

Audit & Risk Committee Public Agenda 11 December 2024

Council Chambers
101 Bank Street
Te Awamutu



Chairperson
Bruce Robertson

Members

Her Worship the Mayor SC O'Regan, AW Brown, LE Brown, RDB Gordon, MG Montgomerie,
Independent Member - Carol Bellette

11 December 2024 09:10 AM

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APOLOGIES



DISCLOSURE OF MEMBERS' INTERESTS

Members are reminded to declare and stand aside from decision making when a conflict arises between their role as an elected member and any private or other external interest they may have.



LATE ITEMS

Items not on the agenda for the meeting require a resolution under section 46A of the Local Government Official Information and Meetings Act 1987 stating the reasons why the item was not on the agenda and why it cannot be dealt with at a subsequent meeting on the basis of a full agenda item. It is important to note that late items can only be dealt with when special circumstances exist and not as a means of avoiding or frustrating the requirements in the Act relating to notice, agendas, agenda format and content.



CONFIRMATION OF ORDER OF MEETING

Recommendation

That the order of the meeting be confirmed.

COMMITTEE AGENDA



To: The Chairperson and Members of the Audit and Risk Committee
From: Governance
Subject: **CONFIRMATION OF MINUTES**
Meeting Date: 11 December 2024

1 EXECUTIVE SUMMARY – WHAKARĀPOPOTOTANGA MATUA

The local authority, its committees, subcommittees and any local and community boards must keep minutes of their proceedings. These minutes must be kept in hard or electronic copy, authorised by a Chairperson’s manual or electronic signature once confirmed by resolution at a subsequent meeting. Once authorised the minutes are the prima facie evidence of the proceedings they relate to.

The only topic that may be discussed at a subsequent meeting, with respect to the minutes, is their correctness.

2 RECOMMENDATION – TŪTOHU Ā-KAIMAHI

That the open minutes of the Audit and Risk Committee meeting held on 7 October 2024, having been circulated, be taken as read and confirmed as a true and correct record of that meeting.

3 ATTACHMENT - ĀPITITANGA

Audit and Risk Open Minutes – 7 October 2024



Committee: Audit and Risk Committee
Time: 9.10am
Date: 7 October 2024
Venue: Council Chambers, Waipā District Council
101 Bank Street, Te Awamutu

PRESENT

Chairperson

Bruce Robertson

Members

Her Worship the Mayor SC O'Regan (joined the meeting at 9.13am), Councillors AW Brown, LE Brown, RDB Gordon (left the meeting at 12.29pm), MG Montgomerie, Carol Bellette – Independent Member.

1 OPENING COMMENTS – CHAIRPERSON BRUCE ROBERTSON

Chairperson Robertson opened the meeting and welcomed new Independent Committee Member Carol Bellette; and new Chief Executive, Waipā District Council, Steph O'Sullivan to their first Audit and Risk Committee meeting.

2 APOLOGIES

RESOLVED

14/24/27

That the apology for lateness from Her Worship the Mayor and the apology from Councillor Gordon for having to leave the meeting early be received.

Chairperson Robertson / Councillor L Brown

COMMITTEE MINUTES



3 DISCLOSURE OF MEMBERS' INTERESTS

[Mayor O'Regan joined the meeting at 9.13am]

Chairperson Robertson – Chairperson, Ministry for Primary Industries Audit and Risk Committee.

Councillor L Brown – Deputy Chairperson, Waikato Civil Defence and Emergency Management Group Joint Committee.

4 LATE ITEMS

There were no late items.

5 CONFIRMATION OF ORDER OF MEETING

RESOLVED

14/24/28

That the order of the meeting be confirmed with the removal of item 31 – Organisational Risk Discussion with the Chief Executive.

Chairperson Robertson / Councillor Montgomerie

6 CONFIRMATION OF MINUTES

RESOLVED

14/24/29

That the open minutes of the Audit and Risk Committee meeting held on 10 June 2024 having been circulated, be taken as read and confirmed as a true and correct record of that meeting.

Chairperson Robertson / Councillor A Brown

7 RISK MANAGEMENT POLICY AND FRAMEWORK REVIEW

Manager Organisational Excellence, Georgina Knapp provided the Committee with highlights from the report.

The Committee discussed a whole of executive approach with regards to risk management and that the executive team should be collectively involved in risk management.



There was an amendment made to recommendation d) from “Refers” both of these documents to Council for endorsement, to “Recommends”.

RESOLVED

14/24/30

That the Audit and Risk Committee

- a) *Receives the report of Genny Wilson, Business Resilience and Risk Advisor titled Risk Management Policy and Framework Review (ECM number 11303700);*
- b) *Reviews and considers the Managing Risk and Compliance at Waipā Policy (ECM number 10701568);*
- c) *Reviews and considers the Enterprise Risk Management Framework (ECM number 11291653); and*
- d) *Recommends both of these documents to Council for endorsement.*

Mayor O’Regan / Committee Member Bellettee

8 RISK APPETITE STATEMENT AND TOP RISKS 2024/25 REVIEW

Manager Organisational Excellence, Georgina Knapp spoke to the report.

An amendment was made to recommendation d) to “Recommends” that Council adopts the Risk Appetite Statement 2024/25 and Top Risks for the 2024/25 year.

RESOLVED

14/24/31

That the Audit and Risk Committee

- a) *Receives the report of Genny Wilson, Business Resilience and Risk Advisor titled Risk Appetite Statement and Top Risks 2024/25 (ECM number 11302921);*
- b) *Reviews and considers the Risk Appetite Statement 2024/25 (ECM number 11249611);*
- c) *Reviews and considers the Top Risks 2024/25 (ECM number 11271716); and*
- d) *Recommends that Council adopts the Risk Appetite Statement 2024/25 (ECM number 11249611) and adopts the Top Risks 2024/25 (ECM number 11271716) for the 2024/25 year.*

Councillor Montgomerie / Councillor Gordon



9 RISK MANAGEMENT UPDATE AND QUARTERLY RISK REPORT

Business Resilience and Risk Advisor, Genny Wilson spoke to the report.

Manager Organisational Excellence, Georgina Knapp advised the Committee that there had been an error in the Key Risk Indicators section, in the LGFA Covenant graph the figure should have read net debt of (approximately) \$337 million and not \$402.758 million.

RESOLVED

14/24/32

That the Audit and Risk Committee receive the report of Genny Wilson titled 'Risk Management Update and Quarterly Risk Report' (ECM number 11301561).

Chairperson Robertson / Councillor Montgomerie

10 2023/24 ANNUAL REPORT UPDATE

[The meeting reconvened at 10.30am]

[This item was taking after Item 11]

Manager Finance, Jolanda Hechter provided the Committee with a detailed update on the status of the 2023/24 Annual Report and audit.

Audit Director René Van Zyl provided the Committee with an update on the progress of the 2023/24 Annual Report audit and was available to answer questions.

RESOLVED

14/24/34

That the Audit and Risk Committee receive the report of Jolanda Hechter, Manager Finance titled '2023/24 Annual Report Update' (ECM number 11311076).

Councillor A Brown / Councillor L Brown

11 OUTSTANDING MANAGEMENT REPORT MATTERS

[Item 11 taken before Item 10]

[The meeting adjourned at 10.16am]

Manager Finance, Jolanda Hechter provided the Committee with an update on outstanding management report items.



RESOLVED

14/24/33

That the Audit and Risk Committee receive the report of Jolanda Hechter, Manager Finance, titled 'Outstanding Management Report Matters' (ECM number 11302958).

Chairperson Robertson / Councillor L Brown

12 INTERNAL ASSURANCE CHARTER AND WORK PLAN

Internal Assurance Advisor, Janice Downard sought approval from the Committee for the 2024/25 Internal Assurance Work Plan and Internal Assurance Charter.

RESOLVED

14/24/35

That the Audit and Risk Committee

- a) *Receives the report of Janice Downard, Internal Assurance Advisor titled 'Assurance Charter and Work Plan' (ECM Number 11265124); including Appendix 1 titled 'Waipā District Council – Assurance Charter' (ECM Number 11265124) and Appendix 2 titled 'Internal Assurance Work Plan Oct 2024' (ECM Number 11299814)).*
- b) *Receives and approves the proposed 'Waipā District Council – Assurance Charter' (ECM Number 11265124) subject to any changes discussed at the meeting; and*
- c) *Receives and approves the 'Internal Assurance Work Plan Oct 2024' (ECM Number 11299814) subject to any changes discussed at the meeting.*

Councillor Montgomerie/ Councillor Gordon

13 INTERNAL ASSURANCE UPDATE AND QUARTERLY ASSURANCE REPORT

Internal Assurance Advisor, Janice Downard provided a summary of the report to the Committee.

RESOLVED

14/24/36

That the Audit and Risk Committee receive the report of Janice Downard, Internal Assurance Advisor titled 'Internal Assurance Update and Quarterly Assurance Report' [ECM number 11228120].

Chairperson Robertson / Councillor Gordon

COMMITTEE MINUTES



14 DRAFT LEGISLATIVE COMPLIANCE IMPROVEMENT PROGRAMME PLAN

Legal Counsel, Diana Aquilina spoke to the report.

RESOLVED

14/24/37

That the Audit and Risk Committee

- a) *Receives the report of Janice Downard, Internal Assurance Advisor titled 'Draft Legislative Compliance Improvement Programme' (ECM Number 11268603); and*
- b) *Receives and considers the 'Draft Legislative Compliance Management Improvement Programme Plan' (ECM number 11268603), as attached in Appendix 1.*

Chairperson Robertson / Committee Member Bellette

15 OUTCOME OF THE 2024 EMERGENCY MANAGEMENT EOC AUDIT

Group Manager District Growth and Regulatory Service, Wayne Allan and Emergency Management Operations Manager, Dave Simes provided the Committee with a summary of the outcome of the 2024 Emergency Management EOC Audit.

RESOLVED

14/24/38

That the Audit and Risk Committee receive the report of Dave Simes, Emergency Management Operations Manager titled Outcome of the 2024 Emergency Management EOC Audit [ECM# 11302788].

Councillor L Brown / Councillor A Brown

16 RISK REPORTING ON THE 2025-34 LONG TERM PLAN

Manager Strategy, Melissa Russo provide the Committee with an update of the risks for the 2025-34 Long Term Plan.

RESOLVED

14/24/39

That the Audit and Risk Committee receives the report of Melissa Russo, Manager Strategy, titled 'Risk Reporting on the 2025-34 Long Term Plan' (document number 11293867).



Mayor O'Regan / Committee Member Bellette

17 RISK REPORTING ON THE AHU AKE – WAIPĀ COMMUNITY SPATIAL PLAN PROJECT

Principal Strategic Planner, Vanessa Honore provided the Committee with a quarterly update on the risks identified for the Ahu Ake – Waipā Community Spatial Plan project.

RESOLVED

14/24/40

That the Audit and Risk Committee receives the report of Vanessa Honore, Principal Strategic Planner, titled 'Risk reporting on the Ahu Ake - Waipā Community Spatial Plan project' (ECM 11308901).

Mayor O'Regan /Councillor Gordon

18 ANNUAL RENEWAL AND STRATEGIC INSURANCE UPDATE

[Items 19, 20, 21 and 22 were taken before item 18]

Deputy Chief Executive and Group Manager Business Support, Ken Morris introduced this item to the Committee.

AON New Zealand representatives, Matthew Wilson and Deanna Macdonald presented to the Committee.

RESOLVED

14/24/45

That the Audit and Risk Committee receive the report of Aimee Turner, Management Accountant, titled Annual Renewal and Strategic Insurance Update (ECM number 11302980).

Councillor A Brown / Councillor Montgomerie

19 ARC PERFORMANCE SURVEY RESULTS

[Item 19 was taken before item 18]

Business Resilience and Risk Advisor, Genny Wilson provided an overview of the ARC Performance Survey Results.

The Committee discussed more in-depth reporting from outcomes and discussions from the Audit and Risk Committee to full Council.

COMMITTEE MINUTES



RESOLVED

14/24/41

That the Audit and Risk Committee receive the report of Genny Wilson, Business Resilience and Risk Advisor titled 'ARC Performance Survey Results' (ECM number 11306781).

Chairperson Robertson / Councillor Gordon

20 DEEP DIVE INTO TOP RISK 5

[Item 20 was taken after item 19 and before item 18]

[Mayor O'Regan left the meeting at 12.16pm and re-joined the meeting at 12.18pm]

Group Manager Strategy, Kirsty Downey discussed with the Committee Top Risk 5 – Climate Change.

RESOLVED

14/24/42

That the Audit and Risk Committee receive the report of Kirsty Downey, Group Manager Strategy, titled 'Deep Dive into Top Risk 5', (document number 11289079).

Chairperson Robertson / Councillor Montgomerie

21 LOCAL WATER DONE WELL (LWDW) RISK REGISTER

[Councillor Gordon left the meeting at 12.29pm]

[The meeting adjourned at 12.29pm and re-convened at 1.11pm]

[Item 21 was taken after items 19 and 20 and before item 18]

Manager Delivery Performance, Sherryn Patterson provided the Committee with an update on the very high risks being managed under the Local Water Done Well project.

RESOLVED

14/24/43

That the Audit and Risk Committee receives the report of Sherryn Paterson, Manager Delivery Performance, titled Local Water Done Well (LWDW) Risk Register (document number 11299410).

Chairperson Robertson / Mayor O'Regan



22 CAPITAL PROGRAMME UPDATE – END OF FINANCIAL YEAR REPORT TO 2024 AND UPDATE ON 2024-25 CAPITAL PROGRAMME AS AT 31 AUGUST 2024

[Item 22 was taken after items 19, 20 and 21 and before item 18]

Manger Delivery Performance, Sherryn Patterson spoke to the report.

RESOLVED

14/24/44

That the Audit and Risk Committee receives the report of Sherryn Paterson, Manager Delivery Performance, titled Capital Programme Update – End of Financial Year Report 2024 and Update on 2024-25 Capital Programme as at 31 August 2024 (document number 11299391).

Councillor L Brown / Chairperson Robertson

23 RESOLUTION TO EXCLUDE THE PUBLIC

Item 31 – Organisational Risk Discussion with the Chief Executive was removed from the recommendation as per the amended Confirmation of Order of the meeting.

RESOLVED

14/24/46

(Section 48, Local Government Official Information and Meetings Act 1987)

THAT the public be excluded from the following parts of the proceedings of this meeting.

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
<i>24. Confirmation of Public Excluded Minutes 10 June 2024</i>	<i>Good reason to withhold exists under section 7 Local Government Official</i>	<i>Section 48(1)(a)</i>



<p>25. Programme and Project Risks to 31 August 2024 26. Potential Asset Sales Six Monthly Update 27. Results of Complywith Attestation Survey 2024 28. Litigation Update 29. Declaration of Interests by the Leadership Team 2024 30. Group Risk Discussion – Group Manager Strategy</p>	<p>Information and Meetings Act 1987</p>	
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This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act, or Sections 6, 7 or 9 of the Official Information Act 1982, as the case may be, which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, are as follows:

Item No.	Section	Interest
24	Section(7)(2)(i)	<i>To carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</i>
24,29,30	Section 7(2)(a)	<i>To protect the privacy of natural persons, including that of deceased natural persons.</i>
24,30	Section7(2)(b)(i)	<i>To protect information which if public would; disclose a trade secret.</i>
24,30	Section 7(2)(b)(ii)	<i>To protect the information which if public would unreasonably prejudice the commercial position of the person who supplied or who is the subject of the information.</i>
24	Section 7(2)(c)(i)	<i>To protect information which is subject to an obligation of confidence where the making available of the information would be likely to prejudice the supply of similar information, or information from the</i>



		<i>same source, where it is in the public interest that such information should continue to be supplied.</i>
24	Section 7(2)(c)(ii)	<i>To protect information which is subject to an obligation of confidence where the making available of the information would be likely otherwise to damage the public interest.</i>
24,27,28	Section 7(2)(g)	<i>To maintain legal professional privilege</i>
24,25,26	Section 7(2)(h)	<i>To enable the council to carry out, without prejudice or disadvantage, commercial activities.</i>

Councillor Robertson / Councillor Montgomerie

The meeting went into Public Excluded at 1.50pm
There being no further business the meeting closed at 3.07pm

CONFIRMED AS A TRUE AND CORRECT RECORD

CHAIRPERSON:

.....
.....

DATE:

.....

COMMITTEE AGENDA



To: The Chairperson and Members of the Audit and Risk Committee
From: Governance
Subject: **CONFIRMATION OF MINUTES**
Meeting Date: 11 December 2024

1 EXECUTIVE SUMMARY – WHAKARĀPOPOTOTANGA MATUA

The local authority, its committees, subcommittees and any local and community boards must keep minutes of their proceedings. These minutes must be kept in hard or electronic copy, authorised by a Chairperson's manual or electronic signature once confirmed by resolution at a subsequent meeting. Once authorised the minutes are the prima facie evidence of the proceedings they relate to.

The only topic that may be discussed at a subsequent meeting, with respect to the minutes, is their correctness.

2 RECOMMENDATION – TŪTOHU Ā-KAIMAHI

That the open minutes of the Audit and Risk Committee Extraordinary meeting held on 25 October 2024, having been circulated, be taken as read and confirmed as a true and correct record of that meeting.

3 ATTACHMENT - ĀPITITANGA

Audit and Risk Open Minutes – 25 October 2024

COMMITTEE MINUTES



EXTRAORDINARY MEETING

Committee: Audit and Risk Committee
Time: 9.10am
Date: 25 October 2024
Venue: Council Chambers, Waipā District Council
101 Bank Street, Te Awamutu

PRESENT

Chairperson

Bruce Robertson

Members

Her Worship the Mayor SC O'Regan (joined the meeting at 9.14am), Councillors AW Brown, LE Brown, RDB Gordon (via Zoom), MG Montgomerie, Carol Bellette – Independent Member (via Zoom).

Opening Karakia – Deputy Chief Executive / Group Manager Business Support – Ken Morris

1 APOLOGIES

RESOLVED

E14/24/01

That the apology from Her Worship the Mayor for lateness be received.

Chairperson Robertson / Councillor Montgomerie

2 DISCLOSURE OF MEMBERS' INTERESTS

None

3 LATE ITEMS

There were no late items.



EXTRAORDINARY MEETING

4 CONFIRMATION OF ORDER OF MEETING

RESOLVED

E14/24/02

That the order of the meeting be confirmed.

Chairperson Robertson / Councillor A Brown

5 RESOLUTION TO EXCLUDE THE PUBLIC

RESOLVED

E14/24/03

(Section 48, Local Government Official Information and Meetings Act 1987)

THAT the public be excluded from the following parts of the proceedings of this meeting.

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
<i>6. Committee Only Discussion with Auditors</i>	<i>Good reason to withhold exists under section 7 Local Government Official Information and Meetings Act 1987</i>	<i>Section 48(1)(a)</i>

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act, or Sections 6, 7 or 9 of the Official Information Act



EXTRAORDINARY MEETING

1982, as the case may be, which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, are as follows:

Item No.	Section	Interest
6	Section 7(2)(a)	<i>To protect the privacy of natural persons, including that of deceased natural persons.</i>
6	Section 7(2)(c)(i) & (ii)	<i>To protect information which is subject to an obligation of confidence where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, where it is in the public interest that such information should continue to be supplied; or would be likely otherwise to damage the public interest.</i>

Chairperson Robertson / Councillor L Brown

6 PUBLIC EXCLUDED: COMMITTEE ONLY DISCUSSION WITH AUDITORS

[Mayor O’Regan joined the meeting at 9.14am]
 [The meeting went into Public Excluded Session at 9.14am]

All staff left the meeting for this item to allow a confidential discussion between the Audit and Risk Committee members and auditors.

7 RECOMMENDATION OF 2023/24 ANNUAL REPORT FOR ADOPTION

[The meeting went into Open Session at 9.29am]

Deputy Chief Executive / Group Manager Business Support, Ken Morris introduced this item to the Committee and provided an overview of the Annual Report and the financial statements.

Organisational Excellence Manager, Georgina Knapp provided commentary on the non-financials of the Annual Report.

Communication and Engagement Manager, Lisa Nairne spoke about the communication plan for the Annual Report.



EXTRAORDINARY MEETING

Manager Finance, Jolanda Hechter presented the draft Annual Report and draft Summary of the Annual Report for the year ended 30 June 2024 to the Committee. Ms Hechter spoke to some minor editorial changes to the Annual Report.

Audit Director, René Van Zyl gave a brief address to the Committee and was available to answer questions.

RESOLVED

E14/24/03

That the Audit and Risk Committee

- a) *Receives the report of Nada Milne, Financial Accountant, Recommendation of 2023/24 Annual Report for Adoption (ECM number 11302459);*
- b) *Considered the draft Waipā District Council Annual Report 2023/24 (document 11282644), including any amendments agreed at the meeting, and with the unmodified opinion to be received from Audit New Zealand the committee recommends the draft Annual Report 2023/24 to Council for adoption and publication pursuant to section 98 of the Local Government Act 2022;*
- c) *Considered the draft Waipā District Council Summary of the Annual Report 2023/24 (ECM document 11312307), including any amendments agreed at the meeting, and with the unmodified opinion to be received from Audit New Zealand the committee recommends the draft Summary of the Annual Report 2023/24 to Council for approval and publication pursuant to section 98 of the Local Government Act 2022;*
- d) *Delegates to the Deputy Chief Executive the authority to make minor editorial changes and the correction of minor errors to the draft Annual Report 2023/24 and the Summary Annual Report 2023/24 as part of the publication process; and*
- e) *Having reviewed the representation letters required by Audit New Zealand, recommends the signing of those letters.*

Chairperson Robertson / Councillor Gordon

Closing Karakia – Deputy Chief Executive / Group Manager Business Support – Ken Morris

There being no further business the meeting closed at 10.18am



EXTRAORDINARY MEETING

CONFIRMED AS A TRUE AND CORRECT RECORD

CHAIRPERSON:

.....

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DATE:

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COMMITTEE REPORT



INFORMATION ONLY

To: The Chairperson and Members of the Audit and Risk Committee
From: Business Resilience and Risk Advisor
Subject: **Risk Management Update and Quarterly Risk Report**
Meeting Date: 11 December 2024

1 EXECUTIVE SUMMARY – WHAKARĀPOPOTOTANGA MATUA

The purpose of this report is to provide a summary of risk management activities across the organisation.

Robust risk management is essential to Waipā District Council to support the achievement of its strategic objectives. Council is in the final planned year of the current improvement programme with the objective of raising Council's risk management maturity level from 'sustainable' to 'mature'.

This report outlines initiatives that in staff's view should provide members of the Committee with confidence that risks are being well managed across the organisation and there is continuous improvement in the management of risk at Council.

This formal reporting sits alongside the less formal Chief Executive risk discussion and the 'Deep Dive' discussions, that generally take place at each meeting of the Committee.

The following appendix accompanies this report:

- Appendix 1 – Quarterly Risk Report September to October 2024 (ECM number 11336765)

2 RECOMMENDATION – TŪTOHU Ā-KAIMAHI

That the Audit and Risk Committee receive the report of Genny Wilson titled 'Risk Management Update and Quarterly Risk Report' (ECM number 11336768).

3 COMMENTARY - KŌRERO

The systematic management of risk is important for any organisation and, in particular, to a business as large and diverse as Council. Ensuring an appropriate risk management framework is in place is an important function of the Audit and Risk Committee.

Actions, Initiatives and Plans Since Last Report

Quarterly Risk Management Report

The Quarterly Risk Management report has been developed in line with Council's current Risk and Compliance Management Policy and feedback from previous Audit and Risk Committee meetings. The report for the period September to October 2024 is attached as Appendix 1.

The key purpose of the report is to provide a base for discussion and to trigger effective risk conversations by the Committee. The report provides the Committee with the results of the quarterly review of risks including top risk trends; an update on the status of the mitigation measures; any emerging risks; as well as an update on the implementation of the risk management improvement programme.

The report contains the revised top risks, ratings and additional mitigants for the 2024-25 year.

As requested, the on track mitigant actions have been included in the risk reference folder in Diligent. The key risk documents have also been included in this folder to enable easier reference for Elected Members.

The Executive conduct a quarterly review of the reports in the lead-in to the Audit and Risk Committee review.

Strategic commentary

The wider business context is important to keep front of mind during the discussion of Council's current risk profile. This context is captured from a risk perspective within Top Risk 8: Failure to manage change and respond to the uncertainty of the wider business context.

The risk captures the impact of the significant changes facing the sector in the wider business context and the pace of these changes. These are captured at a macro level and may trigger the identification of any new emerging risks.

Areas of significant change impacting the sector include:

- Central government reforms
- Economic environment
- Change in government with current coalition driving different focus
- Change in funding mechanisms and quantum
- Triennial Local Government Elections
- Regional Deals expectations

- Geopolitical environment, with escalating conflicts in Ukraine and Middle East, potentially impacting on supply chains and global economics.

Council’s current risk profile is high in relation to risk appetite driven in many respects by Council’s business context. Further work is identified to lower the risks. The additional mitigant reporting indicates that this work is on track.

In summary the key risk indicators do not suggest a significant change in the residual risk level or trend for the majority of top risks. The change in trends for the top risks impacted are as follows:

Top Risk	Status last quarter to this quarter	Rationale
3: Risk to Financial Strategy and Affordability	↑ to ↑	The economic environment remains challenging. For the current financial year Council continues to need to actively monitor the level of debt headroom. There are also challenges in the development of the 2025-34 LTP in regard to meeting affordability metrics and financial prudence benchmarks while balancing rates increases.
2: Failure to adequately invest in and deliver infrastructure	↔ to ↑	Deferral of a portion of the capital works programme from the 2024/25 year to the 2025/26 year means that this risk while maintained at the same level is signalled to be trending up as planned investment is reduced. See emerging risks below.
7. Failure to maintain effective stakeholder relationships and connection to the community	↔ To ↑	Deferral of a portion of the capital works programme from the 2024/25 year to the 2025/26 year means that this risk while maintained at the same level is signalled to be trending up as planned investment is reduced. See emerging risks below.

Note: Top Risk 3: Risk to Financial Strategy and Affordability is also the top risk for the deep dive elsewhere in this agenda.

Emerging Risks

1. Geopolitical risk

The reverse stress testing exercise conducted by the Reserve Bank and released in November has highlighted geopolitical risks as material for New Zealand. These risks arise from international tensions and can impact the financial system through various channels.

Several banks identified escalation of geopolitical tension as the primary driver of economic downturns. This reflects Russia’s invasion of Ukraine, US-China tension and conflicts in the Middle East

The Reserve Bank spokesperson stated “Geopolitical risk can disrupt international trade, weaken domestic demand and lead to financial market volatility. This in turn can lead to higher loan defaults, raise funding costs, and increase cyber risks for financial institutions. The nature of the impact will depend on the transmission channel, severity and location of the geopolitical shock. Concern about geopolitical tension has been increasing recently. As a small open economy, dependent on international trade and investment, geopolitical risks are clearly relevant to our financial system.”

2. Deferral of Capital Projects to next financial year

The deferral of a portion of the capital works programme from the 2024/25 year to the 2025/26 financial year has raised the following emerging risks. While the ratings are assessed as moderate Top Risks (2 and 7) have been tagged as trending up while the mitigations are being implemented. Implementing the planned mitigations will drop the residual risk to acceptable levels. Top Risk 3 will remain trending up.

Risk Description	Consequences	Treatment	Residual Rating
If the delays affect relationships with developers, consultants, contractors, key stakeholders, partners, and/or the wider community, Council’s reputation may be negatively impacted.	Lowering of trust and confidence potentially affecting land sales/negotiations, construction timelines and future contractual relationships with Council.	Effective communication with developers, consultants, contractors, key stakeholders, partners throughout the process and as the pipeline is replanned.	Moderate (Unlikely/Serious)
If the delays impact the willingness of contractors to tender in the future or feasibility for contractors to scale back up as required future programmes of work may be further delayed.	Contractors may not be as willing to tender for works in the future. There may be flow on delays to supply chains and delivery of projects in future resulting in negative financial impacts and negatively impact our levels of service to the community.	Continue planning for the 2025-26 year including progressing engagement with mana whenua/iwi, land acquisitions and disposals and early tender of works for the 2025/26 year.	Moderate (Unlikely/Serious)
If the delays create uncertainty for staff and/or dissatisfaction with roles then there may be adverse effects on recruitment	Staff in delivery roles may leave Council resulting in delays in programmes as recruitment is completed. Council’s reputation as an employer may be negatively impacted.	Planning work will continue including the development of a strong pipeline for the 2025/26 year. Opportunities will be explored including supporting neighbouring Councils.	Moderate (Possible/Moderate)
If the delays of the projects result in cost over runs or delays in the collection of revenue or development contributions; for example, the effects of inflation, then the financial impacts may continue to flow through to future years.	Increased cost for materials and construction for the affected projects. Slower collection of DC revenue in the relevant growth cells.	Planning and financial modelling continues. Land purchases and tenders occur as early as able.	Moderate (Unlikely/Major)
If the delays in the projects result in impacts on asset performance, then there may be an increase in asset failure.	Levels of service may reduce with an associated increase in maintenance costs.	Continued close monitoring of affected assets. Reprioritisation of budgets as necessary for any ad hoc maintenance	Moderate (Unlikely/Serious)

In all instances the relatively short nature of the deferrals needs to be considered in the risk assessments.

3. Timelines for 2025-34 LTP, LWDW Service Plan and Triennial Elections

The current emerging risk from last quarter is highlighted. The risk is in regard to the related timelines of the development of the 2025-34 LTP, the Local Waters Done Well reform work requirements and also timing with Local Government Triennial elections. The 2025-34 LTP will need to be adopted by the end of June 2025, the Local Waters Done Well Service Plans will also need to be adopted by September 2025. Preparation work for the 2025 triennium elections will need to begin within the same timeframes. There is strong governance of these projects, and this emerging risk is understood by both governance and project teams and is being actively managed.

Operational commentary

The following outlines some key operational activity that may be of interest to the Committee.

1. Community Angst Working Group

A ‘threat and response framework’ education week was held from 4 November. This included new improvements and supporting tools to enable staff to understand the thresholds for escalating incidents of unacceptable behaviour.

The working group also provides intelligence gathering on community sentiment and will continue to meet regularly.

2. Operational Risk Management

After an evaluation of available systems for the management of operational risk Council has procured the Performance Planning Local Government Software (PPLGS) that is part of the Technology One core enterprise system platform.

The system will be used to capture, manage and report on operational risk in a consistent and efficient manner to Committee across the organisation. The first configuration workshop has been completed and the system is expected to go live in March 2025.

3. International Fraud Awareness Week

The following online learning modules were launched during International Fraud Awareness Week (17-23 November):

- Fraud Awareness
- Fraud Identification and Prevention
- Identifying and Disclosing Conflicts of Interest
- Managing Conflicts of Interest.

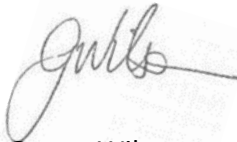
Additional messaging from the Serious Fraud Office was used and staff were also reminded about Council’s Whistleblower Service. Utilising this week to raise fraud awareness is now an annual event.

4. Award Win at ALGIM

Waipā District Council was this year’s award winner for Best in Cybersecurity at the annual ALGIM awards on 20 November. This is a reflection of the technical security work IS have completed over the last two to three years. Further commentary is provided in the Quarterly Report.

4 APPENDIX ĀPITITANGA

No:	Appendix Title
1	Quarterly Risk Report 1 September 2024 to 31 October 2024 (ECM number 11336765)



Genny Wilson
BUSINESS RESILIENCE AND RISK ADVISOR



Georgina Knapp
MANAGER ORGANISATIONAL EXCELLENCE



Approved by Ken Morris
DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT

APPENDIX 1

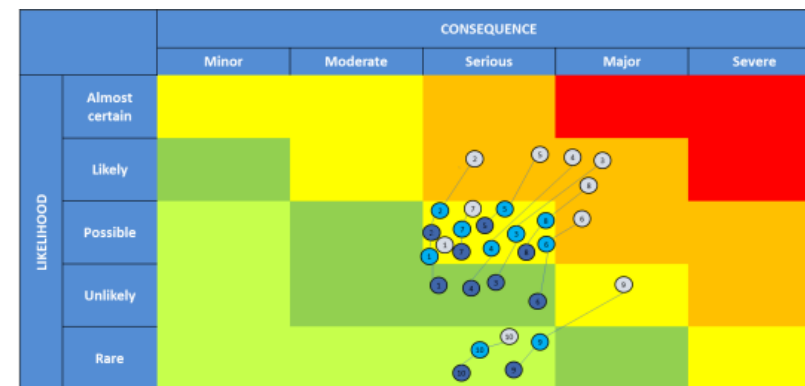
Quarterly Risk Report 1 September 2024 to 31 October 2024 (ECM number 11336765)

QUARTERLY RISK MANAGEMENT REPORT FOR SEPTEMBER to OCTOBER 2024

KEY INSIGHTS

- Top Risk 3: Risk to Financial Strategy and Affordability continues to trend upwards in the current economic environment and while Council works through the development of the 2025-34 LTP.
- Given the need to defer projects to next financial year due to debt headroom constraints, Top Risk 2: Inadequate investment in infrastructure and Top Risk 7: Stakeholder Relationships/Community Connections are now trending upwards, and this is expected to continue while Council works through the development of the 2025-34 LTP. While the emerging risk ratings are assessed as moderate the Top Risks will be trending up while the mitigations are being implemented.
- The key risk documents have been added to the risk reference folder in Diligent for Elected members to easily access. These documents were endorsed at the Council meeting 29 October 2024:
 - Managing Risk and Compliance at Waipā policy
 - Enterprise Risk Management Framework
 - Top Risks 2024/25
 - Risk Appetite Statement 2024/25
- The on track Top Risk mitigant actions are not included in the quarterly risk report but can be referenced in the risk reference folder in Diligent.
- Overall the KRIs are not showing any trends that are concerning or require a response.
- An induction day for Carol Bellette, the new Independent Member of ARC, was completed on October 30. Carol met with the Mayor, CE, each member of the Executive team and key staff reporting to ARC. The day included visits to Cambridge and Te Awamutu offices and some Council facilities.
- WDC won the 2024 Best in Cybersecurity Award at the recent ALGIM annual conference.

TOP RISKS HEAT MAP – 10 TOP RISKS



Key: ○ Current Residual Risk ● Risk Appetite ● Interim Target Risk

- A total of 10 Top Risks identified and assessed for this financial year.

SUMMARY OF TOP RISKS

	1	2	3	4	5	6	7	8	9	10
	Inadequate Workforce and Capacity	Inadequate investment in infrastructure	Financial Strategy and Affordability	Growth	Climate Change	Mana Whenua / Iwi Partnerships	Stakeholder Relationships / Community Connections	Change & business context	Health & Safety & Wellbeing	Protect Information Management assets
Inherent Risk Rating	Extreme	Extreme	Extreme	Extreme	Extreme	Very High	Very High	Very High	Extreme	Very High
Overall Consequences Rating	Serious	Serious	Major	Major	Serious	Major	Serious	Major	Major	Serious
Likelihood Rating	Possible	Likely	Likely	Likely	Likely	Possible	Possible	Likely	Unlikely	Rare
Current Residual Risk Rating	High	Very High	Very High	Very High	Very High	Very High	High	Very High	High	Low
Overall Consequences Rating	Serious	Serious	Serious	Serious	Serious	Serious	Serious	Serious	Serious	Serious
Likelihood Rating	Unlikely	Possible	Likely	Unlikely	Possible	Unlikely	Possible	Possible	Rare	Rare
Risk Appetite	Moderate	High	Moderate	Moderate	High	Moderate	High	High	Low	Low
Change in Risk Status	↔	↑	↑	↔	↔	↔	↑	↔	↔	↔

QUARTERLY RISK MANAGEMENT REPORT SEPTEMBER TO OCTOBER 2024

TOP RISK MITIGATION ACTION MONITORING (YTD From 1 July 2024 to 30 November 2024)



Summary of Actions

The majority of actions are on track. One is at risk. Three actions are completed. The details are provided in the tables below.

The actions are forecast to end of November 2024.

As requested, the on-track actions have been included into the risk reference folder in Diligent.

The status of these actions does not indicate a change to the risk levels or target risk levels is required.

Off Track/At Risk and Not Started Actions

Top Risk	Measure/Action	Status Action	Status Indicator	Exec Owner	Status Comment
Failure to protect information management assets.	Everything in its Place Initiative (EIP) - compliance and reporting.	Ongoing	At Risk	GM BS	Everything in its Place action plan outline completed, priority assessment method created and assessment underway

Completed Actions

Top Risk	Measure/Action	Status Action	Status Indicator	Exec Owner	Status Comment
Failure to protect information management assets.	Repeat ALGIM SAM against standard.	Complete	Complete	GM BS	Full assessment in to verify the ongoing compliance of the ALGIM framework. Additional level 4 controls reviewed and addressed.
Failure to protect information management assets.	Repeat cyber security response exercise.	Complete	Complete	GM BS	Cyber Incident Response System and Templates sourced from SAM for Compliance for review and adoption
Failure to manage Health and Safety and Wellbeing.	Incorporate staff engagement survey feedback into team business plans.	Complete	Complete	GM HR	Annual measure - 2024 survey actions in business plans (complete). No further action until Feb/March 2025 survey - from which actions will then feed into 2025 Business Plans.

QUARTERLY RISK MANAGEMENT REPORT SEPTEMBER TO OCTOBER 2024

EMERGING RISKS

Watching Brief

The annual risk workshop reviews the results from the World Economic Forum risk survey. This provides the key global risks on the horizon in the next two years (short term) and next 10 years (long term) and are included as a watching brief within the Top Risks document. Where these risks are not included as part of the Top Risks they may be discussed as emerging risks depending on the local, regional, national and global context.

For Council the key risk areas under this watching brief this year are misinformation and disinformation; societal polarization; and the geopolitical environment, including interstate armed conflict. While not included in Council's Top Risks Council also keeps a watching brief on cross-organizational compliance risk.

Current Emerging Risks

1. Geopolitical Risk

The Reserve Bank released the Financial Stability Report in November. As part of the report they completed reverse stress testing with banks. The increasing geopolitical tension has identified this as a material risk to New Zealand. Further information is provided in the risk management update report.

2. Deferral of Capital Projects to 2024/25

The deferral of Capital Projects to next financial year has raised new emerging risks. These are detailed in the risk management update report. While the emerging risks ratings are assessed as moderate Top Risks (2 and 7) have been tagged as trending up while the mitigations are being implemented.

3. Timelines for 2025-34 LTP, LWDW Service Plan and Triennial Elections

The current emerging risk from last quarter is below and planning will be clarified as legislation for Local Waters Done Well is progressed. There is strong governance of these projects, and this emerging risk is understood by both governance and project teams and actively managed.

Time and Resourcing to finalise 2025-34 LTP and Waters Service Delivery plans to be closely followed by the 2025 triennium elections.

The 2025-34 LTP will need to be adopted by the end of June 2025, the Local Waters Done Well Service Plans will also need to be adopted by September 2025. Both of these timeframes are shortly before the 2025 triennium elections. There will be pressure on the resourcing for developing these plans and the process of adoption for staff and Elected Members under an already tightly constrained timeframe for the development of the plans.

If the planning and management of the development and adoption of the 2025/34 LTP, Local Waters Done Well Service Delivery Plan, and management of the 2025 Election early steps are inadequate then there may be non-compliance with the legislative requirements with flow on financial impacts; additional stress on staff and Elected Members; resulting in negative impacts on wellbeing and reputation.

Both project timelines are being actively managed and the interdependencies discussed on a regular basis.

QUARTERLY RISK MANAGEMENT REPORT FOR SEPTEMBER TO OCTOBER 2024

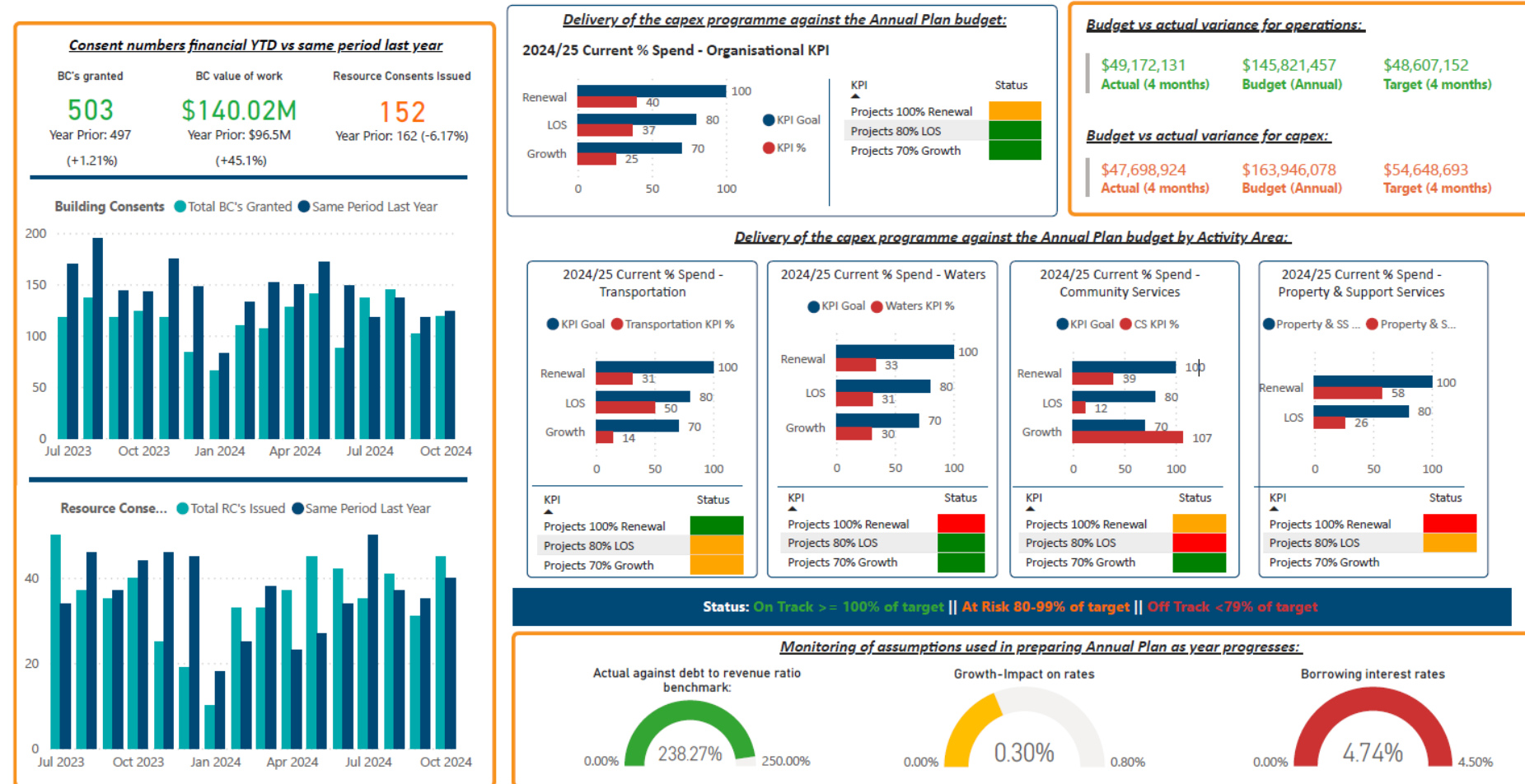
KEY RISK INDICATORS

Top Risk 2: Failure to adequately invest in and deliver infrastructure, Top Risk 3: Risk to Financial Strategy and Affordability, Top Risk 4: Failure to effectively plan for and manage growth

Graphs are YTD 1 July 2024 to 31 October 2024

Key Risk Indicator Report to 31 October 2024

Status = Not started - On track - Off track - At risk - Complete



Commentary on KRI Report

There are signs of green shoots within growth with the increase in building consent numbers compared to the previous year.

The capex programme exceptions are:

Transportation LoS – Low Cost Low Risk projects need to be reviewed in light of NZTA funding reductions

Waters Renewals – Renewal contracts currently working through procurement phase

Community Services LoS – Various Parks projects in the planning phase – timing on construction uncertain

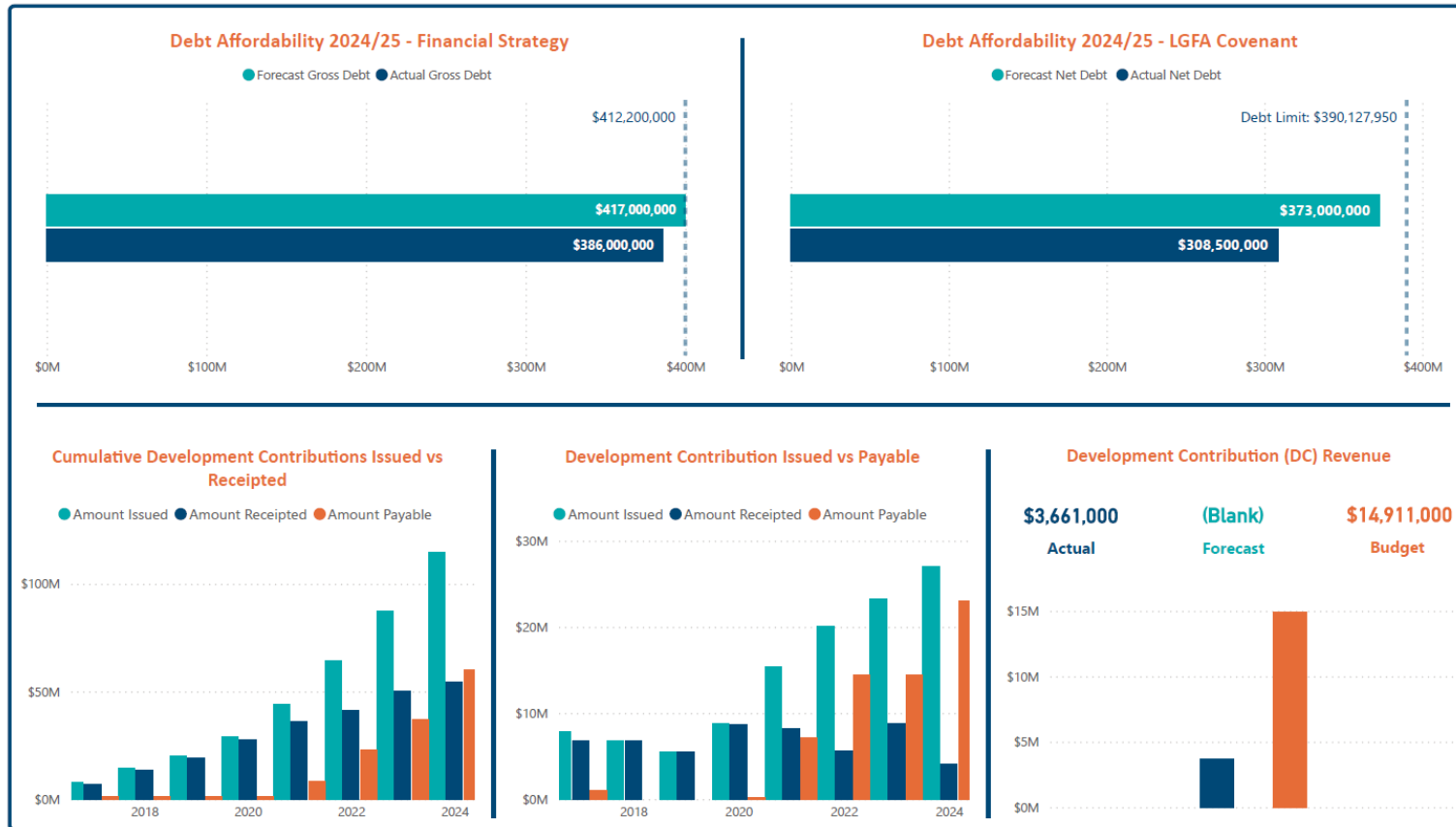
Property and Support Services – estimate is based on actual spend and current commitments

QUARTERLY RISK MANAGEMENT REPORT FOR SEPTEMBER TO OCTOBER 2024

KEY RISK INDICATORS

Top Risk 3: Risk to Financial Strategy and Affordability and Top Risk 4: Failure to effectively plan for and manage growth

Graphs are YTD 1 July 2024 to 31 October 2024



Commentary

Debt Affordability

Council continues to track the debt to revenue ratio based on the LTP 21-31 Financial Strategy – this ratio is based on gross debt to total revenue. Council is now forecasting a breach of this measure against the financial strategy for the 2024/25 financial year, which will be reported on in the Annual Report.

As part of its risk mitigation strategy, Council also tracks compliance with the LGFA's debt to revenue ratio expectation as outlined in the debt covenants. This ratio is critical given its impact on liquidity. Compliance with the LGFA requirement is monitored closely at each financial decision point.

Development Contributions Results

Status: On track for where we are within the development cycle.

This is based on S224 applications received to date as developers must pay before titles are issued. Lower revenue is expected over the next quarter 2 given we are within construction season and developers will be looking to complete their works.

The amount payable in later years has been increasing year on year as a result of infrastructure investment council has made. We expect this amount payable to continue to rise in the immediate future.

QUARTERLY RISK MANAGEMENT REPORT FOR SEPTEMBER TO OCTOBER 2024

KEY RISK INDICATORS

Top Risk 1: Inadequate staffing capacity and capability to deliver Council’s objectives



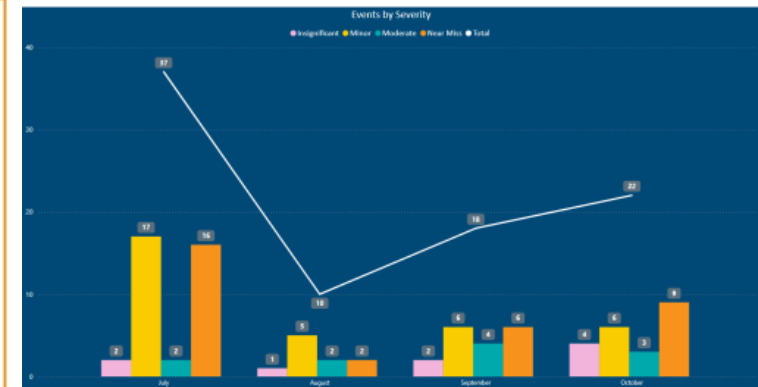
Average Vacancies 43 2024/25 FY	Number of Internal Appointments 2 July to September 2024	Average Time to Hire (Working Days) 56 July to September 2024
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10.0%
% of Total Hires
KRI 1: Level of vacancies.

Commentary:
During this period, 21 appointments were made including 2 internal appointments. Overall, we had 45 vacant roles across the period, with an average of 20 roles in the recruitment process and approximately 22 roles on hold or being reviewed. The average time to hire has been greater these last two quarters due to five long-standing vacancies – these roles have now been appointed, so while the overall 56 days figure is not ideal, we are pleased that this should reduce again with these long-standing vacant roles appointed.



Top Risk 9: Failure to manage Health and Safety and Wellbeing



KRI 2: A Lead indicator for wellbeing will be included once the wellbeing framework is developed and agreed, including measures

Overall, these KRIs are not showing any trends that are concerning or require a response.

ADDITIONAL RISK REPORTING (as per Risk and Compliance Management Policy)

PROJECT DELIVERY RISKS (Capital Works and Operational Projects)

Project Delivery Risks (Capital Works and Operational Projects delivered within Service Delivery) are discussed separately as a Public Excluded item. The next update will be provided in March 2025.

OTHER PROGRAMME TOP RISKS

These are the very high risks after mitigation for Other Programmes and Projects across the organisation. Note: 2025/34 LTP, Ahu Ake and Local Waters Done Well are separate reports on the meeting agenda and are not duplicated here.

There are a number of very high risks with the maintenance of Council Owned buildings that are dependent on funding through the 2025/34 LTP. Resolution of these risks to within appetite will be contingent on which options are adopted as part of the LTP process.

OPERATIONAL RISKS

Council is procuring the Performance Planning Local Government Software (PPLGS) that is part of the Technology One core enterprise system platform. This is being implemented as part of the Digital Programme. As well as including risk management, the module will allow in future reporting against KPIs, KRIs and plans and strategies.

Implementation planning is underway with the first configuration workshop being completed. Go Live is expected to be in March 2025.

The solution will provide an efficient and consistent way of capturing, managing and reporting on operational risks across the organisation.

Project	Description	Risk Reduction Measure & Treatment Type	Residual Risk Rating
Digital programme	If there is a reprioritisation of priorities and in particular significant increase in BAU activity which takes pre-planned project resources away from projects then projects will be delayed.	Project planning including resource requirements completed for all projects. Conservative worst case scenario applied. Backfilling considered where significant resource is required.	Very High Risk

QUARTERLY RISK MANAGEMENT REPORT FOR SEPTEMBER TO OCTOBER 2024

CYBERSECURITY RISK UPDATE

- IS continue to implement recommended improvements from the fortnightly reports. The level of vulnerabilities is maintained at a manageable level and is well managed by Information Services staff with the environment being in a secure and well-maintained state.
- No security events of concern have occurred during the last reporting period.
- In this quarter there has been a rise in sophisticated phishing attacks, ransomware incidents, and data breaches, impacting both individuals and organisations.
 - Phishing scams remains the most reported type of incident with a 25% increase this quarter. Attacks are becoming more targeted often impersonating well known NZ brands and government agencies prevalent with a notable rise in ‘spear phishing’ where attacks are highly tailored to the recipient.
 - Ransomware attacks surged by 30% this quarter. Attackers are increasingly using double extortion attacks where they not only encrypt the victim’s data but also threaten to release publicly unless a ransom is paid.
 - Data breaches continue to be a significant concern with reported breaches rising by 20% this quarter. Personal information such as names, email addresses and financial details are the primary targets.
 - Online scams and fraud have a 15% increase in incidents this quarter.
 - Emerging threats that are new this quarter include attacks on Internet of Things (IoT) devices and supply chain vulnerabilities.
 - CERT NZ reported a direct financial loss of more than NZ\$10 million in Q4 2024 for incidents reported to them. Actual losses will be significantly higher as not all losses are reported to CERT NZ. This is also validated by the higher losses reported by banks.
- SSS, our security vendor, has been accepted by ALGIM as an Elite partner which aims at delivering top-tier cyber-security services to local governments across NZ.
- SSS commented in the quarterly report that our IS team consistently demonstrates outstanding leadership to other councils within the Waikato region. Their proactive approach has garnered widespread admiration, leading to one of the highest compliance levels among local councils in NZ.
- The table below summarises WDC level of compliance with ALGIM SAM for Compliance compared with a benchmark of other member Councils. Each benchmark is not a ‘target’, rather it is an average of ‘scores’ taken from all Council uses to provide an industry comparison.

Function	Waipa District Council	ALGIM Benchmark	Waikato Co Lab Benchmark
Identify	92% (92%)	58% (57%)	61% (61%)
Manage	85% (85%)	57% (57%)	60% (59%)
Protect	93% (92%)	64% (63%)	71% (70%)
Detect	97% (93%)	63% (62%)	72% (72%)
Respond	87% (87%)	54% (54%)	54% (54%)
Recover	96% (94%)	56% (55%)	54% (53%)
Overall	89% (88%)	58% (58%)	63% (62%)

- Shown in brackets are the scores from the previous quarter.

COMMITTEE REPORT



To: The Chairperson and Members of the Audit and Risk Committee
From: Business Resilience and Risk Advisor
Subject: **ARC Work Programme for 2025**
Meeting Date: 11 December 2024

1 PURPOSE - TAKE

The purpose of this report is to propose a workplan for the 2025 calendar year that will see the work of the Audit and Risk Committee (ARC) spread across its quarterly meetings in a planned and balanced manner.

2 EXECUTIVE SUMMARY – WHAKARĀPOPOTOTANGA MATUA

Each year the Committee sets its workplan for the next calendar year at the December meeting.

For many items on the workplan the timing is effectively fixed by external accountability cycles, such as for the Annual Report. Other reports are scheduled for every quarter. For others there is a greater flexibility. Where that is the case the focus has been on ensuring a balance in the workload of the Committee. Once approved by the Committee, the workplan will be presented for Council comment, and subject to that comment, the workplan will then drive the future agendas of the Committee.

The following appendix accompanies this report:

Appendix 1 – Audit and Risk Committee Workplan 2025 (ECM number 11333766)

3 RECOMMENDATION – TŪTOHU Ā-KAIMAHI

That the Audit and Risk Committee

- a) *Receives the report of Genny Wilson, Business Resilience and Risk Advisor titled 'ARC Work Programme for 2025' (ECM number 11333765); and*
- b) *Approves the proposed 'Audit and Risk Committee Workplan 2025' (ECM number 11333766), as attached in Appendix 1, subject to any amendment agreed in this meeting and any comments of Council.*

4 BACKGROUND – KŌRERO WHAIMĀRAMA

It is important the work of the Audit and Risk Committee is spread across its meetings in a planned and balanced manner.

This will ensure any item that has a timing which is effectively fixed by external accountability cycles is considered at the appropriate time, while other items for which timing is more flexible, are able to be prioritised and spread evenly across the meetings of the Committee in a planned and co-ordinated way.

Essentially the programme suggested continues the approach of prior years.

The Committee will continue to consider on a quarterly basis, items across the programme consisting of:

- Risk Management updates which will include the quarterly risk report.
- Assurance updates which will include the quarterly assurance report. This includes the results of internal audits, and progress updates for the resulting improvement programmes and strategies.
- A scheduled regular quarterly item which will provide a ‘deep dive’ into Council’s ‘Top Risks’ on a risk-by-risk basis.
- The annual legal compliance attestation survey results.
- Updates on the progress and risks related to delivery of the capital and operational works programme.
- Updates on risks related to the delivery of Ahu Ake - the Waipā Community Spatial Plan.
- Update on risks related to Council’s two key accountability setting documents: the long-term plan and annual plan.
- Updates on risks related to the Local Waters Done Well and other central government reforms.
- Updates on progress with outstanding Audit Management Report matters.
- Updates on any actual or potential litigation matters.
- Input into various policies and strategies as relevant
- Knowledge building presentations from key partners – although these may be presented to a Finance and Corporate Committee meeting or workshop, so all Councillors can benefit.

A relatively informal session is also planned for each meeting where the Chief Executive will engage with the Committee on risk matters.

5 SIGNIFICANCE & ENGAGEMENT – KAUPAPA WHAI MANA ME NGĀ MATAPAKINGA

Staff have considered the key considerations under the Significance and Engagement Policy, in particular sections 7 and 8, and have assessed that the matters in this report have a low level of significance.

6 OPTIONS – NGĀ KŌWHIRINGA

Option	Advantages	Disadvantages
<p>Option 1: Do nothing</p>	<ul style="list-style-type: none"> ▪ None identified. 	<ul style="list-style-type: none"> ▪ Workplan for ARC for 2025 will be unclear and potential for items to be missed or agendas too full or too light to accommodate what is needed to be discussed to meet accountability timeframes. ▪ Increased uncertainty that important risk related matters are being identified and discussed at the right level and cadence. ▪ Additional effort required to ensure agenda for each meeting has captured requirements.
<p>Option 2: Approve 2025 workplan</p>	<ul style="list-style-type: none"> ▪ Workplan for ARC for 2025 will be clear and workload and agendas balanced with what is needed to be discussed to meet timeframes. ▪ Additional assurance that Council is adequately identifying and discussing risk related matters. ▪ Flexibility to rearrange workplan will be retained where unplanned items are identified. 	<ul style="list-style-type: none"> ▪ None identified.

The recommended option is Option 2. The reason for this is that the workplan provides clarity to the Committee, Executive and staff and informs the agenda for each meeting. There is still flexibility to adapt the workplan as circumstances change. However, it will ensure that the Committee will be able to meet its role in external accountability and providing risk related assurance at the correct time. It also provides opportunities for knowledge building of Committee members.

7 OTHER CONSIDERATIONS – HEI WHAIWHAKAARO

Council’s Vision and Strategic Priorities

Robust risk management practices are in support of Council achieving its vision, community outcomes and priorities.

Legal and Policy Considerations – Whaiwhakaaro ā-Ture

Staff confirm that option 2 complies with Council’s legal and policy requirements.

Financial Considerations – Whaiwhakaaro ā-Pūtea

The total costs to complete this workplan are included in the operational budgets of the appropriate cost centres involved.

Risks - Tūraru

There are no known significant risks associated with the decisions required for this matter.

Iwi and Mana Whenua Considerations - Whaiwhakaaro ki ngā Iwi me ngā Mana Whenua

There are no known significant considerations for Iwi and Mana Whenua associated with the decisions required for this matter.

Climate Change – Hurihanga Āhuarangi

There are no known significant considerations for climate change associated with the decisions required for this matter.

8 NEXT ACTIONS

Action	Responsibility	By When
Workplan advised to Council and implemented	GM Business Support	February 2025

9 APPENDIX - ĀPITITANGA

No:	Appendix Title
1	ARC Workplan for 2025 (ECM number 11333766)



Genny Wilson

BUSINESS RESILIENCE AND RISK ADVISOR



Reviewed by Georgina Knapp
MANAGER ORGANISATIONAL EXCELLENCE



Approved by Ken Morris
DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT

APPENDIX 1

Audit and Risk Committee Workplan 2025 (ECM number 11333766)

Work stream	Dec 2024	March 2025	June 2025	Sept/Oct* 2025	Dec 2025
Risk Management					
Annual Refresh of ‘Top Risks’ and Risk Appetite Statement (Full Council workshop June, confirmation in September)			•	•	
Risk Management Update / Quarterly Risk Report (Opportunity each quarter to review top risk settings)	•	•	•	•	•
Assurance Update / Quarterly Assurance Report		•	•	•	•
Capital Works Delivery Update (open) / Programme and Project Risks (PE)		•	•	•	•
LTP 2025/34 Risks Update	•	•	•		
Annual Plan Risk Update				•	•
Ahu Ake Risks Update		•			
LWDW Risks Update	•	•	•	•	•
Deep Dive into ‘Top Risks’ (Risk #) ¹	3	1,9	4, 2	5,6	7
CE Risk Discussion (Public Excluded)	•	•	•	•	•
Annual Legislative Compliance Attestation Survey results				•	

¹ Top Risk 10 is covered by existing reports to ARC, Top Risk 8 will be covered in the CE Risk discussion.

* Date for meeting to be confirmed based on audit and election timing

Work stream	Dec 2024	March 2025	June 2025	Sept/Oct* 2025	Dec 2025
Internal Audit					
Confirmation of 2024/25 Internal Audit Programme			•		
Internal Audit Reporting (internally resourced)		•	•	•	•
Internal Assurance Advisor / ARC discussion (no staff)		•	•	•	•
Strategic Internal Audit Reporting			• Follow up Risk Management Maturity		
Policy / Strategy Input					
Review and input into various policies and strategies such as the Sensitive Expenditure Policy, Fraud and Corruption Policy, Procurement Policy and Business Resilience Policy as relevant		•	•	•	•
Key Financial Risks - Insurance					
Strategic Insurance Update		•		•	
External Audit and External Accountability					
Annual Plan 2026/27 update and assumptions					•

Work stream	Dec 2024	March 2025	June 2025	Sept/Oct* 2025	Dec 2025
LTP 2025/34 update post audit and consultation		•	•		
Audit Arrangements Letter		•			
Annual Report - Review of Accounting Policies, Key Accounting Estimates and Update on Asset Revaluation Results			•		
Annual Report – Recommendation that Council adopt Annual Report				•	
Annual Report – Audit NZ Management Report	•				•
Outstanding Management Report Matters	•	•	•	•	•
Litigation matters (Public Excluded)					
Litigation Matters Update		•	•	•	•
Other					
Determine Audit and Risk Committee Workplan	•				•
Review of Performance and Effectiveness of the Audit and Risk Committee				•	
Asset Sales 6 monthly update		•		•	
Knowledge Building (open for all)					

Work stream	Dec 2024	March 2025	June 2025	Sept/Oct* 2025	Dec 2025
Councillors, potentially do at F&C meeting)					
Insurance 101 (Aon)		•			
Treasury Management 101 (Bancorp)			•		

COMMITTEE REPORT



INFORMATION ONLY

To: The Chairperson and Members of the Audit and Risk Committee
From: Manager Finance
Subject: **Audit New Zealand Management Report 2023/24**
Meeting Date: 11 December 2024

1 EXECUTIVE SUMMARY – WHAKARĀPOPOTOTANGA MATUA

As part of the annual audit, Audit New Zealand issues a Management Report reporting the results of their audit. It also highlights matters management should address to enhance the control environment and reporting.

The recommendations raised have been evaluated and commented on by Council officers and approved by Executive, and the finalised report including officer responses is submitted to this committee for further consideration and monitoring.

These findings will be added to the outstanding management report matters list on future committee agendas, and progress towards addressing these will be reported at each Audit and Risk Committee meeting.

2 RECOMMENDATION – TŪTOHU Ā-KAIMAHI

That the Audit and Risk Committee receive the report of Jolanda Hechter, Manager Finance, titled 'Audit New Zealand Management Report 2023/24', (ECM number 11333113).

3 COMMENTARY - KŌRERO

The Management Report for the 2023/24 annual audit is included as Appendix 1 to this document.

Council's control environment has been assessed as "... an appropriate foundation for other components of internal control", and Audit also indicated that "The controls in each system are capable collectively of preventing or detecting and correcting material misstatements." There were positive comments on the matters of audit focus.

There are seven new formal recommendations raised, with varying priority levels. Audit has cleared three of the previous recommendations which is appreciated and flows through to a cleaner outstanding matters table.

4 APPENDIX/ĀPITITANGA

No:	Appendix Title
1	Audit New Zealand Report to the Council on the audit of Waipa District Council for the year ended 30 June 2024 (ECM number 11350170)



Jolanda Hechter
MANAGER FINANCE



Approved by Ken Morris
DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT

APPENDIX 1

Audit New Zealand Report to the Council on the audit of Waipa District Council for the year ended 30 June 2024 (ECM number 11350170)

**Report to the Council
on the audit of**

Waipā District Council

For the year ended 30 June 2024

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Key messages

We have completed the audit for the Waipā District Council and group (the Council) for the year ended 30 June 2024. This report sets out our findings from the audit and draws attention to areas where the Council is doing well and where we have made recommendations for improvement.

Audit opinion

We issued an unmodified audit report on 29 October 2024. This means that we were satisfied that the financial statements and statement of service performance present fairly the District Council's activity for the year and its financial position at the end of the year.

Matters identified during the audit

Prior period error and vested assets

During the audit of the 2022/23 financial year, we identified vested assets that should have been capitalised in the previous year. This led to disclosing a material prior period error in the 2022/23 financial statements. Audit completed additional work over completeness and, together with management, identified just more than \$6 million of vested assets that was added additionally to the 2022/23 financial year. During this process, we noted inherent challenges in the Council's process of identifying and capturing vested assets at the appropriate time and recommended that the process be improved.

In anticipation of the 2023/24 audit, management pre-empted the issue and assessed the vested assets captured during the 2023/24 financial year. Management identified further vested assets amounting to \$7.8 million, which were vested to the Council in the 2022/23 financial year that had not been recorded in the correct period. This necessitated a material prior period error again for the 2023/24 financial year.

An intense scrutiny of the vested assets followed. Extensive additional work by both teams was required to ensure the accuracy and completeness of vested assets for the 2023/24 financial year. Consequently, the final prior period error corrected in the 2023/24 annual report (in relation to the 2022/23 financial year) amounted to \$7.8 million, and the additional vested assets identified for the 2023/24 financial year as a result of the additional testing and investigations amounted to \$9.6 million.

This is discussed further in section 5.3 below.

Late asset capitalisation

While testing capitalisations into property, plant, and equipment (PPE) from work-in-progress (WIP), the audit team identified capitalisations processed late. We reviewed the impact of this late capitalisation on depreciation and included the estimated impact in the schedule of uncorrected misstatements in the representation letter.

This is discussed further in section 5.4 below.

Capital commitments

Similar to the prior year, while performing our review of the capital commitment disclosure, we noted that the disclosure did not align to the requirements of the accounting standards (PBE IPSAS 17). The capital commitment disclosure included amounts described as contingencies and other adjustments. As Council is not contractually committed to the contingencies, it had to be removed from the commitments noted at year-end.

A couple of versions of updated listings were provided during the audit process. We continued testing until the audit team was able to conclude that the disclosure is materially accurate.

More on this on page 27 of this report.

Fair value assessment of PPE

The carrying value of the Council's property, plant, and equipment (PPE) is one of the key risk areas for the audit. The Council reports its infrastructural assets, land, and buildings at fair value. To ensure that the fair value as of 30 June 2024 is not materially different from their carrying value, the Council completed a fair value assessment of these assets.

We reviewed the fair value assessments prepared and concurred that the carrying value is not materially different from the fair value, and therefore no revaluation was required.

Control environment

We performed a high-level review of the District Council's control environment.

Overall, we are satisfied the control environment is effective for the purpose of undertaking an efficient and effective audit, further information is available in section 2 of this report.

Thank you

We would like to thank the Council, management, and staff their enduring support and assistance during the audit.



René van Zyl
Appointed Auditor
6 December 2024

1 Recommendations



Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommended improvements.

Priority	Explanation
Urgent	<p>Needs to be addressed <i>urgently</i></p> <p>These recommendations relate to a significant deficiency that exposes the District Council to significant risk or for any other reason need to be addressed without delay.</p>
Necessary	<p>Address at the earliest reasonable opportunity, <i>generally within six months</i></p> <p>These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.</p>
Beneficial	<p>Address, <i>generally within six to 12 months</i></p> <p>These recommendations relate to areas where the District Council is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.</p>

1.1 New recommendations

The following table summarises our recommendations and their priority. For further information on these recommendations refer to section 5.

Recommendation	Reference	Priority
<p>Journal posting to control accounts</p> <p>We recommend that the FMIS system be updated to not allow journal entries to be posted to the elimination control accounts that sit between the General Ledger (GL) and subledgers.</p>	5.1	Urgent
<p>Road smoothness performance measure</p> <ul style="list-style-type: none"> Implement a control or process to ensure that all traffic counts are entered into RAMM accurately. Revise estimates for the entire network on a regular basis, at least every two years at a minimum. 	5.2	Urgent
<p>Completeness of vested assets</p> <p>Implement improved processes and controls to ensure vested assets are identified and captured in the appropriate financial period.</p>	5.3	Urgent

Recommendation	Reference	Priority
<p>Timely capitalisation of WIP onto PPE</p> <p>Implement improved processes and controls to ensure the capitalisation of assets are captured in the appropriate financial period.</p>	5.4	Urgent
<p>Unit rates for future valuations</p> <p>Council should develop reasonable and supportable unit rate data to support future valuations and fair value assessments. This unit rate database should be updated annually with reference to recent contract data and other cost indicators.</p>	5.5	Urgent
<p>Useful lives not in line with policy</p> <p>A review process should be implemented to ensure that the useful lives assigned to capitalised assets are in line with the Council’s policy.</p>	5.6	Necessary
<p>TechOne Development (HRP) Migration</p> <p>We recommend that management prioritize addressing and resolving all issues with TechOne Development.</p>	5.7	Necessary

1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 1 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	1	4	1	6
Implemented or closed	-	3	-	3
Total considered	1	8	-	9

2 Assessment of internal control



The Council, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. Our audit considers the internal control relevant to preparing the financial statements and the service performance information. We reviewed internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances. Our findings related to our normal audit work, and may not include all weaknesses for internal controls relevant to the audit.

2.1 Control environment

The control environment reflects the overall attitudes, awareness, and actions of those involved in decision-making in the organisation. It encompasses the attitude towards the development of accounting estimates and its external reporting philosophy and is the context in which the accounting system and control procedures operate. Management, with the oversight of Council, need to establish and maintain a culture of honesty and ethical behaviour through implementation of policies, procedures and monitoring controls. This provides the basis to ensure that the other components of internal control can be effective.

We performed a high-level assessment of the control environment, risk management process, and monitoring of controls relevant to financial and service performance reporting. We considered the overall attitude, awareness, and actions of the Council and management to establish and maintain effective management procedures and internal controls.

The elements of the control environment provide an appropriate foundation for other components of internal control.

2.2 Internal controls

Internal controls are the policies and processes that are designed to provide reasonable assurance as to the reliability and accuracy of financial and non-financial reporting. These internal controls are designed, implemented and maintained by the Council and management.

We reviewed the internal controls, in your information systems and related business processes. This included the controls in place for your key financial and non-financial information systems.

The controls in each system are capable collectively of preventing or detecting and correcting material misstatements.

3 Our audit report

3.1 We issued an unmodified audit report



We issued an unmodified audit report on 29 October 2023. This means we were satisfied that the financial statements and statement of service performance present fairly the District Council's activity for the year and its financial position at the end of the year.

In forming our audit opinion, we also considered other matters. Refer to sections 4 and 5 below.

3.2 Uncorrected and corrected misstatements

We identified misstatements that were not corrected in the financial statements for various reasons. A list of these misstatements with explanations is noted in Appendix 2. In our opinion, the misstatements are not material and do not affect the audit opinion.

We also identified misstatements that were corrected in the financial statements. A list of these misstatements is noted in Appendix 3.

3.3 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the Council. This includes the draft annual report with supporting working papers. We provided a listing of information we required to management at appropriate times throughout the year to support the interim and final audits. This included the dates we required the information to be provided to us.

Overall, the delivery of information was timely. Capitalisations into PPE and vested assets as well as the capital commitments testing, and disclosures were the main areas where delays and additional time was required.

Overall, the quality of information was good. Again, the areas noted in the previous paragraph caused delays and additional audit effort due to the issues found. The financial statements also required effort over-and above the contracted two versions' review due to a number of disclosure deficiencies found that had to be corrected and checked.

We appreciate the finance team's support and assistance during the audit and look forward to working with them next year.

4 Matters raised in the Audit Plan



In our Audit Plan of the District Council dated 4 June 2024, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
Management override of controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls.</p> <p>Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to treat this as a risk on every audit.</p>	<p>Our audit response to this risk included:</p> <ul style="list-style-type: none"> • testing the appropriateness of selected journal entries; • reviewing accounting estimates for indications of bias; and • evaluating any unusual or one-off transactions, including those with related parties. <p>Our testing did not identify any significant issues of concern.</p>
Fair value assessment of property, plant and equipment	
<p>For those assets that the District Council is not planning to revalue, the District Council should perform a fair value movement assessment (assessment) to determine whether there is a significant difference between the fair value and the carrying value in compliance with PBE IPSAS 17: Property, plant, and equipment. Where the estimated difference is significant a revaluation may be necessary.</p> <p>An assessment should:</p> <ul style="list-style-type: none"> • factor in local cost information; • utilise relevant and reliable price movement indicators; and • involve consulting with valuers, if necessary. <p>Alternatively, the District Council could engage valuers to assist in preparing a fair value assessment.</p>	<p>For the year ended 30 June 2024, management engaged independent valuers to perform desktop fair value assessments (infrastructure) and indicative percentage movements (land and buildings). Periods relevant to the movements are from 30 June 2022 to 30 June 2024 for land and buildings, and from 30 June 2023 to 30 June 2024 for infrastructure assets.</p> <p>We:</p> <ul style="list-style-type: none"> • obtained an understanding of the methodology applied to the assessment; • confirmed the opening balance and the movements of the assets to audited records; and • reviewed the appropriateness of the indices used.

Audit risk/issue	Outcome
	<p>We recalculated the potential fair value movements using reliable external sources, including Stats NZ capital goods price indices. We considered the reasonableness of assumptions and judgments applied in making the assessments, including the appropriateness of the methodology and key assumptions.</p> <p>Overall, based on our assessment, we are satisfied that the potential fair value movements are unlikely to be material. Therefore, a formal fair value revaluation is not required.</p>
Vested assets	
<p>As the District continues to experience high growth and development in its key growth areas, there is an increased risk that assets vested to the District Council by developers and other external parties are incomplete.</p> <p>Internal controls in relation to vested assets should be sufficient to ensure the process capturing the assets and correlating revenue is accurate and timely.</p> <p>The District Council’s accounting policy is to recognise vested assets as revenue when control over the asset is obtained. Control is evidenced by the issuing of a Section 224 certificate and title under the Resource Management Act 1991 Section 224.</p>	<p>Our audit response to this risk included:</p> <ul style="list-style-type: none"> • reviewing the system of internal control to understand whether controls identified prevent/detect the risk of material misstatement; • reviewing a sample of vested assets at year-end, and determining whether the capitalisation point for the assets are appropriate, including determining whether conditions in relation to the Resource Management Act 1991 Section 224 are met; and • performing tests of detail in relation to completeness and cut-off to determine whether the population of vested assets is complete. <p>We are satisfied the vested assets are correctly accounted for in the District Council’s annual report. Please refer to issue raised below in section 5.3 below.</p>

Audit risk/issue	Outcome
Asset impairment considerations	
<p>In accordance with PBE IPSAS 21, Impairment of Non-Cash-Generating Assets and PBE IPSAS 26 Impairment of Cash-Generating Assets, at each reporting date management must assess whether there is any indication that an asset may be impaired. If management identifies any indication of an impairment, then they must estimate the recoverable service amount of the asset.</p> <p>Assets are required to be assessed for indicators of impairment on an annual basis.</p> <p>Irrespective of whether there are any indications of impairment, intangible assets not yet available for use (that is, work in progress) and intangible assets with indefinite useful lives must be tested for impairment at least annually.</p> <p>Work-in-progress (WIP) values on projects that span an extended period of time should be assessed regularly for impairment over the life of the project. The District Council needs to ensure that as phases of a project are completed, and assets become operational, capitalisation of the WIP balance occurs in a timely manner. This will ensure that depreciation expense on these assets is recognised and accounted for appropriately.</p> <p>The District Council will need to complete the necessary assessment of impairment of assets (as above). In addition, intangible assets not yet available for use (i.e., work in progress) and intangible assets with indefinite useful lives must be tested for impairment at least annually.</p>	<p>We have reviewed the assessment circulated by the finance team to the relevant business unit managers.</p> <p>Based on our review of the assessment carried out by the District Council, we are satisfied that there are no significant impairment indicators at year end that have not be accounted for.</p>

Audit risk/issue	Outcome
Major capital projects	
<p>The Council continues to have a significant ongoing capital programme which is in some instances challenging to deliver against in the current market.</p> <p>Accounting for capital projects, whether completed during the year or in progress at balance date, requires assumptions and judgements to be made that can have a significant impact on the financial statements. Management and the Council are responsible for managing the financial statement risks associated with capital projects.</p> <p>This includes ensuring:</p> <ul style="list-style-type: none"> • project costs are reviewed to ensure these are appropriately classified as capital or operational in nature; • work in progress (WIP) balances for projects already completed or available for use are transferred to the appropriate class of asset in a timely manner and depreciated accordingly from the date of capitalisation; • WIP balances on projects that span an extended period of time are assessed regularly for impairment over the period of the project. Costs no longer meeting criteria for recognition as an asset should be expensed in a timely manner; • asset components are identified at an appropriate level and appropriate useful lives are assigned to these components on completion; • the value and remaining useful life (RUL) of existing assets remains appropriate given replacement projects underway; and • capital commitments related to contracts entered into before balance date are disclosed in the notes to the financial statements. 	<p>Our testing included:</p> <ul style="list-style-type: none"> • the review of additions into WIP in terms of capital versus operational in nature; • the review of capitalisation of assets from WIP to PPE at the appropriate time; • the review of longer-term projects in the WIP balance at year-end and the possible effect of impairments; • the evaluation of useful live considerations at capitalisation that impact depreciation; and • the assessment of the capital commitments disclosure for ongoing projects for which Council has entered into contracts. <p>Our testing picked up a number of issues in this area which is noted in this report pertaining to:</p> <ul style="list-style-type: none"> • late capitalisations (5.4) • useful lives (5.6) • capital commitments disclosure (page 26) <p>Our testing did not identify any issues around inappropriate classification between capex and opex spending, or any issues of impairment in the WIP balance.</p>

Audit risk/issue	Outcome
Accounting for financial instruments	
<p>In accordance with PBE IPSAS 41, Financial Instruments, we will consider the valuation Waikato Regional Airport Limited (WRAL).</p> <p><i>66. In determining the fair value of a financial asset or a financial liability for the purpose of applying this Standard, PBE IPSAS 28 or PBE IPSAS 30, an entity shall apply paragraphs AG144–AG155 of Appendix A.</i></p> <p><i>67. The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique.</i></p>	<p>We considered the valuation approach for determining the fair value of the WRAL investment on an annual basis to ensure that it remains appropriate.</p> <p>We reviewed the Council assessment of the valuation approach for their investment in Waikato Regional Airport Limited (WRAL).</p> <p>We identified no significant issues as a result of our testing.</p>
“Local Water Done Well” programme	
<p>In February 2024, the Government passed legislation that repealed the affordable waters reform legislation passed into law by the previous Government.</p> <p>The Government intends implementing its “Local Water Done Well” programme through the passing of two further bills through Parliament.</p> <p>The first bill will set out provisions relating to council service delivery plans and transitional economic regulation. It will also provide for streamlining the establishment of Council Controlled Organisations to deliver water should councils desire to do so.</p> <p>A second bill will set out provisions relating to long-term requirements for financial sustainability, provide for a complete economic regulation regime, and a new range of structural and financing tools, including a new type of financially independent council-controlled organisation.</p> <p>The first and second bills are expected to be passed by mid-2024 and mid-2025 respectively.</p>	<p>We monitored the progress of the "Local Water Done Well" legislation, held discussions with the District Council, and reviewed the District Council’s disclosure of the impacts from its assessment in the annual report.</p> <p>We considered the District Council's disclosures to be comprehensive and accurate, covering key legislative provisions and their implications, such as the development of a water service delivery plan and delivery to the Secretary by 3 September 2025.</p>

Audit risk/issue	Outcome
<p>Until the content of the bills is known the impact on the council and on the 30 June 2024 annual report is unclear.</p> <p>The Council should ensure the annual report includes sufficient disclosure about the impact of the programme (to the extent that the impact is known).</p>	

5 Matters identified during the audit



As mentioned above, we noted some areas of improvement that the District Council can implement to improve the strength of its overall control environment, the recommendations are as follows:

5.1 Journal posting to control accounts

During our testing of journals, we noted that the journal population did not balance as expected. Further review revealed that the variance was due to entries incorrectly posted directly into elimination control accounts rather than being posted into the respective subledgers. Further audit work was performed to verify that the variance noted in the journal population offsets the journals posted directly into the control account.

However, allowing entries to be posted directly into control accounts poses the risk of entries ending up in the wrong accounts until they are investigated and reconciled.

Recommendation

We recommend that the FMIS system be updated to stop journal entries from being posted to the elimination control accounts that sit between the General Ledger (GL) and subledgers. This update will prevent entries from being incorrectly posted to these control accounts, thereby reducing the risk of misstatements and ensuring accurate financial reporting.

Management comment

The system parameters will be updated to close these codes off to manual journals, as the aim of these accounts is to only be control accounts between different ledgers. Management will revisit this throughout the 2024/25 financial year to confirm that the amendment has the desired impact.

5.2 Road smoothness

The Council does not have a formal process for reviewing and updating the traffic estimates in RAMM. While the Council has a formal programme for traffic counts, ideally, estimates of counts should be updated within the same timeframe.

During our review of the road smoothness measure, we examined the traffic counts per carriageway to ensure there are no carriageways with outdated counts (i.e., without an actual or estimated count for more than two years). Our audit test identified some carriageways with outdated counts. However, further review revealed that most of these carriageways had updated count estimates in 2022 but due to data processing errors, the data count date was incorrectly captured.

The percentage of the total Average Daily Traffic (ADT) of the affected carriageways is not considered material when compared to the total ADT on all carriageways. Hence, the audit team is comfortable that this data processing error does not materially misstate the reported result on this measure. However, the audit team notes that if this data processing error continues to occur, it could have a significant overall effect on the data used to report on this measure.

Recommendation

- Council should implement a control or process to ensure that all traffic counts are entered into RAMM accurately.
- Estimates should be revised for the entire network on a regular basis and at least every two years at a minimum.

Management comment

While it is correct that Waipa District Council does not have a developed process for updating traffic estimates, it is a business-as-usual activity carried out by Council's across the country. The road smoothness measure which relies on traffic estimates and road roughness survey data is a mandatory measure reported to both the Department of Internal Affairs and the NZ Transport Agency who devised the measure, so there is a good deal of scrutiny in how it is calculated and reported and this is a driver to ensure that Council updates traffic estimates on a regular basis.

Every year all Council's across NZ must upload a range of road use demand and condition data which is used to generate Data Quality Reports in the Transport Insights reporting tool. For Waipa District this reporting shows that Waipa traffic estimate data meets the expected standard for the last data import 31 July 2024 for the 2023/24 financial year. The obligation to upload a copy of traffic estimate data every year and run reports to ensure that estimates are maintained to the expected standard is a control to ensure adequate traffic estimate data and hence the road smoothness measure is reported to an acceptable accuracy.

Staff also believe that there may be efficiencies gained by Audit NZ directly working with the NZ Transport Agency to gain sector wide input into the process and understanding of controls.

5.3 Completeness of vested assets

While performing our audit work over vested assets, we reviewed the listing of all 224Cs issued during the year and noted that some 224Cs included in the listing had not been included in the listing of vested assets recognized during the year. Consequently, a thorough investigation into vested assets followed which identified some errors and additional unrecorded vested assets.

Additional audit work was necessary to specifically gain assurance on the completeness of vested assets following two consecutive material prior period errors.

The above findings suggest there are issues with the systems and processes for managing the 224Cs and recognizing vested assets.

Recommendation

We recommend that more stringent controls be implemented to ensure that vested assets are identified and captured in the appropriate financial period. This will help improve the accuracy and completeness of the financial reporting related to vested assets.

Management comment

A full review of the process followed to identify and record vested assets is underway, led through the approved internal audit workplan for 2024/25. In addition to this, a detailed review of submissions to Land Information New Zealand (LINZ) is now being done periodically throughout the financial year to ensure vested assets are recorded on a timely and appropriate basis.

5.4 Timely capitalisation of PPE

While performing our audit work on asset capitalisation from work-in-progress into PPE we identified some instances of late capitalisations. Upon further investigation, together with management, an amount of \$10.8 million of assets were identified that should have been capitalised in prior years. The flow-on effect impacts depreciation as depreciation does not commence until the assets are capitalised into PPE.

Although the value of the late capitalisation is considered material, the net effect on the overall PPE balance is nil. The estimated impact on depreciation of \$417,000 was not deemed materially significant and has been noted in the schedule of uncorrected misstatements in the representation letter.

Recommendation

Procedures and controls for the timely asset capitalisation from work-in-progress to PPE need to be assessed and improved to ensure the capitalisation process are completed in the appropriate financial period.

Management comment

The work in progress account is now reviewed on a regular basis to ensure that capitalisation occurs throughout the financial year and the corresponding depreciation charge is appropriate.

5.5 Unit rates for future asset valuation

While performing our audit work on fair value assessment in the current year, we assessed the reasonableness of the unit rates used in estimating the replacement cost of these assets. Appropriate unit rate assumptions are a key input to good quality infrastructure valuations and robust budgeting and procurement decisions. This is also applicable to all future asset's valuations.

Our work included reviewing the Council's analysis of the recent cost information used to develop these unit rates and gaining an understanding of the Council's processes for developing unit rates. We found that the Council used indices supplied by the independent valuer rather than conducting their own analysis. The Council's analysis can be used as a benchmark to ensure that the unit rates utilized by the independent valuer are reasonable.

To develop reasonable and supportable unit rates for future valuations and fair value assessments, Council should maintain a unit rate database updated annually with reference to recent contract data and other cost indicators.

Information sources to inform unit rates should include recent contract rates for physical works, indexed to the current financial year where needed. This analysis should include all costs associated with the contract, including materials supply and installation, reinstatement, and other relevant direct costs, as well as preliminary and general costs. Care should be taken to ensure the contracts used for comparison reflect typical projects and exclude, for example, emergency repairs which may incur unusually high costs.

Recent vested asset cost schedules provided by developers can be another source of relevant cost information.

Where Council has limited construction-based unit rate information available, reliable and relevant information to supplement its own unit rates may be obtained from other nearby local authorities.

When establishing standard unit rates, adjustments are likely to be needed to "normalise" recent contract rates or information obtained from other local authorities. This would include adjustments to remove non-recurring significant variances in unit costs across contracts, such as location, infrastructure complexity and scale of work. Procurement methods and design standards may also differ across projects or local authorities, leading to different cost profiles.

The application of indices to unit rates from previous valuations may also be useful to address gaps in cost information. However, indexed unit rates should not be the primary source of information as they may not accurately reflect movements in the local construction market, especially beyond the short-term.

Council should also ensure that the indirect costs, including overheads, applied when developing unit rates are complete, comparable to accepted ranges used across the industry, and are informed by information extracted from actual contracts.

The methodology and assumptions used in deriving unit rates and overheads, and what each of these include, should be documented for inclusion in the Council's valuation report.

Before finalising unit rates, the Council needs to consider whether the updated unit rates can be justified and are reflective of sustainable market conditions. This judgement should be well documented.

Recommendation

Council needs to develop reasonable and supportable unit rates for future valuations and fair value assessments, council should maintain a unit rate database updated annually with reference to recent contract data and other cost indicators.

Management comment

Management has reviewed the finding and recommendation from Audit NZ and notes this would only apply to vested and discovered assets, as any assets that Council has built would be capitalised at the actual contract rate. In regard to vested assets, developers provide us with cost detail at the time of vesting and this is utilised in determining the values to be recognised.

We also note that these vested and discovered assets would be revalued within a two-year time period.

Council uses external valuers to undertake our asset valuations. Those valuers are provided with our current unit rates and any recent contract rates. The valuers determine their unit rates using these, plus reference to their own wider dataset of unit rates and the application of inflation as appropriate.

Management considers it unduly burdensome for Council to be establishing and maintaining a database for this purpose particularly given the context of the assets this would be applied to, our short revaluation cycles, and the unit rate data we already have available to us.

Based on this management will not be actioning the recommendation as it stands, but will consider other efficient and effective ways to ensure that vested and discovered assets are recognised with good basis in current contract rates between valuation cycles.

5.6 Useful lives not in line with policy

During our review of useful lives, we noted that the useful lives of several PPE assets are not in line with policy.

For Plant and Equipment, the range of useful lives per the asset register is 4 - 50 years, compared to the estimated useful lives stated in the policy, which range from 15 - 25 years.

For Furniture and Fixtures, the range of useful lives per the asset register is 3 - 100 years, compared to the estimated useful lives stated in the policy, which range from 3 - 80 years.

The policy in the annual report was subsequently updated to align with the useful lives used in the fixed asset register. However, we would expect a more detailed assessment to show the approved and applicable useful lives of assets, which will be verified in the next year's audit.

Recommendation

A review process to be implemented to ensure that the useful lives assigned to capitalised assets are in line with the Council's policy. This process should involve regular assessments and updates to the asset register to maintain consistency and accuracy in the reporting of asset useful lives.

Management comment

Management will undertake a detailed review of the useful lives in the asset register against the parameters in the accounting policies in the Annual Report. Where differences are identified, these will be addressed.

5.7 TechOne Development (HRP) Migration

The payroll system was migrated during the year from PayGlobal to HRP.

However, there are some data migration issues that are yet to be resolved and are currently being discussed with the software providers. As a result of these data migration issues, the audit team could not take a control reliance approach for the testing of payroll expenses. Instead, a fully substantive testing approach was taken to gain assurance on payroll expenses.

Recommendation

We recommend that management prioritize addressing and resolving all issues with TechOne Development as soon as possible. Ensuring these issues are resolved promptly will help maintain the integrity of the payroll system and resulting financial impacts.

Management comment

The requirement to carry out parallel pay runs between the new and prior systems is standard practice for a project of this nature. Management is cognisant of the risks associated with migration of data between the two systems and is making every effort to minimise the risks associated with migration and data integrity. Waipa DC is working closely with the supplier, TechnologyOne, to work through and resolve the outstanding issues. The HRP Payroll Project Steering Group is continuously briefed on progress and decisions are taken at appropriate stages in line with Council's risk appetite.

6 Public sector audit



The District Council is accountable to their local community and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and in the way the District Council said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the District Council has fairly reflected the results of its activities in its financial statements and non-financial information.

We also consider if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the District Council carrying out its activities effectively and efficiently;
- waste being incurred as a result of any act or failure to act by the District Council;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the District Council or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by the District Council or by one or more of its members, office holders, or employees.

Our testing performed did not identify any significant issues of note, and we were satisfied with procedures in place around managing sensitive expenditure.

7 Group audit



The group comprises the following entities:

- Waipā District Council
- Waipā Community Facilities Trust
- Cambridge Town Hall Community Trust

We have not identified any of the following during our audit for the year ended 30 June 2024;

- Instances where our review of the work of component auditors gave rise to a concern about the quality of that auditor's work.
- Limitations on the group audit.
- Fraud or suspected fraud involving group management, component management, employees with significant roles in group-wide controls, or others where the fraud resulted in a material misstatement of the group financial statements.

8 Useful publications



Based on our knowledge of the District Council, we have included some publications that the District Council and management may find useful.

Description	Where to find it
Performance reporting	
Public organisations are responsible for reporting their performance to Parliament and the public in a way that meaningfully reflects their organisation’s aspirations and achievements. The Auditor-General published a discussion paper that explores five areas for improvement in performance reporting.	On the Office of the Auditor-General’s website under publications. Link: The problems, progress, and potential of performance reporting
The Office of the Auditor-General, the Treasury and Audit New Zealand have jointly prepared good practice guidance on reporting about performance. The guidance provides good practice examples from public organisations in central government. Those working in other sectors may also find this useful.	On Audit New Zealand’s website under good practice. Link: Good practice in reporting about performance — Office of the Auditor-General New Zealand (oag.parliament.nz)
Local government risk management practices	
The Covid-19 pandemic is a stark reminder for all organisations about the need for appropriate risk management practices. In our audit work, we often see instances where councils do not have effective risk management. This report discusses the current state of local government risk management practices and what councils should be doing to improve their risk management.	On the Office of the Auditor-General’s website under publications. Link: Observations on local government risk management practices
Public accountability	
Public accountability is about public organisations demonstrating to Parliament and the public their competence, reliability, and honesty in their use of public money and other public resources. This discussion paper explores how well New Zealand’s public accountability system is working in practice.	On the Office of the Auditor-General’s website under publications. Link: Building a stronger public accountability system for New Zealanders

Description	Where to find it
Setting and administering fees and levies for cost recovery	
<p>This good practice guide provides guidance on settings fees and levies to recover costs. It covers the principles that public organisations should consider when making any decisions on setting and administering fees and levies. It also sets out the matters public organisations should consider when calculating the costs of producing goods or providing services and setting charges to recover those costs.</p>	<p>On the Office of the Auditor-General’s website under publications.</p> <p>Link: Setting and administering fees and levies for cost recovery: Good practice guide</p>
<p>The Office of the Auditor-General, the Treasury and Audit New Zealand have jointly prepared good practice guidance on reporting about performance. The guidance provides good practice examples from public organisations in central government. Those working in other sectors may also find this useful.</p>	<p>On Audit New Zealand’s website under good practice.</p> <p>Link: Good practice in reporting about performance — Audit New Zealand (auditnz.parliament.nz)</p>
Managing conflicts of interest involving council employees	
<p>This article discusses findings across four councils on how conflicts of interest of council employees, including the chief executive and staff, are managed.</p>	<p>On the Office of the Auditor-General’s website under publications.</p> <p>Link: Getting it right: Managing conflicts of interest involving council employees</p>
Establishing a new “public entity”	
<p>This document is for people making policy decisions about establishing a new public entity. It sets out questions to help you consider what accountability requirements a new public entity should have.</p>	<p>On the Office of the Auditor-General’s website under publications.</p> <p>Link: Accountability requirements to consider when establishing a new “public entity”</p>

Description	Where to find it
Model financial statements	
<p>Our model financial statements reflect best practice we have seen. They are a resource to assist in improving financial reporting. This includes:</p> <ul style="list-style-type: none"> • significant accounting policies are alongside the notes to which they relate; • simplifying accounting policy language; • enhancing estimates and judgement disclosures; and • colour, contents pages and subheadings to assist the reader in navigating the financial statements. 	<p>Link: Model Financial Statements</p>
Client substantiation file	
<p>When you are fully prepared for an audit, it helps to minimise the disruption for your staff and make sure that we can complete the audit efficiently and effectively.</p> <p>We have put together a collection of resources called the Client Substantiation File to help you prepare the information you will need to provide to us so we can complete the audit work that needs to be done. This is essentially a toolbox to help you collate documentation that the auditor will ask for.</p>	<p>On our website under good practice.</p> <p>Link: Client Substantiation File</p>
Sensitive expenditure	
<p>The Auditor-General’s good practice guide on sensitive expenditure provides practical guidance on specific types of sensitive expenditure, outlines the principles for making decisions about sensitive expenditure, and emphasises the importance of senior leaders “setting the tone from the top.” It also describes how organisations can take a good-practice approach to policies and procedures for managing sensitive expenditure.</p>	<p>On the Office of the Auditor-General’s website under good practice.</p> <p>Link: Sensitive expenditure</p>

Description	Where to find it
Conflicts of interest	
<p>The Auditor-General has published guidance on conflicts of interest. A conflict of interest is when your duties or responsibilities to a public organisation could be affected by some other interest or duty that you have.</p> <p>The material includes a printable A3 poster, an animated video on predetermination and bias, gifts and hospitality, and personal dealings with a tenderer. There is also an interactive quiz.</p> <p>These can all be used as training resources for your own employees.</p>	<p>On the Office of the Auditor-General’s website under 2019 publications.</p> <p>Link: Conflicts of interest</p>
Good practice	
<p>The OAG’s website contains a range of good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> • audit committees; • conflicts of interest; • discouraging fraud; • good governance; • service performance reporting; • procurement; • sensitive expenditure; and • severance payments. 	<p>On the OAG’s website under good practice.</p> <p>Link: Good practice</p>

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Urgent		
Timely review of additions and disposals of property, plant, and equipment		
We recommend the implementation of a process that ensures frequent checks are made to the fixed asset register to ensure additions and disposals of assets are captured in a timely manner.	2022/23	<p>Open</p> <p>During our audit work, we noted several instances of late capitalisation of Work in Progress (WIP) to the actual asset class were still noted in the current year testing.</p> <p>Management comment</p> <p><i>Refer to management comment above (section 5.4).</i></p>
Necessary		
Cut-off procedures at year-end		
We recommend a review of the cut-off procedures in terms of financial year-end, to ensure that all transactions are correctly captured in the correct financial year.	2022/23	<p>Open</p> <p>During our audit work, we noted several instances of cut-off issues related to vested assets, trade payables, expenditure, and the capitalisation of work-in-progress etc.</p> <p>Management comment</p> <p><i>We will continue to strengthen this process throughout the 2024/25 financial year.</i></p>
Formal annual leave policy		
<p>We recommend a formal policy is implemented. Some of the matters that should be included in the policy are:</p> <ul style="list-style-type: none"> • Mandatory leave hours to be taken for staff mental health benefits. • The extent to which leave is to be carried forward. • How much advance notice to be given for annual leave. 	2021/22	<p>Matter progressing</p> <p>No formal annual leave policy has been implemented based on our audit work. We note that a policy is currently being drafted.</p> <p>Management comment</p> <p><i>The policy is currently being drafted and will be approved in line with current Council processes.</i></p>

Recommendation	First raised	Status
Asset capitalisation		
<p>We recommend that project engineers/managers sign off the ARF forms and asset lists as approval before the capitalisation of assets.</p>	<p>2021/22</p>	<p>Open</p> <p>During our audit work, we noted several instances where ARFs were not signed off by the relevant Council personnel before the capitalisation of assets.</p> <p>Management comment</p> <p><i>This process will be strengthened through the 2024/25 financial year.</i></p>
Confirmation all contractor network access is valid		
<p>Establish a central register for contractors working at the District Council that is reconciled against payments made to contractors and the network. Staff who previously worked at the District Council and return to work as a contractor should also follow the same process as a contractor.</p>	<p>2019/20</p>	<p>Open</p> <p>We note that the District Council intends to adopt these recommendations as part of the HRP system upgrade, this is currently in progress.</p> <p>Management comment</p> <p><i>This is part of the full HRP system implementation objectives.</i></p>
Beneficial		
Record keeping of capital commitments		
<p>We recommend the District Council ensures that recordkeeping of capital commitments is improved to enable the District Council to track and report on commitments in a more efficient and accurate way.</p>	<p>2022/23</p>	<p>Open</p> <p>According to Generally Accepted Accounting Principles (GAAP), only contractual amounts as at year-end should be included in the capital commitments disclosure note. For the current year the capital commitment disclosure again included items that did not qualify as commitments and required considerable effort to resolve.</p> <p>Management comment</p> <p><i>Apart from road maintenance costs, all other operational contracts will be excluded from the commitments schedule to be provided for the 25J audit.</i></p>

Implemented or closed recommendations

Recommendation	First raised	Status
Necessary		
Incomplete interests register		
Incomplete interest register - in addition to the annual interest declaration, interest register to be updated on an ad-hoc basis as required. Include interest declaration as a standing agenda item.	2020/21	<p>Matter closed</p> <p>We didn't note any issues around incomplete interests register during the current year's audit.</p>
Sensitive Expenditure Policy		
Update the Sensitive Expenditure Policy and Credit Card Use Policy to reflect OAG's good practice guidelines.	2020/21	<p>Matter closed</p> <p>An updated sensitive expenditure policy has been implemented in the current year.</p>
Financial delegation register		
We recommend the District Council adopts a financial delegation's policy that documents the delegations for both operational and capital expenditure.	2019/20	<p>Matter closed</p> <p>Council has a delegations register. The payments system has built-in automated workflows that ensure compliance with the delegations register.</p>

Appendix 2: Uncorrected misstatements

Note	Statement of comprehensive Income		Statement of financial position	
	Debit \$'000	Credit \$'000	Debit \$'000	Credit \$'000
1	-	360	360	-
2	572	-	-	572
3	417	-	-	417
Total	989	360	360	989

Explanation for uncorrected misstatements

1. This misstatement notes cut off errors found during our testing in accounts payable consisting of 2024/25 invoices captured in 2023/24. This is an extrapolated error based on a representative sample tested and not required to be adjusted.
2. This misstatement notes a capitalisation error found during our testing over vested assets. This is an extrapolated error based on sample testing and not required to be adjusted.
3. This misstatement notes the estimated impact of depreciation calculated on the late capitalised assets identified during testing.

Appendix 3: Corrected misstatements

Note	Statement of comprehensive Income		Statement of financial position	
	Debit \$'000	Credit \$'000	Debit \$'000	Credit \$'000
1: FY24	-	779	779	-
1: FY23	779	-	-	779
2	-	1,199	1,199	-
3	-	350	350	-
4	-	-	10,775	10,775
Total	779	2,328	13,103	11,554

Explanation for corrected misstatements

1. To correct vested assets included in the listing of prior period errors to be adjusted for FY23 but which actually relates to FY24 – moving it from one year to the other and impacting the prior period error balance.
2. Additional vested assets to be recognised for the current year after investigation of the 224c certificates.
3. GST correction to reflect a land sale transaction entry accurately.
4. Correction of WIP that should have been capitalised to PPE in prior years.

Corrected disclosure deficiencies

Detail of disclosure deficiency	
<ul style="list-style-type: none"> • PPE note: estimated useful life 	<p>We found inconsistencies in the useful life as per the PPE note and useful life as used in the fixed asset register. The useful life policy was updated based on the finding raised by audit.</p>
<ul style="list-style-type: none"> • Personnel cost note: FTE disclosure 	<p>We found inaccuracies in the disclosure relating to the FTE numbers which was subsequently corrected.</p>
<ul style="list-style-type: none"> • Performance reporting 	<p>We found a misstatement in the reported result for dry weather sewerage overflows and additional disclosure was required on the water supply safety measure (Water Treatment Plants – compliance with bacteriological criteria and Water Treatment Plants – compliance with protozoal criteria), which was subsequently corrected.</p>
<ul style="list-style-type: none"> • Summary cost of service 	<p>Misstatement identified in the disclosed budgeted figure for Expenditure relating to Stormwater group of activity. This was subsequently corrected.</p>
<ul style="list-style-type: none"> • Financial Prudence Benchmarks 	<p>A number of misstatements were found in the reported results for some of the benchmarks and also some disclosure misstatements were found in the presentation of the benchmarks. These were subsequently corrected and updated.</p>
<ul style="list-style-type: none"> • Reconciliation between Funding Impact Statement and Statement of Comprehensive Revenue and Expense 	<p>Misstatements were noted in relation to the disclosure on reconciliation between the Funding Impact Statement and Statement of Comprehensive Revenue and Expense. These were communicated and subsequently updated.</p>
<ul style="list-style-type: none"> • Commitment 	<p>During our review of the minutes of meetings we noted a commitment amount which was not shown in the commitment listing. This was subsequently added and corrected.</p>
<ul style="list-style-type: none"> • Audit Fees 	<p>Misstatement identified in relation to the disclosure for Audit fees. This was subsequently corrected.</p>

Appendix 4: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the District Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General’s Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity, or inefficiency that are immaterial to your financial statements. The District Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the District Council in accordance with the independence requirements of the Auditor-General’s Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to the audit, we have carried out engagements in the areas of a limited assurance engagement over the District Council’s debenture trust deed, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the District Council or its subsidiaries and controlled entities.</p>
Fees	<p>The audit fee for the year is \$273,609 (excluding GST), as detailed in our Audit Proposal Letter.</p> <p>Where we incur audit hours which are not included in the audit proposal letter budget due to additional audit work required, we go through a process to seek approval from the OAG to seek a fee recovery. We are currently going through this process and will discuss the outcome with management.</p> <p>Other fees charged in the period are \$9,720 (excluding GST), for the Debenture Trust Deed limited assurance engagement and \$25,410 (excluding GST) for assurance over the tender process for Lake Karapiro Domain Management Services.</p>

Area	Key messages
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the District Council or its subsidiaries and controlled entities that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the District Council or its subsidiaries and controlled entities during or since the end of the financial year.</p>

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COMMITTEE REPORT



INFORMATION ONLY

To: The Chairperson and Members of the Audit and Risk Committee
From: Manager Finance
Subject: **Outstanding Management Report Matters**
Meeting Date: 11 December 2024

1 EXECUTIVE SUMMARY – WHAKARĀPOPOTOTANGA MATUA

Outstanding management report matters are reported to the Audit and Risk Committee at each meeting, documenting the progress officers have made in clearing these findings.

Audit has completed the final audit for the 2023/24 financial year and issued the management report for the year. The new findings from the 2023/24 Management Report will be added to this report for future meetings.

2 RECOMMENDATION – TŪTOHU Ā-KAIMAHI

That the Audit and Risk Committee receive the report of Jolanda Hechter, Manager Finance, titled 'Outstanding Management Report Matters' (ECM number 11333104).

3 COMMENTARY - KŌRERO

At each meeting of the Audit and Risk Committee a report is considered providing a status update on outstanding audit management report matters arising from previously received audit management reports. This report provides the latest update on the status of management follow-up actions on the outstanding management report recommendations for all prior years and now includes updated comments from Audit NZ and management.

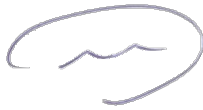
Three items were cleared as part of the 2023/24 audit and have been removed from the schedule.

4 APPENDIX - ĀPITITANGA

No:	Appendix Title
1	Summary of Outstanding Management Report matters



Jolanda Hechter
MANAGER FINANCE



Approved by Ken Morris
DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT

APPENDIX 1

Summary of Outstanding Management Report Matters

2019/2020 Interim Report

Audit Recommendation	Most recent audit status	Priority	Management update	Status
<p>Confirmation all contractor network access is valid</p> <p>Establish a central register for contractors working at the District Council that is reconciled against payments made to contractors and the network. Staff who previously worked at the District Council and return to work as a contractor should also follow the same process as a contractor.</p>	<p>We note that the District Council intends to adopt these recommendations as part of the HRP system upgrade, this is currently in progress.</p> <p>Open</p>	Necessary	<p>December 2024</p> <p>This is part of the full HRP system implementation objectives.</p> <p>Matter progressing</p>	

2021/2022 Annual Report

Audit Recommendation	Most recent audit status	Priority	Management update	Status
<p>Formal annual leave policy</p> <p>We recommend a formal annual leave policy is implemented. Some of the matters that should be included in the policy are:</p> <ul style="list-style-type: none"> - Mandatory leave hours taken for staff mental health benefits - The extent to which leave is carried forward; and - How much advance notice is given for annual leave. 	<p>No formal annual leave policy has been implemented based on our audit work. We note that a policy is currently being drafted.</p> <p>Matter progressing</p>	Necessary	<p>December 2024</p> <p>The policy is currently being drafted and will be approved in line with current Council processes. We expect to have this complete by the end of June 2025.</p> <p>Matter progressing</p>	
<p>Asset capitalisation</p> <p>We recommend that project engineers/managers sign off the ARF forms and asset lists as approval before the capitalisation of assets.</p>	<p>During our audit work, we noted several instances where ARFs were not signed off by the relevant Council personnel before the capitalisation of assets.</p> <p>Open</p>	Necessary	<p>December 2024</p> <p>This process will be strengthened through the 2024/25 financial year.</p> <p>Matter progressing</p>	

2022/2023 Annual Report

Audit Recommendation	Most recent audit status	Priority	Management update	Status
<p>Timely review of additions and disposals of property, plant and equipment</p> <p>We recommend the implementation of a process that ensures frequent checks are made to the fixed asset register to ensure additions and disposals of assets are captured in a timely manner.</p>	<p>During our audit work, we noted several instances of late capitalisation of Work in Progress (WIP) to the actual asset class were still noted in the current year testing.</p> <p>Open</p>	<p>Urgent</p>	<p>The work in progress account is now reviewed on a regular basis to ensure that capitalisation occurs throughout the financial year and the corresponding depreciation charge is appropriate.</p> <p>Matter progressing</p>	
<p>Cut-off procedures at year-end</p> <p>We recommend a review of the cut-off procedures in terms of financial year-end, to ensure that all transactions are correctly captured in the correct financial year.</p>	<p>During our audit work, we noted several instances of cut-off issues related to vested assets, trade payables, expenditure, and the capitalisation of work-in-progress etc.</p> <p>Open</p>	<p>Necessary</p>	<p>December 2024</p> <p>We will continue to strengthen this process throughout the 2024/25 financial year.</p> <p>Matter progressing</p>	
<p>Record keeping of capital commitments</p> <p>We recommend the District Council ensures that recordkeeping of capital commitments is improved to enable the District Council to track and report on commitments in a more efficient and accurate way.</p>	<p>According to Generally Accepted Accounting Principles (GAAP), only contractual amounts as at year-end should be included in the capital commitments disclosure note. For the current year the capital commitment disclosure again included items that did not qualify as commitments and required considerable effort to resolve.</p> <p>Open</p>	<p>Beneficial</p>	<p>December 2024</p> <p>Apart from road maintenance costs, all other operational contracts will be excluded from the commitments schedule to be provided for the 25J audit.</p> <p>Matter progressing</p>	

COMMITTEE REPORT



INFORMATION ONLY

To: The Chairperson and Members of the Audit and Risk Committee
From: Manager Finance
Subject: **Mayoral Discretionary Fund Spend 2023/24**
Meeting Date: 11 December 2024

1 EXECUTIVE SUMMARY – WHAKARĀPOPOTOTANGA MATUA

Officers are reporting the spending against the Mayoral discretionary fund for the period 1 July 2023 to 30 June 2024 in line with previous agreement that this be made transparent annually.

2 RECOMMENDATION – TŪTOHU Ā-KAIMAHI

That the Audit and Risk Committee receive the report of Jolanda Hechter, Manager Finance titled 'Mayoral Discretionary Fund Spend 2023/24' (ECM number 11333076).

3 COMMENTARY - KŌRERO

A Mayoral discretionary fund budget is provided each year. The amount available for the 2023/24 year was \$24,190. The fund is aimed at enabling the Mayor to respond spontaneously, and totally at their own discretion, to funding requests received from community groups, sports clubs, or individuals.

In the spirit of transparency, officers report on the spending against this fund at the end of each financial year. The transactions below are for the 2023/24 financial year.

Table 1: Mayoral Discretionary fund spending 2023/24 financial year.

Date	Transaction Amount (excl. GST)	Reason
October 2023	\$123.85	Kaz Graphic Deznign Ltd - Service to the Community Awards 2023
October 2023	\$100.00	St Peter's School - Service to the Community Awards 2023

October 2023	\$100.00	Te Awamutu College - Service to the Community Awards 2023
October 2023	\$86.96	Cambridge High School Board of Trustees - Service to the Community Awards 2023
April 2024	\$1,844.00	Maungatautari Ecological Island Trust - Supporting the fundraising initiative of Sanctuary Mountain – Gala dinner table.
TOTAL	\$2,254.81	



Jolanda Hechter
MANAGER FINANCE



Approved by Ken Morris
DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT

COMMITTEE REPORT



INFORMATION ONLY

To: The Chairperson and Members of the Audit and Risk Committee
From: Manager Strategy
Subject: Risk Reporting on the 2025-34 Long Term Plan
Meeting Date: 11 December 2024

1 EXECUTIVE SUMMARY – WHAKARĀPOPOTANGA MATUA

The purpose of this report is to provide an update on the risks for the 2025-34 Long Term Plan (LTP). It outlines any new risks since the last update in October and provides details about the risks rated as 'very high' and above based on the latest LTP Project Steering Group (PSG) evaluation. The risk register for this project can be found in Appendix 1.

2 RECOMMENDATION – TŪTOHU Ā-KAIMAHI

That the Audit and Risk Committee receive the report of Melissa Russo, Manager Strategy, titled 'Risk Reporting on the 2025-34 Long Term Plan', (document number 11299068).

3 COMMENTARY - KŌRERO

This report provides an update of the identified risks for the 2025-34 LTP with a focus on any new risks and those risks rated as 'very high' and above post mitigation. It outlines the current risk ratings based on the latest evaluation by the Project Steering Group.

4 DISCUSSION

The report presented to the Audit and Risk Committee on 7 October 2024 identified a total of 22 risks with six risks having a 'very high' rating post-mitigation. The risk register is being actively managed; five risks have been closed and two new risks added. There are currently a total of 19 risks with six risks rated as 'very high'.

A summary of the residual risk ratings is as follows:

- Six risks have been rated as 'very high';

- Eight risks have been rated as ‘high’;
- Three risks have been rated as ‘medium’;
- One risk is rated as ‘low’;
- One risk is unable to be rated at this point in time; and
- Five risks have been closed since the October update to the Audit and Risk Committee.

Commentary on the new and closed risks as well as the ‘very high’ risks are outlined in the following section. For further details on the other identified risks, see Appendix 1.

New risks

Two new risks have been added in regard to Local Water Done Well (LWDW) ring-fencing requirements and the Infrastructure Strategy.

Infrastructure Strategy

If Audit does not accept Council's approach to the financial components of year ten in the strategy, then this could result in a modified audit opinion.

An issue has arisen with regard to the Infrastructure Strategy and how many years of detailed financial information is required to be included. The assumption was made that the strategy would need to include nine years in detail with 20 years high level. However, the Audit NZ team has stated that we need to be guided by the legislation i.e. the strategy needs to be for the full 30 years with detailed financial information for ten years. This approach has been confirmed by Council’s legal counsel and informal advice received from Simpson Grierson.

The LTP Project Governance Group (PGG) has agreed that inflation will be applied to year nine to generate the year ten financial figures (2035/26). However, there will be no detailed documentation, such as business cases, to support the figures. There is a risk that this will not be accepted by Audit NZ. Constrained project timeframes mean Council will not be able to generate the supporting documentation that would be required in time.

The mitigation for this risk is to have early and ongoing discussions with Audit NZ regarding our proposed approach.

Local Water Done Well ring fencing requirements

If the regulator does not agree with the collection of revenue (over and above the required operational funding) in year two to repay debt due to this not meeting LWDW ring-fencing requirements, then the financials for waters in year two of the LTP will need to be reworked.

Due to too many unknowns, the PSG is unable to rate this risk at this stage. The risk will continue to be monitored and be rated once more information comes to light, likely to be when the third waters bill is introduced to the House in December 2024.

Closed risks

The following risks were closed as they are no longer pertinent:

- Inaccurate forecasting assumptions;
- Population projections resulting from PC26;
- Business case alignment;
- Overestimate the level of work Council can do;
- Auditing of consultation document and supporting documents prior to confirmation of bespoke covenant.

'Very high' risks

The risks rated 'very high' are as follows:

1. Not achieving timeframes

If there is slippage in meeting timeframes, then this will flow into subsequent phases of the project and risk the final statutory deadline. This risk is mitigated through the project manager producing monthly project updates to the PGG, a regular review of the risk register and an agile project management approach being adopted.

2. Bespoke covenant

If the bespoke debt to revenue covenant is not approved in February 2025, the backup budget with a 2.8 covenant will need to be implemented meaning a rework of the consultation document and supporting documents. There is a risk that this may adversely affect Council's ability to deliver the LTP within legislative timeframes.

The draft budget is being developed on the assumption that the bespoke covenant will be approved. This risk is mitigated through the following process being planned. Once the draft budget is confirmed, the changes necessary for a 2.8 debt to revenue covenant will be identified. If the bespoke covenant isn't approved, the budget for 2.8 covenant will then be implemented and the Finance Strategy reworked. Back up plans will be developed for the non-financial aspects of the LTP (i.e. Infrastructure Strategy, consultation document) to be reworked in the event of the covenant being declined.

3. Lack of resourcing and an over-reliance on key staff

If there is a lack of adequate resourcing, timeframes and project deliverables will be impacted. This could lead to project delays and lower quality outputs. This risk is mitigated through contingency planning being put in place based on the learnings from the 2024-34 LTP.

4. Elected member cohesion

If there is lack of cohesion between Elected Members, then there is a risk that this will impact the decisions they make and project timeframes.

This risk is mitigated by:

- Regular workshopping with Elected Members.

- Getting key decisions made as early as possible.
- Strengthening the role of Mayor and CE in PGG meetings.
- Regular check ins with senior Elected Members and the Mayor.
- Clearly communicate to Elected Members the pathway forward so they can understand the impact of their decisions.
- Clearly agree messaging to the community with the PGG and communicate to Elected Members.

5. Infrastructure Strategy

If Audit does not accept Council's approach to the financial components of year ten in the strategy, then this could result in a modified audit opinion.

As noted earlier in the report, the mitigation for this risk is to have early and ongoing discussion with Audit regarding our proposed approach.

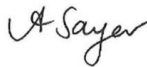
6. Community expectations

If expectations between Council, the community, partners and stakeholders on planned rates increases are misaligned including what can be delivered, then there will be negative reputational impacts.

This risk is mitigated through the communication and engagement plan being implemented as well as an internal communications plan to ensure consistent messaging.

5 APPENDIX - ĀPITITANGA

No:	Appendix Title
1	2025-34 Long Term Plan Risk register for December Audit and Risk Committee meeting (ECM number 11346142)



Anthea Sayer
SENIOR STRATEGIC POLICY ADVISOR



Melissa Russo
MANAGER STRATEGY



Approved by Kirsty Downey
GROUP MANAGER STRATEGY

APPENDIX 1

2025-34 Long Term Plan Risk register for December Audit and Risk Committee meeting (ECM number 11346142)

Description	Qualitative Risk Analysis		Risk Reduction Measure & Treatment Type	Risk Priority
	Consequences			
Project management				
Poor project management - if project management framework/practices are not followed, then the project objectives may not be met.	The wider organisation will lack clarity/understanding of LTP processes throughout LTP preparation. Elected members may not feel they have ownership of outcome. Project deliverables may not be met. Additional pressure may be put on staff or conflicts may arise.	High Risk	Project Plan adopted by PSG and organisation project management principles/framework will be followed. The project manager will introduce monthly project updates to the PGG. Line manager will monitor wellbeing and performance and address concerns as they arise. Line manager will ensure adequate support is provided to the project manager and the project.	Medium Risk
Not achieving timeframes - if there is slippage in meeting timeframes, then this will flow into subsequent phases of the project and risk the final statutory deadline. <i>The LTP must be adopted prior to 30 June 2025. 7 months has been allocated to revise budgets and other supporting documents already created for the 2024-34 LTP. A further 6 months is allocated to the auditing process, consultation, hearings, deliberations and adoption.</i>	Insufficient time and attention is given to deliverables and timeframes are not met therefore we are non-compliant with Local Government Act, fail to meet Audit NZ requirements and the LTP is based on poor information.	Very High Risk	The LTP is the organisation's top priority. Project manager produces monthly project updates to the PGG. There is a regular review of risks. An agile project management approach has been adopted.	Very High Risk
Bespoke covenant - if the bespoke covenant isn't approved in February 2025, the back up budget with a 2.8 covenant will need to be implemented meaning a rework of the consultation document and supporting documents. There is a low risk that the bespoke covenant is not approved however the rating is for the impact if this was realised.	Extra pressure on the Finance, Communications and Strategy teams. Timeframes will be stretched due to the revision of the consultation document and supporting documents. Possibility of not meeting our 30 June 2025 legislative deadline to get the LTP adopted. Limited time past 30 June to get the LTP adopted due to the election moratorium coming into force from 11 July 2025.	Very High Risk	The draft budget is being developed on assumption that the bespoke covenant will be approved. Once this draft budget is confirmed in December, the changes necessary for a 2.8 debt to revenue covenant will be identified. If the bespoke covenant isn't approved, the budget for 2.8 covenant will be implemented and Finance Strategy reworked. Back up plans developed for the non-financial aspects of the LTP (ie Infrastructure Strategy, consultation document) to be reworked in the event of the bespoke covenant being declined.	Very High Risk
Prioritisation of the project - if the project is not prioritised from an organisational perspective, then this will impact on the ability to achieve timeframes and produce a quality document. Several other high priority projects are underway including Ahu Ake, Economic Wellbeing Strategy, Partnership Framework, Cambridge Connections reset. The LTP pulling on the same people at governance and project team level as these other high priority projects.	Lack of resourcing assigned to the project. Project not prioritised by the organisation leads to slow decision making and lack of resourcing assigned to the project. Not meeting legislative timeframes. Poor quality of outputs.	Very High Risk	The Executive Team acts as the PGG. As a result of the 2024-34 LTP project debrief, the difference between the PGG and the Executive Team is being emphasised to ensure a focus is put on collective decision making and resourcing. Mayor and CE as co-sponsor. The 2025-34 LTP is an internal priority which indicates a strong commitment to preparing the LTP.	High Risk
Lack of resourcing/reliance on key staff - if there is a lack of adequate resourcing, timeframes and project deliverables will be impacted. The LTP pulling on the same people at governance and project team level as the other high priority projects, of which there are a number.	Project slippage. Timeframes will be missed. Stress on staff. Lower quality outputs. If these areas are not sufficiently resourced, then the high level of reliance on key staff in these teams could result in capacity and knowledge gaps when those staff are absent or leave the organisation. There is a lot of work to be done in a short window and resourcing issues from the last LTP haven't been resolved.	Very High Risk	Contingency planning has been put in place based on the learnings from the 2024-34 LTP.	Very High Risk
Political				

<p>Elected member cohesion - If there is lack of cohesion between Elected Members, then there is a risk that this will impact the decisions they make and project timeframes. The next LTP will be developed close to the Maori ward referendum and local body election.</p>	<p>Decisions will be made that reflect that an election is close rather than necessarily being the best decision. Delays in reaching a decision - knock on affect to timeframes. Do not have an agreed organisational position with mixed messages to community.</p>	<p>Very High Risk</p>	<p>Regular workshopping with Elected Members. Get key decisions made as early as possible. Strengthening role of Mayor and CE in PGG meetings through the mayor taking a more active role. Regular check ins with senior EMs and the Mayor. Clearly communicate the pathway forward to EMs so they can understand the impact of their decisions. Ensure the PGG agrees the messaging to community and then communicate this to EMs.</p>	<p>Very High Risk</p>
<p>Finances</p>				
<p>Budget being prepared manually - if components of the budget are being prepared manually and there is a reliance on manual spreadsheets, this could negatively impact the efficiency of the budget development process.</p>	<p>Increased risk of errors within the budgets. Rework. Incorrect rating requirements. Failure to meet Audit requirements.</p>	<p>Very High Risk</p>	<p>Allowing as much time as possible for budget development and extra staff/external consultants helping where possible. Finance team is making ongoing improvements to the budget system and processes. Add a QA step to ensure integrity.</p>	<p>High Risk</p>
<p>Infrastructure Strategy - if Audit does not accept Council's approach to the financial components of year 10 in the strategy, then this could result in a modified opinion.</p>	<p>Reputation of Council is put at risk. Trust and confidence in Council is put at risk.</p>	<p>Very High Risk</p>	<p>External legal advice sought. Early discussions with Audit on our proposed approach.</p>	<p>Very High Risk</p>
<p>Forecasting assumptions</p>				
<p>Inaccurate forecasting assumptions - if our forecasting assumptions are significantly inaccurate, then it could result in misallocation of resources to plan for the development of our district.</p>	<p>Misalignment of project needs and timings across the LTP. Decisions made on incorrect assumptions leading to project scope and timing errors. Financials are delayed or have to be redone completely. Delays/additional work adds pressure on resourcing and timeframes for subsequent steps.</p>	<p>Complete</p>	<p>Regularly review key forecasting assumptions throughout preparation of the plan. Seek external expertise for technical areas where Council is not the expert.</p>	<p>Closed</p>
<p>Population projections - if our population projections regarding new development standards enabled through Plan Change 26 are not realised, then this may have an impact on our infrastructure planning and funding. The new development standards which are enabled through Plan Change 26 will impact growth and infrastructure planning.</p>	<p>Infrastructure doesn't meet demand. Reputational damage (poor planning and liveability of our urban centres) as well as financial burden in the cost to upgrade infrastructure sooner than expected to meet demand. More likely to impact outer years of LTP.</p>	<p>Complete</p>	<p>Controlled intensification in areas where appropriate.</p>	<p>Closed</p>
<p>Levels of service</p>				
<p>Misalignment between the budget and levels of service - if the agreed budgets are inadequate to deliver services due to reductions made, then there is a risk that agreed levels of service won't be met.</p>	<p>Approved projects do not align with levels of service. LOS not achievable/no longer met. LTP projects and budgets, AMPs and business cases out of step with desired levels of service. Council's reputation among residents is negatively impacted. Failure to meet Audit NZ or LGA requirements.</p>	<p>Very High Risk</p>	<p>Clear messaging to Elected Members and Executive regarding financial situation, desired levels of service and impacts on costs and the impact of budgets on ability to deliver on service levels. Monitoring of expenditure versus budgets to identify and manage any variances required to deliver agreed levels of service or impacts on service levels.</p>	<p>High Risk</p>
<p>Business case alignment - If the business cases and associated budgets become misaligned as decisions are made, the actual cost of undertaking the projects will be incorrect and potentially impact service levels.</p>	<p>LTP budgets have low confidence levels Fail to meet Audit NZ or LGA requirements. Post LTP Council resources are put under pressure to deliver projects and services for which inadequate funding has been allowed for. May trigger Annual Plan consultation or LTP amendment. Risk around managing expectations - misalignment between community expectations and outcomes.</p>	<p>Closed</p>	<p>Robust optioneering. Clear documentation in business cases around the risks associated with any changes to business case outcomes. Clear communication with Elected Members on the available options and budget change impacts.</p>	<p>Closed</p>
<p>Overestimate the level of work Council can do - If departments overestimate the level of work they can achieve, then budgets and project requirements may be over and above what can be delivered.</p>	<p>Failure to meet community expectations. LTP budgets have low confidence levels. Fail to meet Audit NZ or LGA requirements. Post LTP Council resources are put under pressure to deliver projects and services for which inadequate funding has been allowed for.</p>	<p>Complete</p>	<p>Organisation has an understanding of previous delivery to set an achievable work programme. Business owner, Project Sponsor and Project Governance Group to keep informed of discussions in this area.</p>	<p>Closed</p>
<p>Activity management plans</p>				
<p>Timeframes - If there are significant shifts in the timing of or changes to the outputs and budgets, then major updates to the AMPs could be required.</p>	<p>Delay to auditing process while AMPs updated AMPs don't reflect the actual situation and therefore Audit deem them unsuitable supporting documents. Could jeopardise our ability to provide AMPs that adequately support the LTP in time for the auditing process. The later changes in LTP building blocks occur, the higher the risk.</p>	<p>High Risk</p>	<p>Finalising key LTP building blocks as early as possible in the process.</p>	<p>Medium Risk</p>

Relationships and consultation				
Consultation topics - If there is no clear process to identify key topics, content and options, then the Consultation Document may not provide options to a sufficient level of detail or it may impact on the timing of delivering the CD.	Fail to engage with community Fail to meet Audit NZ or LGA requirements Reputational damage.	High Risk	Communications and engagement team support document preparation to ensure sufficient and clear information. Legal advice was sought and stated that we do not topics and options but do need to seek feedback in general.	Medium Risk
Partners and stakeholder engagement - If there is a failure to effectively engage with partners and stakeholders on the development of the LTP, then there will be negative reputational impacts.	Loss of trust between Council, partners and stakeholders.	Very High Risk	Communication and Engagement Plan created and implemented. Regular project updates to community boards and Waikato-Tainui.	High Risk
Audit expectations - if expectations between ourselves and our auditors are not aligned with regard to meeting agreed timeframes, then we may not meet our legislative requirements.	Delays in the auditing process. Less than robust process. Missing statutory deadlines.	Very High Risk	Focus on the relationship to build trust via regular meetings. More frequent catch ups as the project progresses.	High Risk
Auditing of consultation document and supporting documents - if Audit isn't prepared to audit our consultation document and supporting documents before the bespoke covenant is confirmed, timeframe slippage would occur. Noting that the audit is due to begin on 3 February and the bespoke covenant not confirmed (or otherwise) until 25 February.	Extremely tight timeframes putting pressure on staff. Audit's timeframes would be put under pressure. Inability to adopt the LTP before the 30 June deadline.	Complete	Audit has confirmed that they they are prepared to audit if there is a robust assumption made regarding the bespoke covenant.	Closed
Community expectations - if expectations between Council, community, partners and stakeholders on planned rates increases are misaligned, including what can be delivered, then there will be negative reputational impacts.	Loss of trust between Council and stakeholders, partners and the community.	Very High Risk	Communication and engagement plan developed and implemented. Internal communications plan to ensure consistent messaging.	Very High Risk
External risks				
General illness/stress - if stress and other illnesses continue to affect staff involved in the preparation of the LTP, then this will impact on project deliverables and timeframes.	In the short term it has the potential to limit staff involvement in the project. There is also potential for further disruption to the project, especially regarding staff availability to attend meetings, future community engagement, and changes to financial situation and growth assumptions.	High Risk	Develop succession plans for key staff so a backup is in place if needed. Have robust document control systems in place if information is needed and a staff member is away.	High Risk
A large-scale event (i.e. a natural disaster) - if an event such as this occurs, it may impact staff involved in the preparation of the LTP, then this will impact on project deliverables and timeframes. Such an event may also cause significant damage to assets.	Resources may have to be diverted elsewhere in the organisation to respond to a large-scale event. Financially, Council may have to use reserves to fund immediate needs and insurance excess.	Low Risk	Business continuity plans remain current and take effect should an event occur to help minimise disruption.	Low Risk
Increased angst in the community – if the community response to what's proposed in the LTP is aggressive, then there could be a risk to Elected Members and staff.	Health and safety risk to Elected Members and staff. Misinformation circulates amongst the community. Trust in Council diminishes.	Very High Risk	Threat and response framework is in place. Procedures in place for duress and lock down in place. Field staff will be reminded of procedures for when aggressive situations take place. Remind elected members and staff of procedures for dealing with aggressive members of the public. Robust internal and external communications plan in place.	High Risk
Local Government Reforms				
Waikato Waters Done Well - if the Waikato Waters Done Well project and LTP project become misaligned, then the LTP process could be impacted. This includes alignment of consultation and messaging so the stories from each plan are congruent.	LTP rework could be required to ensure there is alignment with WWDW. Where this occurred in the process would determine how much rework is required. Council's reputation could be impacted due to the projects not aligning and presenting a cohesive story.	Very High Risk	Combined WWDW/LTP project process and timeframes have been developed. Regular check ins between WWDW lead and LTP lead. Combined messaging and presentations to EMs to ensure stories understood and congruent.	High Risk
Local Water Done Well ring fencing requirements - If the regulator does not agree with the collection of revenue (over and above the required operational funding) in year 2 to repay debt due to this not meeting LWDW ring-fencing requirements, then the financials for waters in year 2 of the LTP will need to be reworked.	Re-work of financials, impact on timeframes, rate percentages. Any potential Water Services CCO will not meet debt to revenue ratio	Unrated	No rating is able to be undertaken at this point in time as we simply do not know. The risk will be assessed once staff have enough information.	Unrated

COMMITTEE REPORT



INFORMATION ONLY

To: The Chairperson and Members of the Audit and Risk Committee
From: Manager Delivery Performance
Subject: **Local Water Done Well (LWDW) Risk Register**
Meeting Date: 11 December 2024

1 EXECUTIVE SUMMARY – WHAKARĀPOPOTOTANGA MATUA

Failure to manage change and respond to the uncertainty of the wider business context is one of Council’s Top Risks.

Local Water Done Well (LWDW) requires Council to manage this change adequately including preparing for, understanding impacts, and managing the response to the uncertainty of the wider business context.

Council’s Risk Management Policy requires any risks rated as ‘Very High’ or above, to be reported to the Audit and Risk Committee. Currently there are 26 live project risks that are being actively managed.

The attached Appendix provides an overview of the 11 ‘Very High’ risks that are being managed under the LWDW project. There are no ‘Extreme’ risks.

2 RECOMMENDATION – TŪTOHU Ā-KAIMAHI

That the Audit and Risk Committee receives the report of Sherryn Paterson, Manager Delivery Performance, titled Local Water Done Well (LWDW) Risk Register (document number 11331249).

3 COMMENTARY - KŌRERO

Of the 11 ‘Very High’ risks, three relate to Waikato Waters Done Well (WWDW). These risks are due to the complexity, limited timeframes and the financial cost of investigation and implementation of this option, which is not fully known at this stage. The other eight ‘Very High’ risks relate directly to Local Water Done Well (LWDW): four

come under the ‘Governance, reputation, legislative compliance and control’ risk area; three under ‘Financial’; and one under ‘People’.

Throughout the risk register there is a common theme that there is potentially a lack of understanding within the community of LWDW and what it means for the consumers. The Communication and Engagement Team is putting in place a Communication Strategy, with an education component starting before Christmas. There are also discussions happening between Waipā staff and other local Waikato Councils participating in WWDW to ensure there is consistent messaging going out across the region.

Nexus Advisory has been engaged (through to June 2025) to provide a strategic overview of CCO options. This will include supporting an interrogation of financial data to assist with option assessment to support good decision making. This appointment mitigates risk by ensuring assumptions informing each financial model are well tested and understood.

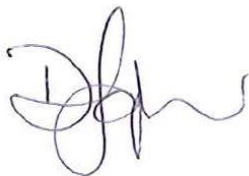
This project impacts other areas of Council’s business, especially the 2025-34 Long Term Plan (LTP). The LWDW and the LTP Project teams are working closely together to ensure that there is alignment between these two projects.

4 APPENDIX - ĀPITITANGA

No:	Appendix Title
1	Audit and Risk Committee Report – Local Water Done Well Project Risks (ECM number 11339018)



Sherryn Paterson
MANAGER DELIVERY PERFORMANCE



Approved by Dawn Inglis
GROUP MANAGER SERVICE DELIVERY

APPENDIX 1

Audit and Risk Committee Report – Local Water Done Well Project Risks (ECM number 11339018)

Local Water Done Well (LWDW) Overall Quantity of Programme and Project Risks (post mitigation)

	Extreme Risk	Very High Risk	High Risk	Medium Risk	Low Risk	Total Live Risks
Risks to ARC report	0	11				
Overall Programme	0	11	10	4	0	25

Local Water Done Well (LWDW)				Risk Register to Audit and Risk Committee (Extreme and Very High Risks Only)		Nov 2024
Ref	Programme / Project	Risk Area	Description	Consequences	Risk Reduction Measure & Treatment Type	Risk Priority
1	LWDW	Governance, reputation, legislative compliance and control	Impacts to other areas of Council business e.g. Long Term Plan, Ahu Ake, IFF Workstream, Climate Change Governance Improvement Programme Plan, resourcing - Finance, Comms, HR, Water Services.	Delay in meeting LTP milestones. Consultation timeframes on LTP and LWDW do not align. Resourcing at capacity.	Regular checking with LTP Project Group Comms Team kept fully informed Regular communication out to the whole of Council. Assessment of risks at an organisational level before going out to the community. Early escalation to LWDW PGG and LTP PSG. Escalation to Mayor - sponsor of both LWDW Project and LTP Project. Regular reporting to Executive Team.	Very High Risk
2	LWDW	Governance, reputation, legislative compliance and control	Iwi aspirations, rights and interests in water not fully understood and responded to.	Breakdown in relationships between Iwi and Council. Community sentiment impacted.	Iwi Representative on LWDW PGG. LWDW PGG seeks greater understanding. Inclusion in JMA discussions.	Very High Risk
3	LWDW	Governance, reputation, legislative compliance and control	Lack of understanding and ability to tell the LWDW and LTP collective story - Community do not understand the problem or the need for Council to work through solutions	High loss of trust and confidence in the community	Effective communication strategy that: a) reiterates the project objective; this being to ensure council is in position to make an informed decision about how they wish to respond to the requirements of Local Water Done Well. b) accurately and appropriately communicates the policy intent of Local Water Done Well and the obligation on council to respond to the consumer / end user, and Waipā's current state of Three Waters and what it means for Waipā. c) Communication of legislation requirements - include in the 'story' being told to the community.	Very High Risk
4	LWDW	Governance, reputation, legislative compliance and control	Lack of clarity Central Government Position does not give clarity on the direction forward, including what councils must provide as part of LWDW and by when.	Time and effort is expended on issues/areas that may not advance the group toward the collective outcomes. Failure to meet legislation timeframes. Due to timeframe constraints impact on quality of outputs.	Project plan includes ongoing review of updates from Central Government, these updates to be presented to LWDW PGG.	Very High Risk
5	LWDW	People (incl. H&S)	Competing internal priorities i.e. LWDW, Long Term Plan, Ahu Ake, IFF Workstream, resourcing - Finance, Comms, HR, Water Services.	Staff at capacity. Inability to deliver key projects i.e. LWDW, LTP. Quality of outputs poor.	Understand impacts and stay well connected with LWDW PGG Use of consultants. Early escalations through the relevant project control groups i.e. LTP, Ahu Ake.	Very High Risk
6	LWDW	Financial (\$ & %)	Impacts to other areas of Council business on resourcing e.g. Long Term Plan, Ahu Ake, IFF Workstream, Finance, HR, Water Services.	Additional costs. Impacts on other major projects.	Connecting with governance structures of other connected programmes. Early escalation to LWDW PGG and LTP PSG. Escalation to Mayor - sponsor of both LWDW Project and LTP Project. Regular checking with other key project groups. Comms Team kept fully informed	Very High Risk

7	LWDW	Financial (\$ & %)	Financial modelling on options is dynamic i.e. debt levels, IFF modelling.	Compromised decision making.	Build into debt assumptions. Clear documented assumptions. Share assumptions with LWDW PGG.	Very High Risk
8	LWDW	Financial (\$ & %)	Unable to produce clear financial reporting between the LTP constrained budget and the unconstrained budget for the Water Services Delivery Plan	Comparisons being used for the consultation document are incorrect. Flawed decision making.	Set-up of a separate ledger in EB to be able to model the unconstrained Waters budgets. LWDW Programme Manager and Finance work closely together on financial workings. LWDW PGG oversight.	Very High Risk
9	WWDW	Governance, reputation, legislative compliance and control	WWDW Complexity With a large number of councils, councillors and Iwi, there could be a perception that the collaborative effort to bring numerous parties together is too complex.	Council advances standalone option without investigating other options. Failure to meet timeframes for WWDW.	Bold leadership. Strong communications to council members, so there is clarity on the issue(s), what is required and why the status quo may no longer be acceptable. Early decision made on continuing or discontinuing on WWDW. LWDW PGG governance.	Very High Risk
10	WWDW	Governance, reputation, legislative compliance and control	WWDW - Lack of time Council has insufficient time to make a decision on whether to aggregate before the end of November / December 2024, and then complete a Water Services Delivery Plan before the legislated due date for the plan.	Decision making is rushed.	Preparation of draft timeline under the Project Plan to provide certainty on the timing around matters. To be kept under review as legislation is passed. WWDW non-binding agreement with exiting pathways.	Very High Risk
11	WWDW	Financial (\$ & %)	WWDW - True cost of establishing or changing current delivery method is unclear / unknown	High loss of trust and confidence in the community Risk of possible increase in water charges. Impacts decision making.	Investigation of set-up costs for proposed models - assumptions etc. to be shared with LWDW PGG. Learn from other examples, eg. Watercare and Wellington Water	Very High Risk

COMMITTEE REPORT



INFORMATION ONLY

To: The Chairperson and Members of the Audit and Risk Committee
From: Deputy Chief Executive / Group Manager Business Support
Subject: **Deep Dive into Top Risk 3**
Meeting Date: 11 December 2024

1 EXECUTIVE SUMMARY – WHAKARĀPOPOTOTANGA MATUA

The agreed work programme for the Audit and Risk Committee provides for a ‘Deep Dive Risk Discussion’ at every meeting. This involves a detailed examination of the organisation’s ‘Top Risks’ on a risk-by-risk basis, testing and reassessing the risk and the effectiveness of the planned mitigations for that risk.

At this meeting, Top Risk 3 – Risk to Financial Strategy and Affordability will be examined.

The content of this report will be expanded on in the discussion. However, an appreciation of this content, and the content of the appendices will be useful for the discussion.

2 RECOMMENDATION – TŪTOHU Ā-KAIMAHI

That the Audit and Risk Committee receives the report of Ken Morris, Deputy Chief Executive / Group Manager Business Support, titled ‘Deep Dive into Top Risks 3’ (ECM number 11344009).

3 COMMENTARY - KŌRERO

Top Risk 3 – Risk to Financial Strategy and Affordability

The risk description for this risk is:

If Council does not manage within its financial strategy, including funding and debt level limits and to economic conditions, then Council’s financial sustainability, and delivery of renewals, service levels and key projects may be significantly impacted. This

may be exacerbated if an unforeseen event were to occur and additional funding were required to respond and recover.

In conjunction if finances are not managed prudently and/or there are not adequate sources of funding, including planned asset sales, then the risk of rate levels becoming unaffordable for ratepayers and the community increases.

Appendix 1 provides the extract of the Top Risk document in relation to this risk.

Risk Appetite

The stated risk appetite is:

WDC appreciates the challenge of delivering services and projects in a time of growth but also in a time of economic downturn. This requires Council to prudently prioritise investment to ensure debt levels are maintained within appetite levels.

The budgets within the 2024-25 enhanced Annual Plan has prudent levels of spend and also reduced financial buffer and lower debt headroom. There are also challenges for the community in regard to rates affordability in tight economic times and the need to maintain rates in line with the financial strategy. It is expected these constraints and the economic uncertainty will continue in the early years of the 2025-34 LTP.

*Council is willing to accept a **high** level of risk this year as reinforced by the financial parameters approved through the 2024-25 enhanced Annual Plan however has a desired appetite of **moderate**. Focus is on ensuring council services are run prudently, are affordable for ratepayers, monitoring the financial key risk indicators and staying abreast of alternative funding options that may become available through changes to Central Government policy.*

The fact that Council has determined an interim target risk of 'High' when its determined risk appetite is 'Moderate' is indication of the challenges associated with this risk.

Changes to the key risk drivers

Council finds itself in a very difficult financial environment. We have endured a 'perfect storm' in regard to experiencing 20 to 30-year record highs of inflation and interest rates at a time when significant levels of debt have been taken on, particularly to advance infrastructure for growth and increased environmental and regulatory standards. At the same time the growth that much of that infrastructure was to provide for has slowed, as have the revenue streams that come from that growth. A large portion of our debt, estimated in our Enhanced Annual Plan to be as high as 57% at 30 June 2025 is growth related, and while this will ultimately be repaid by development contributions there has been a growing lag between the debt being taken on and the development contributions being received.

While some of the inflationary pressures and interest rates are abating, the expectation is that the financial landscape Council is currently facing will remain difficult for the immediate future.

This has been built into Council's financial assumptions and projections. We do not see any significant uplift in growth and development contribution realisation for around 4 years, and debt will continue to increase over that period. The projected rates increases for the first three years of the draft 2025-34 Long Term Plan are elevated, and in fact in double digits for the first two of those years. Debt headroom is a significant constraint on our activity and requires careful monitoring and management.

Effectiveness of existing mitigants

In general, the current mitigations and controls in place are effective, however we need to be constantly vigilant as there is very little buffer room. For instance, we are in a situation where our 'headroom' in our key debt covenant is as little as \$14 million. This gives us very little ability to manage any surprises. Our work on the draft Long Term Plan has also shown us how tight some of our other metrics are, such as our waters affordability metric.

Changes in the residual risk rating

Recent risk evaluation sees the risk status of this risk trending up. This is in the context of preparing our financial strategy for the 2025-34 Long Term Plan.

Progress against the additional planned mitigants and barriers to implementation

Progress is being made on the additional planned mitigants set out in Appendix 1, however right now the key focus has been on the first of these, the adoption of the 2025-34 Long Term Plan.

A key imperative in adopting this plan is to lock in place a financial strategy that fixes our balance sheet. There is significant focus in our financial strategy and in our budget models on building our debt headroom, including the incorporation of a 15% buffer on the debt covenant levels. The draft strategy and our models rely on the achievement of a bespoke covenant from the Local Government Funding Agency (LGFA) early in the 2025 calendar year. This bespoke covenant possibility is designed for Tier 1 growth Council's like Waipā, who are experiencing the debt pressure that we are. We have maintained close contact with the LGFA in recent months and will continue to do so, and they are well aware of our need for the bespoke arrangement. The draft financial strategy is included as Appendix 2 of this document.

The memorandum that sets out the final budget options for our 2025-34 draft Long Term Plan is included as Appendix 3 and is also a great reference point for the financial challenges we have in developing and adopting the Long Term Plan.

It should be noted that the development of this Long Term Plan and all of the financial components of it – assumptions, principles, financial strategy, budget models, etc –

has been done in a totally open workshop environment. The public has had good insight all along the way.

4. APPENDICES - ĀPITITANGA

No:	Appendix Title
1	Top Risk 3 – Risk to Financial Strategy and Affordability (ECM number 11343963 – Extract from ECM number 11271716)
2	Draft Financial Strategy (workshopped 11 November 2024) (ECM number 11333410)
3	2025-34 Long Term Plan Memo for final budget options and indicator properties (3 December 2024) (ECM number 11341878)



Approved by Ken Morris

DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT

APPENDIX 1

Top Risk 3 (ECM number 11343963)

TOP RISK 3: Risk to Financial Strategy and Affordability

ENTERPRISE RISK OWNER - Group Manager Business Support

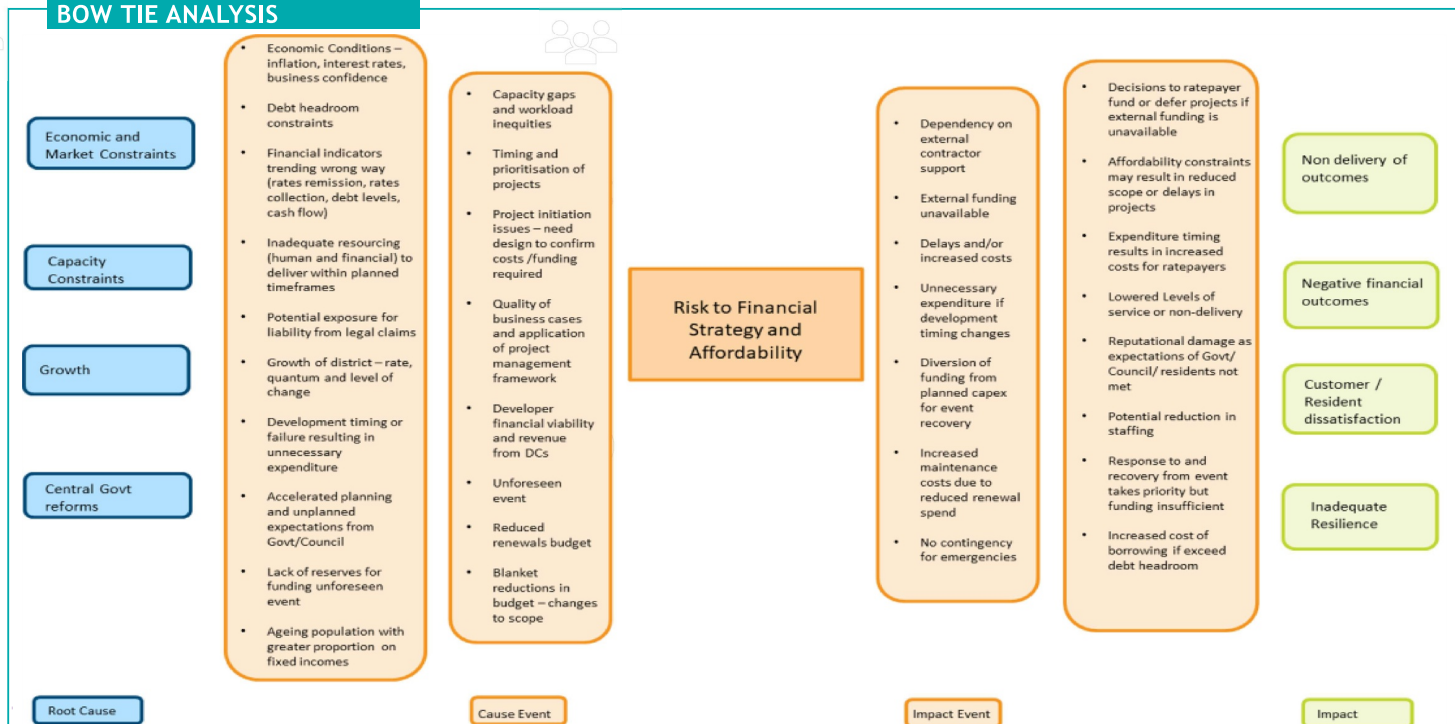
RISK DESCRIPTION

If Council does not manage within its financial strategy, including funding and debt level limits and to economic conditions, then Council's financial sustainability, and delivery of renewals, service levels and key projects may be significantly impacted. This may be exacerbated if an unforeseen event were to occur and additional funding were required to respond and recover. In conjunction if finances are not managed prudently and/or there are not adequate sources of funding, including planned asset sales, then the risk of rate levels becoming unaffordable for ratepayers and the community increases.

RISK ASSESSMENT

Inherent	Extreme
Residual Risk	Very High
Interim Target risk	High
Risk Appetite	Moderate

BOW TIE ANALYSIS



CONNECTED RISKS

Strong connections to:

- Financial Strategy and Affordability
- Inadequate investment in infrastructure
- Inadequate workforce and capacity

As a central key emitter and receiver risk, this risk has connections throughout the risk network

RISK APPETITE

WDC appreciates the challenge of delivering services and projects in a time of growth but also in a time of economic downturn. This requires Council to prudently prioritise investment to ensure debt levels are maintained within appetite levels.

The budgets within the 2024-25 enhanced Annual Plan has prudent levels of spend and also reduced financial buffer and lower debt headroom. There are also challenges for the community in regard to rates affordability in tight economic times and the need to maintain rates in line with the financial strategy. It is expected these constraints and the economic uncertainty will continue in the early years of the 2025-34 LTP.

Council is willing to accept a **high** level of risk this year as reinforced by the financial parameters approved through the 2024-25 enhanced Annual Plan however has a desired appetite of **moderate**. Focus is on ensuring council services are run prudently, are affordable for ratepayers, monitoring key financial indicators and staying abreast of alternative funding options that may become available in line with Central Government policy.

WHERE WE WILL TAKE RISK

- Council has a significantly constrained budget within the 2024-25 enhanced Annual Plan with priority on looking after the assets Council holds. The constrained investment in growth and enhancements to levels of service may have increased risk of negative community perceptions.
- Council accepts that there is a trade-off between required investment levels, maintaining appropriate levels of debt headroom and rates affordability.

WHERE WE WILL NOT TAKE RISK

- Council recognizes the current economic stresses for the community therefore is conscious of minimizing any further pressures and keeping rates affordable. This will require tradeoffs with delivery of services and projects, and capital investment.
- The impacts of a downgrade in credit rating are significant so Council will protect this rating.
- Council will not compromise on the delivery of lifeline services.

TOP RISK 3: Risk to Financial Strategy and Affordability

ENTERPRISE RISK OWNER - Group Manager Business Support

RISK DESCRIPTION

If Council does not manage within its financial strategy, including funding and debt level limits and to economic conditions, then Council's financial sustainability, and delivery of renewals, service levels and key projects may be significantly impacted. This may be exacerbated if an unforeseen event were to occur and additional funding were required to respond and recover. In conjunction if finances are not managed prudently and/or there are not adequate sources of funding, including planned asset sales, then the risk of rate levels becoming unaffordable for ratepayers and the community increases.

CURRENT MITIGATIONS AND CONTROLS

Current Key Mitigations in place on an ongoing basis:

- Robust discussion and assessment of the assumptions set contained within the Annual and Long-Term Plans.
- Monitoring and reporting of assumptions for Annual Plan and Long-Term plan, including impact on debt headroom
- Financial and infrastructure strategies adopted during LTP inform decision making
- Member of Future Proof and strategic regional planning groups
- Improved financial reporting through technology investments
- Regional and National Economic Profile and other key reporting from Infometrics providing economic context
- Monthly KRI reporting to the Finance and Corporate Committee (latest report used for ARC quarterly risk report)
- Monitoring of legal claims to limit liability
- External audit program compliance and implementation of management actions

SIGNIFICANT PLANNED ADDITIONAL ACTIONS TO LOWER RESIDUAL RISK - 24/25 YEAR

Additional action	Forecast Impact	Responsible
Adoption of the 2025-34 Long-Term Plan	Robust governance process to effectively prioritise the program and consider the financial impact of the programme.	GM Str
Continual improvement in management practices including risk management, broader assurance practices and financial management	Continued improvements increase compliance, establish risk early warnings and decrease risk of failing to meet Council objectives.	GM BS
Proactive focus on the development and implementation of appropriate new financial tools and/or revenue sources	Additional funding sources to consider for infrastructure investment.	GM BS
Sale of Assets / Property in line with Property Strategy	Effective forward plan lowering the risk to realise sales, optimisation of generated revenue.	GM BS
Complete the review of the Economic Well-being Strategy	Support of economic well-being of the District therefore potential impacts on affordability.	GM Str

KEY RISK INDICATORS

Key Priority Linkage	Measurables	Source	Appetite	Target	Green to Amber	Amber to Red
Financial stewardship /Creating Vibrant Communities / Effectively Planning and Providing for Growing Communities	Delivery of total Capex programme against the Annual Plan budget – growth, LOS and renewals and by activity area	Finance system	High	Growth 70% LOS 80% Renewal 100%	80 to 99% of target	< 79% of target
Financial stewardship /Creating Vibrant Communities / Effectively Planning and Providing for Growing Communities	Monitoring of assumptions used in preparing Annual Plan as year progresses: Actual against debt to revenue ratio benchmark Growth – impact on rates Borrowing interest rates	Finance system	High	< 250% 2.6% 5%	90 to 99% of target	> 100% of target <100% of target > 100% of target
Financial stewardship /Creating Vibrant Communities / Effectively Planning and Providing for Growing Communities	Budget vs Actual variation for capex and opex	Finance system	High	Growth 70% LOS 80% Renewal 100%	80 to 99% of target	< 79% of target
Financial stewardship /Creating Vibrant Communities / Effectively Planning and Providing for Growing Communities	Debt Affordability 2021/31 LTP financial strategy Development Contributions Revenue Development Contributions Issued vs Payment Development Contributions Issued vs Outstanding	Finance system	High	N/A		
Financial stewardship /Creating Vibrant Communities / Effectively Planning and Providing for Growing Communities	Expected revenue through resource and building consents – trend in number of consents compared to same period last year	Finance system and Objective	Moderate	Align with LTP - TBC		

APPENDIX 2

2025-34 Long Term Plan. Financial strategy (ECM number 11333410)

About our financial strategy

This financial strategy clearly outlines the financial vision and priorities for the next nine years.

It aims to ensure we are achieving a balance between the needs of our community, responsible management of our assets, and financial sustainability over the long term.

It provides guidance for Council's financial decisions and a means to monitor our financial performance.

The budget for this Long Term Plan has been developed to give effect to the priorities as agreed by Council. It honours the commitment to ensure we are maintaining current level of services, meeting legislative requirements, looking after our assets, and ensuring alignment with Ahu Ake – Waipā Community Spatial Plan, our blueprint for the district for the next 30+ years.

We also want to continue to give effect to our strategic priorities of:

- Creating vibrant communities
- Nurturing and respecting our unique culture and heritage
- Responding to climate change
- Caring for and valuing our environment now and in the future
- Effectively planning and providing for growing communities

Operational efficiencies, changes in the timing of our renewal programme, and some project cuts have been required to ensure these priorities will be achieved and to mitigate the un-avoidable budget increases.

Further budgetary cuts would compromise these priorities.

Council is facing additional challenges being driven by central government changes to policy and legislative requirements. The biggest of these is the requirement for us to review the delivery of water services. For the purposes of this plan, the costs to operate, and maintain these critical infrastructure assets, are included for the full nine years until a decision is made on how they will be delivered into the future.

Post the Covid-19 pandemic, the whole of the country also faced significant inflation, interest rate and cost increases, which then led to a significant slowdown in the economy and in growth.

This Financial Strategy has been adapted to respond to the challenges outlined, along with financial sustainability considerations, including the impact on rates and debt, to achieve the right balance.

We will continue to act prudently with the aim of striking a balance between limiting rates increases and ensuring Waipā is a great place to live, work, play and invest.

A significant change

This Financial Strategy fixes our balance sheet to address previous funding shortfalls and sets us up for a more financially sustainable future. This will take time, and we will need to 'stay on track' to achieve this.

As a tier one growth Council, we have been required by successive governments to plan for growth, and that comes at significant cost. While growth pays for growth over time, we are required to put infrastructure in the ground to cater for development ahead of time. We only recoup the cost when sections go to market.

When you combine growth with a need to comply with legislative and markedly increased regulatory and environmental standards, we have had a history of underfunding water and wastewater activities through successive Long Term Plans.

To keep rates lower in some years, we've used debt and ringfenced reserves however, those reserves have been exhausted and debt is near its limit. To fix our balance sheet, we now need to not only rate for the full cost of these activities, but also to get the debt levels in our balance sheet into a sustainable position.

Are we being financially prudent?

We annually monitor progress against six benchmarks, in accordance with the financial prudence regulations requirements.

Debt

Two of the six benchmarks relate to debt – debt servicing which measures the percentage of net interest costs against total revenue, and debt affordability which sets a net debt ceiling.

We can currently borrow 2.8 times the amount of revenue we take. It has been recognised that for growth councils in particular, it is becoming more difficult to meet that benchmark, and a bespoke increased borrowing limit of 3.5 times revenue is expected to be approved by our lenders, the Local Government Funding Agency, in February 2025. We have applied for this increased debt covenant so we can achieve our capital programme, retain affordable interest rates and have debt headroom in case of emergencies. Without this increased covenant, rates increases would need to be much higher to ensure we can meet the debt covenant provision given the level of debt that is required.

It makes sense for our financial prudence measure to be consistent with the covenant.

For the purposes of this strategy, we have used the 3.5 debt covenant limit.

We need to address our debt levels by increasing revenue.

A significant element of this Financial Strategy is ensuring we remain well within our debt covenant provisions. Increased revenue is a key factor to achieving this. In the waters activities we are having to increase revenue sharply in the first two years to comply with a net debt to revenue ratio limit of 5.0 times our revenue. This is what the limit will be if those activities move out to a separate entity.

We also need to ensure that across all our activities we are compliant with a net debt to revenue ratio limit of 3.5. This is what we refer to as fixing the balance sheet.

We need to address the compounding effect infrastructure investment decisions have had on the level of our debt and interest costs now. Over time, higher rates will be used to pay debt down faster, reducing interest costs. Our debt management approach will ensure rigorous checks and balances are in place across all investment decisions, particularly when made outside of a Long Term Plan or Annual Plan budget process.

Council considers this is the most fair and equitable approach to set a more sustainable financial position in the future. We don't want to continue to 'kick the can' down the road and we can't keep taking a short term or year by year approach to how we manage our finances. This will only create higher costs down the track.

Other key changes from previous financial strategies are:

- Increasing the limit for the proportion of our income from rates (75 per cent for the first three years, reducing to 65 per cent for the remaining period consistent with previous strategies)
- Focussing on one nine year plan rather than looking year by year
- Providing rates predictability (consistent rates rise for the latter years rather than fluctuating year on year)

Balanced budget

This benchmark aims to ensure that the operating expenditure needs of the organisation are met by the level of revenue, ensuring that current ratepayers are contributing an appropriate amount towards the cost of the services they receive or can access.

In other words, 'every day costs' are paid for from everyday income, e.g. from fees and charges, grants and subsidies, investment income and rates revenue, therefore achieving a balanced budget. This Financial Strategy enables a balanced budget. We also require higher revenue to reduce external debt to sustainable levels over the 9-year period. Our balanced budget graph reflects the impact of much higher levels of growth in the later years of the Long Term Plan.

Rates affordability

We want to ensure the affordability of rates over time, for both current and future ratepayers. Decisions made today will affect rates affordability in the years ahead, as there is potential to pass rates burden on to future generations if we don't invest in infrastructure and services now, or ensure we have a sustainable financial model in place.

We use an intergenerational equity approach to split asset costs across multiple generations, over the useful life of an asset. This means that all those that benefit from it contribute - today's communities and tomorrow's communities paying their share. We achieve this by raising 30-year loans on long life assets, and funding depreciation, to replace or renew assets at the end of their useful life.

We have used a threshold of no more than five per cent of median household income to measure rates affordability for all council activities. Within that, there is a two per cent threshold for the cost of water and wastewater. Our proposed rate increases achieve compliance with these thresholds over the nine years. We have also set quantified limits on the amount of rates we can collect (see rates section).

This Financial Strategy aims to give our ratepayers predictability in rates increases to help them plan for their budgets and finances.

We recognise rates increases can put pressure on household budgets, especially for those on fixed incomes. In addition to our existing automatic payment options, we can offer some support through our rates postponement policies and rates rebate schemes.

Our other key objectives

1. Continuing to deliver value to our communities

Good stewardship of community assets and resources

We will maintain our existing assets in an appropriate condition for current and future generations.

We are ensuring investment in the renewal of assets is a budget priority. This means making the most of what we have and correcting funding gaps from previous Long Term Plans over time. This will help to reduce the potential for negative perceptions of core services over the short term (some of which are being experienced now), and the risk of asset failure over the longer term.

We are using the full nine year period to move towards fully funding the cost of renewing our assets. The Infrastructure Strategy provides more detail on our renewal approach.

2. Achieving more together

We recognise the value of partnerships and collaboration. We can achieve more when we work together with others to unlock positive outcomes for our community.

Council partners with mana whenua and iwi to recognise the importance of Te Tiriti o Waitangi, and specific responsibilities that derive from our Joint Management Agreements with Waikato Tainui, Ngāti Maniapoto and Ngāti Raukawa.

We will make the most of enhanced opportunities of Central Government funding when they arise, regional deals, subsidies, partnerships, and other incentives to advance our strategic priorities. We will continue to work with Government and other current and potential future partners with a view to establishing more enduring ways of funding services we provide to the community.

3. Staying focused on the longer term and the bigger picture

We are committed to delivering projects such as Te Ara Wai and a fit for purpose Cambridge Library. It will just take longer to deliver than what was originally envisaged, and we want to explore all possible options for funding and delivery.

We are proposing we have a comprehensive community conversation on these projects leading up to our 2027-2037 Long Term Plan. This will ensure we connect levels of service with our strategic priorities and the Ahu Ake - Waipā Community Spatial Plan to understand expectations, associated costs and potential trade-offs.

We will also use the 2027-2037 Long Term Plan to better understand the community's views on potential new levels of service such as a kerbside refuse service. In the meantime, this has been deferred to later years where the year-on-year rates increases are forecasted to be lower, deferring the impact on the overall rates requirement to later years.

4. Considering alternative funding and financing options

We have looked at the viability of alternative funding and financing options and will continue to explore those that help reduce the impact on our ratepayers. The option of utilising the Infrastructure Funding and Financing mechanism through central government was explored to remove a portion of infrastructure debt from our balance sheet. However, this would be more expensive for our community compared to other options so has not been pursued at this stage.

5. Providing for growth

By 2050, we're expecting an additional 18,000 people to be living in our district, bringing our population to around 79,100.

Population growth brings benefits to the district including increased prosperity, the attraction of investment and community vibrancy and diversity. It also creates challenges for the delivery of services and funding of infrastructure, creating demand for additional services and facilities. Many growth projects will provide capacity for growth over a period of up to 30 years.

We will borrow to fund this work and repay the loans through charging developers over several years using our ‘growth pays for growth’ approach. We recognise that there will be a time-lag between when Council builds the necessary infrastructure and when developers pay their development contributions (when sections go to market).

This significantly impacts Council debt levels, especially when there is a slowdown on sales in the current economic climate.

To manage growth risk and our financial challenges, we have taken the following approach:

- reforecasting development contributions revenue and growth projects to respond to changing market conditions which has seen a slowdown in uptake and revenue, growth predictions and what is occurring on the ground.
- fully realising our existing infrastructure investments in the growth cells under development before taking on new growth areas where there is a significant cost to Council.
- reducing investment and, in some cases, stopping investment where there is little or no uptake of growth. All growth cell related infrastructure projects that do not already have existing Council commitments have either been removed or shifted out to year four and beyond.

We will continue to review growth uptake and demand and review our capital work programme annually, amending the scale and timing of projects in response to actual or anticipated growth.

6. Maintaining existing levels of service

Levels of service are what we have agreed to deliver to – and on behalf of – our community. Levels of service are sometimes set in response to community desire, and sometimes in response to legislative requirements.

For this Long Term Plan, we are proposing to continue to maintain our levels of service, noting that in some cases higher environmental standards have been built into levels of service.

7. Renewing and upgrading ageing infrastructure

We are responsible for \$2.7 billion worth of assets, the majority of this is large and critical waters and roading infrastructure networks. Once an asset is worn out or becomes obsolete, it usually requires renewal or replacement. Depreciation is the method used to account for the cost of these assets over the assets’ lives and to ensure they are appropriately funded. Activity Management Plans outline the funding necessary to deliver the activity’s services to the required levels.

Most renewals are considered a capital expense as they relate to the renewal of a capital asset. Council has limited depreciation funding reserves, and they are

typically spent year to year. As with most services, renewal costs have significantly increased with some of this due to increasing government standards and compliance with consent requirements.

In the 2021-2031 Long Term Plan, we constrained investment in renewals to keep rates increases low. Nearly all activity areas have renewal funding at levels lower than required in the first three years with the intent to catch-up in later years.

Timely renewal of assets is crucial to the continued effective delivery of services. Renewal funding shortfalls over the short term can be managed to minimise negative impacts of delivering services to desired levels. Continually delaying renewals can lead to extra maintenance costs, reduced quality of service and an increase in risk of unplanned service failures.

We have reached the point where more funding is needed for renewals than what is generated from depreciation funding each year due to the age of assets, capital cost increases and the cumulative impact of funding shortfalls.

In the 2025-2034 Long Term Plan, we have prioritised renewals expenditure to reduce the risk of asset failure over the longer term and negative perceptions of core services over the short term.

Placeholder – essential services benchmark

8. Responding to climate change

Our assumptions recognise that Waipā can expect to see a changing climate including more extreme weather and greater risks from natural hazard events such as floods, slips and drought.

Responding to climate change is one of Council's five external strategic priorities making it a focus area for the organisation. The 'Failure to effectively mitigate and adapt to climate change impacts' is a top risk that is regularly monitored and reported against to the Executive Team and Audit and Risk Committee.

Carbon emission baselining and monitoring is in place. Carbon impacts are included in business cases and through the project lifecycle. A climate change governance improvement programme has been agreed to and is being implemented over next three years. **We have included funding for projects that will contribute to climate change response in the 2025-2034 Long Term Plan – examples to be included.** In most cases, funding is embedded in the Activity Management Plans for the activity concerned, largely focused on improving resilience of our assets.

What we aren't prepared to do in this Long Term Plan

We have included this section so we can be as transparent as possible with our community on the approach we have taken to this Long Term Plan. This is what we

are proposing, and community consultation may indicate differing points of views on what we have deemed to be our 'bottom lines'.

The things we aren't prepared to do to are:

- Compromise on projects that achieve our strategic priorities.
- Compromise our approach to managing critical and lifeline infrastructure and services.
- Significantly lower levels of service purely from a cost saving perspective.
- Put too much pressure on the business. It is important that we look after staff welfare. We have achieved operational savings through multiple budget reviews; however, we still have business-as-usual activities and services to deliver.
- Change our funding model by funding operational costs through loans instead of rates (to reduce the rates impact). This approach is not prudent or sustainable in the longer term and will impact our ability to achieve a balanced budget. It does not achieve intergenerational equity as we will get into a position where we have future generations repaying the loans incurred now to achieve this.

Financial risk and uncertainty

Council has an assumption regarding global crisis and emergency events; that Council will maintain its level of service during a global crisis such as a pandemic or local emergency event, with sufficient systems and procedures in place to ensure business continuity.

We've considered how we would respond if unexpected circumstances or unplanned events had a significant impact on our financial situation. This is particularly relevant in uncertain economic and political times, and given we have fewer financial contingencies in place than previous plans. Affordability for ratepayers, Council's financial sustainability, and delivery of service levels and key projects may be significantly impacted. Council has accepted a high level of risk in this regard.

It is important that we manage, to the best of our knowledge, the potential financial risk and uncertainty that comes from these types of events. Unplanned events may require earlier than planned investment (e.g. Civil Defence emergencies, natural events, fire, theft, and safety concerns). These events, if they occur, could result in significant unplanned operating and capital costs.

Council's financial mitigations include:

- Debt is a key tool for financing infrastructure while retaining borrowing headroom for unexpected events.
- A committed cash advance facility of \$5 million is available in the event of a natural disaster, and short-term lending opportunities exist with the Local Government Funding Agency.

- Urgently reprioritise and reduce capital spending and community levels of service spending, to mitigate the risk of breaching debt-to-revenue limits.
- Ensure there is adequate insurance to cover the district's assets (where possible) against such events.
- An insurance programme through Co-Lab will fund some operational costs (e.g. business interruption) and capital costs where a claimable event occurs. All councils in the Co-Lab group have material damage insurance and infrastructure insurance using a maximum probable loss approach rather than reinstatement value for all properties. This policy has the benefit of spreading risk across a wider geographical area. Maximum probable loss is the anticipated value of the biggest monetary loss that might result from an event, whether natural or otherwise.

Securities and investment

Borrowing is secured by a charge over rates by way of debenture trust deed. Generally, assets are not offered as security for any loan or performance of any obligation under an incidental arrangement.

Our investment policy sets out the detail of the type of investments Council currently holds, and objectives and risk management strategies related to holding these investments. The approach to managing our investments is set out in the Treasury Management Policy.

Council is a shareholder in Waikato Regional Airport Limited, the New Zealand Local Government Funding Agency Limited and Local Authority Shared Services Limited. We also hold a small interest in Civic Financial Services Limited.

Other than to achieve strategic objectives, it is not our intention to undertake new equity investments. We will periodically review investments with a view to exiting at a time when market conditions are favourable and overall strategic objectives are not compromised.

Any dividend income from investments is generally included as part of general revenue. Any purchase or disposal of equity investments not identified in the LTP is by Council resolution. At the time of disposal, we will determine the most appropriate use of sale proceeds.

Disclosure statement

The Disclosure Statement is provided in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014.

This statement discloses our planned financial performance in relation to various nationally consistent benchmarks. These benchmarks enable the assessment of

whether we are prudently managing our revenues, expenses, assets, liabilities, and general financial dealings.

This Financial Strategy outlines the benchmarks Council has set for rates and debt affordability, balanced budget, essential services and debt servicing, and our compliance with these benchmarks.

APPENDIX 3

2025-34 Long Term Plan Memo for confirmed budget and indicator properties workshop (ECM number 11341878)

To:	Elected Members	Cc:	
From:	Georgina Knapp and Jolanda Hechter		
Date:	3 December 2024	File Ref:	11341878
Subject:	2025-34 Long Term Plan – Final budget options and indicator properties		

1.0 PURPOSE

The previous phases of the 2025-34 LTP project have focused on confirming Council's financial strategy, policies and underpinning assumptions.

- Several key assumptions and budget scenarios have been presented to Council during workshops on the 16th, 19th and 29th October and 5th November.
- At previous budget workshops staff also advised that the end of October four-monthly budget reforecasting process had not yet been completed and may impact the outputs presented to date. The reforecasting process has now been completed.

The budget now needs to be confirmed. The high-level budget parameters will be reported through to Elected Members on the 17th December for formal adoption prior to the compilation of detailed financial statements. The full draft LTP package will be reported through to Elected Members on 28th January for formal adoption prior to Audit NZ commencing on 3rd February.

The purpose of this memo is to provide Elected Members with the following;

- Final budget options for consideration with changes incorporated from the 5th November workshop and the four-month reforecasting process.
- Each option is presented alongside a full suite of draft indicator properties for the first three years of the LTP.

2.0 BUDGET CONFIRMATION

At the budget workshop on the 5th November the preferred budget and draft indicator properties for the first two years of the LTP were presented. The budget incorporated the direction guided by Elected Members up to and including the 29th October workshop. This is outlined in Appendix One.

Three further changes have now been made to the budget models:

- The year five impact of the proposed introduction of a new refuse recycling service has been smoothed over years four and five as Elected Members sought at the 5 November workshop.
- The additional capital expenditure which was verbally advised to Elected Members on 11th November has been included.
- The outcomes of the four-month reforecasting process have been incorporated. This has led to review and rework of our forecasting assumptions around capital works delivery throughout the nine years. We have now better assessed and linked our projected non-delivery to the size of the capital programme. This has had some impact on debt headroom

throughout the nine years and together with the additional capital spend on the Cambridge Wastewater inlet pipe project (referred to in the next section) has led to an issue with the year three debt servicing benchmark. Further comment on this is provided in the option scenarios in section three of this memo.

The incorporation of the changes has resulted in the need for Elected Members to now consider some trade-offs for the financial strategy discussed to date. This is further presented and discussed from sections 2.2.3 onwards.

2.1 ADDITIONAL CAPITAL EXPENDITURE

A verbal update was provided to Elected Members on the 11th November on two increases to the capital works budget for the 2025-34 LTP. Further details are included below.

Te Awamutu Wastewater Treatment Plant Stage 4 Upgrade

- An increase in uninflated budget from original business case of \$18.2m to \$48.5m (earlier reported as \$19m increasing to \$48m) with the main build occurring over years two to six. The updated budget includes a contingency of 30 percent, which is seen as appropriate to this project, given the nature and timing of the work.

When staff were initially preparing the 2024-34 LTP, waters business cases were not required for projects that were beyond 1 July 2026. This decision was in response to the Central Government direction of the time (Water Services Legislation Bill) directing Councils to only plan for three waters activities for years one and two of the LTP.

The existing business cases for the 2021-31 LTP were used to inform the work required for the Department of Internal Affairs (DIA) and National Transition Unit (NTU) in preparation for water services to be delivered by Entity B. These business cases informed a draft entity LTP on an unconstrained basis, meaning that budget proposals did not pass through an affordability lens nor a balancing against other priorities of their respective Councils.

Once this reform was stopped by the new coalition government and the cost of waters was directed to again be included in Council budgets for future years, staff focused on the reprioritisation of renewals and level of service projects in order to meet the budget constraints and to reduce the overall spend in the Enhanced Annual Plan for 2024/2025.

In June 2024, a review commenced into the waters business cases to inform the development of the 2025-34 LTP. Paddle Delamore Partners were engaged in July 2024 to undertake a technical review of the scope of work for the Te Awamutu Wastewater Treatment Plant upgrade noting the 2021-31 business case was based on work undertaken by Beca in 2018. The review was not signalled at the start of the LTP planning process.

The feedback received from the review at the end of October signalled:

- The cost of construction had increased significantly in line with the economic climate for infrastructure projects.

- Further capacity is required at the wastewater treatment plant as growth has occurred ahead of the forecast assumptions used in 2018.
- Modelling now indicating that the plant as it was proposed would be non-compliant for nitrogen and biological oxygen demand in 2029/30.
- The need for new inlet works as the existing works are not operating well and Council needs to future proof for an eventual membrane upgrade (post new consent 2048).
- The proposed location for the plant was deemed unsuitable from a geotechnical perspective, the new site requires the movement of Council's contingency (overflow) ponds to accommodate the new treatment ponds.

The Te Awamutu Wastewater Treatment Plant upgrade path is set within the current conditions of the discharge consent (AUTH135108) granted to Council in 2018. Stages One through Three were scheduled for 2015/18, 2017/18 and 2020 respectively and have been completed. The final upgrade required through the consent, Stage Four, is a treatment process upgrade scheduled for 2030.

The timing of the upgrades detailed in the consent conditions were informed by the understanding of growth and demand at the time (2018) and are aligned with changes to discharge limits in the consent. That is, the upgrades are intended to ensure compliance with changing discharge limits across the life of the consent. As mentioned above, the PDP analysis also indicates that the Stage Four upgrade will be required by 2029/30 to meet discharge limits in the consent.

Cambridge Wastewater Plant Inlet Pipe Renewal

- Inclusion of \$9m (uninflated) in years three to five.

This work is required to replace the inlet pipe from the Waikato River wastewater bridge into the Cambridge Wastewater Treatment Plant. The pipe was indicated as in poor to average condition when the wastewater pipe bridge over the Waikato River was constructed, so a renewal was included in the wastewater renewals programme developed in 2018 (for year 2024/25). The full renewal project was included in the 2018-28 LTP and was included in the work provided to the NTU (National Transition Unit) but was not included in the 2021-31 LTP or the current draft 2025-34 LTP. The complexity of the waters programme and interdependencies between a number of complex business cases resulted in an assumption that the project had been included in the draft budget.

Summary

The additional items of capital expenditure outlined above are considered to be one-off circumstances. Staff have completed a further comprehensive review of the programme and are not expecting any further cases of similar underfunding to be identified.

2.2 FOUR-MONTH BUDGET REFORECASTING OUTCOMES

As part of normal business processes, and in line with good business practice, Council completes a comprehensive, organisation-wide, budget reforecasting process every four months. The purpose of the reforecasting process is to adjust for changes in projected revenue and expense expectations, and any capital expenditure changes of either timing or quantum. This enables accurate forward financial planning and resource allocation. As above, at previous workshops staff advised that the October 2024 four-month budget reforecasting process had not yet been completed and once finalised may impact the outputs presented to date for the 2025-34 LTP. This is further outlined below.

2.2.1 REFORECASTING CONTEXT

There are three key drivers that have influenced the outcomes of the reforecasting process for this period.

1. Delivery of the capital works programme, against the 2024/25 enhanced Annual Plan and carry forwards, was tracking very successfully and initial forecast expectations were for close to full delivery. Actual delivery at the end of October was \$45.3m against an initial programme (budget plus carry-forward) of \$196.9m (23%).
2. There was need for \$9m of funding to be brought forward on the Cambridge Wastewater Treatment project (due to the contract arrangements and progress on the project), a \$105m multi-year project, and the largest project that Council's project delivery team has delivered.
3. There are forecast revenue decreases. Building and planning consent revenue is still tracking lower than anticipated and Council has been impacted by central government led decreases in NZTA funding. These are now starting to play through and we have no ability to control them. These revenue decreases impacted the debt headroom by around \$10m, noting however there were some increases in revenue that assisted to offset this.

2.2.2 REFORECASTING OUTCOMES

The following outlines the outcomes of the four-month reforecasting process that have impacted the draft budget for the 2025-34 LTP.

At a high-level, the initial reforecasting results placed Council in an undesirable position at the end of the 2024/25 year in relation to compliance with the LGFA debt covenant ratio. This also meant that the previously forecast \$14m of debt headroom at year end was compromised and we would have been in a 'breach' position.

We are also now forecasting a year-end general funds cash deficit in the order of \$797k. This relates to activity areas other than the ring-fenced activities of waters, transport, forestry and housing for the elderly. In recent years, we have mostly been in a position of achieving general fund cash surpluses of \$1m to \$2m, but Council is now in an environment where there is greater risk of deficit. There is direct impact of the lower revenue in the consenting space.



MEMO

Further work has subsequently been completed in regard to the timing of Council’s capital works programme; the outcome being that Council is now forecast to regain a favourable position at year end, including restoration of the \$14m headroom it had previously. This has been achieved by identification of \$49.9m of capital expenditure that can be deferred from the 2024/25 year into year one of the 2025-34 LTP (the list of deferrals are in Appendix Two). Much of this (76%) relates to growth projects. Given such a significant deferral we are forecasting that we would largely achieve the remaining work programme.

We have assessed the risks and consequences of delay for all the identified projects, and these have been assessed as reasonable and appropriately within risk appetite. A higher level risk assessment is provided here, noting the deferral of the identified capital works is short-term i.e. up to one year.

Risk Description	Consequences	Treatment	Residual Rating
If the delays affect relationships with developers, consultants, contractors, key stakeholders, partners, and/or the wider community, Council’s reputation may be negatively impacted.	Lowering of trust and confidence potentially affecting land sales/negotiations, construction timelines and future contractual relationships with Council.	Effective communication with developers, consultants, contractors, key stakeholders, partners throughout the process and as the pipeline is replanned.	Moderate (unlikely/serious)
If the delays impact the willingness of contractors to tender in the future or feasibility for contractors to scale back up as required future programmes of work may be further delayed.	Contractors may not be as willing to tender for works in the future. There may be flow on delays to supply chains and delivery of projects in future resulting in negative financial impacts and negatively impact our levels of service to the community.	Continue planning for the 2025/26 year including progressing engagement with mana whenua/iwi, land acquisitions and disposals and early tender of works for the 2025/26 year.	Moderate (unlikely/serious)
If the delays create uncertainty for staff and/or dissatisfaction with roles, then there may be adverse effects on recruitment	Staff in delivery roles may leave Council resulting in delays in programmes as recruitment is completed. Council’s reputation as an employer may be negatively impacted.	Planning work will continue including the development of a strong pipeline for the 2025/26 year. Opportunities will be explored including supporting neighbouring councils.	Moderate (possible/moderate)
If the delays of the projects result in cost over runs or delays in the collection of revenue or development	Increased cost for materials and construction for the affected projects. Slower	Planning and financial modelling continues. Land purchases and	Moderate (unlikely/major)



MEMO

Risk Description	Consequences	Treatment	Residual Rating
contributions; for example, the effects of inflation, then the financial impacts may continue to flow through to future years.	collection of DC revenue in the relevant growth cells.	tenders occur as early as able.	
If the delays in the projects result in impacts on asset performance, then there may be an increase in asset failure.	Levels of service may reduce with an associated increase in maintenance costs.	Continued close monitoring of affected assets. Reprioritisation of budgets as necessary for any ad hoc maintenance.	Moderate (unlikely/serious)

Some of the projects that have been reforecast out, particularly the growth-related ones, may have been reforecast out in our next four-monthly cycle in February, however we need certainty of this now.

It needs to be noted that our existing self-determined financial prudence gross debt to total revenue metric of 250% is forecast to be non-compliant by \$4.8m at 30 June 2025. While this could be fixed by a further slowdown in capital spend this introduces risk that we do not think is justified, noting also that the measure does not have the same level of significance as the LGFA covenant measure. We have indicated that the focus in the new LTP is to drop this self-imposed measure in favour of the LGFA covenant measure. We will have to report any non-compliance in the Annual Report, however there is chance that this may self-correct by year-end anyway.

The reforecast proposed has the effect of lowering debt levels in the current year and interest and depreciation expenditure in the following year.

2.2.3 WHAT DOES THIS MEAN FOR THE LTP?

In regard to the capital delivery programme, it will now be \$157.7m for year one of the LTP after all reforecast changes (increased from the \$108.9m presented previously). The capital programme for the current year drops from \$196.9m to \$139.6m.

The deferrals mean delivery for both the 2024/25 Annual Plan and the first year of the LTP are now more in line with previously achieved capex delivery (in the range of \$130m - \$160m per year). There will be a reduction in development contribution rates as a result of the delayed growth spend.

At a higher level however, the changes mean there are trade-offs between the financial strategy principles that the Elected Members need to consider before a confirmed budget can be taken forward.

MEMO

Four options will be presented for discussion. A key trade-off is between remaining within the waters affordability metric (two percent of median household income) versus maximising debt headroom comfort levels, noting that Council is aiming to keep its borrowing within a maximum of 85 per cent of the debt covenant limit.

There is also the important focus of ensuring that the level of rates increase in the outer years is sufficient to keep pace with inflationary pressures.

All four options retain the following assumptions:

1. Growth pays for growth over time
2. General alignment with the draft Financial Strategy principles to date, in particular fixing the balance sheet and supporting intergenerational equity.
3. Supporting sound stewardship of Council's assets in regard to investment in renewals.
4. Supporting rates predictability for the community, albeit at different levels within each of the options.
5. Stepping our debt limit down from 3.5 to 3.0 over time.
6. Continuing to meet all of Council affordability metric of five percent of median household income.
7. Waters remain in for the full nine years.
8. Waters is funded to a level that ensures compliance with a five times debt to revenue ratio if/when these activities move into a CCO.



MEMO

3.0 BUDGET OPTIONS

The parameters of the four options are outlined as follows.

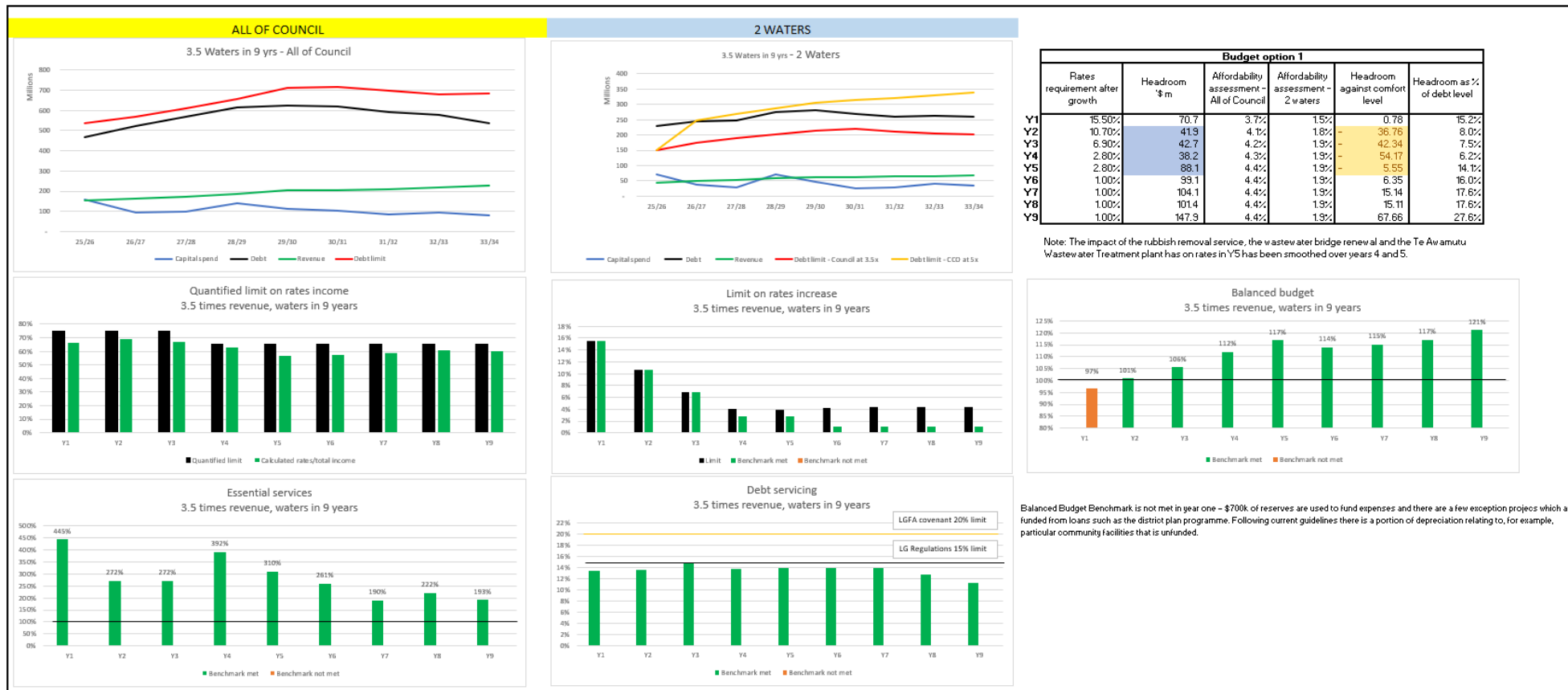
Preferred budget as at 5 th November							Option 1 – Smoothing of early year rates and Waters affordability met						Option 2 - Smoothing of early year rates and Waters affordability not met																																																																																																																																																																																																																																									
<ul style="list-style-type: none"> This budget is shown for comparison purposes. All affordability metrics are met – waters and whole of Council Debt headroom comfort level compromised from years 2 to 4 3.6% increase in year 5 is due to the kerbside refuse service becoming operational, additional costs to fund, in the new options this has been smoothed between years 4 and 5 as requested at the 5 November workshop. 							<ul style="list-style-type: none"> Year 1 rates increase reduced to reflect the lower level of interest and depreciation expense that results from the deferral of capital spend in current 2024/25 year. The lower rating requirement in year one will reverse in year 2 as the interest and depreciation come in then, but essentially there is a smoothing between years 1 and 2. The year 3 rates requirement has now increased to 6.9% to ensure the year 3 debt servicing benchmark is met. This is due to a change in our forecasting assumptions around capex delivery, and the additional spend on the Cambridge wastewater inlet pipe, as explained earlier in this memo. Increases to rates in the later years reduce to one percent after growth to ensure waters affordability metric met, noting however that metric is close to limit. Debt comfort levels not met for years 2 to 5. We still step our debt limit down from 3.5 to 3.0, albeit over a longer time frame. 						<ul style="list-style-type: none"> Year one rates increase reduced to reflect the lower level of interest and depreciation expense that results from the deferral of capital spend in current 2024/25 year. The lower rating requirement in year one will reverse in year 2 as the interest and depreciation come in then, but essentially there is a smoothing between years 1 and 2. The year 3 rates requirement has now increased to 6.9% to ensure the year 3 debt servicing benchmark is met. This is due to a change in our forecasting assumptions around capex delivery, and the additional spend on the Cambridge wastewater inlet pipe, as explained earlier in this memo. Previous rates increases in later years maintained, ensuring they reflect the rate of inflation, however this impacts the waters affordability metric. The 2.3% is the average rate of inflation for years 6 to 9. Debt comfort levels not met for years 2 to 5. We still step our debt limit down from 3.5 to 3.0, albeit over a longer time frame. 																																																																																																																																																																																																																																									
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Y1	15.50%	70.7	3.7%	1.5%	0.78	15.2%																																																																																																																																																																																																																																																
Y2	10.70%	41.9	4.1%	1.8%	36.76	8.0%																																																																																																																																																																																																																																																
Y3	6.90%	42.7	4.2%	1.9%	42.34	7.5%																																																																																																																																																																																																																																																
Y4	2.80%	38.2	4.3%	1.9%	54.17	6.2%																																																																																																																																																																																																																																																
Y5	2.80%	88.1	4.4%	2.0%	5.55	14.1%																																																																																																																																																																																																																																																
Y6	2.30%	108.3	4.5%	2.1%	15.91	17.6%																																																																																																																																																																																																																																																
Y7	2.30%	124.6	4.6%	2.1%	36.57	21.2%																																																																																																																																																																																																																																																
Y8	2.30%	135.2	4.6%	2.2%	50.88	24.0%																																																																																																																																																																																																																																																
Y9	2.30%	198.2	4.7%	2.3%	121.32	38.7%																																																																																																																																																																																																																																																
<ul style="list-style-type: none"> Rates increase profile of the first 3 years maintained as they were on 5 Nov. Debt servicing benchmark is not met in year 3 based on this level of rates increase, this is a financial prudence measure, rather than a covenant measure. Increases to rates in years 4 and 5 reduced to 2.60% after growth, and to one percent after that to ensure waters affordability metric met, noting however that metric is hard against the limit. Debt comfort levels not met for years 2 to 8. Debt servicing metric is non-compliant in year 3 due to a change in our forecasting assumptions around capex delivery and the additional spend on the Cambridge wastewater inlet pipe, as explained earlier in this memo. Still step our debt limit down from 3.5 to 3.0 							<ul style="list-style-type: none"> Rates increase profile of the first 3 years maintained as they were on 5 Nov. Debt servicing benchmark is not met in year 3 based on this level of rates increase, this is a financial prudence measure, rather than a covenant measure. Previous rates increases in later years maintained, ensuring they reflect the rate of inflation, this impacts the waters affordability measure. The 2.3% is the average rate of inflation for years 6 to 9. Debt comfort levels not met for years 2 to 5. Debt servicing metric is non-compliant in year 3 due to a change in our forecasting assumptions around capex delivery and the additional spend on the Cambridge wastewater inlet pipe, as explained earlier in this memo. Still step our debt limit down from 3.5 to 3.0 																																																																																																																																																																																																																																															
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3.1 BUDGET OPTIONS – FULL FINANCIAL PARAMETERS

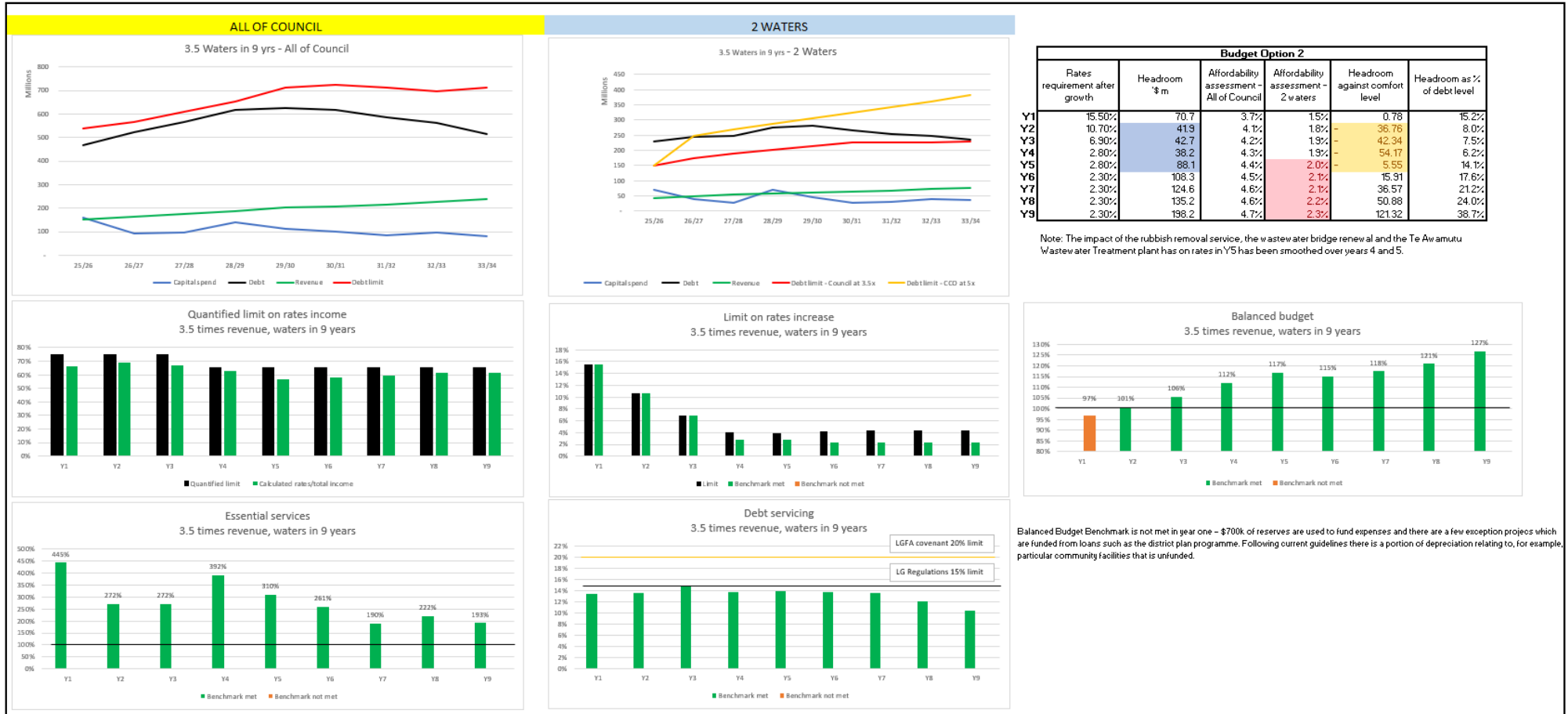
OPTION 1 – SMOOTHING OF EARLY YEAR RATES AND WATERS AFFORDABILITY MET





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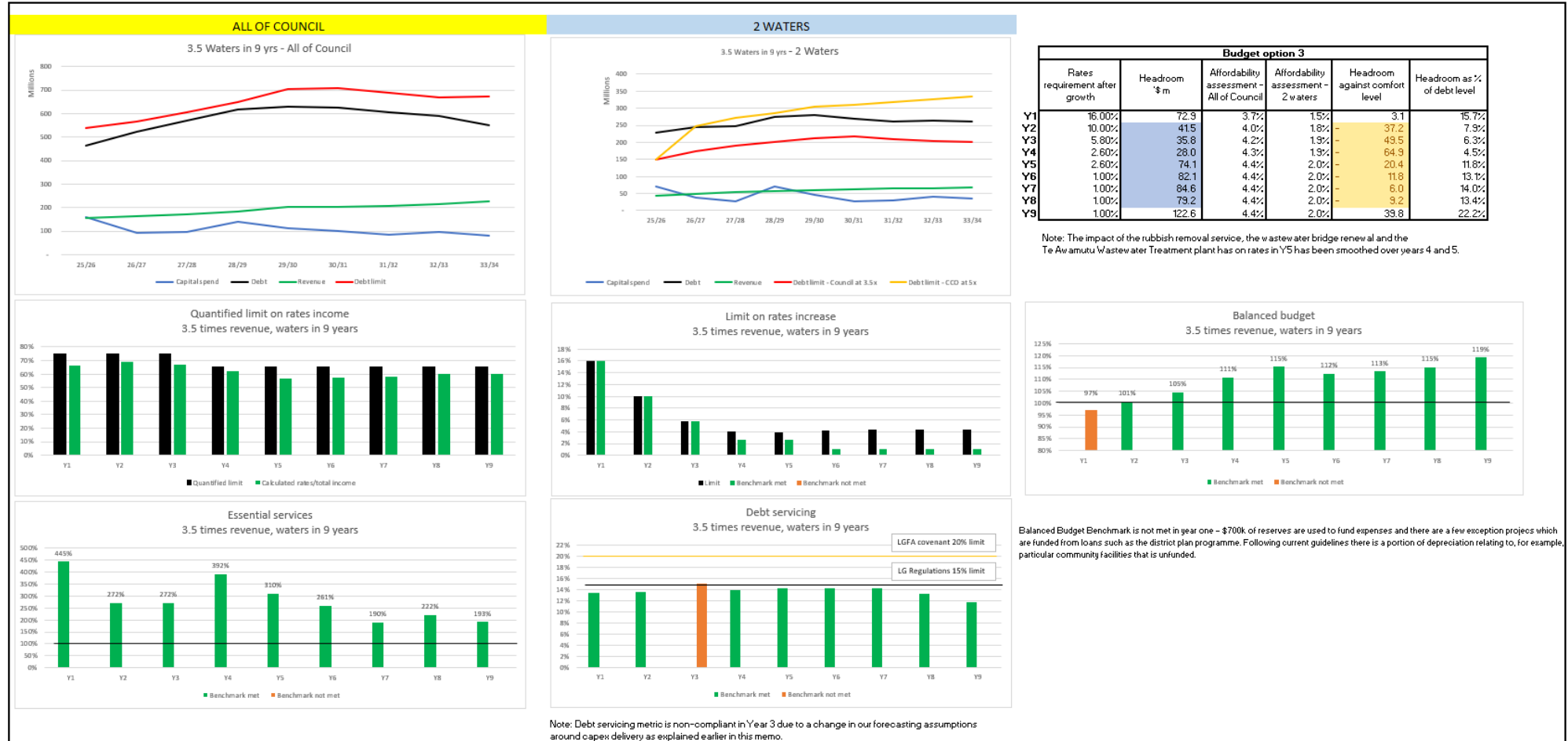
OPTION 2 - SMOOTHING OF EARLY YEAR RATES AND WATERS AFFORDABILITY NOT MET





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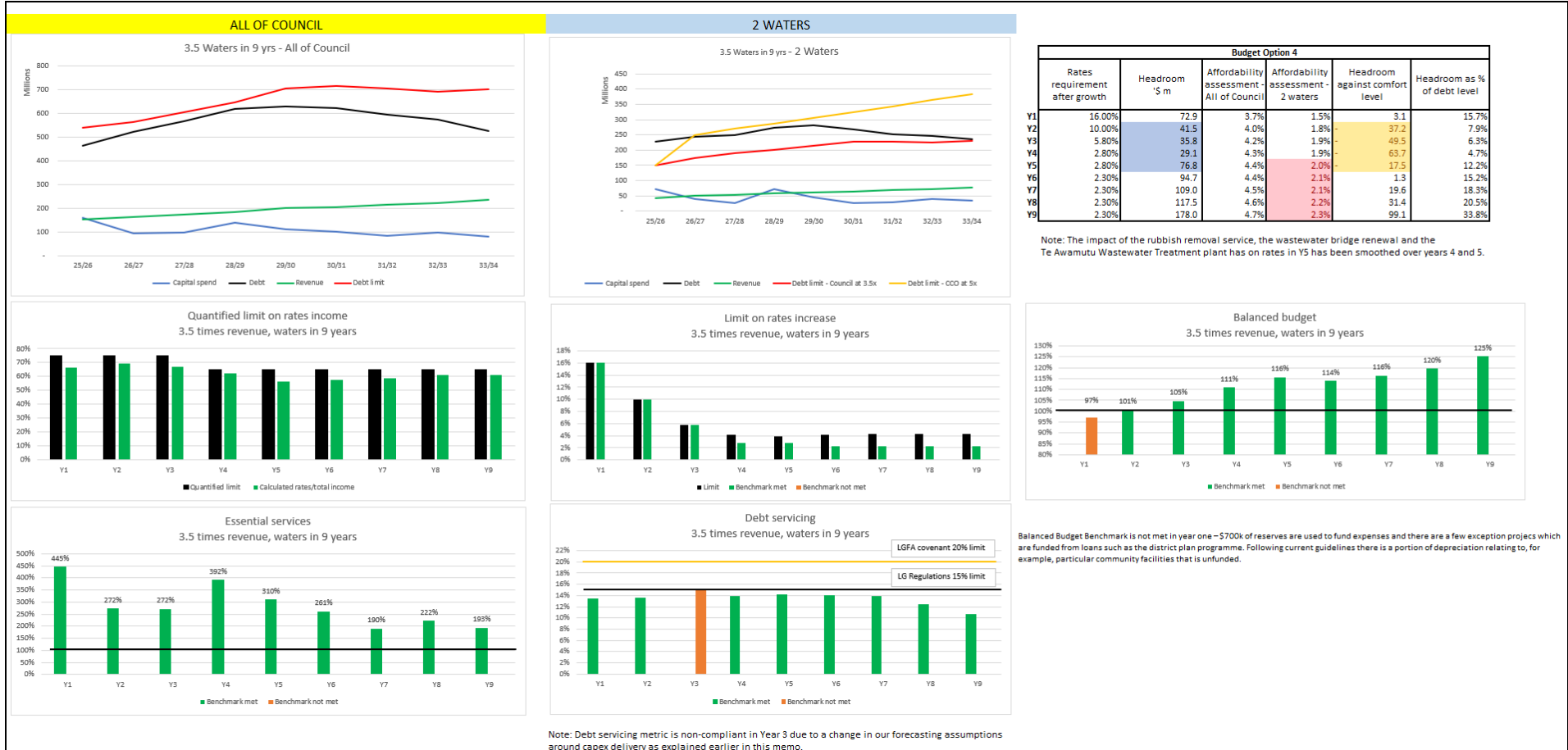
OPTION 3 – RATING INCREASES IN EARLY YEARS MAINTAINED, WATERS AFFORDABILITY MET





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OPTION 4 – RATING INCREASES IN EARLY YEARS MAINTAINED, WATERS AFFORDABILITY NOT MET



3.2 SUMMARY

The four budget options included in this memo come with various trade-offs across the financial strategy principles. Council is 'up against the limit' across multiple parameters such as the level of rates increase in the early years of this LTP, the debt headroom comfort levels, the waters affordability metric, and the debt servicing metric. This leaves very little margin to improve one metric, without adversely impacting other metrics.

This very situation demonstrates a strong financial imperative for moving Waters out of the Council business and into a separate entity, as has been identified in our Local Waters Done Well work. Such a large percentage of our debt, current and future, is Waters activity debt, whether that relates to funding renewals, levels of service improvements or growth. That decision, however, needs to be made robustly and in the context of the development of our legislatively required Water Services Delivery Plan which must be submitted by September 2025. In the meantime, Council must adopt its LTP which pending certainty on what happens to the Waters business, must include Waters for the full nine years.

Any decision on which of the four options is preferred is a political decision and must be made by Council itself. The advice of the Chief Financial Officer, is that on balance, Option two could be seen as the preferred option, given the following factors:

- The significantly higher levels of debt headroom achieved, certainly post-year three. This option optimises that and therefore arguably better fixes the balance sheet which is a key focus of the financial strategy.
- The element of relief that it provides to the year 1 headline number, utilising the interest and depreciation saving opportunity that has come from the reforecast of capital out of the current year and into year 1 of the LTP, to smooth the level of rates increase over the first two years of the LTP.
- The maintenance of rates increases at the forecast average level of inflation during that time period, it is difficult to argue the credibility of the alternative of pushing this down to 1%, and this presents significant risks to the objective of providing predictability of future levels of rates increase.
- Compliance with the debt servicing measure.
- No obvious concerns with the indicator property profile, with the profile aligning with expectations given the headline rates increase levels and the nature of those properties and the services they receive.

The obvious disadvantage of Option two is that we are non-compliant with the 2% Waters affordability metric for years five to nine. That said, we are compliant with the 5% All of Council affordability metric. The other argument is that the situation is largely academic anyway, given the high likelihood that by year five when the issue arises, the Waters business is quite likely to be outside Council and being managed under very different circumstances and parameters.

It is suggested that Option three be discounted from consideration given the extended period of seven years that debt headroom comfort levels are not achieved.

4.0 INDICATOR PROPERTIES

The following indicator properties are based upon the confirmed budget above.

The first set of indicator properties for the three years are for Options one and two. The second set of indicator properties for the three years are for Options three and four.

4.1 Revisiting the methodology

For context, Council applies the following approach to setting rates (this extract is as per Council's Revenue and Financing Policy 2021):

'Council seeks to fund private benefit from fees and charges, community benefit from targeted rates, and whole district benefit from a mixture of general rates, uniform annual general charges, and targeted rates for district-wide activities.

Council uses a capital value rating system across the district. Capital value is preferred to land value because Council believes this generally provides a better surrogate for ability to pay. Rates in a capital value rating system are collected as follows:

- (a) A General Rate - Is a rate in the dollar for the capital value of the property and is used to meet a portion of district-wide funding.
- (b) Uniform Annual General Charge (UAGC) - A uniform annual general charge, based on a fixed amount per separately used or inhabited part of a rating unit (SUIP), is used to meet a portion of district-wide funding.
- (c) Targeted Rates - The targeted area rate which is a fixed amount per rating unit is collected on a differential basis based on location.'

4.2 The indicator properties presented here:

- Are used to demonstrate the impact of the budget scenarios in dollar terms across different areas of the district.
- Cover 12 different property types located in different areas within the district.
- Are based on a set of specific properties selected for year-to-year comparison. Waters rates are based on the prior year's consumption for the particular property.
- The increase in water rates and residual Council are separated to aid understanding. Both the water and wastewater individual rates now include the impact of the change suggested in the Revenue and Finance Policy workshop (we have provided a note for the properties in year1 for visibility).
- For year 1, both residual council and the two water activities are based on rating levels required to fund the operational costs associated with Council activities. In year 2, residual council is based on the rating level required to fund operational costs and the rates required

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for the two waters activity is based on the level of revenue required to ensure a waters CCO will be compliant with a debt to revenue ratio of five times revenue.

- In line with section 21 of the Act, councils cannot have more than 30 per cent of the total rates bill based on uniformly set rates (with some definitional exclusions). For the 2025/26 year, this is set at around 22 per cent of the total rates bill. The UAGC was increased in line with the rate requirements to fund the activities for residual council – (11.0 per cent before growth in 2025/26). This ensures that the users of water and wastewater services are paying the portion of costs associated with services delivered to them (mainly the urban and industrial/commercial properties).

Additional Notes:

- Indicator properties presented on 5 November 2024 showed wastewater charges at \$1,177 (GST inclusive) and water charges of \$459 (GST inclusive). The change represents the amendment in the draft Revenue and Finance policy to support the ringfencing principles in the Local Waters Done Well work as well as further budget impacts.
- It is important in considering the Indicator Property information that the dollar increases per week are also considered, as well as the percentage increases. Dollar increases of a similar amount result in higher percentage increases when starting with a lower base. This is seen in the residential property indicators below where the lower valued properties have lower dollar increases per week, but higher percentage increases.



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4.3 Indicator properties

The detailed outputs for the indicator properties are outlined in the following pages.

YEAR ONE APPLIES TO:

OPTION 1 – SMOOTHING OF EARLY YEAR RATES AND WATERS AFFORDABILITY MET

OPTION 2 – SMOOTHING OF EARLY YEAR RATES AND WATERS AFFORDABILITY NOT MET

	Cambridge Area			Te Awamutu Area			Pirongia Village			Ohaupo Village			Ngahinapouri Village		
	645,000 1 SUIP	1,100,000 1 SUIP	2,560,000 1 SUIP	690,000 1 SUIP	800,000 1 SUIP	1,330,000 1 SUIP	750,000 1 SUIP	980,000 1 SUIP	1,220,000 1 SUIP	700,000 1 SUIP	950,000 1 SUIP	1,340,000 1 SUIP	740,000 1 SUIP	1,030,000 1 SUIP	2,300,000 1 SUIP
General rates:															
Fixed Targeted Rates	456	456	456	344	344	344	200	200	200	229	229	229	207	207	207
UAGC	894	894	894	894	894	894	894	894	894	894	894	894	894	894	894
Recycling & Kerbside charge	191	191	191	191	191	191	191	191	191	191	191	191	191	191	191
Capital Value Rates	783	1,335	3,107	841	975	1,622	909	1,188	1,479	848	1,152	1,624	897	1,248	2,788
Water charges:															
Stormwater charges	254	433	1,007	271	315	523	295	385	480	275	374	527	63	88	196
Waste water charges	1,237	1,237	1,237	1,237	1,237	1,237	-	-	-	-	-	-	-	-	-
Equivalent Metered Water	470	470	470	470	470	470	470	470	470	470	470	470	470	470	470
Total Rates	4,284	5,015	7,361	4,248	4,426	5,280	2,959	3,328	3,713	2,907	3,308	3,935	2,251	2,627	4,274
\$ increase per week	11.47	12.72	16.70	11.72	12.02	13.48	5.49	6.12	6.78	5.35	6.04	7.11	2.89	3.46	5.94
\$ increase residual council per week	3.50	4.74	8.72	3.74	4.05	5.50	3.51	4.14	4.80	3.37	4.06	5.13	2.89	3.46	5.94
\$ increase 2 waters per week	7.98	7.98	7.98	7.98	7.98	7.98	1.98	1.98	1.98	1.98	1.98	1.98	-	-	-
% increase	16.18%	15.19%	13.38%	16.75%	16.45%	15.30%	10.68%	10.58%	10.50%	10.59%	10.49%	10.38%	7.15%	7.34%	7.78%

	Rural Residential Cambridge			Rural Residential Te Awamutu			Pirongia Area					Kakepuku Area				Maungatautari Area					
	860,000 1 SUIP	1,380,000 1 SUIP	2,840,000 1 SUIP	837,000 1 SUIP	1,330,000 1 SUIP	2,550,000 1 SUIP	1,080,000 1 SUIP	2,970,000 1 SUIP	3,450,000 2 SUIPs	7,165,000 1 SUIP	7,360,000 3 SUIPs	1,690,000 1 SUIP	5,550,000 1 SUIP	7,810,000 1 SUIP	8,860,000 2 SUIPs	870,000 1 SUIP	1,303,000 2 SUIPs	3,520,000 1 SUIP	7,350,000 1 SUIP	7,430,000 2 SUIPs	
General rates:																					
Fixed Targeted Rates	456	456	476	344	344	344	203	183	177	177	333	226	226	226	226	358	321	358	349	353	
UAGC	894	894	894	894	894	894	894	894	1,787	894	2,681	894	894	894	1,787	894	1,787	894	894	1,787	
Recycling & Kerbside charge	-	-	191	-	191	191	191	191	381	191	572	191	191	191	381	191	381	191	191	381	
Capital Value Rates	1,044	1,675	3,446	1,021	1,622	3,109	1,309	3,600	4,182	8,685	8,921	2,048	6,727	9,467	10,739	1,055	1,579	4,267	8,909	9,006	
Water charges:																					
Stormwater charges	73	117	242	71	113	217	92	1,168	294	610	626	144	472	665	754	74	111	300	625	632	
Waste water charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Equivalent Metered Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	470	-	-	-	-	
Total Rates	2,466.28	3,141.53	5,248.55	2,329.00	3,162.79	4,754.23	2,687.91	6,035.00	6,820.44	10,555.27	13,133.05	3,502.86	8,510.06	11,441.72	13,888.05	3,041.38	4,179.74	6,008.61	10,967.55	12,159.67	
\$ increase per week	3.42	4.42	7.23	3.50	4.44	6.82	3.55	9.61	9.87	15.44	19.19	5.05	12.59	17.00	20.74	5.23	5.78	8.42	15.90	17.74	
\$ increase residual council per week	3.42	4.42	7.23	3.50	4.44	6.82	3.55	9.61	9.87	15.44	19.19	5.05	12.59	17.00	20.74	3.25	5.78	8.42	15.90	17.74	
\$ increase 2 waters per week	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.98	-	-	-	-	
% increase	7.77%	7.90%	7.71%	8.48%	7.88%	8.05%	7.38%	9.03%	8.13%	8.23%	8.22%	8.11%	8.34%	8.38%	8.42%	9.82%	7.74%	7.86%	8.15%	8.21%	

	Commercial Industrial Cambridge			Commercial Industrial Te Awamutu			
	530,000 1 SUIP	1,350,000 1 SUIP	3,450,000 1 SUIP	405,000 1 SUIP	1,400,000 1 SUIP	4,320,000 1 SUIP	3,960,000 3 SUIPs
General rates:							
Fixed Targeted Rates	456	456	456	344	344	344	344
UAGC	894	894	894	894	894	894	2,681
Recycling & Kerbside charge	-	-	-	-	-	-	191
Capital Value Rates	643	1,638	4,187	494	1,707	5,288	4,829
Water charges:							
Stormwater charges	208	531	1,357	159	551	368	1,557
Waste water charges	1,237	1,237	7,363	1,237	2,475	1,237	6,311
Equivalent Metered Water	1,813	1,813	1,813	1,813	1,813	1,813	1,813
Total Rates	5,251.85	6,569.42	16,068.79	4,941.08	7,783.06	10,113.86	17,534.48
\$ increase per week	16.84	19.08	54.48	16.62	25.34	23.90	54.35
\$ increase residual council per week	3.20	5.44	11.17	2.98	5.71	10.26	16.14
\$ increase 2 waters per week	13.64	13.64	43.31	13.64	19.63	13.64	38.21
% increase	20.02%	17.79%	21.40%	21.20%	20.38%	14.01%	19.22%



MEMO

YEAR TWO APPLIES TO:

OPTION 1 – SMOOTHING OF EARLY YEAR RATES AND WATERS AFFORDABILITY MET

OPTION 2 – SMOOTHING OF EARLY YEAR RATES AND WATERS AFFORDABILITY NOT MET

	Cambridge Area			Te Awamutu Area			Pirongia Village			Ohaupo Village			Ngahinapouri Village		
	645,000 1 SUIP	1,100,000 1 SUIP	2,560,000 1 SUIP	690,000 1 SUIP	800,000 1 SUIP	1,330,000 1 SUIP	750,000 1 SUIP	980,000 1 SUIP	1,220,000 1 SUIP	700,000 1 SUIP	950,000 1 SUIP	1,340,000 1 SUIP	740,000 1 SUIP	1,030,000 1 SUIP	2,300,000 1 SUIP
General rates:															
Fixed Targeted Rates	432	432	432	329	329	329	202	202	202	231	231	231	209	209	209
UAGC	953	953	953	953	953	953	953	953	953	953	953	953	953	953	953
Recycling & Kerbside charge	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194
Capital Value Rates	839	1,431	3,331	902	1,046	1,739	975	1,275	1,587	910	1,236	1,743	962	1,340	2,992
Water charges:															
Stormwater charges	283	483	1,125	303	351	584	329	431	536	308	417	589	78	109	243
Waste water charges	1,509	1,509	1,509	1,509	1,509	1,509	-	-	-	-	-	-	-	-	-
Equivalent Metered Water	549	549	549	549	549	549	549	549	549	549	549	549	-	-	-
Total Rates	4,760	5,552	8,093	4,740	4,932	5,858	3,203	3,604	4,021	3,145	3,580	4,259	2,396	2,804	4,590
\$ increase per week	9.14	10.31	14.07	9.45	9.73	11.10	4.71	5.30	5.92	4.58	5.22	6.23	2.80	3.41	6.08
\$ increase residual council per week	2.40	3.57	7.33	2.71	2.99	4.36	3.19	3.78	4.40	3.06	3.70	4.71	2.80	3.41	6.08
\$ increase 2 waters per week	6.74	6.74	6.74	6.74	6.74	6.74	1.52	1.52	1.52	1.52	1.52	1.52	-	-	-
% increase	11.10%	10.69%	9.94%	11.56%	11.43%	10.93%	8.27%	8.28%	8.29%	8.19%	8.21%	8.24%	6.47%	6.75%	7.39%

	Rural Residential Cambridge			Rural Residential Te Awamutu			Pirongia Area			Kakepuku Area			Maungatautari Area							
	860,000 1 SUIP	1,380,000 1 SUIP	2,840,000 1 SUIP	837,000 1 SUIP	1,330,000 1 SUIP	2,550,000 1 SUIP	1,080,000 1 SUIP	2,970,000 1 SUIP	3,450,000 2 SUIPs	7,165,000 1 SUIP	7,360,000 3 SUIPs	1,690,000 1 SUIP	5,550,000 1 SUIP	7,810,000 1 SUIP	8,860,000 2 SUIPs	870,000 1 SUIP	1,303,000 2 SUIPs	3,520,000 1 SUIP	7,350,000 1 SUIP	7,430,000 2 SUIPs
General rates:																				
Fixed Targeted Rates	432	432	452	329	329	329	205	185	179	179	335	226	226	226	226	349	312	349	340	344
UAGC	953	953	953	953	953	953	953	953	1,905	953	2,858	953	953	953	1,905	953	1,905	953	953	1,905
Recycling & Kerbside charge	-	-	194	-	-	194	-	-	194	-	389	-	-	194	389	194	194	194	194	389
Capital Value Rates	1,119	1,796	3,696	1,095	1,739	3,335	1,405	3,863	4,487	9,319	9,573	2,198	7,219	10,158	11,524	1,132	1,695	4,578	9,560	9,664
Water charges:																				
Stormwater charges	91	146	300	89	141	270	114	1,305	365	758	779	179	587	826	937	92	138	372	778	786
Waste water charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equivalent Metered Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	549	-	-	-	-
Total Rates	2,594.68	3,326.39	5,595.51	2,464.75	3,355.88	5,080.32	2,870.67	6,499.40	7,324.80	11,402.83	14,127.26	3,750.14	9,179.04	12,357.62	14,981.33	3,269.27	4,438.59	6,446.99	11,824.34	13,087.89
\$ increase per week	2.47	3.55	6.67	2.61	3.71	6.27	3.51	8.93	9.70	16.30	19.12	4.76	12.86	17.61	21.02	4.38	4.98	8.43	16.48	17.85
\$ increase residual council per week	2.47	3.55	6.67	2.61	3.71	6.27	3.51	8.93	9.70	16.30	19.12	4.76	12.86	17.61	21.02	2.86	4.98	8.43	16.48	17.85
\$ increase 2 waters per week	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.52	-	-	-	-
% increase	5.21%	5.88%	6.61%	5.83%	6.10%	6.86%	6.80%	7.70%	7.39%	8.03%	7.57%	7.06%	7.86%	8.00%	7.87%	7.49%	6.19%	7.30%	7.81%	7.63%

	Commercial Industrial Cambridge			Commercial Industrial Te Awamutu			
	530,000 1 SUIP	1,350,000 1 SUIP	3,450,000 1 SUIP	405,000 1 SUIP	1,400,000 1 SUIP	4,320,000 1 SUIP	3,960,000 3 SUIPs
General rates:							
Fixed Targeted Rates	432	432	432	329	329	329	329
UAGC	953	953	953	953	953	953	2,858
Recycling & Kerbside charge	-	-	-	-	-	194	-
Capital Value Rates	690	1,757	4,490	530	1,831	5,649	5,178
Water charges:							
Stormwater charges	233	593	1,516	178	615	457	1,740
Waste water charges	1,509	1,509	8,977	1,509	3,018	1,509	7,695
Equivalent Metered Water	2,118	2,118	2,118	2,118	2,118	2,118	2,118
Total Rates	5,933.98	7,361.31	18,485.21	5,616.11	8,863.14	11,209.05	19,917.95
\$ increase per week	13.12	15.23	46.47	12.98	20.77	21.06	45.84
\$ increase residual council per week	2.04	4.15	9.56	1.90	4.47	9.98	13.36
\$ increase 2 waters per week	11.08	11.08	36.91	11.08	16.30	11.08	32.48
% increase	12.99%	12.05%	15.04%	13.66%	13.88%	10.83%	13.59%



MEMO

YEAR THREE APPLIES TO:

OPTION 1 – SMOOTHING OF EARLY YEAR RATES AND WATERS AFFORDABILITY MET

OPTION 2 – SMOOTHING OF EARLY YEAR RATES AND WATERS AFFORDABILITY NOT MET

	Cambridge Area			Te Awamutu Area			Pirongia Village			Ohaupo Village			Ngahinapouri Village		
	645,000 1 SUIP	1,100,000 1 SUIP	2,560,000 1 SUIP	690,000 1 SUIP	800,000 1 SUIP	1,330,000 1 SUIP	750,000 1 SUIP	980,000 1 SUIP	1,220,000 1 SUIP	700,000 1 SUIP	950,000 1 SUIP	1,340,000 1 SUIP	740,000 1 SUIP	1,030,000 1 SUIP	2,300,000 1 SUIP
General rates:															
Fixed Targeted Rates	456	456	456	339	339	339	218	218	218	246	246	246	224	224	224
UAGC	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016
Recycling & Kerbside charge	185	185	185	185	185	185	185	185	185	185	185	185	185	185	185
Capital Value Rates	887	1,513	3,522	952	1,104	1,835	1,032	1,348	1,678	963	1,307	1,843	1,018	1,417	3,163
Water charges:															
Stormwater charges	306	522	1,216	328	380	632	356	465	579	332	451	636	85	118	265
Waste water charges	1,633	1,633	1,633	1,633	1,633	1,633	-	-	-	-	-	-	-	-	-
Equivalent Metered Water	599	599	599	599	599	599	599	599	599	599	599	599	-	-	-
Total Rates	5,082	5,924	8,626	5,051	5,255	6,238	3,405	3,830	4,274	3,341	3,803	4,525	2,527	2,960	4,852
\$ increase per week	6.20	7.16	10.25	5.99	6.22	7.32	3.87	4.36	4.87	3.76	4.29	5.12	2.52	2.99	5.04
\$ increase residual council per week	2.86	3.82	6.91	2.65	2.88	3.98	2.92	3.41	3.91	2.81	3.34	4.17	2.52	2.99	5.04
\$ increase 2 waters per week	3.34	3.34	3.34	3.34	3.34	3.34	0.95	0.95	0.95	0.95	0.95	0.95	-	-	-
% increase	6.77%	6.71%	6.59%	6.57%	6.56%	6.50%	6.28%	6.29%	6.29%	6.22%	6.24%	6.25%	5.47%	5.54%	5.71%

	Rural Residential Cambridge			Rural Residential Te Awamutu			Pirongia Area			Kakepuku Area			Maungatautari Area								
	860,000 1 SUIP	1,380,000 1 SUIP	2,840,000 1 SUIP	837,000 1 SUIP	1,330,000 1 SUIP	2,550,000 1 SUIP	1,080,000 1 SUIP	2,970,000 1 SUIP	3,450,000 2 SUIPs	7,165,000 1 SUIP	7,360,000 3 SUIPs	1,690,000 1 SUIP	5,550,000 1 SUIP	7,810,000 1 SUIP	8,860,000 2 SUIPs	870,000 1 SUIP	1,303,000 2 SUIPs	3,520,000 1 SUIP	7,350,000 1 SUIP	7,430,000 2 SUIPs	
General rates:																					
Fixed Targeted Rates	456	456	477	339	339	339	220	200	194	194	350	242	242	242	242	372	335	372	363	367	
UAGC	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016	2,031	1,016	3,047	1,016	1,016	1,016	2,031	1,016	2,031	1,016	1,016	2,031	
Recycling & Kerbside charge	-	-	185	-	-	185	-	-	185	-	555	-	-	-	370	185	370	185	185	370	
Capital Value Rates	1,183	1,899	3,907	1,155	1,835	3,519	1,485	4,085	4,745	9,855	10,123	2,324	7,633	10,742	12,186	1,197	1,792	4,841	10,109	10,219	
Water charges:																					
Stormwater charges	99	159	327	96	153	293	124	1,411	397	824	846	194	638	898	1,019	100	150	405	845	854	
Waste water charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equivalent Metered Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	599	-	-	-	-	-
Total Rates	2,753.69	3,528.88	5,910.63	2,805.74	3,527.63	5,351.53	3,030.23	6,896.18	7,736.78	12,073.22	14,920.93	3,961.32	9,714.26	13,082.56	15,847.87	3,468.19	4,677.80	6,818.86	12,517.74	13,841.46	
\$ increase per week	3.06	3.89	6.06	2.71	3.30	5.22	3.07	7.63	7.92	12.89	15.26	4.06	10.29	13.94	16.66	3.83	4.60	7.15	13.33	14.49	
\$ increase residual council per week	3.06	3.89	6.06	2.71	3.30	5.22	3.07	7.63	7.92	12.89	15.26	4.06	10.29	13.94	16.66	2.87	4.60	7.15	13.33	14.49	
\$ increase 2 waters per week	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.95	-	-	-	-	-
% increase	6.13%	6.09%	5.63%	5.72%	5.12%	5.34%	5.56%	6.10%	5.62%	5.88%	5.62%	5.63%	5.83%	5.87%	5.78%	6.08%	5.39%	5.77%	5.86%	5.76%	

	Commercial Industrial Cambridge			Commercial Industrial Te Awamutu			
	530,000 1 SUIP	1,350,000 1 SUIP	3,450,000 1 SUIP	405,000 1 SUIP	1,400,000 1 SUIP	4,320,000 1 SUIP	3,960,000 3 SUIPs
General rates:							
Fixed Targeted Rates	456	456	456	339	339	339	339
UAGC	1,016	1,016	1,016	1,016	1,016	1,016	3,047
Recycling & Kerbside charge	-	-	-	-	-	185	-
Capital Value Rates	729	1,857	4,746	559	1,932	5,962	5,465
Water charges:							
Stormwater charges	252	641	1,639	192	665	497	1,881
Waste water charges	1,633	1,633	9,716	1,633	3,266	1,633	8,328
Equivalent Metered Water	2,309	2,309	2,309	2,309	2,309	2,309	2,309
Total Rates	6,394.52	7,912.10	19,881.91	6,047.68	9,526.36	11,939.69	21,368.37
\$ increase per week	8.86	10.59	26.86	8.30	12.75	14.05	27.89
\$ increase residual council per week	2.80	4.53	8.98	2.24	4.31	7.99	12.04
\$ increase 2 waters per week	6.06	6.06	17.88	6.06	8.45	6.06	15.85
% increase	7.76%	7.48%	7.56%	7.68%	7.48%	6.52%	7.28%



MEMO

YEAR ONE APPLIES TO:

OPTION 3 – RATING INCREASES IN EARLY YEARS MAINTAINED, WATERS AFFORDABILITY MET

OPTION 4 – RATING INCREASES IN EARLY YEARS MAINTAINED, WATERS AFFORDABILITY NOT MET

	Cambridge Area			Te Awamutu Area			Pirongia Village			Ohaupo Village			Ngahinapouri Village		
	645,000 1 SUIP	1,100,000 1 SUIP	2,560,000 1 SUIP	690,000 1 SUIP	800,000 1 SUIP	1,330,000 1 SUIP	750,000 1 SUIP	980,000 1 SUIP	1,220,000 1 SUIP	700,000 1 SUIP	950,000 1 SUIP	1,340,000 1 SUIP	740,000 1 SUIP	1,030,000 1 SUIP	2,300,000 1 SUIP
General rates:															
Fixed Targeted Rates	456	456	456	344	344	344	200	200	200	229	229	229	207	207	207
UAGC	898	898	898	898	898	898	898	898	898	898	898	898	898	898	898
Recycling & Kerbside charge	191	191	191	191	191	191	191	191	191	191	191	191	191	191	191
Capital Value Rates	786	1,340	3,118	845	979	1,628	913	1,192	1,484	852	1,156	1,630	900	1,253	2,798
Water charges:															
Stormwater charges	254	433	1,007	271	315	523	295	385	480	275	374	527	63	88	196
Waste water charges	1,248	1,248	1,248	1,248	1,248	1,248	-	-	-	-	-	-	-	-	-
Equivalent Metered Water	473	473	473	473	473	473	473	473	473	473	473	473	-	-	-
Total Rates	4,305	5,038	7,391	4,269	4,447	5,304	2,969	3,340	3,726	2,917	3,320	3,948	2,258	2,636	4,289
\$ increase per week	11.87	13.15	17.26	12.12	12.43	13.93	5.70	6.35	7.03	5.55	6.26	7.37	3.03	3.63	6.22
\$ increase residual council per week	3.63	4.91	9.03	3.88	4.19	5.69	3.65	4.30	4.99	3.51	4.22	5.32	3.03	3.63	6.22
\$ increase 2 waters per week	8.24	8.24	8.24	8.24	8.24	8.24	2.04	2.04	2.04	2.04	2.04	2.04	-	-	-
% increase	16.74%	15.70%	13.83%	17.32%	17.01%	15.82%	11.08%	10.97%	10.88%	10.98%	10.87%	10.75%	7.51%	7.70%	8.15%

	Rural Residential Cambridge			Rural Residential Te Awamutu			Pirongia Area			Kakepuku Area			Maungatautari Area							
	860,000 1 SUIP	1,380,000 1 SUIP	2,840,000 1 SUIP	837,000 1 SUIP	1,330,000 1 SUIP	2,550,000 1 SUIP	1,080,000 1 SUIP	2,970,000 1 SUIP	3,450,000 2 SUIPs	7,165,000 1 SUIP	7,360,000 3 SUIPs	1,690,000 1 SUIP	5,550,000 1 SUIP	7,810,000 1 SUIP	8,860,000 2 SUIPs	870,000 1 SUIP	1,303,000 2 SUIPs	3,520,000 1 SUIP	7,350,000 1 SUIP	7,430,000 2 SUIPs
General rates:																				
Fixed Targeted Rates	456	456	476	344	344	344	203	183	177	177	333	226	226	226	226	358	321	358	349	353
UAGC	898	898	898	898	898	898	898	898	898	2,693	898	898	898	1,795	898	898	1,795	898	898	1,795
Recycling & Kerbside charge	-	191	191	191	191	191	191	191	191	381	572	191	191	191	381	191	381	191	191	381
Capital Value Rates	1,048	1,681	3,459	1,024	1,628	3,121	1,314	3,614	4,198	8,718	8,955	2,056	6,753	9,502	10,780	1,059	1,585	4,283	8,943	9,040
Water charges:																				
Stormwater charges	73	117	242	71	113	217	92	1,168	294	610	626	144	472	665	754	74	111	300	625	632
Waste water charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equivalent Metered Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	473	-	-	-	-
Total Rates	2,474.26	3,151.91	5,265.65	2,336.88	3,172.94	4,769.98	2,696.91	6,052.68	6,844.36	10,592.26	13,178.98	3,514.66	8,539.62	11,481.68	13,936.85	3,052.50	4,193.78	6,028.83	11,005.39	12,201.90
\$ increase per week	3.57	4.62	7.56	3.65	4.64	7.12	3.73	9.95	10.33	16.15	20.07	5.28	13.16	17.77	21.68	5.44	6.05	8.81	16.63	18.55
\$ increase residual council per week	3.57	4.62	7.56	3.65	4.64	7.12	3.73	9.95	10.33	16.15	20.07	5.28	13.16	17.77	21.68	3.40	6.05	8.81	16.63	18.55
\$ increase 2 waters per week	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.04	-	-	-	-
% increase	8.12%	8.26%	8.06%	8.84%	8.22%	8.41%	7.74%	9.35%	8.51%	8.61%	8.60%	8.47%	8.71%	8.75%	8.80%	10.22%	8.11%	8.22%	8.53%	8.59%

	Commercial Industrial Cambridge			Commercial Industrial Te Awamutu			
	530,000 1 SUIP	1,350,000 1 SUIP	3,450,000 1 SUIP	405,000 1 SUIP	1,400,000 1 SUIP	4,320,000 1 SUIP	3,960,000 3 SUIPs
General rates:							
Fixed Targeted Rates	456	456	456	344	344	344	344
UAGC	898	898	898	898	898	898	2,693
Recycling & Kerbside charge	-	-	-	-	-	191	-
Capital Value Rates	646	1,644	4,202	496	1,714	5,287	4,847
Water charges:							
Stormwater charges	208	531	1,357	159	551	368	1,557
Waste water charges	1,248	1,248	7,424	1,248	2,496	1,248	6,364
Equivalent Metered Water	1,825	1,825	1,825	1,825	1,825	1,825	1,825
Total Rates	5,280.61	6,601.95	16,162.21	4,969.25	7,826.16	10,160.05	17,629.49
\$ increase per week	17.40	19.71	56.28	17.16	26.17	24.79	56.18
\$ increase residual council per week	3.33	5.64	11.56	3.09	5.91	10.72	16.72
\$ increase 2 waters per week	14.07	14.07	44.72	14.07	20.26	14.07	39.46
% increase	20.67%	18.38%	22.11%	21.89%	21.05%	14.53%	19.86%



MEMO

YEAR TWO APPLIES TO:

OPTION 3 – RATING INCREASES IN EARLY YEARS MAINTAINED, WATERS AFFORDABILITY MET

OPTION 4 – RATING INCREASES IN EARLY YEARS MAINTAINED, WATERS AFFORDABILITY NOT MET

	Cambridge Area			Te Awamutu Area			Pirongia Village			Ohaupo Village			Ngahinapouri Village		
	645,000 1 SUIP	1,100,000 1 SUIP	2,560,000 1 SUIP	690,000 1 SUIP	800,000 1 SUIP	1,330,000 1 SUIP	750,000 1 SUIP	980,000 1 SUIP	1,220,000 1 SUIP	700,000 1 SUIP	950,000 1 SUIP	1,340,000 1 SUIP	740,000 1 SUIP	1,030,000 1 SUIP	2,300,000 1 SUIP
General rates:															
Fixed Targeted Rates	432	432	432	329	329	329	202	202	202	231	231	231	209	209	209
UAGC	944	944	944	944	944	944	944	944	944	944	944	944	944	944	944
Recycling & Kerbside charge	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194
Capital Value Rates	831	1,418	3,299	894	1,036	1,722	966	1,262	1,571	902	1,224	1,726	953	1,327	2,962
Water charges:															
Stormwater charges	283	483	1,125	303	351	584	329	431	536	308	417	589	78	109	243
Waste water charges	1,518	1,518	1,518	1,518	1,518	1,518	-	-	-	-	-	-	-	-	-
Equivalent Metered Water	554	554	554	554	554	554	554	554	554	554	554	554	-	-	-
Total Rates	4,756	5,543	8,066	4,736	4,927	5,846	3,190	3,587	4,002	3,132	3,564	4,237	2,378	2,782	4,552
\$ increase per week	8.69	9.71	12.98	8.98	9.22	10.42	4.24	4.76	5.30	4.13	4.69	5.57	2.31	2.82	5.07
\$ increase residual council per week	1.94	2.96	6.24	2.23	2.48	3.67	2.69	3.21	3.75	2.58	3.14	4.02	2.31	2.82	5.07
\$ increase 2 waters per week	6.75	6.75	6.75	6.75	6.75	6.75	1.55	1.55	1.55	1.55	1.55	1.55	-	-	-
% increase	10.49%	10.02%	9.13%	10.93%	10.79%	10.21%	7.42%	7.41%	7.40%	7.35%	7.34%	7.34%	5.31%	5.56%	6.14%

	Rural Residential Cambridge			Rural Residential Te Awamutu			Pirongia Area			Kakepuku Area			Maungatautari Area							
	860,000 1 SUIP	1,380,000 1 SUIP	2,840,000 1 SUIP	837,000 1 SUIP	1,330,000 1 SUIP	2,550,000 1 SUIP	1,080,000 1 SUIP	2,970,000 1 SUIP	3,450,000 2 SUIPs	7,165,000 1 SUIP	7,360,000 3 SUIPs	1,690,000 1 SUIP	5,550,000 1 SUIP	7,810,000 1 SUIP	8,860,000 2 SUIPs	870,000 1 SUIP	1,303,000 2 SUIPs	3,520,000 1 SUIP	7,350,000 1 SUIP	7,430,000 2 SUIPs
General rates:																				
Fixed Targeted Rates	432	432	452	329	329	329	205	185	179	179	335	226	226	226	226	349	312	349	340	344
UAGC	944	944	944	944	944	944	944	944	1,887	944	2,831	944	944	1,887	944	944	1,887	944	944	1,887
Recycling & Kerbside charge	-	-	194	-	194	194	194	194	389	194	583	194	194	389	194	194	389	194	194	389
Capital Value Rates	1,108	1,778	3,660	1,084	1,722	3,302	1,391	3,825	4,444	9,229	9,480	2,177	7,148	10,059	11,412	1,121	1,678	4,534	9,467	9,570
Water charges:																				
Stormwater charges	91	146	300	89	141	270	114	1,305	365	758	779	179	587	826	937	92	138	372	778	786
Waste water charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equivalent Metered Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	554	-	-	-	-	-
Total Rates	2,574.89	3,300.02	5,550.67	2,445.27	3,330.16	5,039.16	2,848.10	6,452.92	7,263.35	11,303.28	14,007.45	3,719.86	9,099.93	12,249.92	14,851.45	3,253.98	4,404.29	6,393.56	11,722.46	12,976.09
\$ increase per week	1.94	2.85	5.48	2.08	3.02	5.18	2.91	7.70	8.06	13.67	15.93	3.95	10.78	14.77	17.59	3.87	4.05	7.01	13.79	14.89
\$ increase residual council per week	1.94	2.85	5.48	2.08	3.02	5.18	2.91	7.70	8.06	13.67	15.93	3.95	10.78	14.77	17.59	2.33	4.05	7.01	13.79	14.89
\$ increase 2 waters per week	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.55	-	-	-	-
% increase	4.07%	4.70%	5.41%	4.64%	4.95%	5.64%	5.61%	6.61%	6.12%	6.71%	6.29%	5.84%	6.56%	6.69%	6.56%	6.60%	5.02%	6.05%	6.52%	6.34%

	Commercial Industrial Cambridge			Commercial Industrial Te Awamutu			
	530,000 1 SUIP	1,350,000 1 SUIP	3,450,000 1 SUIP	405,000 1 SUIP	1,400,000 1 SUIP	4,320,000 1 SUIP	3,960,000 3 SUIPs
General rates:							
Fixed Targeted Rates	432	432	432	329	329	329	329
UAGC	944	944	944	944	944	944	2,831
Recycling & Kerbside charge	-	-	-	-	-	194	-
Capital Value Rates	683	1,740	4,446	524	1,813	5,594	5,128
Water charges:							
Stormwater charges	233	593	1,516	178	615	457	1,740
Waste water charges	1,518	1,518	9,032	1,518	3,036	1,518	7,742
Equivalent Metered Water	2,136	2,136	2,136	2,136	2,136	2,136	2,136
Total Rates	5,945.40	7,362.35	18,505.23	5,629.11	8,872.75	11,172.52	19,905.90
\$ increase per week	12.78	14.62	45.06	12.69	20.13	19.47	43.78
\$ increase residual council per week	1.61	3.45	8.16	1.52	3.76	8.30	11.30
\$ increase 2 waters per week	11.17	11.17	36.90	11.17	16.37	11.17	32.48
% increase	12.59%	11.52%	14.50%	13.28%	13.37%	9.97%	12.91%



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YEAR THREE APPLIES TO:

OPTION 3 – RATING INCREASES IN EARLY YEARS MAINTAINED, WATERS AFFORDABILITY MET

OPTION 4 – RATING INCREASES IN EARLY YEARS MAINTAINED, WATERS AFFORDABILITY NOT MET

	Cambridge Area			Te Awamutu Area			Pirongia Village			Ohaupo Village			Ngahinapouri Village		
	645,000 1 SUJP	1,100,000 1 SUJP	2,560,000 1 SUJP	690,000 1 SUJP	800,000 1 SUJP	1,330,000 1 SUJP	750,000 1 SUJP	980,000 1 SUJP	1,220,000 1 SUJP	700,000 1 SUJP	950,000 1 SUJP	1,340,000 1 SUJP	740,000 1 SUJP	1,030,000 1 SUJP	2,300,000 1 SUJP
General rates:															
Fixed Targeted Rates	456	456	456	339	339	339	218	218	218	246	246	246	224	224	224
UAGC	998	998	998	998	998	998	998	998	998	998	998	998	998	998	998
Recycling & Kerbside charge	185	185	185	185	185	185	185	185	185	185	185	185	185	185	185
Capital Value Rates	852	1,454	3,384	915	1,061	1,764	991	1,295	1,612	925	1,255	1,771	978	1,361	3,039
Water charges:															
Stormwater charges	306	522	1,216	328	380	632	356	465	579	332	451	636	85	118	265
Waste water charges	1,647	1,647	1,647	1,647	1,647	1,647	-	-	-	-	-	-	-	-	-
Equivalent Metered Water	604	604	604	604	604	604	604	604	604	604	604	604	-	-	-
Total Rates	5,049	5,867	8,490	5,016	5,214	6,168	3,352	3,765	4,197	3,291	3,740	4,441	2,470	2,887	4,711
\$ increase per week	5.63	6.23	8.16	5.38	5.53	6.20	3.13	3.43	3.75	3.06	3.39	3.91	1.77	2.01	3.05
\$ increase residual council per week	2.19	2.79	4.72	1.94	2.08	2.76	2.16	2.47	2.78	2.10	2.43	2.94	1.77	2.01	3.05
\$ increase 2 waters per week	3.44	3.44	3.44	3.44	3.44	3.44	0.97	0.97	0.97	0.97	0.97	0.97	-	-	-
% increase	6.15%	5.85%	5.26%	5.91%	5.83%	5.52%	5.10%	4.98%	4.87%	5.08%	4.95%	4.80%	3.87%	3.76%	3.48%

	Rural Residential Cambridge			Rural Residential Te Awamutu			Pirongia Area					Kakepuku Area				Maungatautari Area				
	860,000 1 SUJP	1,380,000 1 SUJP	2,840,000 1 SUJP	837,000 1 SUJP	1,330,000 1 SUJP	2,550,000 1 SUJP	1,080,000 1 SUJP	2,970,000 1 SUJP	3,450,000 2 SUJPs	7,165,000 1 SUJP	7,360,000 3 SUJPs	1,690,000 1 SUJP	5,550,000 1 SUJP	7,810,000 1 SUJP	8,860,000 2 SUJPs	870,000 1 SUJP	1,303,000 2 SUJPs	3,520,000 1 SUJP	7,350,000 1 SUJP	7,430,000 2 SUJPs
General rates:																				
Fixed Targeted Rates	456	456	477	339	339	339	220	200	194	194	350	242	242	242	242	372	335	372	363	367
UAGC	998	998	998	998	998	998	998	998	1,997	998	2,995	998	998	1,997	998	1,997	1,997	998	998	1,997
Recycling & Kerbside charge	-	-	185	-	185	185	185	185	370	185	555	185	185	370	185	370	185	185	370	370
Capital Value Rates	1,137	1,824	3,754	1,110	1,764	3,381	1,427	3,924	4,559	9,467	9,725	2,233	7,333	10,320	11,707	1,150	1,722	4,651	9,712	9,818
Water charges:																				
Stormwater charges	99	159	327	96	153	293	124	1,411	397	824	846	194	638	898	1,019	100	150	405	845	854
Waste water charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equivalent Metered Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	604	-	-	-	-
Total Rates	2,690.07	3,437.15	5,739.98	2,543.35	3,438.60	5,196.55	2,954.72	6,718.50	7,516.01	11,668.81	14,471.69	3,852.82	9,397.13	12,643.28	15,334.70	3,409.33	4,573.07	6,611.46	12,103.33	13,405.58
\$ increase per week	2.21	2.64	3.64	1.89	2.09	3.03	2.05	5.11	4.86	7.03	8.93	2.56	5.72	7.56	9.29	2.88	3.25	4.19	7.32	8.26
\$ increase residual council per week	2.21	2.64	3.64	1.89	2.09	3.03	2.05	5.11	4.86	7.03	8.93	2.56	5.72	7.56	9.29	2.02	3.25	4.19	7.32	8.26
\$ increase 2 waters per week	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.97	-	-	-	-
% increase	4.47%	4.16%	3.41%	4.01%	3.26%	3.12%	3.74%	4.12%	3.48%	3.23%	3.31%	3.57%	3.27%	3.21%	3.25%	4.77%	3.83%	3.41%	3.25%	3.31%

	Commercial Industrial Cambridge			Commercial Industrial Te Awamutu			
	530,000 1 SUJP	1,350,000 1 SUJP	3,450,000 1 SUJP	405,000 1 SUJP	1,400,000 1 SUJP	4,320,000 1 SUJP	3,960,000 3 SUJPs
General rates:							
Fixed Targeted Rates	456	456	456	339	339	339	339
UAGC	998	998	998	998	998	998	2,995
Recycling & Kerbside charge	-	-	-	-	-	-	185
Capital Value Rates	701	1,784	4,560	537	1,856	5,728	5,251
Water charges:							
Stormwater charges	252	641	1,639	192	665	497	1,881
Waste water charges	1,647	1,647	9,798	1,647	3,294	1,647	8,399
Equivalent Metered Water	2,330	2,330	2,330	2,330	2,330	2,330	2,330
Total Rates	6,383.03	7,856.28	19,780.90	6,042.94	9,481.64	11,723.34	21,193.78
\$ increase per week	8.42	9.50	24.53	7.96	11.71	10.59	24.77
\$ increase residual council per week	2.22	3.30	6.07	1.76	3.03	4.39	8.41
\$ increase 2 waters per week	6.20	6.20	18.46	6.20	8.68	6.20	16.36
% increase	7.36%	6.71%	6.89%	7.35%	6.86%	4.93%	6.47%

5.0 ASSURANCE ACTIVITY

It is expected that Council will be operating in a challenging fiscal environment for some time. Council has a number of reporting mechanisms in place through the Finance and Corporate and Audit and Risk Committees to monitor financial parameters and financial risk management actions. Quality assurance is also in place in regard to reforecasting and budgeting processes.

To further manage financial risks staff are proposing the following;

- Continuous improvement of business partnering and reforecasting processes that could further assist in effective and agile means of identifying significant forecasting positions early.
- Further engagement of quality assurance resource across our LTP numbers in both the three waters and the more general finance spaces as a further check of robustness.

5.1 NEXT STEPS

- Formal adoption of confirmed high-level budget at the Council Meeting on the 17th December.
- Formal adoption of the draft LTP financial statements and supporting documentation at the Council Meeting on 28th January.
- Audit commences onsite on the 3rd February.



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ATTACHMENTS

Description
Attachment 1 - Parking lot (ECM 11308557)
Attachment 2 – Work plan (ECM 11325250)

Georgina Knapp
MANAGER ORGANISATIONAL EXCELLENCE

Jolanda Hechter
MANAGER FINANCE

Melissa Russo
MANAGER STRATEGY

Kirsty Downey
GROUP MANAGER STRATEGY

Ken Morris
DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT

APPENDIX ONE**Detailed assumptions and project parameters that form the basis of the confirmed draft budget for the 29th October workshop and the confirmed budget**Key assumptions:

- Balanced budget principle is considered first and then funding the balance sheet is tested.
- Growth pays for growth over time.
- Renewals constrained – increased in later years (refer detail below from the 29th October workshop)
- Waters is funded to a level that ensures compliance with a 5 times debt to revenue ratio if/when these activities move into a CCO.
- Three waters included for the full nine years.
- Borrowing to a maximum of 85 per cent of debt covenant – termed debt comfort level
- Aiming for affordability of within 5 per cent of median income for whole Council, 2 per cent for 2 waters.
- Debt to revenue ratio of 3.5 with a gradual reduction to 3.0 by year nine.

Cornerstone community projects

Opex to continue exploring opportunities:

- Te Ara Wai – Reduction from a total of \$275,000 to \$137,500 over the first two years.
- Cambridge library – Reduction from a total of \$150,000 to \$75,000 in the first year.
- Te Awamutu to Pirongia cycleway – the current design work underway to complete work to KiwiRail approval stage is being funded from allocated “better off funding” in 2024/2025.
- Cambridge Town Hall – \$621,000 over nine years as per contractual agreement.

New level of service included:

- Sports club lease model – years six to nine (\$0.4m capex, \$4.2m opex)
- Sportsfield improvements over the nine years (\$4.3m capex, \$1.3m opex)
- Urban walking and cycling – planning in year one and two (\$0.3m capex)
- Refuse service deferred to year four (\$1.8m capex, \$21.5m opex).

New level of service currently excluded:

- Food waste collection
- Holmes garage
- Cambridge connections – business case funding only from reserves has been included
- Pirongia Hall feasibility outcomes

Other

- Cambridge Water Tower – agreed options included
- Funds and Grants – as per Enhanced Annual Plan 2024/25
- Low cost/low risk road improvements programme expenditure reduced to include Waipā DC share only

- RMA reform budget reduced from \$10.2m to \$3.9m
- Passenger transport rates currently charged by Waipā DC to be charged by Waikato Regional Council
- Matos Segedin Drive infrastructure included
- Growth – re-inclusion of some expenditure as outlined in the 16th October workshop information.

Further changes made and included in the 5th November preferred budget

Element	Size of impact
• Deferral of fleet replacements for two years.	-0.1%
• Operating projects -Reduction in investment to meet requirements of the Comprehensive SW Discharge Consent – Operational Maintenance and Management Plan (anticipated conditions) – spend in 2025/26 of \$390.5k reduced to \$210k.	-0.2%
• FTE changes – removal of budget for eleven demand driven roles.	-0.6%
• Reduced operating expenditure to keep the Cornerstone Community projects 'alive'; <ul style="list-style-type: none"> • Te Ara Wai – Reduction from a total of \$275,000 to \$137,500 over the first two years. • Cambridge library – Reduction from a total of \$150,000 to \$75,000 in the first year. 	-0.1%
• Delayed capital expenditure in the 2024/25 year from preliminary outcomes of the four-month budget reforecast. This is related to growth projects requiring deferral (\$6.7m) and the confirmed reduced cost of the accommodation strategy.	-0.2%
Total reduction - equates to a savings of -\$1,246,000	-1.2%
• Organisational strengthening.	+0.3%
Total increase	+0.3%

Other changes

Based upon the direction given by Elected Members at the 16th October workshop, further renewals have now been reintroduced into the later years of the LTP.

Renewal budgets were reduced by 25 per cent in the 2024-2027 years (2024/25 Enhanced Annual Plan and years one to three of the draft 2025-34 LTP). From 2029/30 onwards (year five) renewals were increased by 20 per cent each year until the end of the nine-year period. Renewals relating to



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subsidised transportation projects were not reduced; these were prioritised as the projects had a co-funding element associated with them.

Further renewals have now been reintroduced, equivalent to \$19.3m across years seven and eight. This is aimed to clear the backlog in renewals as at 30 June 2024 (as communicated at the Elected Member workshop on the renewal programme on 24 June 2024) and the funding reductions made as part of the 2024/25 Enhanced Annual Plan and draft LTP. This now fully clears any deferred renewals.



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APPENDIX TWO

List of deferred projects from the 2024/25 year to the 2025/26 year

Project description	Activity	Major Funding Source	2024/25 Forecast		
			24/25 October Forecast	Changed forecast	Updated Forecast October 2024/25
Library Books Cambridge	District Libraries	RENEWAL	225,142	(20,000)	205,142
Library Books Te Awamutu	District Libraries	RENEWAL	232,769	(20,000)	212,769
Cambridge Town Hall Upgrades	Halls	LOS	3,465,600	(500,000)	2,965,600
Peat Lake Programme	Parks and Reserves	LOS	103,194	(50,754)	52,440
Erosion Control and Amenity Enhancement	Parks and Reserves	LOS	62,639	(58,149)	4,490
Sports Reserves Development	Parks and Reserves	LOS	18,742	(18,216)	526
Karapiro / Arapuni Lakes Programme	Parks and Reserves	RENEWAL	95,426	(94,571)	855
Parks Renewals	Parks and Reserves	RENEWAL	216,000	(50,000)	166,000
CB Nth Land Acquisition and Development	Parks and Reserves	GROWTH	489,868	(489,868)	-
T1 Land Acquisition and Development: Structure	Parks and Reserves	GROWTH	952,521	(900,529)	51,992
C3 Reserves	Parks and Reserves	GROWTH	1,536,000	(1,536,000)	-
Total Community Facilities			7,397,901	(3,738,087)	3,659,814
Picquet Hill Plan Change Roading	Non Subsidised Roading	GROWTH	1,350,767	(1,207,477)	143,290
Frontier Road Plan Change Roading	Non Subsidised Roading	GROWTH	193,775	(111,396)	82,379
C1 Structure Plan Roading	Non Subsidised Roading	GROWTH	942,475	(600,000)	342,475
C1 Norfolk Roading & Victoria Rd Urbanisation	Non Subsidised Roading	GROWTH	1,989,315	(1,900,000)	89,315
C8 C9 C10 Hautapu Rd 1st Roundabout at Victori	Non Subsidised Roading	GROWTH	3,645,001	(3,000,000)	645,001
C8 C9 C10 Hautapu Rd - 1st section of Collector R	Non Subsidised Roading	GROWTH	2,231,280	(1,500,000)	731,280
C8 C9 C10 Hautapu & Hannon Rd Urbanisation	Non Subsidised Roading	GROWTH	1,838,240	(1,500,000)	338,240
Hautapu Transportation Land	Non Subsidised Roading	GROWTH	4,077,411	(3,177,411)	900,000
C10/ Victoria Rd southern roundabout and new c	Non Subsidised Roading	GROWTH	18,310	1,624,135	1,642,445
C4/C11/Cambridge Road intersection and new Cc	Non Subsidised Roading	GROWTH	2,625,451	(2,000,000)	625,451
Total Roads and Footpaths			18,912,025	(13,372,149)	5,539,876
Storm Water Modelling	Stormwater General	LOS	273,718	(161,518)	112,200
Cambridge Growth Cell SW Development Provisio	Stormwater General	GROWTH	1,895,132	(1,695,000)	200,132
District Wide Stormwater Renewals	Stormwater General	RENEWAL	1,862,200	(1,700,000)	162,200
Kihikihi Brown Field SW Works	Stormwater General	GROWTH	250,000	(235,100)	14,900
Western Catchment Remedial Works	Stormwater General	GROWTH	335,084	(335,084)	-
Trunk Reticulation Connector Road	Stormwater General	GROWTH	412,804	(412,804)	-
Land Victoria Rd Swale	Stormwater General	GROWTH	252,673	(252,673)	-
Stormwater Land Purchases - C1	Stormwater General	GROWTH	1,009,674	(900,000)	109,674
Stormwater LOS Upgrades to Network Capacity	Stormwater General	LOS	1,035,267	(507,742)	527,525
Stormwater Outlet Control Mangohoi-Mangapik	Stormwater General	LOS	79,787	(38,353)	41,434
C8 Stormwater Land Purchase	Stormwater General	GROWTH	6,384,651	(6,284,000)	100,651
Existing Hautapu Industrial Area SW	Stormwater General	GROWTH	5,641,541	(5,357,739)	283,802
Total Stormwater			19,432,531	(17,880,013)	1,552,518
District Wide - Water Modelling	Water Treatment & Supply General	LOS	241,834	(150,894)	90,940
Water Meters - New and Replacement	Water Treatment & Supply General	RENEWAL	431,888	(381,888)	50,000
Cambridge North Water Provision	Water Treatment & Supply General	GROWTH	193,594	(193,594)	-
Te Awamutu Fire/LOS Service Upgrades	Water Treatment & Supply General	LOS	1,273,062	110,675	1,383,737
Cambridge North to Hautapu Pipeline and C8	Water Treatment & Supply General	GROWTH	1,132,729	(971,731)	160,998
Cambridge Water Reticulation Growth- C2 & C3	Water Treatment & Supply General	GROWTH	901,752	(500,000)	401,752
Cambridge Water Reticulation Growth- C1	Water Treatment & Supply General	GROWTH	727,598	(600,000)	127,598
District Wide Water Treatment Plant Renewals	Water Treatment & Supply General	RENEWAL	400,000	74,150	474,150
AGA Renewals (other than TP)	Water Treatment & Supply General	RENEWAL	95,801	74,039	169,840
Wtr Telemetry Upgrade Waipa 21/31	Water Treatment & Supply General	RENEWAL	544,968	(490,000)	54,968
Te Awamutu Internal CBD Rising Main	Water Treatment & Supply General	GROWTH	4,159,284	(110,675)	4,048,609
District Wide Reservoir Renewals	Water Treatment & Supply General	RENEWAL	5,928,117	(5,340,606)	587,511
Total Water			16,030,627	(8,480,523)	7,550,104
District Wide Waste Water Modeling	Waste Water Treatment & Disposal	LOS	113,964	(50,704)	63,260
Cambridge Growth Cell WW Provision - C2 & C3	Waste Water Treatment & Disposal	GROWTH	792,865	(500,000)	292,865
Cambridge Growth Cell WW Provision - C1	Waste Water Treatment & Disposal	GROWTH	1,229,970	(1,100,000)	129,970
District Wide Sewer Pipe Replacement 20/21	Waste Water Treatment & Disposal	RENEWAL	907,040	(300,000)	607,040
Sewage Telemetry Renewals Waipa	Waste Water Treatment & Disposal	RENEWAL	647,250	(565,714)	81,536
TA WWTP Consent & Upgrade	Waste Water Treatment & Disposal	GROWTH	523,200	(300,820)	222,380
District Wide Wastewater Pump Station Upgrade:	Waste Water Treatment & Disposal	GROWTH	240,000	(163,019)	76,981
WW Hautapu Industrial Provision C8 & C9	Waste Water Treatment & Disposal	GROWTH	1,282,504	(1,000,000)	282,504
District Wide Wastewater Treatment Plant Renew	Waste Water Treatment & Disposal	RENEWAL	348,624	(173,509)	175,115
Turere Lane WW PS Capacity Increase and Storage	Waste Water Treatment & Disposal	LOS	130,400	(79,400)	51,000
DW WW Pipe Upgrades - Feasibility Study	Waste Water Treatment & Disposal	RENEWAL	591,702	(590,364)	1,338
DW WW Pipe Upgrades CB Rd to Christie Ave, Ma	Waste Water Treatment & Disposal	GROWTH	2,460,440	500,000	2,960,440
C4 Wastewater Provision	Waste Water Treatment & Disposal	GROWTH	1,782,766	(1,000,000)	782,766
Total Wastewater			11,050,725	(5,323,531)	5,727,194
Business Accommodation Strategy	Council Occupied Buildings	LOS	4,687,000	(841,439)	3,845,561
101 Bank Street Customer Support Upgrade	Council Occupied Buildings	LOS	287,153	(271,046)	16,107
Total Support Services			4,974,153	(1,112,485)	3,861,668
Total All Capital programme			189,499,787	(49,906,787)	139,593,000



To: The Chairperson and Members of the Audit and Risk Committee
From: Governance
Subject: RESOLUTION TO EXCLUDE THE PUBLIC
Meeting Date: 11 December 2024

1 RECOMMENDATION

(Section 48, Local Government Official Information and Meetings Act 1987)

THAT the public be excluded from the following parts of the proceedings of this meeting.

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
16. Confirmation of Public Excluded Minutes 7 October 2024 17. Procurement of Strategic Internal Audit Services 18. Organisational Risk Discussion with the Chief Executive	Good reason to withhold exists under section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)

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

Item No.	Section	Interest
17	<i>Section(7)(2)(i)</i>	<i>To carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</i>
16,18	<i>Section 7(2)(a)</i>	<i>To protect the privacy of natural persons, including that of deceased natural persons.</i>
16,18	<i>Section7(2)(b)(i)</i>	<i>To protect information which if public would; disclose a trade secret.</i>
16,18	<i>Section 7(2)(b)(ii)</i>	<i>To protect the information which if public would unreasonably prejudice the commercial position of the person who supplied or who is the subject of the information.</i>
16	<i>Section 7(2)(c)(i)</i>	<i>To protect information which is subject to an obligation of confidence where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, where it is in the public interest that such information should continue to be supplied.</i>
16	<i>Section 7(2)(c)(ii)</i>	<i>To protect information which is subject to an obligation of confidence where the making available of the information would be likely otherwise to damage the public interest.</i>
16	<i>Section 7(2)(g)</i>	<i>To maintain legal professional privilege</i>
16	<i>Section 7(2)(h)</i>	<i>To enable the council to carry out, without prejudice or disadvantage, commercial activities.</i>