extreme natural hazard event Council may have to review its levels of service, financial limits and its investment in facilities and infrastructure to support the response and recovery of the District.</p>

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>Emissions Trading Scheme (ETS): Council assumes that ETS costs will rise as a result of the Climate Change Response (Emissions Trading Reform) Amendment Act 2020.</p> <p>Council has assumed that the cost of carbon will be \$37.50 per NZU for 2021/2022 \$42.50 per NZU for 2022/2023 \$47.50 per NZU for 2023/2024 \$50 per NZU from 2024/2025 to 2030/2031.</p> <p>The potential ETS liability from the Nelson Tasman Regional Landfill Business Unit is combined with that of Nelson City Council. The Business Unit is proposing to mitigate the increase by improving landfill gas collection and destruction and to pass the remaining cost to consumers through landfill charges.</p> <p>Council also continues to participate in the scheme, as owner of several commercial forests.</p>	<p>That ETS costs are higher than assumed, costing Council more than forecast through the Regional Landfill Business Unit and increasing revenue through Forestry.</p>	<p>Medium</p>	<p>If the increase in ETS costs are materially higher than assumed, Council may need to increase waste management fees and charges further or increase rates to fund these costs.</p> <p>If carbon costs are higher than assumed Council will benefit from increased revenue through its forestry activities.</p>

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>Government legislation: Council assumes that it will be affected by changes to Government legislation. However, as the nature of these changes is not known no financial provision has been made for them except where noted elsewhere in these forecasting assumptions. It is assumed that the Council will have the opportunity to submit on legislation likely to affect it and that Government will work with councils to ensure that any legislative changes are managed appropriately.</p>	<p>That Government legislation increases Council costs or reduces its ability to raise revenue.</p>	<p>Medium</p>	<p>If the increase costs from changes in legislation are material, Council may need to increase rates or fees and charges to fund these or consider reducing discretionary levels of service.</p>



FINANCIAL ASSUMPTIONS			
ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>Transition to funding depreciation: As part of its approach to funding infrastructure renewals, Council began funding depreciation from 2015/2016. It is assumed that after a further four years Council's share of depreciation will be fully funded (for an explanation of the term 'Council's share of depreciation', refer to Council's Financial Strategy).</p>	<p>That the Council's share of depreciation is not fully funded by the end of the 2024/2025 year requiring Council to fund a larger portion of the renewal of assets from external borrowing beyond 2024/2025.</p>	Low	<p>Council will have to increase its borrowing to fund the portion of depreciation not funded through rates beyond 2024/2025. This may reduce Council's capacity to borrow for other purposes within its debt cap in the Financial Strategy. Council may need to review its programme of investment in facilities and infrastructure. The level of funding for depreciation directly impacts on Council rates and other fees and charges.</p>
<p>Waimea Community Dam: The Waimea Community Dam will be ready for the planned 2022/2023 irrigation season and be completed within the budgetary provision made in the LTP 2021-2031.</p>	<p>That the Dam is not operational by March 2022. Those reliant on Council water supply on the Waimea Plains and surrounds will be exposed to drought risk for longer than expected.</p> <p>Costs exceed budgets and contingencies, requiring additional funding from Council and ratepayers.</p>	Medium	<p>Summer time restrictions may impact businesses, residents and Council's ability to service growth until the Dam is complete.</p> <p>If the Dam costs are more than budgeted, Council would negotiate with the Government for additional funding. Increased costs could impact on Council's financial position and debt level. Rates levels may have to be reconsidered and other projects and programmes may need to be delayed, and/or levels of service standards lowered to accommodate the additional costs.</p>

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>Marine farms not liable for rates</p> <p>Marine farms operating in the sea space within Council's boundary will not be liable to pay rates. This is the case under existing rating legislation and Council assumes no change for the duration of the LTP 2021-2031.</p> <p>These industries currently make use of Council infrastructure on land, but are not required to contribute to their costs through a contribution to rates.</p>	<p>Central Government changes legislation to enable Council to rate marine farming industries.</p>	<p>Low</p>	<p>Council cannot currently rate marine farmers to use the coastal marine area. Any rates revenue from this activity would help to generate additional revenue for the Council to fund related infrastructure and services (e.g. roading and Port Tarohe). This contribution would ease the level of rates incidence across the District and/or allow for increased levels of service.</p>
<p>Revaluation:</p> <p>Council re-values fixed assets on a three yearly cycle. It is assumed that the following types of fixed assets will increase in value in Year 2 by the BERL Capital index (and every three years thereafter): Stormwater, Solid Waste, Roding, Water Supply, Wastewater, Rivers, Coastal, For Land, and Buildings by the BERL capital index from Year 3 and every 3 years thereafter. Commercial property will be revalued each and every year using the BERL capital index.</p>	<p>The revaluation of Council assets is higher than assumed, meaning that the costs of funding depreciation increase.</p>	<p>Low</p>	<p>These assumptions affect the depreciation charges contained within Council's proposed budgets. The detail for each asset category and Council's asset depreciation rates are in the Statement of Accounting Policies.</p> <p>If the revaluation of assets is higher/lower than assumed, Council may need to consider increasing/decreasing fees and charges and/or rates to pay for the different cost of funding depreciation and/or increasing/decreasing capital expenditure for renewals.</p>

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>Inflation/Price changes: Council has generally used the inflation figures provided by Business and Economic Research Limited (BERL). Variable annual rates have been applied to six cost groups across the model. Council has used BERL’s overall average operating and capital local government cost indices, apart from salaries which it has adjusted to reflect Council’s expected future costs. The non-rates revenue inflation factor is calculated as an average of the operating and salary adjustor.</p> <p>In Year 1, 2021/2022 Council has used the adjustors from 2020/2021 which is a slightly higher rate of inflation than recommended by BERL.</p> <p>In preparing this LTP 2021-2031 Council has used the inflation factors as set out in the table below.</p>	<p>Inflation is higher than assumed resulting in budgets being inadequate to deliver the programme of investment in facilities and infrastructure, and to deliver the levels of service in the LTP 2021-2031.</p>	<p>Medium</p>	<p>If inflation for the goods and services Council purchases is higher than assumed, Council will be required to consider increasing rates and charges, reducing its programme of investment in facilities and infrastructure, increasing debt and/or reducing levels of service.</p> <p>If inflation for the goods and services Council purchases is lower than assumed, Council costs will be lower and Council will consider reducing rates and/or fees and charges or selectively increasing levels of service.</p> <p>If movements in the consumer price index (CPI) are substantially lower inflation for the goods and services Council purchases, then there will be increasing pressure on Council to reduce any planned rates or fees and charges increases.</p>

Item 8.2

Attachment 1

	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28	Jun 29	Jun 30	Jun 31	Ten Year Average
Revenue	2.6%	3.2%	2.5%	2.6%	2.8%	2.9%	3.0%	3.1%	3.2%	3.2%	2.9%
Salaries	2.8%	3.4%	2.5%	2.7%	3.0%	3.2%	3.3%	3.4%	3.6%	3.7%	3.2%
Maintenance	2.3%	2.9%	2.5%	2.5%	2.5%	2.5%	2.6%	2.7%	2.7%	2.6%	2.6%
Energy	2.3%	2.9%	2.5%	2.5%	2.5%	2.5%	2.6%	2.7%	2.7%	2.6%	2.6%
Other Operating Expenses	2.3%	2.9%	2.5%	2.5%	2.5%	2.5%	2.6%	2.7%	2.7%	2.6%	2.6%
Capital	2.3%	3.0%	2.6%	2.6%	2.7%	2.6%	2.8%	2.8%	2.9%	2.7%	2.7%

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>Interest rates: In preparing the LTP 2021-2031 Council has assumed lending interest rates for each year based on forecasts from Price Waterhouse Cooper.</p> <p>These interest rates include the cost of both funds already borrowed and anticipated new debt at anticipated future interest rates.</p>	<p>That borrowing interest rates are higher than assumed, resulting in Council’s cost of borrowing being higher than anticipated.</p>	<p>Medium/High</p>	<p>If actual interest rates are higher than the assumed rate, this cost would be met by increasing rates or adjusting future borrowing requirements.</p> <p>A 1% Increase in interest rates increases interest costs by approximately \$10,000 per annum per \$1 million of borrowing.</p> <p>A degree of protection against fluctuating interest rates has been provided through the use of interest rate swaps.</p> <p>Council is also a member of the Local Government Funding Agency which provides access to loans at a lower rate than Council could obtain directly from banks.</p> <p>Council is exposed to deposit interest rates through its prefunding activities. These interest rates are impacted by the Government’s monetary policy settings in particular the OCR (Official Cash Rate).</p>

	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28	Jun 29	Jun 30	Jun 31	Ten Year Average
Interest Rate	3.60%	3.41%	3.13%	2.93%	2.89%	2.67%	2.49%	2.39%	2.45%	2.40%	2.84%

Note: These interest rates are subject to change and dependent on the debt profile in the final Long Term Plan 2021/2031.

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p><b>Credit availability:</b> Credit can be obtained from financial markets on competitive terms and conditions.</p>	<p>That credit is not available on competitive terms and conditions resulting in Council's cost of borrowing being higher than anticipated.</p>	<p>Low</p>	<p>In recent years credit has been available from the financial markets at competitive rates and conditions. Should this change dramatically there are likely to be impacts on the cost of borrowing or in extreme circumstances the ability of the Council to borrow at all.</p> <p>Council may have to increase rates to pay for the increased costs of borrowing.</p> <p>Council may have to reduce its investment in infrastructure and facilities and consider reducing levels of service.</p>
<p><b>Useful lives of significant assets:</b> We are assuming standard useful lives for Council assets except where we have good quality information that contradicts this. In the LTP 2021-2031 Council has made a number of assumptions about the useful life of its assets (refer Infrastructure Strategy in the LTP 2021-2031). These assumptions affect the depreciation charges contained within Council's proposed budgets. Council has an ongoing programme to obtain improved information on the age and condition of its utilities assets.</p>	<p>That the lives of assets are materially shorter than assumed, necessitating renewal or replacement at an earlier date.</p>	<p>Low</p>	<p>If the life of assets are materially shorter than those contained within the Plan, Council may need to increase borrowing with a consequential impact on increasing rates.</p>

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p><b>Waka Kotahi/New Zealand Transport Agency funding:</b></p> <p>An underlying assumption of the budget figures contained in the Transportation, Roads and Footpaths Activity is that the government financial assistance through Waka Kotahi/NZ Transport Agency’s Co-investment Rate will remain unchanged during the LTP 2021-2031. Funding rates used for the preparation of the LTP 2021-2031 are based on information from the Waka Kotahi/NZ Transport Agency and are set at 51%.</p> <p>It is assumed that Waka Kotahi/NZ Transport Agency will fund Council’s full request made in the Nelson Tasman Regional Land Transport Plan.</p>	<p>That Waka Kotahi/NZTA financial assistance rates are lower than assumed increasing Council’s costs for transportation related activities.</p> <p>That Waka Kotahi/NZTA does not fund the full request opting to fund a lower total amount.</p>	<p>Medium</p>	<p>If Waka Kotahi/NZTA financial assistance rates are lower than assumed, Council may need to consider increasing rates and/or reducing its programme of transport infrastructure investment. This may result in levels of service being reduced.</p> <p>If Waka Kotahi/NZTA does not fund the full request, there will be a funding shortfall for the programme in the LTP 2021-2031. Council can choose to commit its full share of funding accepting that the total funding available will be reduced. As a consequence, Council will need to prioritise work available within available funds and this may negatively impact the condition of the roading network.</p>
<p><b>Return on investments:</b></p> <p>It is assumed that the return on investments, including dividends from Council Controlled Trading Organisations and retained earnings on subsidiaries will continue at current levels plus inflation or in line with the relevant organisation’s Statement of Intent.</p>	<p>That returns are lower than assumed reducing the revenue from this source.</p>	<p>Low/Medium</p>	<p>There is increased uncertainty about the ongoing economic impact of the Covid-19 pandemic which could negatively affect the return on Council’s investments. If revenue from the return on investments is lower than assumed, Council may need to consider increasing rates and/or reducing levels of service.</p>

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p><b>Central Government Funding</b> Following the Covid 19 restrictions Council has applied for government funding through a range of funds to help stimulate the local economy and provide jobs. In most cases there is a requirement that Council also contributes funding towards the projects, there are specific timeframes for completion and at times there are project management and accountability costs not covered by the external funding. A number of applications are still pending.</p> <p>With the exception of Waka Kotahi/NZTA funding, Council has only included government funding in its revenue forecasts where a formal funding agreement has been entered into. Council negotiates project management costs to be covered by the funding received wherever possible. Any further project management and accountability costs have been provided for where a formal funding agreement has been entered into.</p>	<p>That Council is successful in accessing further government funding for programmes and projects with specific timelines for completion.</p>	<p>Medium</p>	<p>If Council receives funding for specific programmes or projects, it may be necessary to change the timing of some work to access the government funding available and change when Council's contribution will be required. This could lead to changes in the timing of other projects to accommodate those attracting government funding.</p> <p>Receiving additional central government funding could impact operating expenditure, operating revenue, levels of service and debt levels.</p>



ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p><b>Insurance costs:</b> Council has assumed that insurance cover for Council assets will be available throughout the life of the LTP 2021-2031 and that premiums will rise faster than the rate of inflation for the first 4 years. Council expects insurance to rise by 7% plus inflation in those years.</p>	<p>Due to the physical risks to climate-exposed assets (e.g. infrastructure at risk from sea level rise), insurance premiums will substantially increase or insurance cover will not be available for assets in locations known to be vulnerable. These trends are already happening throughout NZ.</p> <p>That insurance cover will not be available for some or all Council assets for at least a period during the life of the LTP 2021-2031. This is particularly likely for coastal and port assets.</p> <p>That insurance premiums will increase beyond the anticipated level due to increasing material damage from natural hazard and weather related events driving increasing claim levels to insurance companies.</p> <p>Council is facing a hardening insurance market that will drive increases in deductibles and reduction in cover limits.</p>	<p>Medium</p>	<p>If insurance cover is either not available or premiums are above tolerable limits, Council may have to self-insure. This requires sufficient borrowing capacity to be able to replace damaged Council assets following a disaster event or similar. Maintaining this increased level of available borrowing capacity may mean Council has to reduce other borrowing by reviewing its investment in facilities and infrastructure, reviewing its levels of service and/or revising its debt limit in the Financial Strategy.</p>

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p><b>Major Industrial Water Users (IWU) and provision of water to some Nelson South properties:</b></p> <p>It is assumed that the volume of water supplied to the residential properties in the Nelson City Council area will progressively reduce to none over a ten-year period.</p> <p>Water supplied to Nelson City Council for residential use will be charged in accordance with the 2015 Engineering Services Agreement between Nelson City Council and Tasman District Council, or in accordance with any subsequent enacted agreement if applicable. Fees have currently been budgeted using the 2015 agreement formula.</p> <p>Council has assumed that the same volume of water will be provided to Nelson Industrial Water Supply Area, whether the renewed contract be directly between the Council and the industrial water users or the Council and Nelson City Council. Rates have been conservatively estimated pending finalisation of these arrangements.</p>	<p>That Council's revenue from providing water to major industrial water users and/or residential properties in Nelson South is lower than assumed.</p>	<p>Low</p>	<p>If the amount of water required decreases significantly Council will need to reassess the water storage and conveyance needs for the urban water supply system. A large reduction in the volume provided might also affect the cost of water provided to other urban water supply users, including Tasman residential properties. The reason for this is that most of the costs of supplying water are fixed, and a change in the volume provided would also change the average cost per cubic metre. If there is a large reduction in the volume of water provided, Council may need to consider increasing rates and/or reducing levels of service.</p>

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p><b>Port Tarakohe Redevelopment not proceeding</b> Council has assumed that the proposed \$26m upgrade of Port Tarakohe will not proceed and has not made budget provision for this.</p>	<p>That following further negotiations with Central Government grant funding is available from that source and Council decides to proceed with the redevelopment.</p>	<p>Low</p>	<p>If Council decides to proceed with the Port Tarakohe redevelopment it is likely to increase debt and rates levels as capital and operating costs increase.</p>
<p><b>Collection of Levies via Rates for Central Government</b> Council will not incur costs from collecting additional rates or levies to fund Central Government functions. The Urban Development Act 2020 and the Infrastructure Funding and Financing Act 2020 provide for Central Government to set rates or levies for local authorities to collect on its behalf. In addition, the Fire and Emergency New Zealand (FENZ) Funding Review Consultation Document suggested the possibility of local authorities collecting levies for FENZ.</p>	<p>That Council will be required to collect one or more rate or levy on behalf of Central Government and the costs are not fully recovered. In this scenario additional Council rates would be required to fund the outstanding costs.</p>	<p>Medium</p>	<p>If Council is required to collect rates on Central Government’s behalf for one or more of these purposes, changes will be required to Council’s rating systems and significant administration costs will be incurred on an annual basis to collect and account for this revenue.  If the community generally considers the increase in rates to fund the Central Government functions are attributable to Council, it is likely that those concerned about rates affordability will become more vocal and public pressure on rates levels could further limit Council’s scope to increase rates to pay for the services it delivers. This could lead to reduced levels of service and/or delays in the provision of infrastructure or other capital projects.</p>

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p><b>Non-Rateable land and Trees:</b></p> <p>There is no change to legislation meaning that a significant proportion of the District remains as non-rateable land.</p> <p>Similarly, there is no change to legislation meaning that rates cannot be charged on the capital value of trees in commercial forests.</p>	<p>Legislation is enacted that increases the categories for non-rateable land (including changes to the rateability of Maori freehold land).</p> <p>Legislation is enacted that enables the value of trees to be included in the capital value of commercial forests for rating purposes.</p>	<p>Low</p>	<p>Approximately 66 % of the land area in Tasman is currently non rateable. This includes at least 60% Department of Conservation land - mostly the national parks. If more land becomes unrateable, this will have implications for Council's rate take, meaning the rates would need to increase on the remaining ratepayers to offset this loss.</p> <p>If more land becomes rateable there would be an effect of increasing the incidence of rates on the owners of this land and reducing the incidence of rates on other rate payers. Similarly, if rates could be charged on the value of trees in commercial forest, the effect would be that commercial forest rate payers would pay a larger proportion of rates and other rate payers a lower proportion.</p>

Table of assumptions ends

## IMPACTS AND IMPLICATIONS OF A CHANGING CLIMATE FOR TASMAN DISTRICT

Two climate scenarios are used across the 2015 and 2019 NIWA reports, and are referred below.

1. RCP 8.5: “business as usual”, where greenhouse gas emissions continue at current rate.
2. RCP 4.5: scenario where global action is taken towards mitigating climate change (e.g. Paris climate change agreement).

CHANGES TO CLIMATE IN TASMAN		IMPACTS AND IMPLICATIONS
<b>Changing Temperatures and seasonality</b>	<p><b>Average temperature will rise</b></p> <ul style="list-style-type: none"> <li>• 0.9°C to 1.0°C by 2040</li> <li>• 1.4°C to 3.0°C hotter by 2090</li> </ul>	<ul style="list-style-type: none"> <li>• Increased risk of wildfire - longer spells of extreme fire hazard.</li> <li>• Risk of heat stress negatively affecting the health of people, animals and plants.</li> <li>• Reduced workplace productivity.</li> <li>• Lower heating costs in winter, higher cooling costs in summer.</li> <li>• Extended summer leisure and tourism seasons, but shorter ski season.</li> <li>• Damage to transport infrastructure, e.g. melting of road surfaces.</li> <li>• Improved efficiency of wastewater treatment plants.</li> <li>• Higher demand for drinking water at times when water is likely to be scarcer.</li> <li>• Negative impacts on water quality.</li> <li>• Stress on ecosystems and associated impacts on health and economy.</li> <li>• Risk to agriculture and horticulture-drought and limited water for irrigation.</li> <li>• Range and habitat of native plants and animals will change-extinction of some species.</li> <li>• Favourable conditions for some/different pests and diseases.</li> <li>• Higher temperatures may allow for different crops to be grown.</li> </ul>
	<p><b>More very hot days (greater than 25°C) *</b></p> <ul style="list-style-type: none"> <li>• +8 to +9 more 25°C+ days per year by 2040*</li> <li>• +14 to +43 more 25°C+ days for Tasman by 2090</li> </ul> <p>*Calculated for areas &lt;500m altitude</p>	
	<p><b>More heatwave days (≥ three consecutive days with maximum temperatures &gt; 25°C)</b></p> <ul style="list-style-type: none"> <li>• +20 more heatwave days per year by 2040</li> <li>• +25 and +60 more heatwave days per year by 2090 (RCP 4.5 and RCP 8.5)</li> </ul>	
	<p><b>Fewer frosts per year</b></p> <ul style="list-style-type: none"> <li>• Average of 13 fewer frosts per year by 2040</li> <li>• Average of 28 fewer frosts per year by 2090</li> <li>• 90+ fewer frosts per year in southeast part of district by 2090 (RCP 8.5)</li> </ul>	
	<p><b>More growing degree days (GDD = sum of daily average temps above a 10°C base)</b></p> <ul style="list-style-type: none"> <li>• +250 sum GDD per year by 2040</li> </ul>	

	<ul style="list-style-type: none"> <li>+300 and +900 sum GDD per year by 2090 (RCP 4.5 and RCP 8.5)</li> </ul> <p><b>Seasonal change in temperature</b></p> <ul style="list-style-type: none"> <li>Temperature will change the most in summer and autumn</li> <li>least in spring</li> </ul> <p><b>Increased evapotranspiration from soils</b></p> <ul style="list-style-type: none"> <li>Up to 140 mm moisture deficit in areas of Tasman by 2040</li> <li>140 mm and 200 mm deficit by 2090 (RCP 4.5 and 8.5)</li> </ul>	<ul style="list-style-type: none"> <li>Timing of seasonal activities such as flowering, breeding and migration will change.</li> </ul>
<p><b>Changing rainfall patterns and intensity</b></p>	<p><b>Seasonal change in rainfall patterns</b></p> <ul style="list-style-type: none"> <li>More rainfall in all seasons (except spring, for coastal areas) by 2040</li> <li>Slightly less (-5%) rainfall in western parts of Tasman for all seasons, except winter (up to 40% increase; RCP 8.5) by 2090.</li> </ul> <p><b>Rainfall patterns within seasons will change:</b></p> <ul style="list-style-type: none"> <li>Longer dry periods: more intense, more frequent drought.</li> <li>Extreme rainfall: more frequent and more extreme rainfall events</li> </ul>	<ul style="list-style-type: none"> <li>Issues with water availability for drinking, irrigation, agriculture and horticulture during drought.</li> <li>More frequent, more intense river flooding and direct rainfall flash flooding of communities and businesses, with knock-on consequences to people and economy.</li> <li>The capacity of storm water infrastructure could be stretched.</li> <li>Flood damage to bridges, roads and other infrastructure and lifelines.</li> <li>There could be changes to cost and availability of insurance.</li> <li>Health risks from contamination of drinking water in flood events.</li> <li>Parks and recreation grounds negatively affected by both drought and flooding.</li> <li>Drought and/or fire leads to loss of vegetation on hills, which leads to landslides and rapid erosion of soils by intense rainfall and strong winds. There could be permanent loss of soils, preventing revegetation.</li> </ul>

		<ul style="list-style-type: none"> <li>• Increased erosion leads to more sediment in waterways, causing poorer water quality, issues with stream capacity and issues with treatment for drinking water.</li> <li>• Higher stress on indigenous ecosystems, plants and animals, especially with drought.</li> <li>• Drought will increase wildfire risk - especially when temperatures are high.</li> </ul>
<p><b>Changes to sea level and coastal hazards</b></p>	<p><b>Permanent Sea level rise:</b> Sea levels will continue to rise and are likely to rise at an accelerated rate over time. Our planning for sea level rise (SLR) is based on the RCP8.5H+ scenario outlined in the Ministry for the Environment’s Coastal Hazards and Climate Change Guidance (2017), i.e.:</p> <ul style="list-style-type: none"> <li>• up to 0.3m SLR by 2045</li> <li>• up to 0.9m SLR by 2090</li> <li>• up to 1.9m SLR by 2150</li> </ul> <p>(metres above 1986-2005 baseline sea levels). Note that for coastal subdivisions, greenfield developments and major new infrastructure, we are planning for 1.9m SLR by 2150 .</p>	<p>Some of the high-level impacts of sea level rise and coastal hazards may include:</p> <ul style="list-style-type: none"> <li>• More frequent, more severe coastal flooding of coastal communities, infrastructure and businesses and knock-on consequences for health, wellbeing and economy</li> <li>• Saltwater incursion into freshwater habitats</li> <li>• Killing of plant species that are intolerant to salt water</li> <li>• Coastal squeeze for species where there is no room for them to migrate inland</li> <li>• Shallow, salty groundwater will damage buried pipes and foundations of roads and buildings. It can result in cold, damp homes.</li> <li>• Shallowing of groundwater can lead to long-term standing surface water</li> <li>• Our coastline may switch from accretion to erosion</li> <li>• Coastal erosion can result in loss of road access to isolated coastal communities</li> <li>• There could be changes in the cost and availability of insurance.</li> <li>• There may be migration of people inland from coastal and low-lying communities.</li> <li>• There could also be population growth due to climate refugees from other countries.</li> </ul> <p>Council has recently prepared a ‘first-pass’ risk assessment to understand our vulnerability to coastal storm inundation and sea level rise. This assessment identifies representative assets, property, infrastructure and facilities (referred to as ‘elements at risk’) that we value and that</p>
	<p><b>Permanent Groundwater rise:</b></p> <ul style="list-style-type: none"> <li>• Shallowing of groundwater in coastal areas in response to sea level rise.</li> </ul>	
	<p><b>More frequent storm surge (temporary raising of sea level during storms)</b></p> <ul style="list-style-type: none"> <li>• Storm surges will become more frequent and increase in height.</li> </ul>	

	<p><i>Saltwater intrusion into coastal groundwater, and further upstream in rivers</i></p>	<p>may be exposed to a present day 1% annual exceedance probability (AEP) coastal storm inundation event and a range of sea level rise scenarios up to 2m. It identifies and broadly quantifies elements at risk that may be vulnerable to coastal hazards (e.g. number of buildings or length of road exposed), but does not attempt to measure the severity of the hazard or associated costs of repairing or replacing infrastructure.</p> <p>There will be social, cultural, economic and environmental implications for individuals, landowners, businesses, iwi, and the wider community, in addition to the broader implications for the District. For example:</p> <ul style="list-style-type: none"> <li>• Approximately 11% of urban land (941 ha), 44% of grassland (3,650 ha), 25% of coastal indigenous vegetation (2,106 ha), 10% of exotic forestry (857 ha) and 9% of horticultural land (760 ha) is vulnerable to coastal storm inundation and rising sea levels.</li> <li>• An estimated population of 8,400 people are located in low-lying coastal areas that are vulnerable to coastal storm inundation and sea level rise. Approximately 60% of people are located in the Motueka – Riwaka coastal area (4,970 people), followed by 12% of people in the Mapua – Ruby Bay coastal area (990 people).</li> <li>• Motueka is the largest town that will be affected by coastal storm inundation and sea level rise. The cost to either repair damages, replace or relocate over the longer term will be significant. There are an extensive number of vulnerable elements at risk including people, homes, tourism accommodation, businesses and industry, Port Motueka, community facilities, and infrastructure. Any damage or inability to use roads (particularly SH60) as a result of inundation will impact not only to Motueka and Riwaka, but access to Golden Bay/Mohua. Low-lying horticultural and pastoral land around Motueka and Riwaka is also vulnerable.</li> <li>• Mapua and Ruby Bay’s exposure to coastal hazards is well known. It is the second largest residential area with associated services (e.g. businesses, community facilities, infrastructure) vulnerable to coastal hazards and sea level rise.</li> <li>• Land adjacent to the Waimea Inlet and on the inlet islands is vulnerable, including a large area of business and industrial land; recreation, conservation and forestry land uses and three waters pipe infrastructure on Moturoa/Rabbit Island; Bell Island wastewater treatment plant; recreation and conservation values in and around the inlet and islands; and horticulture and pastoral farming on the Waimea Plains.</li> <li>• Vulnerable elements at risk in smaller coastal towns such as Marahau – Kaiteriteri,</li> </ul>
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		<p>Western Golden Bay and Eastern Golden Bay include a mix of homes, tourism accommodation, businesses and industry, Port Tarakohe, and some community facilities. Low-lying three-waters infrastructure is vulnerable, in locations where this is provided. The road network is critical to access these coastal communities, and there are sections of roads which are either presently vulnerable or will be in the future due to rising sea levels.</p> <ul style="list-style-type: none"> <li>• Coastal storm inundation and sea level rise will have a significant impact on many existing coastal assets (e.g. wharves, jetties, boat ramps, coastal protection structures, ports) simply because of the nature of their design, purpose and location. Over time, rising sea levels will cause coastal assets to be overtopped by waves or high tides more regularly as the location of ‘every day tides’ (mean high water spring mark) moves inland.</li> <li>• There are eight closed landfills, in addition to other potentially contaminated land sites, located at or near the coast which could pose an environmental risk if exposed by coastal storm inundation and sea level rise.</li> <li>• 350 cultural heritage (archaeological) sites are vulnerable to coastal storm inundation and sea level rise (based on NZAA’s Archsite records), in addition to other sites that are not captured within this assessment.</li> <li>• Of the District’s total open space and reserve zoned land, 51% (717 hectares) is vulnerable to coastal storm inundation and rising sea levels.</li> <li>• Within Abel Tasman National Park, a large area of indigenous vegetation land cover is vulnerable, as well as some houses/holiday homes and Department of Conservation assets (e.g. Abel Tasman Coast Track, huts, etc.) located in low lying areas. Road access to the National Park via the road to Marahau will also be affected by rising sea levels.</li> </ul>
<p><b><i>Oceanic changes</i></b></p>	<p><b><i>Oceanic changes</i></b></p> <ul style="list-style-type: none"> <li>• Acidification of the ocean</li> <li>• General temperature rise of sea water.</li> <li>• Marine heatwaves</li> </ul>	<ul style="list-style-type: none"> <li>• Altered marine ecosystems, particularly affecting hard shelled species.</li> <li>• Extinction of some species.</li> <li>• Changes to the range of species, location and abundance of fish and sea birds around NZ.</li> <li>• Impacts on aquaculture and fishing industries.</li> </ul>

		<ul style="list-style-type: none"> <li>• Reduced recreational benefits.</li> </ul>
<b>Wind</b>	<p><b>Extreme daily winds</b></p> <ul style="list-style-type: none"> <li>• Winds are expected to increase in winter and decrease in summer</li> </ul>	<ul style="list-style-type: none"> <li>• More frequent damage to trees, buildings and power lines.</li> <li>• Will make cycling more dangerous.</li> <li>• Will increase fire risk during hot, dry periods.</li> <li>• More opportunities for wind generation of electricity.</li> </ul>
<b>Primary production</b>	<p><b>Changes to the climate in which we farm</b></p> <ul style="list-style-type: none"> <li>• We will see increasing day and night-time temperatures, a longer duration of high temperature periods, and a reduction in the number of frosts.</li> <li>• There will be more frequent and longer periods without rain in summer.</li> <li>• There will be more frequent heavy rainfall events in winter</li> <li>• Evapotranspiration and plant uptake of water from soil will be acute in some areas.</li> </ul>	<ul style="list-style-type: none"> <li>• Animal heat stress in pastoral farming systems, with implications for animal welfare and performance.</li> <li>• Changes to plant phenological development (e.g. early ripening of grapes due to high temperatures), or plant productivity (e.g. poor flavour in winter vegetables due to a lack of frosts).</li> <li>• Changes to the potential land uses and crop types in areas most affected by climate change (implications for land use versatility).</li> <li>• Increased growth rates for <i>Pinus radiata</i> at higher elevations, but increased fire risk.</li> <li>• Increased need for water storage and irrigation for plant survival during drought or heatwaves.</li> <li>• Increased risk from pests and diseases with a warmer climate.</li> <li>• Greater incidence of slips and slope failures, soil pugging and waterlogging from heavy and frequent rainfall events.</li> </ul>

**References:**

Chappell, P., Mullan, B., Paul, V., Bell, R., & Law, C. (2015). *Climate Change and Variability - Tasman District*. NIWA Client Report AKL2015-021.  
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Ministry for the Environment. (2020). *National Climate Change Risk Assessment for Aotearoa New Zealand: Main report – Arotakenga Tūraru mō te Huringa Āhuarangi o Āotearoa Pūrongo whakatōpū*. Wellington: Ministry for the Environment.

Pearce, P., Woolley, J-M., & Sood, A. (2019). *Climate change projections for Tasman and impacts on agricultural systems*. NIWA Client Report 2019309AK.



## Community Outcomes for Long Term Plan 2021-2031 4 December 2020

### **OUTCOME 1: OUR UNIQUE NATURAL ENVIRONMENT IS HEALTHY, PROTECTED AND SUSTAINABLY MANAGED**

- Tasman is a place where everyone can enjoy the natural environment, while it is protected for the future.
- We recognise the importance of a healthy environment for tourism and productive land uses, and the need to mitigate the impacts of human activities on the environment.
- We sustainably manage air quality, waste, freshwater and coastal waters.
- We treasure, protect and restore the special places, landscapes, water bodies, native species and natural ecosystems of Tasman.
- Natural biodiversity is widely understood and valued.
- The value of introduced species is recognised and pests are controlled.
- Open spaces are linked and productive land is protected.
- We undertake an extensive monitoring programme of the environment, including air, water and soil health.
- We also provide and monitor resource consents and, if necessary, prosecute any breaches.
- The intergenerational kaitiakitanga (guardianship) roles of tangata whenua iwi is recognised; the community understands the concept and are involved in caring for ngā taonga tuku iho (treasure of the ancestors).

### **OUTCOME 2: OUR URBAN AND RURAL ENVIRONMENTS ARE PEOPLE-FRIENDLY, WELL PLANNED, ACCESSIBLE AND SUSTAINABLY MANAGED**

- Our region is more resilient to the impacts of climate change and our greenhouse gas emissions have reduced.
- Our current and future urban and rural living environments provide the important features that we need to enjoy Tasman.
- Urban and rural areas are designed to be people-friendly, particularly for children, families and our increasing, ageing population.
- We think and plan regionally and act locally within that context.
- We work together with Nelson City Council to provide adequate land for housing and businesses across Richmond and Nelson and to ensure that our infrastructure is delivered efficiently and effectively.
- Our built environments are well planned and based on sound urban design principles.

**Item 8.2**

- Urban areas are attractive, safe, accessible and have parks and reserves available for residents to use.
- Tasman has affordable transportation networks that meet the needs of our communities.
- There is a range of community housing and community facilities, with more intensification in towns/settlements and clear urban/rural boundaries.

**Attachment 2**

**OUTCOME 3: OUR INFRASTRUCTURE IS EFFICIENT, RESILIENT, COST EFFECTIVE AND MEETS CURRENT AND FUTURE NEEDS**

- We have good quality, sustainable, integrated, affordable, safe, secure, efficient and effective transportation networks (including roads, cycleways and footpaths), water, wastewater, stormwater and solid waste services.
- We provide infrastructure services that meet the needs of our changing population and growth is well managed.
- We prudently manage our existing assets and environment.
- Waste and pollution is minimised, so we have clean water, clean seas, clean air, healthy flora, fauna and soils, and public health needs are met.
- Our public transport services are well-utilised and our developing cycleway network is popular with residents and visitors alike.

**OUTCOME 4: OUR COMMUNITIES ARE HEALTHY, SAFE, INCLUSIVE AND RESILIENT**

- We support the opportunities for Tasman residents to enjoy a good quality of life.
- We are a supportive and diverse community.
- Everyone is included and involved, can participate in decision-making and is able to enjoy a good quality of life, wherever they come from and whatever their age, abilities or income.
- We are a resilient community with a Civil Defence service that assists residents and businesses to cope with disasters or emergencies.
- Our communities health and well-being are safeguarded by ensuring standards of construction, food safety and registered premises operation are met, and that alcohol sale and consumption, risk from fire and nuisances do not adversely affect quality of life.

**OUTCOME 5: OUR COMMUNITIES HAVE OPPORTUNITIES TO CELEBRATE AND EXPLORE THEIR HERITAGE, IDENTITY AND CREATIVITY**

- We have a strong sense of community and are proud of our region, our communities and our diverse heritage.
- Important heritage items, sites and stories of the District are protected for future generations.
- Residents and visitors have opportunities to celebrate Tasman's heritage and support cultural diversity.
- We celebrate and acknowledge our heritage and our history, and how that contributes to our distinctive identity.
- We tell our whakapapa (history) in an honest way and acknowledge the lessons that history has taught us.

**Item 8.2**

- Māori culture and tikanga (traditions) are acknowledged as taonga (treasures) that represent our regional uniqueness.
- We value and support those things that make Tasman special and unique – our Māori history, our people, art and crafts, the outdoors, local food and beverages and the relaxed atmosphere.
- The two marae in Tasman are an important part of our District’s cultural services and these are essential to our community identity.

**Attachment 2**



**OUTCOME 6: OUR COMMUNITIES HAVE ACCESS TO A RANGE OF SOCIAL, CULTURAL, EDUCATIONAL AND RECREATIONAL FACILITIES AND ACTIVITIES**

- We have a good range of sports, recreation and community facilities, including libraries, which are suitable for all ages, including youth and older residents.
- There is a wide range of recreation, educational and leisure opportunities for everyone to take part in.
- Access to the coastal waters of Tasman and safe boating practice is supported.
- We support and encourage all culturally diverse groups to demonstrate their unique recreational activities to the wider community.
- There are many festivals and events held throughout the year in the Tasman region.

**OUTCOME 7: OUR COUNCIL PROVIDES LEADERSHIP AND FOSTERS PARTNERSHIPS INCLUDING IWI, FOSTERS A REGIONAL PERSPECTIVE, AND ENCOURAGES COMMUNITY ENGAGEMENT**

- We continue to develop effective working relationships with our Treaty Partners.
- We foster Māori participation in Council decision-making.
- We work together effectively as a region, think of the generations that will follow and listen to the full range of views.
- Council demonstrates strong leadership on climate change issues.
- Everyone has the opportunity to participate in the community's major decisions and information is easy to obtain.
- Leaders consult with, understand their communities, and work for the good of all, including the wider region.
- Our leaders take responsibility for their decisions and act to improve the big issues facing our community.
- We continue to collaborate with community organisations and build effective Council-community partnerships.
- We support and mentor our youth to become the leaders of the future.

**OUTCOME 8: OUR REGION IS SUPPORTED BY AN INNOVATIVE AND SUSTAINABLE ECONOMY**

- We all participate in the regional economy and it meets people's needs.
- We are a business-friendly region, and economic activity is sensitive to the environment, heritage and people of Tasman.
- We are skilled and adaptable and we see the benefits of a wide range of high-value industries and businesses.

**Item 8.2**

- Small, locally-owned businesses are an essential part of the community.
- We encourage appropriate new investment into our community.
- Our youth can live, learn and work in Tasman.
- We recognise, support and celebrate innovation and achievement.

**Attachment 2**

**8.3 AUDIT AND RISK COMMITTEE REVIEW**

Decision Required

<b>Report To:</b>	Full Council
<b>Meeting Date:</b>	18 December 2020
<b>Report Author:</b>	Mike Drummond, Corporate and Governance Services Manager
<b>Report Number:</b>	RCN20-12-17

**1 Summary**

- 1.1 This report asks the Council to agree to the recommendations from the Audit and Risk Committee.
- 1.2 The attached report 'Audit and Risk Committee Review' (**Attachment 1**) was considered by the Audit and Risk Committee at the meeting on 2 December 2020. At that meeting, the Committee passed a resolution (copied below) asking the Council to adopt the recommendations in the report.
- 1 FNAU20-12-2**
- 2 That the Audit and Risk Committee:**
- 3 1. receives the Audit and Risk Committee Review RFNAU20-12-1; and**
- 4 2. recommends to the Council the implementation of the following:**
- 5 a. Council filling the vacant independent member position; and**
- 6 b. Council appointing an independent member as Chair; and**
- 7 c. Council adopting the (combined) Charter and Terms of Reference; and**
- 8 d. Council increasing the number of meetings by one meeting per annum; and**
- 9 e. Council having a standing item on the Full Council agenda, which summarises activity, considered through the ARC.**
- 1.3 The Committee made note that:
- 1.3.1 They would like to see the regular attendance of the Chief Executive at future meetings.
- 1.3.2 It would be desirable that the independent member position be filled with someone with a level of IT skills due to the strategic risks the Council is facing in this area.
- 1.4 The report notes that a high functioning Audit and Risk Committee would reduce the workload for the Full Council, as they should act as a filter before 'mechanical' matters being presented, with many reports stopping at Audit and Risk.

<b>2 Draft Resolution</b>
---------------------------

**That the Full Council**

- 1. receives the Audit and Risk Committee Review referral report RFNAU20-12-1; and**
- 2. approves the following:**
  - a. filling the vacant independent member position; and**
  - b. appointing an independent member as Chair; and**
  - c. increasing the number of Audit and Risk Committee meetings by one meeting per annum to 5 meetings; and**
- 3. adopts the Audit and Risk Committee (combined) Charter and Terms of Reference (attachment 2); and**
- 4. requests that following each meeting of the Audit and Risk Committee, the Chair prepares a standing item report for the next Full Council meeting. This report is to summarise activity considered through the Audit and Risk Committee.**

<b>3 Attachments</b>
----------------------

1. <a href="#">↓</a>	Audit and Risk Report 2 December 2020	79
2. <a href="#">↓</a>	Audit and Risk Committee Review	87
3. <a href="#">↓</a>	Draft Charter and Terms of Reference for Audit and Risk Committee	115



**7.1 AUDIT AND RISK COMMITTEE REVIEW****Decision Required**

<b>Report To:</b>	Audit and Risk Committee
<b>Meeting Date:</b>	2 December 2020
<b>Report Author:</b>	Trudi Zawodny, Operational Governance Manager
<b>Report Number:</b>	RFNAU20-12-1

**1 Summary**

- 1.1 In July 2020, Council initiated a review of the Audit and Risk Committee (ARC). The full report is contained in **Attachment 1**.
- 1.2 The purpose of the review was to ensure that the Council has the right balance of assurance, monitoring, evaluation and other mechanisms to know that the Audit and Risk Committee and the Council are performing well and that it is not missing risks and opportunities.
- 1.3 The report notes that a high functioning ARC would reduce the workload for the Full Council, as they should act as a filter before ‘mechanical’ matters being presented, with many reports stopping at Audit and Risk.
- 1.4 The key recommendations from the report are:
- 1.4.1 Fill the vacant independent member position and appoint an independent member as Chair.
  - 1.4.2 Implement a skills matrix approach and identify training opportunities.
  - 1.4.3 Adopt the (combined) Charter and Terms of Reference to provide clarity on the Principles, Scope, Activities and Governance of the Committee.
  - 1.4.4 Expand the scope of the Committee to include Health & Safety, Governance, Integrity and Investigations.
  - 1.4.5 Increase the number of meetings by one meeting per annum to ensure sufficient time is spent on all matters.
  - 1.4.6 Have a standing item on the Full Council agenda, which summarises activity, considered through the ARC.
  - 1.4.7 Structure the reporting around an annual work programme with an agreed set of risk based priority areas to focus on.
  - 1.4.8 Should all of the recommendations be implemented, there will be an increase in both direct and indirect costs.

**2 Draft Resolution**

**That the Audit and Risk Committee:**

1. receives the **Audit and Risk Committee Review RFNAU20-12-1**; and
2. recommends to the Council the implementation of the following:
  - a. Council filling the vacant independent member position; and
  - b. Council appointing an independent member as Chair; and
  - c. Council adopting the (combined) Charter and Terms of Reference (attachment 2); and
  - d. Council increasing the number of meetings by one meeting per annum; and
  - e. Council having a standing item on the Full Council agenda which summarises activity considered through the ARC.

<b>3 Purpose of the Report</b>
--------------------------------

- 3.1 This report allows the Audit and Risk Committee the opportunity to read and provide feedback on the review of the Audit and Risk Committee, before it is presented to Full Council.

<b>4 Background and Discussion</b>
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- 4.1 In July 2020, Council initiated a review of the Audit and Risk Committee (ARC). The full report is contained in **Attachment 1**. The purpose of the review was to ensure that the Council has the right balance of assurance, monitoring, evaluation and other mechanisms to know that the ARC and Council are performing well and that it is not missing risks and opportunities. The agreed scope was to review the following:
- 4.1.1 Purpose and Areas of Responsibility of the committee
  - 4.1.2 Responsibilities
  - 4.1.3 Powers
  - 4.1.4 Limitations
  - 4.1.5 Administration (including quorum and meeting frequency)
- 4.2 A comparison of what the Audit and Risk Committee currently undertakes was made against the Office of the Auditor-General four “foundation” principles (in italics below), with the following assessment:
- 4.3 ***Independence*** – *Audit committees need the independence of perspective, experience, and knowledge to bring the test and challenge that adds value to the governance of a public entity.*
- 4.3.1 What we currently do: The Terms of Reference (ToR) specify five elected members appointed by the Council and up to two external members. Currently, the Council has five elected members and one external member.



- 4.3.2 What we could do: Appoint a second independent (external) member position. The overall increase in annual costs will depend on how many meetings are established. These costs are covered in section 10 of this report.
- 4.4 **Clarity of purpose** – *To get the best, governors need to be clear about what they want from their audit committee, and entity management needs to help provide the support that allows governance needs of the committee to be met. It is useful to set out the purpose, roles, and responsibilities of the audit committee and its scope in the context of the entity's governance framework.*
- 4.4.1 What we currently do: The ToR provide some of the attributes recommended as part of good Governance, what it lacks are the context and boundaries.
- 4.4.2 What we could do: Given the Council's size, a combined Charter and ToR would appropriately clarify the Principles, Governance and provide more detail on the activities the members would undertake to satisfy the responsibilities of the Committee. A draft of what this might look like has been provided in **Attachment 2**. Further to this, a draft Schedule/Work Plan has been prepared to show how the expanded responsibilities could be addressed over a year.
- 4.5 **Competence** – *Competence is about having the right mix of skills and experience on the audit committee to give oversight of the matters sought of the committee.*
- 4.5.1 What we currently do: Elected members are assigned to the committee and their skills, experience and knowledge are taken into account through this process, however, there is no documented systematic approach.
- 4.5.2 What we could do: Develop a skills matrix for the entire committee, map this to the current membership and then select any future external member (or any other vacancy) based on any gaps in the skills matrix.
- 4.5.3 A draft skills matrix has been developed for all committees and is included in the full report. Mapping it to the skills of the current committee members would take the form of a self-assessment.
- 4.6 **Open and effective relationships** – *To be effective, an audit committee needs to operate in an environment of co-operation and trust....When the chairperson promotes open and proactive dialogue with management and the governing body, the Audit Committee can effectively influence the Organisation and its achievements.*
- 4.6.1 What we currently do: The ToR reference the relationship with Council and the Chief Executive. To date, the primary focus of the ARC has been on the internal and external audit. Recently the Committee has expanded its focus to include Risk Management.
- 4.6.2 What we could do: Expand the focus to further consider:
- Health and Safety;
  - Governance (LGOIMA, privacy, cybersecurity, Ombudsman investigations, and complaints);
  - Integrity and Investigations (whistleblower, bribery and fraud, conflicts of interest, sensitive expenditure activities, legal proceedings).
- 4.7 There are eight elements of good governance described by the Office of the Auditor-General.

- Set a clear purpose and stay focused on it
  - Have clear roles and responsibilities that separate governance and management
  - Lead by setting a constructive tone
  - Involve the right people
  - Invest in effective relationships built on trust and respect
  - Be clear about accountabilities and transparent about performance against them
  - Manage risks effectively
  - Ensure that you have good information, systems, and controls
- 4.8 The Council provides clear guidance on the rules for the conduct of the proceedings of Committees through the Standing Orders. This is supplemented through each ToR which then states the primary responsibility for the Committee, determining any limitations of each Committee.
- 4.9 Decision making for Audit and Risk matters remains the responsibility of the full Council.
- 4.10 Having limited powers does not exclude the Committee from approaching operations with a strategic view and providing clear recommendations to full Council on matters which are brought to their attention.
- 4.11 A high functioning ARC would reduce the workload for the full Council as they should act as a filter before ‘mechanical’ matters being presented, with many reports stopping at Audit and Risk, and a summarised version appearing as a regular item on the Council’s agenda, much the same as the Chief Executives report summarises operational decisions and activities.
- 4.12 It is not possible to assess how well Council performs in the elements described by the Office of the Auditor-General (OAG); however, we have looked for evidence of where these elements are currently applied.
- 4.13 What we currently do:
- 4.13.1 For ARC, it clearly states that management of matters is the responsibility of the Chief Executive;
  - 4.13.2 The Council has clearly defined roles for internal and external Auditors, though the reporting line of the internal audit function could be realigned to meet best practice;
  - 4.13.3 There is an established Risk Register and Framework;
  - 4.13.4 Reporting to Audit and Risk is starting to diversify, however, with the exception of Finance reporting, these reports have largely been adhoc.
- 4.14 What we could do:
- 4.14.1 Develop a wider annual work programme;
  - 4.14.2 Increase the number of meetings ;
  - 4.14.3 Have a standing item, from the Committee Chair, on the full Council agenda which summarises activity considered through the ARC;

- 4.14.4 Structure the reporting received by the ARC to be more consistent, allowing the Committee to review the broader Council operations on a more regular basis;
- 4.14.5 Implement the skills matrix approach and identify training and development opportunities.
- 4.15 There will be a need to ensure there is an adequate resource for the extended audit function and the support necessary to formulate and deliver the Annual Work Programme. This may require new resourcing.
- 4.16 A desktop comparison of the responsibilities of the Audit and Risk Committees at 10 NZ Councils' shows:
- 4.16.1 Most other Councils' reviewed had an independent Chair;
- 4.16.2 Our current make up of quorum and number of Councilors aligns with other Councils;
- 4.16.3 There is no 'standard' set of items considered by Audit and Risk Committees;
- 4.16.4 If we adopted the full list of recommended responsibilities, we would be 'leading' the other Councils in terms of oversight.

## **5 Summary of Recommendations from the Review**

### **5.1 Recommendation 1 - Bolster the Committee**

- 5.1.1 Fill the vacant independent member position and appoint an independent member as Chair.
- 5.1.2 Implement a skills matrix approach and identify training and development opportunities.
- 5.1.3 Identify the skills required for the independent member by assessing any skills gap across the current Committee.

### **5.2 Recommendation 2 - Reaffirm the Committees Role and Focus**

- 5.2.1 Adopt the (combined) Charter and ToR to provide clarity on the Principles, Scope, Activities and Governance of the Committee.
- 5.2.2 Expand the scope of the committee to include:
- Health and Safety
  - Governance (LGOIMA, privacy, cybersecurity, Ombudsman investigations, complaints)
  - Integrity and Investigations (whistleblower, bribery and fraud, conflicts of interest, sensitive expenditure activities, legal proceedings)
- 5.2.3 Increase the number of meetings by one meeting per annum to ensure sufficient time is spent on all matters.
- 5.2.4 Have a standing item from the Committee Chair on the full Council agenda, which summarises activity considered through the ARC.

### **5.3 Recommendation 3 - Drive Strategic Enquiry**

5.3.1 Structure the reporting around an annual work programme with an agreed set of priority areas to focus on.

Item 8.3

Attachment 1

**6 Options**

6.1 The Report on Review of Audit and Risk Committee is a management document sponsored by the Chief Executive. The Mayor, the Committee Chair and Independent Member have reviewed it. It is presented to the Audit and Risk Committee for comment and feedback; therefore, it is not necessary to consider options.

**7 Strategy and Risks**

7.1 There are no significant risks associated with the recommendations in this report.

**8 Climate Change Impact Assessment**

Climate Change Consideration	Assessment	Explanation of Assessment
Is this activity associated with one of the goals in Council's Climate Action Plan?	Climate Change considerations are not relevant to this report	
Will this decision affect the ability of Tasman District to proactively respond to the impacts of climate change?	NA	

**9 Policy / Legal Requirements / Plan**

9.1 There are no current legislative requirements that require Council to have an Audit and Risk Committee, however, the Office of the Auditor-General has consistently recommended that "[t]he Local Government Act 2002 should be amended to require all local authorities to have an audit and risk committee".

10 The current Audit and Risk Committee has the following delegations that allow it to make this decision.

**Powers**

3.6 Recommend to the Council action on any matter in relation to Audit and Risk activities.

**11 Consideration of Financial or Budgetary Implications**

11.1 Increasing the number of meetings and/or appointing a second independent member will have direct financial implications that will need to be financed from the existing governance operational budgets:

- 11.1.1 Current cost is \$14k pa.
  - 11.1.2 One independent member, an increase in meetings +\$3k pa
  - 11.1.3 Two independent members, no increase in meeting frequency +\$4k pa
  - 11.1.4 Two independent members, and an increase in meeting frequency +\$7k pa
- 11.2 There will be a one-off recruitment cost for a second independent member.
- 11.3 There will be indirect costs associated with the additional support required from Council officers which will need to be met from departmental operational budgets.

## **12 Significance and Engagement**

- 12.1 This report is of low significance and public engagement is not required. Councillors can make this decision based on their knowledge of the views and preferences of the community.

## **13 Next Steps / Timeline**

- 13.1 The recruitment process for the Independent Member typically takes 8-12 weeks.
- 13.2 The Charter and ToR for the Audit and Risk Committee would need to be approved at the next Full Council meeting.
- 13.3 The new meeting schedule can take effect from 2021.
- 13.4 The change to reporting requirements would need to be phased in.





## Audit and Risk Committee Review



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## 1. Introduction

In July 2020, Operational Governance was requested to undertake a review of the Audit and Risk Committee (ARC). The agreed scope is provided in [Appendix 1](#).

The recommendations from the Office of the Auditor General have been used as the base-line with supplementary commentary to provide the context on what we currently do and what we might do in order to closer align with their OAG guidance. Where possible we have provided further analysis to highlight the implications of making such a change, and these are included in the appendices.

## 2. Recommendations

To ensure that the Council has the right balance of assurance, monitoring, evaluation, and other mechanisms to know that the Committee and Council are performing well, and that it is not missing risks and opportunities, the following recommendations have been developed. The background to each point is contained further in the document.

### **Bolster the Committee**

- [\(ref 3.1\)](#) Fill the vacant independent member position and appoint an independent member as Chair.
- [\(ref 3.3\)](#) Implement a skills matrix approach and identify training and development opportunities.
- [\(ref 3.3\)](#) Identify the skills required for the independent member by assessing any skills gap across the current committee.

### **Reaffirm the Committees role and focus**

- [\(ref 3.2\)](#) Adopt the (combined) Charter and Terms of Reference to provide clarity on the principles, scope, activities and governance of the committee.
- [\(ref 3.4\)](#) Expand the scope of the committee to include:
  - Health and Safety
  - Governance (LGOIMA, privacy, cyber security, Ombudsman investigations, complaints)
  - Integrity and Investigations (whistleblower, bribery and fraud, conflicts of interest, sensitive expenditure activities, legal proceedings)
- [\(ref 4.2\)](#) Increase the number of meetings by one meeting per annum to ensure sufficient time is spent on all matters.
- [\(ref 4.2\)](#) Have a standing item, from the Committee Chair, on the full council agenda which summarises activity considered through the ARC.

### **Drive strategic enquiry**

- [\(ref 4.2\)](#) Structure the reporting around a risk based annual work programme with an agreed set of risk based priority areas to focus on.

### 3. Principles that help an audit committee add value<sup>1</sup>

For ease of reading, the OAG advice is represented in italics.

#### 3.1 Independence

*Audit committees need the independence of perspective, experience, and knowledge to bring the test and challenge that adds value to the governance of a public entity.*

*An independent chairperson is often the best option to promote free and frank debate during committee meetings. It also gives governors confidence knowing that they are receiving independent advice and assurance.*

*Members of an audit committee are in the best position to provide objective and impartial advice when they are independent from management. An audit committee is likely to want staff to attend its meetings to hear their views and get their expert advice on certain topics. But an audit committee will also want time to turn issues over and debate them, so it should feel comfortable asking for “member only” time to debate more sensitive issues and seek independent advice when necessary*

##### 3.1.1 What we currently do:

The Terms of Reference specify 5 elected members appointed by Council and up to 2 external members. Currently the Council has 5 elected members and 1 external member. The Chair is an elected member of Council. The committee membership is:

- Chair – Cr Ogilvie
- Elected Members - Crs Greening, Hill, Mackenzie and Walker
- Independent member - Mr G Naylor

##### 3.1.2 What we could do:

Appoint a second independent (external) member position. The costs for having a second member are based on the current costs (professional services hourly rate and disbursements), and would add an additional \$2,800 per meeting. The overall increase in annual costs will depend on how many meetings are established. Suggested timings and cost implications of this are covered in [Appendix 2](#).

#### 3.2 Clarity of purpose

*To get the best, governors need to be clear about what they want from their audit committee, and entity management needs to help provide support that allows governance needs of the committee to be met. It is useful to set out the purpose, roles, and responsibilities of the audit committee and its scope in the context of the entity’s governance framework.*

*This will make it easier to shape the committee so that it is fit for purpose. For instance, the audit committee arrangements will need to be appropriate given the entity’s size, complexity, whether the audit committee role is primarily advisory or assurance-related, and the sort of membership and expertise required.*

*But an audit committee can only strengthen and supplement, not replace or supplant the governance arrangements of a public entity. The audit committee should not duplicate the purpose and functions of other governance arrangements. It must enhance the governance framework, risk management practices, and the controls the entity uses to monitor achievements. Being clear about the purpose of*

<sup>1</sup><https://oag.parliament.nz/good-practice/audit-committees/principles>

*the audit committee helps to ensure that it remains focused on supporting governance (and not any other matters, either governance or management).*

*Trying to get clarity on the purpose and role of the committee and other parts of the assurance cycle has been a key challenge for many committees and organisations, where expectations have been mismatched.*

### **3.2.1 What we currently do:**

The Terms of Reference provide some of the attributes recommended as part of good governance, what it lacks is the context and boundaries.

### **3.2.2 What we could do:**

Given the Council's size, a combined Charter and Terms of Reference would appropriately clarify the principles, governance and provide more detail on the activities the members would undertake to satisfy the responsibilities of the committee. A draft of what this might look like has been provided in [Appendix 3](#). Further to this, [Appendix 8](#) contains a draft Schedule/Work Plan showing how the expanded responsibilities could be addressed over the span of a year.

## **3.3 Competence**

*Competence is about having the right mix of skills and experience on the audit committee to give oversight of the matters sought of the committee. Audit committee members need to have relevant experience and expertise to bring valuable insights and perspectives to the areas of the committee's responsibility.*

*The better the skills and experience of audit committee members, the better the committee can add value. Collectively, people appointed to serve on audit committees need to have expertise, such as:*

- *finance and accounting, including financial reporting;*
- *broad governance, assurance, and risk management disciplines;*
- *understanding of internal controls and assurance frameworks, including understanding of the roles of internal and external audit;*
- *knowledge of the sector or industry in which the public entity operates; and*
- *other attributes as specifically relevant to the entity (for example, legal or information technology experience).*

*A variety of perspectives is needed in an audit committee to ensure ideas are fully debated and the group is aware of its strengths and weaknesses in various aspects of governance. Diversity of membership is a way of achieving a variety of perspectives. This means an audit committee needs a mix of experience levels, skill-sets, background experiences, and thinking styles. This can be achieved through demographic diversity, such as gender, ethnicity, education types, career and community experiences, and academic disciplines.*

### **3.3.1 What we currently do:**

Elected members are assigned to the committee and their skills, experience and knowledge are taken into account through this process, however there is no documented systematic approach.

**3.3.2 What we could do:**

Develop a skills matrix for the entire committee, map this to the current membership and then select any future external member (or any other vacancy) on the basis of any gaps identified in the skills matrix. Modelling this approach, a draft skills matrix has been developed for all committees in [Appendix 4](#). Mapping it to the skills of the current committee members should be undertaken in collaboration with the committee members. Links to resources which informed this matrix are provided in [Appendix 5](#).

Nelson City Council published the position descriptions for their Independent member/chairs responsibilities, and Central Otago District Council has advertised for a Chairperson, which we have modified for the purposes of this review and is included in [Appendix 6](#).

**3.4 Open and effective relationships**

*To be effective, an audit committee needs to operate in an environment of co-operation and trust. Audit committee members also need to communicate effectively among themselves and with many others interested and involved in the governance and management of the entity.*

*The central figure among the people and relationships involved in an audit committee's work is the chairperson of the audit committee. This person is the most important appointee for ensuring the committee functions in a way that adds value. That person needs to have expertise and experience in governance and bring personal qualities and independence to the role. The chairperson is best placed to achieve this when the audit committee is clear about its purpose, has no perceived or actual conflicts, and contains diverse, skilled, and experienced members.*

*When the chairperson promotes open and proactive dialogue with management and the governing body, the audit committee is able to effectively influence the organisation and its achievements.*

*Another relationship that is important to the effectiveness of an audit committee is with the chief executive. Audit committees seek information from management of the entity to test and challenge. In turn, they provide insight and guidance to management about how the entity's risks are perceived, what matters to stakeholders about the entity's performance and opportunities for improvement from a governance perspective.*

*Because of the governance arrangements of public entities, the relationship of the audit committee with the chief executive is often particularly important. When the audit committee works effectively to test and challenge and get assurance, it provides useful insight, guidance, and support to the chief executive. Good communication and relationship management are critical for audit committees to provide the governance test and challenge needed for organisational improvement and risk management. Good working relationships and mutual respect between the audit committee chairperson, chief executive, and chairperson of the board of governors increases the audit committee's ability to effectively test and challenge the things that matter to the entity.*

*Some audit committees have access to support from an internal auditor and get much of their information and assurance from the internal auditor's work. The independence and effectiveness of the internal auditor is greatly strengthened by the support of the audit committee. One of the main functions of the audit committee is to consider the internal audit work programme to ensure it meets entity needs and oversee the completion of the programme.*

*Timely communication of significant issues between the audit committee and the external auditor is critical to the auditor discharging their responsibility to the Auditor-General. The audit committee should also meet regularly with the external auditor, for example, to discuss the audit plan, interim audit findings, and results of the final audit. The audit committee needs to fully understand the role and responsibilities of the external auditor as an agent of the Auditor-General.*

#### **3.4.1 What we currently do:**

The ToR reference the relationship with Council and the Chief Executive. To date, the primary focus of the ARC has been on internal and external audit. Recently the committee has expanded its focus to include Risk Management.

The ToR state that the committee will have particular regard to:

- Financial;
- External and internal audit process;
- Risk management.

#### **3.4.2 What we could do:**

Expand the focus to further consider:

- Health and Safety;
- Governance (LGOIMA, privacy, cyber security, Ombudsman investigations, complaints);
- Integrity and Investigations (whistleblower, bribery and fraud, conflicts of interest, sensitive expenditure activities, legal proceedings).

#### 4. Elements of good governance<sup>2</sup>

There are 8 elements of good governance described by the Office of the Auditor General.

- Set a clear purpose and stay focused on it
- Have clear roles and responsibilities that separate governance and management
- Lead by setting a constructive tone
- Involve the right people
- Invest in effective relationships built on trust and respect
- Be clear about accountabilities and transparent about performance against them
- Manage risks effectively
- Ensure that you have good information, systems, and controls

Details on the elements are provided in [Appendix 7](#).

The Council provides clear guidance on the rules for the conduct of the proceedings of committees through the Standing Orders. This is supplemented through each Terms of Reference which then states the primary responsibility for the committee, determining any limitations of each Committee.

Decision making for Audit and Risk matters remains the responsibility of the full Council.

Having limited powers does not exclude the Committee from approaching operations with a strategic view and providing clear recommendations to full Council on matters which are brought to their attention.

A high functioning ARC would reduce the workload for the full Council as they should act as a filter prior to 'mechanical' matters being presented, with many reports stopping at Audit and Risk, and a summarised version appearing as a regular item on the Councils agenda, much the same as the Chief Executives report summarises operational decisions and activities.

It is not possible to assess how well Council performs in the elements described by the OAG, however we have looked for evidence of where these elements are currently applied.

##### 4.1 What we currently do:

- For ARC, it clearly states that management of matters is the responsibility of the Chief Executive;
- The Council has clearly defined roles for internal and external Auditors, though the reporting line of the internal audit function could be realigned to meet best practice;
- Established Risk Register and Framework;
- Reporting to Audit and Risk is starting to diversify, however with the exception of Finance reporting, these reports have largely been adhoc. A summary of these from the past 4 years are in [Appendix 9](#).

##### 4.2 What we could do:

- Develop a wider annual work programme. An example of this has been provide in [Appendix 8](#);
- Increase the number of meetings to occur on a bi-monthly schedule;
- Have a standing item, from the Committee Chair, on the full council agenda which summarises activity considered through the ARC;

<sup>2</sup> <https://oag.parliament.nz/good-practice/governance/organisation>

- Structure the reporting received by the ARC to be more consistent, allowing the committee to review the broader council operations on a more regular basis;
- Implement the skills matrix approach and identify training and development opportunities.

Note 1: The Council Internal Auditor has a shared role in Finance whereas in most organisations this role would normally report to the CE or to a LT member, and therefore may be perceived as a conflict of interest.

Note 2: There will be a need to ensure there is adequate resource for the extended audit function and the support necessary to formulate and deliver the annual work programme. This may require new resourcing.



## 5. What other councils do

The table below shows the responsibilities Audit and Risk committees across New Zealand councils, and have been taken from their published Terms of Reference.

Key:

- Identify that the committee is considering this topic as part of their responsibilities
- additional responsibilities Tasman District Council's ARC could consider

	Tasman	Auckland	Gisborne	Western BOP	Nelson	Whakatane	Christchurch	Taupo	Kapiti	Invercargill
<b>Structure</b>										
Type of Committee <sup>3</sup>	C	S	C	C	S	C	C	C	S	C
Independent Members	1-2	3	1	-	1-2	2	2	2	3	1
Number of Councillors	5	3	5	12	1-3	3	4	6	4	5
Independent Chair	N	Y	Y	N	Y	Y	Y	Y	Y	Y
Meetings per Year	4+2	4+2	4	4	-	4	4	4	4	4
Quorum	3	3	3	6	-	3	3	4	4	-
<b>Operations</b>										
Enterprise Risk Management										
Internal Audit										
External Audit										
Health and Safety										
Annual Report										
Fraud and Integrity										
Legislative Compliance										
Significant Projects										
Procurement										
Business Continuity										
Oversight of LTP preparation										
CCO Monitoring										
Assurance Charter										
Accounting Practices and Policy										
Asset Management										
Privacy										
Cyber-security										
Financial Policies										
Work Programme										
Legal Proceedings										
Sensitive Expenditure										
Conflicts of Interest										
Ombudsman Investigations										

<sup>3</sup> C – Council; S – Sub-Committee



## Appendix 1 - Scope of Audit and Risk Committee (ARC) Review

### Purpose

To assess what is and what is not working, for whom, and then to determine what changes are needed to achieve, what the OAG describe as, “good” practice.

### Overview

The Terms of Reference<sup>1</sup> were last reviewed approximately 5-6 years ago, and the Chief Executive has requested a review of the Terms of Reference for the Audit and Risk Committee.

The review will encompass the following:

- Purpose and Areas of Responsibility of the committee
- Responsibilities
- Powers
- Limitations
- Administration (incl Quorum and meeting frequency)

This will be done by:

1. Comparison against the Office of the Auditor General four “foundation” principles<sup>2</sup> of:
  - Independence
  - Clarity of purpose
  - Competence
  - Open and effective relationships
2. A desktop comparison against other NZ councils, specifically:
  - the make-up of their Audit and Risk Committee
  - the place of Audit and Risk Committee in the overall committee structure
  - examples of Audit and Risk Committee ToR’s
3. A desktop comparison against recent dissertations and reports :
  - the role and make-up of Audit and Risk Committees
  - best practice in the public and private sector examples of Audit and Risk Committee ToR’s

### Outcomes<sup>3</sup>

That TDC has the right balance of assurance, monitoring, evaluation, and other mechanisms to know that it is currently performing well and that it is not missing risks and opportunities. It will cover the following areas:

- Focus
- External audit
- Corporate Risk
- Legislative compliance
- Financial reporting

### Milestones

June 2020	Sept 2020	Dec 2020	September 2021
Scope	Draft	Decision	Implementation

### Deliverables

As a minimum, it is recommended that the following documentation is produced:

- Updated Terms of Reference
  - Audit and Risk Committee Charter
  - Updated reporting templates and schedule
  - Role Descriptions for committee members
  - Training and development programme for committee members
-

## Appendix 2 - Calendar Options and cost implications

The ARC currently meet 4 times a year, plus one extra scheduled meeting with the auditors and a further option for an additional meeting to review the annual report and long term plans. With an expanded agenda it may be necessary to consider increasing the number of scheduled meetings. This would also have cost implications. In considering this, we have looked at three scenarios, using the 2020 calendar dates as a baseline.

- Current scheduled meetings (4 + Annual Report)
- Bi Monthly (every two months)
- Six Weekly

Current schedule (4 + Annual Report)	Bi-Monthly *	Six-weekly**
19 March 2020	19 March 2020	12 March 2020
3 June 2020	22 May 2020	30 April 2020
27 August 2020	16 July 2020	11 June 2020
1 October 2020	17 September 2020	23 July 2020
2 December 2020	22 October 2020	3 September 2020
	17 December 2020	15 October 2020
		26 November 2020
	* This is the frequency used in the Charter	**based on Regulatory Meetings schedule

The costs below are based on the current average monthly cost for the existing Independent member plus the uplift for the 2<sup>nd</sup> Independent member, who will likely be remunerated on a flat rate per annum.

Annual Cost	for one independent member	For two independent members
4 + Annual Report	\$14,000	\$18,000
Bi-monthly	\$17,000	\$21,000
Six weekly	\$20,000	\$25,000

We also note that increasing the scope and additional meetings will increase demand on the organisation which are likely to require additional resources or reprioritisation of activities. These additional costs have not been included.

## Appendix 3 - Draft Charter and Terms of Reference

# Audit and Risk Committee (ARC)

### 1.0 Role of the Committee

The role of the Audit and Risk Committee is to assist and advise the Council and the Chief Executive in discharging their responsibilities for governance, internal control and risk management.

In doing so, the Committee must at all times recognise that primary responsibility for management of Council rests with the Chief Executive.

Where the Committee finds it appropriate, any matter may be referred to full Council for consideration.

The focus of the committee is:

- Ensuring that the Council has appropriate controls consistent with the public interest, and
- Overseeing good financial and cultural governance.

### 2.0 Responsibilities

The Audit and Risk Committee's responsibilities are to provide oversight of:

- 2.1 Internal Audit (financial and non-financial matters)
  - 2.1.1 Review and recommend the annual internal audit plan; such plan to be based on the Council's risk framework.
  - 2.1.2 Monitor performance against the plan at each regular meeting.
  - 2.1.3 Monitor all internal audit reports and the adequacy of management's response to internal audit recommendations.
- 2.2 External Audit
  - 2.2.1 Annually review the independence and confirm the terms of the audit engagement with the external auditor appointed by the Office of the Auditor General. This includes the adequacy of the nature and scope of the audit, and the timetable and fees.
  - 2.2.2 Review all external audit reporting, discuss with the auditors and review action to be taken by management on significant issues and recommendations and report to Council as appropriate.
- 2.3 Risk Management
  - 2.3.1 Review and consider the risk management framework in line with Council's risk appetite – which includes policies and procedures to effectively identify, treat and monitor significant risks, and regular reporting to the Council.
  - 2.3.2 Assist the Council to determine its appetite for risk.
  - 2.3.3 Review the principal risks that are determined by Council and consider whether appropriate action is being taken to treat Council's significant risks. Assess the effectiveness of, and monitor compliance with, the risk management framework. Consider emerging significant risks and report these to Council, where appropriate.

- 2.3.4 Annually review Councils Business Continuity plan(s) and consider whether a sound and effective approach has been followed in establishing Council's business continuity planning arrangements.
- 2.3.5 Review the effectiveness of the approach being followed in developing strategic risk management plans for significant projects, programmes of work and high profile procurement.
- 2.4 Health and Safety
  - 2.4.1 Review key risks of the Council in the areas of safety, occupational health and environmental issues.
  - 2.4.2 Review management's approach to maintaining and continual improvement to providing a safe working environment is sound and effective.
  - 2.4.3 Monitor compliance of relevant laws, regulations and operational policies and standards.
  - 2.4.4 Monitor the establishment and tracking of measurable workplace health, safety and environment key targets.
- 2.5 Governance
  - 2.5.1 Monitor Councils performance in responding to LGOIMA requests within the legislative timeframes.
  - 2.5.2 Review the adequacy and effectiveness of internal controls for overseeing privacy and cyber security.
  - 2.5.3 Consider regular reports on the status of investigations by the Offices of the Ombudsman and of the Auditor General into decisions by the Council.
  - 2.5.4 Monitor Councils performance in managing and responding to high priority complaints.
- 2.6 Integrity and investigations
  - 2.6.1 Review annually the whistleblowing procedures and ensure that arrangements are in place by which staff and others may, in confidence, raise concerns about possible improprieties involving Council or its CC(T)O's in matters of financial reporting, financial control or any other matters, and that there is proportionate and independent investigation of such matters and appropriate follow-up action.
  - 2.6.2 Review managements approach in relation to the prevention, detection, reporting and investigation of bribery and fraud.
  - 2.6.3 Review and monitor policy and process to manage conflicts of interest amongst elected members, community board members, management, staff, consultants and contractors.
  - 2.6.4 Review and monitor policy and process to manage sensitive expenditure activities across Council.
  - 2.6.5 Review and monitor policy and process to manage legal proceedings.

### 3.0 Powers

The Audit and Risk Committee, within the scope of its role and responsibilities is authorised to:

- 3.1 Obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);
- 3.2 Discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations);
- 3.3 Require the attendance of any employee, including the Chief Executive, at committee meetings;
- 3.4 Obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at the Council's expense;
- 3.5 The exercise of the powers in 3.3 and 3.4 above is limited to situations where the performance of the Committee's functions would be constrained if the resources of the organisation were not available;
- 3.6 Recommend to the Council action on any matter in relation to Audit and Risk activities.

#### **4.0 Limitations**

The Audit and Risk Committee has no executive powers and is directly responsible to Full Council.

#### **5.0 Governance**

- 5.1 Members of the Committee are expected to:
  - 5.1.1 Contribute the time needed to study and understand the papers provided;
  - 5.1.2 Apply good analytical skills, objectivity, and good judgment; and
  - 5.1.3 Express opinions frankly, ask questions that go to the core of the issue, and pursue independent lines of enquiry.
- 5.2 The Committee Chair is responsible for submitting an annual report to the Council covering the Committee's operations and activities during the preceding year. The report should include:
  - 5.2.1 A summary of the work the Committee performed to fully discharge its responsibilities during the preceding year;
  - 5.2.2 A summary of the Council's progress in addressing the findings and recommendations made in internal and external audit reports, and the Auditor-General's reports (if applicable);
  - 5.2.3 An overall assessment of the Council's risk, control, and compliance framework, including details of any significant emerging risks or legislative changes; and
  - 5.2.4 Details of meetings, including the number of meetings held during the relevant period and the number of meetings each member attended.
  - 5.2.5 The Committee may, at any time, report to the Chief Executive or the Council any other matter it deems of sufficient importance to do so. In addition, at any time an individual Committee member may request a meeting with the Chief Executive or the Council.

#### **6.0 Administration**

- 6.1 Meetings
  - 6.1.1 The expectation is that members of the public wanting to speak to a matter on the Agenda should be given that opportunity.
  - 6.1.2 As a minimum the committee will meet 6 times a year.

- 6.1.3 The Audit and Risk Committee may meet between the scheduled meetings at the discretion of the chair to attend to urgent business.
- 6.1.4 A special meeting may be held to review Council’s annual report and long term plan audits.
- 6.1.5 The Audit and Risk Committee will meet separately with the external auditors at least once a year.
- 6.2 Membership of the committee shall comprise:
  - 6.2.1 5 elected members appointed by Council, based on their skills and experience;
  - 6.2.2 Up to 2 external members appointed in accordance with Councils Policy on the Appointment of Directors and Trustees to Council Organisations. The independent member(s) appointment is for a term of 3 years from the date of appointment or such other terms as Council resolves;
  - 6.2.3 The Chair shall be appointed by Council and will be an independent member;
  - 6.2.4 Any member of the committee, either elected or independent, may be considered for reappointment in the next triennium provided they have not already served 6 years on the committee;
  - 6.2.5 The Chief Executive or any Council staff member may not be a member of the committee;
  - 6.2.6 The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the Council. At least one member of the committee should have accounting or related financial management experience, with an understanding of accounting and auditing standards in a public sector environment.
- 6.3 A quorum comprises 3 members 2 of whom must be elected members.
- 6.4 The committee will be discharged and reconstituted following each triennium election.

**7.0 Relationship with other Council Committees**


*This is a place holder while the table is being developed.*

Appendix 4 - Skills Matrix

Required
Desired

Skills Matrix for Tasman District Council Committees	Joint with NCC															
	Full Council	Regulatory Committee	Strategy and Policy Committee	Operations Committee	Audit and Risk	CEO Review	Commercial	District Licensing	Joint Committee	Joint Shareholders	Nelson Regional Sewerage Business Unit	Regional Pest Management Joint Committee	Saxton Field	Regional Transport	CDEM	NT Regional Landfill Business Unit
<b>Industry competencies</b>																
Executive Experience																
Geographical distribution																
Governance																
Inquisitive																
Leadership																
Strategic Thinking																
<b>Technical competencies</b>																
Accounting																
Capital management																
Community relations																
Corporate Finance																
Environment and sustainability																
Government relations																
Human Resources																
Infrastructure Management																
Information Technology																
Iwi relations																
Legal																
Legislative process understanding																
Marketing																
Processes understanding																
Property Management																
Public Policy																



Skills Matrix for Tasman District Council Committees	Joint with NCC															
	Full Council	Regulatory Committee	Strategy and Policy Committee	Operations Committee	Audit and Risk	CEO Review	Commercial	District Licensing	Joint Committee	Joint Shareholders	Nelson Regional Sewerage Business Unit	Regional Pest Management Joint Committee	Saxton Field	Regional Transport	CDEM	NT Regional Landfill Business Unit
Risk Management																
RMA understanding																
Taxation																
Strategic development and implementation																
<b>Governance competencies</b>																
Compliance focus																
Executive performance management																
Financial literacy																
Meeting Procedures																
Political Decision Making																
Public consultation																
Standing Orders																
Strategic thinking																
<b>Behavioural competencies</b>																
Ability to challenge and probe																
Ability to devote time and energy																
Common sense and sound judgement																
Integrity and high ethical standards																
Interpersonal relations																
Listening Skills																
Mentoring abilities																
Team Player																
Understanding of decision-making processes																
Verbal communication skills																

## Appendix 5 - Literature Review

1. Audit Committee Effectiveness: A synthesis of the empirical audit committee literature, De Zoort et al., 2002, Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees 1999: [https://www.researchgate.net/publication/284772297\\_Audit\\_Committee\\_Effectiveness\\_A\\_Synthesis\\_of\\_the\\_Empirical\\_Audit\\_Committee\\_Literature](https://www.researchgate.net/publication/284772297_Audit_Committee_Effectiveness_A_Synthesis_of_the_Empirical_Audit_Committee_Literature)
2. Office of the Auditor General, Useful guides for audit committees, Jan 2017: <https://oag.parliament.nz/good-practice/audit-committees/what-works/useful-guides>
3. Local Government Audit Committee: A behaviour Framework for effective Audit Committee performance, K Thomas & AJ Purcell, March 2018, Australia Accounting Review: <https://onlinelibrary.wiley.com/doi/abs/10.1111/auar.12229>
4. Using your Audit and Risk Committee effectively: A chair's perspective, D Walker, March 2019, Audit NZ: <https://auditnz.parliament.nz/good-practice/information-updates/2019/arc-perspective>
5. Audit and Risk Committee Guidance Materials, Jan 2017: <https://oag.parliament.nz/good-practice/audit-committees/what-works/useful-guides>
6. PWC Audit Committees Guide 2015, Introduction directors responsibilities: <https://www.pwc.co.nz/pdfs/pwc-audit-committee-guide-july-2015-1-introduction-directors-responsibilities.pdf>
7. Audit and Risk Committees, Institute of Directors New Zealand, Governance development: <https://www.iod.org.nz/governance-courses/all-courses/audit-and-risk-committees/#>
8. 9 Traits of an effective Audit Committee, Institute of Chartered Accountants in England and Wales: <https://www.icaew.com/technical/corporate-governance/committees/audit-committees/audit-committee-articles/9-traits-of-an-effective-audit-committee>
9. 5 key factors to enhance Audit Committee effectiveness – International Federation of Accountants, Sept 2019: <https://www.ifac.org/knowledge-gateway/supporting-international-standards/discussion/5-key-factors-enhance-audit-committee-effectiveness>
10. Audit Committee performance evaluation, Self-assessment checklist, Feb 2011: [https://www2.deloitte.com/content/dam/Deloitte/ru/Documents/finance/audit\\_committee\\_checklist.pdf](https://www2.deloitte.com/content/dam/Deloitte/ru/Documents/finance/audit_committee_checklist.pdf)
11. Audit Committee Resource Guide, Center for Board Effectiveness, Deloitte, April 2018: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/center-for-corporate-governance/us-aers-audit-committee-resource-guide-2018-041818.pdf>

### Skills Matrix – Lit Review

1. Guidance for preparing a board skills matrix, Australian Institute of Company Directors, October 2017: <https://aicd.companydirectors.com.au/-/media/cd2/resources/director-resources/director-tools/2019/board/07236-4-4-guidance-preparing-board-skills-matrix-fa.ashx>
2. Good Governance Guide: Creating and disclosing a board skills matrix, Governance Institute of Australia, 2015: <https://www.asx.com.au/documents/asx-compliance/creating-disclosing-board-skills-matrix.pdf>
3. Board Skills Matrix: Building an Effective Board of Directors, *Diligent.com* – 03 September 2019: <https://insights.diligent.com/board-refreshment/board-skills-matrix-building-effective-board-directors>
4. How competent are your directors?, *Effective Governance (part of the Hopgood Advisory Group)*, April 2018: <https://www.hopgoodqanim.com.au/page/knowledge-centre/publications/reviewing-your-board-advantages-of-board-evaluation>

## Appendix 6 - Position Descriptions for Independent Members

### Position Description for Independent Chair

#### About

The Audit and Committee provides governance and oversight to the Council on financial, risk, operational and audit areas.

Key areas of responsibility include recommending to Council on the following areas:

- Council's Annual Report
- Audit processes and management of financial risk
- Organisation risk management
- Internal Audit
- Health and Safety
- Statutory Compliance

This role will chair the committee and work for Council staff to ensure systems and practices are run to a high standard, meet good practice and audit standards and provide assurances that there are sufficient risk identification and mitigations in place.

This position is for a period up until the next local government triennial election.

#### Key attributes for Chair

- Have detailed knowledge and experience in the operations and governance of a large organisations
- An understanding of financial management, particularly in public entities
- Familiarity with risk management disciplines
- An understanding of the outcomes identified from internal and external auditors across a multitude of operational activities
- Broad governance experience
- An inquiring mind and the ability to analyse information

#### Governance requirements

- Understand and ensure that basic principles of good governance are a part of Council's decision making processes
- Understand and respect the differing roles in the Council's governance structure
- Recognises that the governance role does not extend to operational matters or to the management of any implementation
- Having a good understanding of Standing Orders
- Develop and maintain a working knowledge of Council services, management processes, powers, duties and constraints that fall under the Audit and Risk Committee
- Ensure familiarity with the agenda and reports before the committee meets
- Comply with the statutory requirements of the committee members including appropriate recordkeeping in accordance with the Public Records Act 2005 and the Local Government Official Information and Meetings Act 1987
- Compliance with the principles of the Elected Members Code of Conduct as adopted by Council
- Identify, be aware of, and declare any potential personal conflicts of interest, whether pecuniary or non-pecuniary.

### Position Description for Independent Member

#### About

The Audit and Committee provides governance and oversight to the Council on financial, risk, operational and audit areas.

This position is for a period up until the next local government triennial election.

Key areas of responsibility include recommending to Council on the following areas:

- Council's Annual Report
- Audit processes and management of financial risk
- Organisation risk management
- Internal Audit
- Health and Safety
- Statutory Compliance

#### Governance requirements

- Understand and ensure that basic principles of good governance are a part of Council's decision making processes
- Understand and respect the differing roles in the Council's governance structure
- Recognises that the governance role does not extend to operational matters or to the management of any implementation
- Having a good understanding of Standing Orders
- Develop and maintain a working knowledge of Council services, management processes, powers, duties and constraints that fall under the Audit and Risk Committee
- Ensure familiarity with the agenda and reports before the committee meets
- Comply with the statutory requirements of the committee members including appropriate recordkeeping in accordance with the Public Records Act 2005 and the Local Government Official Information and Meetings Act 1987
- Compliance with the principles of the Elected Members Code of Conduct as adopted by Council
- Identify, be aware of, and declare any potential personal conflicts of interest, whether pecuniary or non-pecuniary.

Members of the Committee are expected to:

- Contribute the time needed to study and understand the papers provided;
- Apply good analytical skills, objectivity, and good judgment; and
- Express opinions frankly, ask questions that go to the core of the issue, and pursue independent lines of enquiry.

## Appendix 7 - Elements of good governance

### **Set a clear purpose and stay focused on it**

Governors' strategic thinking and planning to prepare a coherent strategy is fundamental to effective governance. It is one of their most important roles.

Governors need to contribute to, and challenge, the strategic planning process, based on an understanding of stakeholder expectations and the wider context that their organisations operate in. Strategic direction setting includes setting realistic medium – and long-term outcomes and short-term priorities, and expenditure/investment choices and budgets.

Clarity of purpose is also important at the specific project and programme of work levels.

### **Have clear roles and responsibilities that separate governance and management**

The roles and responsibilities of each party, including governing board members, shareholders, management, staff, and other parties (such as stakeholders) must be clearly defined. Clear roles and responsibilities make the differing interests transparent and foster effective decision-making.

A governance charter, or governance statement, can be a useful way to outline the structures, principles, and processes to be followed. However, the art of effective governance is in the execution of what is set out in the charter.

### **Lead by setting a constructive tone**

The leadership role of governors is to set a suitable tone from the top that shapes the culture and demonstrates the desired values and ethics of the organisation. This is achieved through establishing and approving policies, making decisions, and the approach a behaviour the board takes to its work, both with management and external stakeholders.

### **Involve the right people**

For governance to be effective, it is critical that the right people are involved. The level of trust between people – between governors, management and stakeholders – affects the effectiveness of the governance arrangements.

Having the right mix of people and skills on a governing body should help it to be more effective. An effective board will have members who bring multiple perspectives, who debate issues robustly, and who then speak with unity of voice and message about the decisions made.

### **Invest in effective relationships built on trust and respect**

Strong relationships between governors and stakeholders are important. Effective stakeholder engagement is of particular value in understanding stakeholder views when making important decisions, forming strategies, and identifying sources of funding. Good practice involves preparing formal stakeholder engagement plans or formal relationship protocols with important stakeholders.

### **Be clear about accountabilities and transparent about performance against them**

Governance practices need to support accountability. Governance structures should include a clear accountability framework that shapes how an organisations' (or project's) financial and operational performance will be monitored and reported. The framework should also cover how the governing body will be accountable for future-focused decisions, such as maintaining and enhancing the capability of the organisation.

Effective governance depends on governing bodies receiving regular reports that provide a clear and objective view of an organisation's (or project's) performance, governing bodies need to be provided with enough detail to support performance management and decision-making, while avoiding unnecessary details about operational matters.

**Manage risks effectively**

Governing bodies have a leading role in establishing an organisation's overall understanding of risk, including the potential effect of its strategic, financial, operational, and reputational risks.

Effective risk management by public organisations involves identifying, analysing, mitigating, monitoring, and communicating risks. We expect to see a risk management framework and register that is formally defined, widely understood, and aligned to the organisation's strategy, risk appetite, objectives, business plan, and stakeholder expectations.

**Ensure that you have good information, systems, and controls**

Governors are accountable for the decisions they take. Therefore, they need relevant, accurate, and up-to-date information to make good decisions.

Governing bodies also have a role in assessing the design and effectiveness of an organisation's internal systems and controls. These systems and controls are organisational (terms of reference, independence, and separation of duties), operational (planning and budgeting) and about personnel (recruitment, training and development).

These systems and controls are critical to providing assurance that an organisation's activities are compliant and in line with expectations. The governing body has a role to review them regularly to ensure that they remain fit for purpose.

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## Appendix 8 - Draft Schedule / Work Plan

\*based on minimum of 6 meeting per year

	19 March	22 May	16 July	17 September	22 October	Annual Report
<b>Subject</b>						
<b>Internal Audit</b>						
Review Annual Internal Plan						
Monitor Performance against plan						
Monitor all Internal Audit Reports						
<b>External Audit</b>						
Annual review of Independence and confirm terms of audit engagement						
Review all external Audit Reports						
<b>Risk Management</b>						
Consider Risk Management Framework						
Assist Council to determine Risk Appetite						
Review Principle Risks						
Annual Review of Business Continuity Plans						
Review Strategic Risk Management Plans						
<b>Health and Safety</b>						
Review key Health and Safety Risks						
Review Continual Improvements						
Review Principal Risks						
Monitor compliance of relevant laws etc.						
Monitor key targets						
<b>Governance</b>						
Monitor LGOIMA performance						
Privacy & Cyber Security Internal Controls						
Office of the Ombudsman Investigations						
Monitor High Priority Complaints						
<b>Integrity and Investigations</b>						
Annual Review of Whistleblowing provisions						
Review management of bribery and fraud						
Review management of Conflicts of Interest						
Review process of sensitive expenditure						
Review and Monitor Legal Proceedings and Policy						
Key:						
<b>Report for Discussion</b>						
<b>Report for Noting</b>						

## Appendix 9 - Training and Development Programme

### LGNZ – Equip’s executive performance programme offering

“The executive performance programme delivers services that promote capability, better decision-making, effective management and strong leadership skills in participants.”

Workshops	‘Customised solutions’	Webinars
<ul style="list-style-type: none"> <li>▪ <b>Audit &amp; Risk Committees, Roles &amp; Functions</b></li> <li>▪ <b>Introduction to Financial Governance</b></li> <li>▪ <b>Financial Governance 101</b></li> <li>▪ <b>Financial Governance 201</b></li> <li>▪ <b>Infrastructure Management</b></li> <li>▪ <b>Political Decision Making</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Audit &amp; Risk Forums</li> <li>▪ Financial Governance Revision</li> <li>▪ Governance Special Edition</li> </ul>	<ul style="list-style-type: none"> <li>▪ Conflicts of Interest</li> <li>▪ Tips to improve your Audit &amp; Risk Committee</li> </ul>

### New Zealand Institute of Directors – Governance development

“These courses are the building blocks designed to support you at each stage of your development as a director”

Face-to-face Courses	Online courses and webinars
<ul style="list-style-type: none"> <li>▪ <b>Audit and Risk Committees</b></li> <li>▪ <b>Finance Essentials</b></li> <li>▪ <b>Governance Essentials</b></li> <li>▪ <b>Risk Essentials</b></li> <li>▪ <b>Health and Safety Governance</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Finance Essentials               <ul style="list-style-type: none"> <li>○ Accounting Fundamentals</li> <li>○ External Financial Reporting Obligations</li> <li>○ Solvency requirements</li> <li>○ Financial Analysis</li> <li>○ Building Business Value</li> </ul> </li> <li>▪ Governance Essentials               <ul style="list-style-type: none"> <li>○ Governance and the Law</li> <li>○ Roles in Governance</li> <li>○ Purpose and Strategy</li> <li>○ Culture</li> <li>○ Holding to Account</li> <li>○ Effective Compliance</li> </ul> </li> <li>▪ Health and Safety Governance</li> </ul>

### Association of Local Government Information Management

Webinars

- Privacy Act 2020 – what does it mean for local government?



### Appendix 9 – Summary of reports received by ARC

The table below shows a summary of the reports presented to ARC over the past 3 years.

Topic	2017	2018	2019	2020 <sup>4</sup>
Annual Report	4	6	4	1
Internal Audit update	2	4	4	1
Health and Safety Review	1	1	1	1
Annual Programme	1	1	1	
Policy	3	1	1	1
Risk	2	1	1	1
Property	2	4		1
Leases	1	1		
Tax	2	2		
Insurance	1		1	
Cyber Security	2			
Legal Matters		1		
Sensitive Expenditure	1			
CEO Payments		1		
Members Interests		1		
Governance Activity				1
	23	24	13	7

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<sup>4</sup> To August 2020





## Charter and Terms of Reference for Audit and Risk Committee (ARC)



Resolution Number CNxx-xx-xx

September 2020

## Audit and Risk Committee (ARC)

### 1.0 Role of the Committee

The role of the Audit and Risk Committee is to assist and advise the Council and the Chief Executive in discharging their responsibilities for governance, internal control and risk management.

In doing so, the Committee must at all times recognise that primary responsibility for management of Council rests with the Chief Executive.

Where the Committee finds it appropriate, any matter may be referred to full Council for consideration

The focus of the committee is:

- Ensuring that the Council has appropriate controls consistent with the public interest, and
- Overseeing good financial and cultural governance.

### 2.0 Responsibilities

The Audit and Risk Committee's responsibilities are to provide oversight of:

- 2.1 Internal Audit (financial and non-financial matters)
  - 2.1.1 Review and recommend the annual internal audit plan; such plan to be based on the Council's risk framework.
  - 2.1.2 Monitor performance against the plan at each regular meeting.
  - 2.1.3 Monitor all internal audit reports and the adequacy of management's response to internal audit recommendations.
- 2.2 External Audit
  - 2.2.1 Annually review the independence and confirm the terms of the audit engagement with the external auditor appointed by the Office of the Auditor General. This includes the adequacy of the nature and scope of the audit, and the timetable and fees.
  - 2.2.2 Review all external audit reporting, discuss with the auditors and review action to be taken by management on significant issues and recommendations and report to Council as appropriate.
- 2.3 Risk Management
  - 2.3.1 Review and consider the risk management framework in line with Council's risk appetite – which includes policies and procedures to effectively identify, treat and monitor significant risks, and regular reporting to the Council.
  - 2.3.2 Assist the Council to determine its appetite for risk.
  - 2.3.3 Review the principal risks that are determined by Council and consider whether appropriate action is being taken to treat Council's significant risks. Assess the effectiveness of, and monitor compliance with, the risk management framework. Consider emerging significant risks and report these to Council, where appropriate.

*Terms of Reference agreed by Council resolution CN*

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- 2.3.4 Annually review Councils Business Continuity plan(s) and consider whether a sound and effective approach has been followed in establishing Council's business continuity planning arrangements.
- 2.3.5 Review the effectiveness of the approach being followed in developing strategic risk management plans for significant projects, programmes of work and high profile procurement.
- 2.4 Health and Safety
  - 2.4.1 Review key risks of the Council in the areas of safety, occupational health and environmental issues.
  - 2.4.2 Review management's approach to maintaining and continual improvement to providing a safe working environment is sound and effective.
  - 2.4.3 Monitor compliance of relevant laws, regulations and operational policies and standards.
  - 2.4.4 Monitor the establishment and tracking of measurable workplace health, safety and environment key targets.
- 2.5 Governance
  - 2.5.1 Monitor Councils performance in responding to LGOIMA requests within the legislative timeframes.
  - 2.5.2 Review the adequacy and effectiveness of internal controls for overseeing privacy and cyber security.
  - 2.5.3 Consider regular reports on the status of investigations by the Offices of the Ombudsman and of the Auditor General into decisions by the Council.
  - 2.5.4 Monitor Councils performance in managing and responding to high priority complaints.
- 2.6 Integrity and investigations
  - 2.6.1 Review annually the whistleblowing procedures and ensure that arrangements are in place by which staff and others may, in confidence, raise concerns about possible improprieties involving Council or its CC(T)O's in matters of financial reporting, financial control or any other matters, and that there is proportionate and independent investigation of such matters and appropriate follow-up action.
  - 2.6.2 Review managements approach in relation to the prevention, detection, reporting and investigation of bribery and fraud.
  - 2.6.3 Review and monitor policy and process to manage conflicts of interest amongst elected members, community board members, management, staff, consultants and contractors.
  - 2.6.4 Review and monitor policy and process to manage sensitive expenditure activities across Council.
  - 2.6.5 Review and monitor policy and process to manage legal proceedings.

### 3.0 Powers

The Audit and Risk Committee, within the scope of its role and responsibilities is authorised to:

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- 3.1 Obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);
- 3.2 Discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations);
- 3.3 Require the attendance of any employee, including the Chief Executive, at committee meetings;
- 3.4 Obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at the Council's expense;
- 3.5 The exercise of the powers in 3.3 and 3.4 above is limited to situations where the performance of the Committee's functions would be constrained if the resources of the organisation were not available;
- 3.6 Recommend to the Council action on any matter in relation to Audit and Risk activities.

#### **4.0 Limitations**

The Audit and Risk Committee has no executive powers and is directly responsible to Full Council.

#### **5.0 Governance**

- 5.1 Members of the Committee are expected to:
  - 5.1.1 Contribute the time needed to study and understand the papers provided;
  - 5.1.2 Apply good analytical skills, objectivity, and good judgment; and
  - 5.1.3 Express opinions frankly, ask questions that go to the core of the issue, and pursue independent lines of enquiry.
- 5.2 The Committee Chair is responsible for submitting an annual report to the Council covering the Committee's operations and activities during the preceding year. The report should include:
  - 5.2.1 A summary of the work the Committee performed to fully discharge its responsibilities during the preceding year;
  - 5.2.2 A summary of the Council's progress in addressing the findings and recommendations made in internal and external audit reports, and the Auditor-General's reports (if applicable);
  - 5.2.3 An overall assessment of the Council's risk, control, and compliance framework, including details of any significant emerging risks or legislative changes; and
  - 5.2.4 Details of meetings, including the number of meetings held during the relevant period and the number of meetings each member attended.
  - 5.2.5 The Committee may, at any time, report to the Chief Executive or the Council any other matter it deems of sufficient importance to do so. In addition, at any time an individual Committee member may request a meeting with the Chief Executive or the Council.

#### **6.0 Administration**

- 6.1 Meetings
  - 6.1.1 The expectation is that members of the public wanting to speak to a matter on the Agenda should be given that opportunity.

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- 6.1.2 As a minimum the committee will meet 4 times a year.
- 6.1.3 The Audit and Risk Committee may meet between the scheduled meetings at the discretion of the chair to attend to urgent business.
- 6.1.4 A special meeting may be held to review Council's annual report and long term plan audits.
- 6.1.5 The Audit and Risk Committee will meet separately with the external auditors at least once a year.
- 6.2 Membership of the committee shall comprise:
  - 6.2.1 5 elected members appointed by Council, based on their skills and experience;
  - 6.2.2 Up to 2 external members appointed in accordance with Councils Policy on the Appointment of Directors and Trustees to Council Organisations. The independent member(s) appointment is for a term of 3 years from the date of appointment or such other terms as Council resolves;
  - 6.2.3 The Chair shall be appointed by Council and will be an independent member;
  - 6.2.4 Any member of the committee, either elected or independent, may be considered for reappointment in the next triennium provided they have not already served 6 years on the committee;
  - 6.2.5 The Chief Executive or any Council staff member may not be a member of the committee;
  - 6.2.6 The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the Council. At least one member of the committee should have accounting or related financial management experience, with an understanding of accounting and auditing standards in a public sector environment.
- 6.3 A quorum comprises 3 members 2 of whom must be elected members.
- 6.4 The committee will be discharged and reconstituted following each triennium election.

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## 8.4 BRIGHTWATER AND WAKEFIELD WATER TREATMENT PLANTS - APPROVAL TO PROCURE DIRECTLY

Decision Required

<b>Report To:</b>	Full Council
<b>Meeting Date:</b>	18 December 2020
<b>Report Author:</b>	David Stephenson, Team Leader - Solid Waste & Stormwater
<b>Report Number:</b>	RCN20-12-18

### 1 Summary

- 1.1 The purpose of this report is to obtain approval to implement a fast-track procurement process for water treatment plant upgrades at Wakefield and Brightwater.
- 1.2 The Brightwater and Wakefield Water Treatment Plants (WTPs) both require upgrading to meet the New Zealand Drinking Water Standards and these upgrades are budgeted this year.
- 1.3 Council has commissioned a concept design for each of these sites from a contractor. This contractor has a high level of relevant skills and experience and has previously completed work for Council.
- 1.4 The design consists of modular cartridge filtration banks (one at Wakefield and two at Brightwater) and twin UV reactors at each site. The estimated cost of construction is \$550,000 for each site.
- 1.5 The construction work for each was initially expected to be less than \$500,000, which is within the delegated authority of the Engineering Manager to directly procure. The most recent price estimate indicates that the work will exceed this delegated authority.
- 1.6 Staff are seeking approval for a fast-tracked direct procurement process for each of these projects, using the contractor that has prepared the concept design. This process is similar to that approved by Council for other projects, on 25 June 2020.
- 1.7 Staff consider that direct procurement will provide value for money and enable the timely completion of these projects.

**2 Draft Resolution**

**That the Full Council**

- 1. receives the Brightwater and Wakefield Water Treatment Plants - Approval to Procure Directly RCN20-12-18; and**
- 2. approves adopting a fast-tracked direct procurement process, comprising a due diligence process to confirm value for money, for the projects listed in resolution (3);**
- 3. approves the following projects for fast-track direct procurement;**
  - a) Brightwater Water Treatment Plant Upgrade;**
  - b) Wakefield Water Treatment Plant Upgrade**

**3 Purpose of the Report**

- 3.1 The purpose of this report is to obtain approval to implement a fast-track procurement process for construction of water treatment plant upgrades at Wakefield and Brightwater.

**4 Background and Discussion**

- 4.1 The Brightwater and Wakefield Water Treatment Plants (WTPs) both require upgrading to meet the New Zealand Drinking Water Standards. The two plants both have chlorine dosing, but also require filtration and ultra violet (UV) treatment to protect against protozoa and, in the case of Brightwater, manage high turbidity levels.
- 4.2 The Waimea Water Strategy is considering long term supply and treatment solutions for these towns, and short term upgrades are the best interim solution at each of these sites. Council has commissioned a concept design for each of these sites from a contractor. This contractor has a high level of relevant skills and experience and has previously completed similar work for Council.
- 4.3 The design consists of modular cartridge filtration banks (one at Wakefield and two at Brightwater) and twin UV reactors at each site. The modular design of these units will enable them to be relocated to other locations in the future. The construction work for each site was initially expected to be less than \$500,000.
- 4.4 Council's Engineering Services Procurement Strategy (June 2019) indicates that capital projects of between \$100,000 and \$500,000 are able to be offered to contractors on Council's supplier panel, direct to open market, as a variation to an existing contract or by invited tender.
- 4.5 The Engineering Manager had originally intended to use his delegated authority to invite a tender from the contractor who has developed the concept design. This invitation to tender would have been as a sole supplier.
- 4.6 The most recent price estimate now indicates that the construction work will be approximately \$550,000 per site. The Procurement Strategy indicates that projects of this value would normally be offered direct to market, through an open tender.
- 4.7 Staff are seeking approval for a fast-tracked direct procurement process for each of these projects, using the contractor that has prepared the concept design. This process is similar to that approved by Council for other projects, on 25 June 2020.
- 4.8 The contractor has previously completed similar work, collaborated well with the operations contractor during the design process and demonstrated value for money.

## 5 Options

- 5.1 When considering whether to approve a fast-tracked direct procurement process Council has two options:

**Option 1 (recommended)** - approve the direct procurement for the WTP upgrades, or

**Option 2** - direct staff to follow an open tender, following the normal procurement process of Council.

### Option 1

- 5.2 The proposed contractor has a demonstrated ability to design and supply modular treatment plant facilities, which are required for these sites. The contractor has demonstrated relevant skills and experience and previously secured work through an open tender. The contractor has completed a concept design, and could commence work in the new year, with work likely to be complete before June 2021.
- 5.3 If this option were chosen then a tender process would still be followed. The proposed contractor would respond to an invitation to tender, and the submitted tender would be evaluated by an evaluation team, and a recommendation submitted to the Council's Tender Panel.
- 5.4 The bids will be subject to review and negotiations to establish a fair market price. Council project managers and operations staff, and design consultants and external cost estimators where required, will play a role in establishing and confirming value for money for each construction contract.

### Option 2

- 5.5 An open tender procurement process will require additional time, effort and expense. The concept design for each of these sites includes intellectual property from the contractor, and additional work will be required to reduce the level of detail in the designs for open tender. It is unlikely that this work could be awarded prior to March 2021 and the work will not be completed prior to June 2021.

## 6 Strategy and Risks

- 6.1 The Council's Infrastructure Strategy identifies four key principles to help guide the Council's efforts and investment in planning, developing and maintaining its assets. These priorities are:
- Providing safe and secure infrastructure services;
  - Providing infrastructure services that meet the needs of our changing population;
  - Planning, developing and maintaining resilient communities;
  - Prudent management of our existing assets and environment.
- 6.2 Staff have considered these priorities when making the recommendations set out in this report as well as the risks to the public for each option.
- 6.3 Direct procurement of these projects presents some risk to Council that best value for money may not be achieved, but staff consider that this risk is moderately low.

- 6.4 Fair value to the Council with negotiated contracts will be assured through a due diligence process. Where necessary, this may include price reviews by quantity surveyors or similarly qualified professionals, before contracts are awarded.

## 7 Policy / Legal Requirements / Plan

### Engineering Services Procurement Strategy

- 7.1 Approval of the proposed fast-track procurement process is a departure from the current approved Engineering Services Procurement Strategy (dated 19 July 2019). The fast-track procurement process will allocate two projects to a competent contractor to price. This will be followed by a due diligence process to ensure value for money is attained.

## 8 Consideration of Financial or Budgetary Implications

- 8.1 The 2020/21 Annual Plan includes a capital budget of \$700,000 for the Brightwater WTP and \$658,663 for the Wakefield WTP. Staff expect that both projects will be completed within budget.

## 9 Significance and Engagement

- 9.1 Staff have considered the significance of this decision in accordance with the Council's Significance and Engagement Policy, as summarised in the table below. We consider the overall significance to be **Low**.
- 9.2 Given the low level of significance of this matter, staff consider that the decisions sought in this report can be made without public engagement.

	Issue	Level of Significance	Explanation of Assessment
1.	Is there a high level of public interest, or is decision likely to be controversial?	Low	While there may be some concern that Council is not publically tendering this value of work, the proposed contractor has recently been selected for another project through a competitive process. There is unlikely to be a high level of public interest.
2.	Are there impacts on the social, economic, environmental or cultural aspects of well-being of the community in the present or future?	Very low	These projects are already included in the Annual Plan 2020/21. This procurement decision will not impact the social, economic, environmental or cultural aspects of well-being of the community in the present or future.
3.	Is there a significant impact arising from duration of the effects from the decision?	Very low	This decision is only for the procurement process for these projects.
4.	Does this activity contribute or detract from one of the	Low	These projects will require additional use of energy to provide safe drinking water, but

	Issue	Level of Significance	Explanation of Assessment
	goals in the <a href="#">Tasman Climate Action Plan 2019</a> ?		the procurement process will have very little impact on this effect.
5.	Does the proposal require inclusion of Māori in the decision making process (consistent with s81 of the LGA)?	Low	Staff do not consider that this decision requires inclusion of Māori in the decision making process.

## 10 Conclusion

10.1 Staff consider that direct procurement will provide value for money and enable the timely completion of the Brightwater and Wakefield Water Treatment Plants.

## 11 Next Steps / Timeline

11.1 Staff will shortly commence preparation of tender documents. The decision of Council will influence the level of work required to prepare these documents.

11.2 In the event of direct procurement staff expect to publish the tenders for each site early in the new year, and to consider each tender submission in February.

11.3 The documents will be published through Government Electronic Tender Service.

## 12 Attachments

Nil

## 9 CONFIDENTIAL SESSION

### 1. 9.1 Procedural motion to exclude the public

The following motion is submitted for consideration:

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

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

### 9.2 Port Tarakohe Redevelopment Proposal - Government Funding

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	<p>s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.</p> <p>s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</p>	<p>s48(1)(a)</p> <p>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</p>

### 9.3 Motueka Aerodrome - Hangar House Development

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.	<p>s48(1)(a)</p> <p>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</p>

### 9.4 Project Akersten

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution

<p>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</p>	<p>s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.</p>	<p>s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</p>
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