



## KOMITI ITI AHUMONI I TŪRARU AUDIT AND RISK SUBCOMMITTEE

19 April 2024

Order Paper for the meeting to be held in the  
Council Chambers, 2nd Floor, 30 Laings Road, Lower Hutt,  
on:

**Tuesday 30 April 2024 commencing at 2:00 pm**

The meeting will be livestreamed on Council's Facebook page.

### Membership

|                                    |                              |
|------------------------------------|------------------------------|
| Suzanne Tindal (Independent Chair) | Mayor C Barry (Deputy Chair) |
| Cr G Barratt                       | Cr J Briggs                  |
| Cr K Morgan                        | Cr T Stallinger              |

For the dates and times of Council Meetings please visit [www.huttcity.govt.nz](http://www.huttcity.govt.nz)

### **Have your say**

You can speak under public comment to items on the agenda to the Mayor and Councillors at this meeting. Please let us know by noon the working day before the meeting. You can do this by emailing [DemocraticServicesTeam@huttcity.govt.nz](mailto:DemocraticServicesTeam@huttcity.govt.nz) or calling the Democratic Services Team on 04 570 6666 | 0800 HUTT CITY

## KOMITI ITI AHUMONI I TŪRARU AUDIT AND RISK SUBCOMMITTEE

|   |  |
|---|--|
| <b>Chair:</b>   | Independent Chair Sue Tindal   |
| <b>Deputy Chair:</b>  | Mayor Campbell Barry   |
| <b>Membership:</b><br><br>Komiti Iti Ahumoni i Tūraru   Audit and Risk Subcommittee members should be appointed so that the subcommittee has a diversity of governance skills, experiences and personal qualities. Between them, the members should bring a mix of the following attributes: <ol style="list-style-type: none"> <li>1. Broad governance experience;</li> <li>2. Familiarity with risk management disciplines;</li> <li>3. Understanding of internal control and assurance frameworks;</li> <li>4. An understanding of financial and non-financial performance reporting;</li> <li>5. A good understanding of the roles of internal and external audit; and</li> <li>6. A sound understanding of the local government sector.</li> </ol> Use of the matrix below has assisted other councils to consider the best fit for membership of an Komiti Iti Ahumoni i Tūraru Audit and Risk Committee. | Cr Glenda Barratt<br>Cr Josh Briggs<br>Cr Karen Morgan<br>Cr Tony Stallinger |
| <b>Quorum:</b>  | Half of the membership   |
| <b>Meeting Cycle:</b>   | Meets on an eight-weekly basis or as required                                |
| <b>Reports to:</b>  | Council  |

### AREAS OF FOCUS:

The subcommittee's areas of focus are:

- Oversight of risk management and assurance across the Council Group with respect to risk that is significant
- Internal and external audit and assurance
- Health, safety and wellbeing
- Business continuity and resilience
- Integrity and investigations
- Monitoring of compliance with laws and regulations
- Significant projects, programmes of work and procurement, focussing on the appropriate management of risk
- The Long Term Plan, Annual Report and other external financial reports required by statute.

## **DELEGATIONS FOR THE SUBCOMMITTEE'S AREAS OF FOCUS:**

- The subcommittee has no decision-making powers other than those in these Terms of Reference.
- The subcommittee may request expert advice through the Chief Executive where necessary.
- The subcommittee may make recommendations to Council and/or Chief Executive.

### **Risk Management:**

- Review, approve and monitor the implementation of the risk management framework and strategy, including significant risks to the Council Group.
- Review the effectiveness of risk management and internal control systems including all material financial, operational, compliance and other material controls. This includes legislative compliance (including health and safety), significant projects and programmes of work, and significant procurement.
- Review risk management reports identifying new and/or emerging risks.

### **Assurance:**

- Review and approve, and monitor the implementation of, the assurance strategy and detailed internal audit coverage and annual work plans.
- Review the coordination between the risk and assurance functions, including the integration of the Council's risk profile with the internal audit programme. This includes assurance over all material financial, operational, compliance and other material controls. This includes legislative compliance (including health and safety), significant projects and programmes of work, and significant procurement.
- Review the reports of the assurance functions dealing with findings, conclusions and recommendations (including assurance over risks pertaining to Council Controlled Organisations and Council Controlled Trading Organisations that are significant to the Council Group).
- Review and monitor management's responsiveness to the findings and recommendations, inquiring into the reasons that any recommendation is not acted upon.

### **Fraud and Integrity:**

- Review, approve and monitor the implementation of the assurance strategy, including the fraud and integrity aspects.
- Review the arrangements in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters, and ensure that there is a proportionate and independent investigation of such matters and appropriate follow-up action.
- Review the procedures in relation to the prevention, detection, reporting and investigation of bribery and fraud.
- Review and monitor policy and process to manage conflicts of interest amongst elected and appointed members, management, staff, consultants and contractors.
- Review internal and external reports related to possible improprieties, ethics, bribery and fraud-related incidents.

### **Statutory Reporting:**

- Review and monitor the integrity of the Long Term Plan and Annual Report including statutory financial statements and any other formal announcements relating to the Council's financial performance, focussing particularly on the areas listed below.
- Compliance with, and the appropriate application of, relevant accounting policies, practices and accounting standards.

- Compliance with applicable legal requirements relevant to statutory reporting.
- The consistency of application of accounting policies, across reporting periods, and the Council Group.
- Changes to accounting policies and practices that may affect the way that accounts are presented.
- Any decisions involving significant judgement, estimation, or uncertainty.
- The extent to which financial statements are affected by any unusual transactions and the way they are disclosed.
- The disclosures of contingent liabilities and contingent assets.
- The clarity of disclosures generally.
- The basis for the adoption of the going concern assumption.
- Significant adjustments resulting from the audit.

#### **External Audit:**

- Discuss with the external auditor, before the audit commences, the nature, scope and fees of the external audit, areas of audit focus, and error and materiality levels.
- Review, with the external auditors, representations required by elected members and senior management, including representations as to the fraud and integrity control environment.
- Review the external auditor's management letter and management responses and inquire into reasons for any recommendations not acted upon.
- Where required, the Chair may ask a senior representative of the Office of the Auditor General to attend meetings of the subcommittee to discuss the office's plans, findings and other matters of mutual interest.

#### **Interaction with Council Controlled Organisations (CCO) and Council Controlled Trading Organisations (CCTO):**

- Other committees dealing with CCO and CCTO matters may refer matters to the Komiti Iti Ahumoni i Tūraru | Audit and Risk Subcommittee for review and advice.
- This subcommittee will inquire to ensure adequate processes at a governance level exist to identify and manage risks within a CCO. Where an identified risk may impact on Council or the Council Group, the subcommittee will also ensure that all affected entities are aware of and are appropriately managing the risk.

## Matrix of Experience, Skills and Personal Qualities

| Experience, Skills and Personal Qualities   | Member A | Member B | Member C | Member D | Independent Chairperson |
|---|----------|----------|----------|----------|-------------------------|
| <i>The recommended combination of experience is:</i>  |          |          |          |          |                         |
| • financial reporting   |          |          |          |          |                         |
| • broad governance experience   |          |          |          |          |                         |
| • familiarity with risk management disciplines  |          |          |          |          |                         |
| • understanding of internal control and assurance frameworks  |          |          |          |          |                         |
| • good understanding of the roles of internal and external audit  |          |          |          |          |                         |
| • local government expertise  |          |          |          |          |                         |
| <i>For an “advisory-oriented” audit committee, particular emphasis should be placed on:</i>   |          |          |          |          |                         |
| • Strategy  |          |          |          |          |                         |
| • Performance management  |          |          |          |          |                         |
| • Risk management disciplines   |          |          |          |          |                         |
| <i>In determining the composition of the audit committee, the combined experience, skills, and personal qualities of audit committee members is critical. Members should bring:</i> |          |          |          |          |                         |
| • the ability to act independently and objectively  |          |          |          |          |                         |
| • the ability to ask relevant and pertinent questions, and evaluate the answers   |          |          |          |          |                         |
| • the ability to work constructively with management to achieve improvements  |          |          |          |          |                         |
| • an appreciation of the public entity’s culture and values, and a determination to uphold these  |          |          |          |          |                         |
| • a proactive approach to advising the governing body and chief executive on matters that require further attention   |          |          |          |          |                         |
| • business acumen   |          |          |          |          |                         |
| • appropriate diligence, time, effort, and commitment   |          |          |          |          |                         |
| • the ability to explain technical matters in their field to other members of the audit committee   |          |          |          |          |                         |

## HUTT CITY COUNCIL

### KOMITI ITI AHUMONI I TŪRARU | AUDIT AND RISK SUBCOMMITTEE

Meeting to be held in the Council Chambers, 2nd Floor, 30 Laings Road, Lower Hutt  
on  
Tuesday 30 April 2024 commencing at 2:00 pm.

#### ORDER PAPER

#### PUBLIC BUSINESS

##### 1. OPENING FORMALITIES - KARAKIA TIMATANGA

Whakataka te hau ki te uru  
Whakataka te hau ki te  
tonga  
Kia mākinakina ki uta  
Kia mātaratara ki tai  
E hī ake ana te atakura  
He tio, he huka, he hau hū  
Tīhei mauri ora

Cease the winds from the west  
Cease the winds from the south  
Let the breeze blow over the land  
Let the breeze blow over the ocean  
Let the red-tipped dawn come  
with a sharpened air.  
A touch of frost, a promise of a  
glorious day.

##### 2. APOLOGIES

No apologies have been received.

##### 3. PUBLIC COMMENT

Generally up to 30 minutes is set aside for public comment (three minutes per speaker on items appearing on the agenda). Speakers may be asked questions on the matters they raise.

##### 4. CONFLICT OF INTEREST DECLARATIONS

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have

##### 5. EXTERNAL AUDIT UPDATE - URBAN PLUS LIMITED GROUP

Report No. ARSC2024/2/85 by the Financial Accounting Manager

10

#### CHAIR'S RECOMMENDATION:

"That the recommendation contained in the report be endorsed."

6. **EXTERNAL AUDIT UPDATE - SEAVIEW MARINA LIMITED**
- Report No. ARSC2024/2/86 by the Financial Accounting Manager 29
- CHAIR'S RECOMMENDATION:**
- "That the recommendation contained in the report be endorsed."
7. **EXTERNAL AUDIT UPDATE - HUTT CITY COUNCIL**
- Report No. ARSC2024/2/87 by the Manager Financial Strategy and Planning 45
- CHAIR'S RECOMMENDATION:**
- "That the recommendations contained in the report be endorsed."
8. **STANDARD AND POORS GLOBAL RATINGS - RECENT REPORTS AND CHANGES IN LOCAL GOVERNMENT RATINGS**
- Report No. ARSC2024/2/88 by the Group Chief Financial Officer 105
- CHAIR'S RECOMMENDATION:**
- "That the recommendation contained in the report be endorsed."
9. **3 WATERS MATTERS**
- Report No. ARSC2024/2/83 by the Strategic Advisor 149
- CHAIR'S RECOMMENDATION:**
- "That the recommendations contained in the report be endorsed."
10. **COMPLYWITH: LEGAL COMPLIANCE REPORT**
- Report No. ARSC2024/2/84 by the Legal Co-ordinator 153
- CHAIR'S RECOMMENDATION:**
- "That the recommendations contained in the report be endorsed."
11. **RISK MANAGEMENT AND ASSURANCE UPDATE**
- Report No. ARSC2024/2/89 by the Risk and Assurance Manager - Finance 161
- CHAIR'S RECOMMENDATION:**
- "That the recommendations contained in the report be endorsed."

## 12. SENSITIVE EXPENDITURE DISCLOSURES

Report No. ARSC2024/2/50 by the Financial Accounting Manager 178

### CHAIR'S RECOMMENDATION:

"That the recommendations contained in the report be endorsed."

## 13. INFORMATION ITEMS

### a) Whakatupu Ngaengae - progress update

Memorandum dated 12 April 2024 by the Project Manager (Naenae) 183

### CHAIR'S RECOMMENDATION:

"That the recommendations contained in the memorandum be endorsed."

### b) Audit and Risk Subcommittee Forward Programme 2024

Memorandum dated 3 April 2024 by the Democracy Advisor 209

### CHAIR'S RECOMMENDATION:

"That the recommendation contained in the memorandum be endorsed."

## 14. QUESTIONS

With reference to section 32 of Standing Orders, before putting a question a member shall endeavour to obtain the information. Questions shall be concise and in writing and handed to the Chair prior to the commencement of the meeting.

## 15. EXCLUSION OF THE PUBLIC

### CHAIR'S RECOMMENDATION:

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

## 16. TE WAI TAKAMORI O TE AWA KAIRANGI (RIVERLINK) UPDATE

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

| (A)   | (B)  | (C)  |
|---|--|--|
| General subject of the matter to be considered.       | Reason for passing this resolution in relation to each matter.   | Ground under section 48(1) for the passing of this resolution.   |
| Te Wai Takamori o Te Awa Kairangi (RiverLink) Update. | <p>The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities (s7(2)(h)).</p> <p>The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) (s7(2)(i)).</p> | That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exist. |

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

Vanessa Gilmour  
**DEMOCRACY ADVISOR**

**08 April 2024**

---

**Report no: ARSC2024/2/85**

## **External Audit Update - Urban Plus Limited Group**

### **Purpose of Report**

1. To provide an update on the plans for the preparation and external audit of Urban Plus Limited Group Annual Report for the year ended 30 June 2024.

### **Recommendation**

That the Subcommittee receives and notes the Audit New Zealand audit plan for Urban Plus Limited Group Annual Report for the year ended 30 June 2024, attached as Appendix 1 to the report.

### **Urban Plus Limited Group Annual Report 2023/24**

2. Planning is well progressed for the preparation and external audit of Urban Plus Limited Group (the Group) Annual Report 2023/24 attached as Appendix 1 to the report.
3. The interim audit will start 3 June 2024 with the final audit starting 24 July 2024. The final audited Annual Report is expected to be adopted by the Group's Board on 19 September 2024. The statutory deadline for the completion of the Group Annual Report is 30 September 2024.
4. The audit plan (Appendix 1) highlights a number of focus areas for the audit. Of particular note is the focus on:
  - Increased level of activity and complexity of the Group;
  - Risk of management override of internal controls;
  - Valuation of property, plant and equipment; and
  - Revenue recognition and accounting treatment for property development.

### Climate Change Impact and Considerations

5. There are no climate change impacts or considerations arising from this report.

### Legal Considerations

6. There are no legal considerations arising from this report.

### Financial Considerations

7. The financial considerations are detailed in this report in the relevant areas.

### Appendices

| No.                 | Title                              | Page |
|---------------------|------------------------------------|------|
| 1 <a href="#">↓</a> | Appendix 1 - Urban Plus Audit Plan | 12   |

**Author:** Darrin Newth  
Financial Accounting Manager

**Reviewed By:** Jenny Livschitz  
Group Chief Financial Officer

**Approved By:** Daniel Moriarty  
Chief Executive, Urban Plus

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

# Audit plan

Urban Plus Limited

For the year ending 30 June 2024

Audit plan

I am pleased to present our audit plan for the audit of Urban Plus Limited (the Company) and group for the year ending 30 June 2024. The purpose of this audit plan is to discuss:

|                              |    |
|------------------------------|----|
| Audit risks and issues ..... | 2  |
| Group audit .....            | 6  |
| Our audit process .....      | 7  |
| Reporting protocols.....     | 12 |
| Audit logistics .....        | 13 |
| Expectations .....           | 14 |

The contents of this plan should provide a good basis for discussion when we meet with you.

We will be happy to elaborate further on the matters raised in this plan.

Our work improves the performance of, and the public’s trust in, the public sector. Our role as your auditor is to give an independent opinion on the financial statements and performance information. We also recommend improvements to the internal controls relevant to the audit.

If there are additional matters that you think we should include, or any matters requiring clarification, please discuss these with me.

Yours sincerely



John Whittal  
Appointed Auditor  
12 April 2024

## Audit risks and issues

### Focus areas



Based on the planning work and discussions that we have completed to date, we set out in the table below the main audit risks and issues. These will be the main focus areas during the audit.

| Audit risk/issue  | Our audit response   |
|---|--|
| <b>Group considerations</b>   |  |
| <p>The establishment of the Company's subsidiaries has significantly increased in the amount of activity being undertaken within the group. It has also increased the complexity of tax arrangements.</p> <p>It is important that the Company ensures it is taking appropriate advice on the tax treatment of the transactions within the group, and considers the consolidation of the for-profit subsidiary into the Company's public benefit entity group financial statements.</p>  | <p>We will assess the appropriateness of the group accounting treatment, including the consolidation of the Group figures and the associated tax treatment.</p> <p>We will consult with our tax review director where necessary, and will assess the accuracy of the group deferred tax calculation and disclosure.</p>  |
| <b>Valuation of Property, Plant and Equipment</b>   |  |
| <p>The Company periodically revalues its land and buildings. PBE IPSAS 17, Property, Plant and Equipment, requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.</p> <p>Land and building assets were last revalued to fair value at 31 May 2023. Land and building assets are being revalued this year.</p> <p>The fair value is based on a market value, using comparative sales and residential property investment yields approaches for land and buildings respectively. The valuation has a moderate level of estimation uncertainty, which combined with the value of land, buildings, and improvements means that there is a risk that the value is materially misstated.</p> | <p>Our audit procedures will include:</p> <ul style="list-style-type: none"> <li>• reviewing the method of valuing the assets and assessing if the applicable method used is in line with the financial reporting framework, including the reasonableness of the assumptions and judgements made by the valuer and other inputs to the valuation;</li> <li>• assessing the valuation process, including the competence and experience of the person completing the valuation, the valuer and any peer reviewer;</li> <li>• discussing the results with and obtaining a confirmation letter from the valuers;</li> <li>• assessing relevant controls in place including the completeness of items being revalued, the reasonableness of useful lives and consideration of the condition of assets;</li> </ul> |

| Audit risk/issue  | Our audit response   |
|---|--|
|   | <ul style="list-style-type: none"> <li>• reviewing evidence of management's review of the appropriateness of the valuation inputs (e.g. confirming market comparative sales and yields); and</li> <li>• assessing the presentation and disclosure of information related to the valuation in the financial statements, including whether the resulting change in values are correctly incorporated into the financial statements and the assumptions and judgements relating to the valuation are adequately disclosed.</li> </ul>       |
| <b>The risk of management override of internal controls</b>   |  |
| <p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls.</p> <p>Management are 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. Auditing standards require us to treat this as a risk on every audit.</p>   | <p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> <li>• testing the appropriateness of selected journal entries;</li> <li>• reviewing accounting estimates for indications of bias; and</li> <li>• evaluating any unusual or one-off transactions, including those with related parties.</li> </ul>  |
| <b>Property classification</b>  |  |
| <p>The company provides a portfolio of rental housing for the elderly and socially disadvantaged. The Company also provides professional property management services to Hutt City Council (HCC) and will deal with any development property sold to it by HCC.</p> <p>New, wider expectations and deliverables set by HCC entail that the Company cannot act as developer and continue to hold property long term. Cyclical project programming is fundamental to successfully delivering its' objectives. Future projects success and deliverables are reliant on a continue cycle of development and release (repeat).</p> | <p>We will:</p> <ul style="list-style-type: none"> <li>• review new properties purchased for classification on initial recognition;</li> <li>• discuss with management any change in the circumstances or intentions for existing properties and assess that the classification of these remain appropriate; and</li> <li>• assessing the presentation and disclosure of information related to the properties in the financial statements, including whether the values are materially correct and are adequately disclosed.</li> </ul> |

| Audit risk/issue  | Our audit response |
|---|--------------------|
| <p>The following approaches are relevant to the Company:</p> <ul style="list-style-type: none"> <li>• Properties developed for own rental portfolio.</li> <li>• Properties for sale to public or other developers.</li> <li>• Where the Company will contract and complete construction to agreed specifications of a future purchaser.</li> </ul> <p>The Company needs to assess new purchases and the classification of such property may require judgement in circumstances where the intention is uncertain, there is a mix of the above approaches or there is a change of intention. In making this judgement, an objective is to avoid properties changing between categories without good reason. However, changes may need to be made when circumstances or intentions change.</p> |                    |

Please tell us about any additional matters we should consider, or any specific risks that we have not covered. Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.

### Fraud risk

Misstatements in the financial statements and performance information can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. In considering fraud risk, two types of intentional misstatements are relevant – misstatements resulting from fraudulent reporting, and misstatements resulting from misappropriation of assets.

The primary responsibility for the prevention and detection of fraud and error rests with the Board, with assistance from management. In this regard, we will discuss the following questions with you:

- What role does the Board play in relation to fraud? How do you monitor management's exercise of its responsibilities?
- Has a robust fraud risk assessment been completed? If so, is the Board satisfied that it had appropriate input into this process?
- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the Board and management to keep you informed of instances of fraud, either actual, suspected, or alleged?

- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management's investigation been reported to the Board? Has appropriate action been taken on any lessons learned?

***Our responsibility***

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and performance information are free from material misstatement resulting from fraud. Our approach to obtaining this assurance is to:

- identify fraud risk factors and evaluate areas of potential risk of material misstatement;
- evaluate the effectiveness of internal controls in mitigating the risks;
- perform substantive audit procedures; and
- remain alert for indications of potential fraud in evaluating audit evidence.

The Auditor-General has published useful information on fraud that can be found at [oag.parliament.nz/reports/fraud-reports](https://oag.parliament.nz/reports/fraud-reports).

## Group audit



The group comprises:

- UPL Plus Limited
- UPL Limited Partnership
- UPL Development Limited

Our auditor's report covers the group as a whole. Our audit approach is developed to ensure we have sufficient information to give an opinion on the group. In designing our group audit approach, we considered the structure of the group and identified the entities which are included in the group financial statements. Each entity is referred to as a component. We have assessed the risks of material misstatement and have identified our approach for each component. The table below shows the work planned for each significant component.

| Significant components                              | Work to be performed  |
|---|---|
| UPL Limited Partnership<br>UPL Developments Limited | <p>These will be audited by the same Appointed Auditor using Audit New Zealand staff.</p> <p>The significant audit risks relevant to this component is:</p> <ul style="list-style-type: none"> <li>• Management override control.</li> </ul> <p>The audit focus areas relevant to this component is:</p> <ul style="list-style-type: none"> <li>• Accounting treatment for property developments.</li> </ul> <p>The audit work on this component will be focussed on sales and cost of sales for developments, and the inventory balance at 30 June 2024.</p> |

For non-significant components, we will perform analytical procedures at the group level to identify any unexpected movements.

We will report any significant internal control deficiencies to the Board and management of the group. This will include any deficiencies identified by the group engagement team or brought to our attention by the component auditor. We will communicate deficiencies related to:

- group-wide internal controls; or
- internal controls at each component.

We will also communicate any fraud identified by the group engagement team or brought to our attention by the component auditor.

## Our audit process

### Initial planning

Initial planning activities include verifying compliance with independence requirements and building the audit team.

### Understand your business and environment

We use our extensive sector and business knowledge to make sure we have a broad and deep understanding of Urban Plus Limited, your business, and the environment you operate in.

### Assess audit risk

We use our knowledge of the business, the sector and the environment to identify and assess the risks that could lead to a material misstatement in the financial statements and performance information.

### Evaluate internal controls

We update our understanding of internal controls relevant to the audit. This includes reviewing the control environment, risk assessment process, and relevant aspects of information systems controls. Most of this work is done during the initial audit visits. We evaluate internal controls relevant to the audit for the whole financial year, so we consider internal controls relevant to the audit at all visits.

### Finalise the audit approach

We use the results of the internal control evaluation to determine how much we can rely on the information produced from your systems during our final audit.

### Gather audit evidence

During the final audit we audit the balances, disclosures, and other information included in the Board's financial statements and performance information.

### Conclude and report

We will issue our audit report on the financial statements and performance information. We will also report to the Board covering any relevant matters that come to our attention.

## Materiality

In performing our audit, we apply materiality. In the public sector, materiality refers to information that if omitted, misstated, or obscured could reasonably be expected to:

- influence readers' overall understanding of the financial statements and service performance information; and
- influence readers in making decisions about the stewardship and allocation of resources, or assessing your performance.

This definition of materiality is broader than the one used in the private sector.

It is a matter of judgement whether information is material. We consider the nature (qualitative) and amount (quantitative) of each item judged in the surrounding circumstances and its impact. In the public sector qualitative considerations are of equal significance as quantitative considerations. Qualitative considerations are of primary importance in our assessment of materiality in the context of disclosures for transparency and accountability reasons, and in evaluating any non-compliance with laws and regulations.

The Board and management need to consider materiality in preparing the financial statements and service performance information and make their own assessment of materiality from a preparer's perspective. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on how to make materiality judgements from a financial statements preparer's perspective. Management and the Board should not rely on our materiality assessment as a basis for owning and making judgements about the integrity of the financial statements and service performance information.

### **Financial statements materiality**

For planning purposes we have set **overall Group materiality** for the financial statements at \$4,200,000 based on total Property, Plant and Equipment. For this audit we are only applying this overall Group materiality to the fair value of Property, Plant and Equipment.

|                             | Group       | Parent      |
|-----------------------------|-------------|-------------|
| Asset intensive materiality | \$4,200,000 | \$4,200,000 |
| Specific materiality        | \$2,200,000 | \$2,100,000 |
| Clearly trivial threshold   | \$110,000   | \$85,000    |

For this audit we have set a lower, **specific Group materiality** of \$2,200,000 for all items not related to the fair value of Property, Plant and Equipment.

We have set **overall Parent materiality** for the financial statements at \$4,200,000 based on total Property, Plant and Equipment. For this audit we are only applying this overall Parent materiality to the fair value of Property, Plant and Equipment. We have set a lower, **specific Parent materiality** of \$2,100,000 for all items not related to the fair value of Property, Plant and Equipment.

We also set a lower, **specific materiality** for some items due to their sensitivity. For example, we apply a lower specific materiality to related party and key management personnel disclosures.

We design our audit procedures to detect misstatements at a lower level than overall materiality. This takes account of the risk of cumulative misstatements and provides a safety net against the risk of undetected misstatements.

We will report all uncorrected misstatements to the Council other than those that are **clearly trivial**. We consider misstatements of less than \$110,000 to be clearly trivial for the **Group** financial statements and misstatements of less than \$105,000 to be clearly trivial for the **Parent** financial statements unless there are qualitative considerations that heighten its significance. We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations from management and the Council on the reasons why the corrections will not be made.

#### Misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements and service performance information. The effects of any detected and uncorrected misstatements, individually and in aggregate, are assessed against overall materiality and qualitative considerations.

Overall financial statement materiality does not apply to any matters of effectiveness and efficiency, waste, or a lack of probity or financial prudence.

#### **Materiality for service performance information**

At an overall level, we assess whether the service performance information is suitable, given your purpose and the nature of your activities, and whether the reporting allows for an informed assessment of the Company's performance. In doing this we consider whether the information is relevant, complete, reliable, neutral, and understandable.

We set materiality for service performance information at an individual measure level based on what we expect would influence readers' overall understanding, decision-making, or assessment of the Company's performance. We consider a variety of factors including the level of public interest and potential public risk. Because of the variety of measurement bases applied, we normally express this materiality as a percentage of the reported result.

We have identified the following measures as material and assessed materiality for planning purposes. We will reassess this during the audit.

| Material measure  | Materiality |
|---|-------------|
| <b>Rental housing</b>   |             |
| Net Surplus before Depreciation and after Finance Expenses as a Proportion of the Net Book Value of Residential Land and Buildings at the Start of the Year – Greater than 2.25%. | 8%          |
| Tenant satisfaction with the provision of the Company's rental housing.   | 8%          |
| Percentage of total housing units occupied by low-income elderly greater than or equal to 90%.  | 8%          |

| Material measure  | Materiality |
|---|-------------|
| <b>Property development</b>   |             |
| Increase the portfolio size to 220 units by December 2024.  | 8%          |
| Operating expenditure within budget.  | 8%          |
| Capital expenditure within budget.  | 8%          |
| All new housing units (stand alone or townhouse) shall achieve a certified HomeStar rating of at least six stars. | 8%          |

### Professional judgement and professional scepticism

Many of the issues that arise in an audit, particularly those involving valuations or assumptions about the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated. These are areas where we must use our experience and skill to reach an opinion on the financial statements and performance information.

The term “opinion” reflects the fact that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mind-set. A sceptical mind-set drives us to adopt a questioning approach when considering information and in forming conclusions.

Exercising professional scepticism means that we will not accept everything we are told at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgements and assumptions and weigh them against alternative possibilities.

### How we consider compliance with laws and regulations

As part of the Auditor-General’s mandate, we consider compliance with laws and regulations that directly affect your financial statements or general accountability. Our audit does not cover all of your requirements to comply with laws and regulations.

Our approach involves first assessing the systems and procedures that you have in place to monitor and manage compliance with laws and regulations relevant to the audit. We may also complete our own checklists. In addition, we will ask you about any non-compliance with laws and regulations that you are aware of. We will evaluate the effect of any such non-compliance on our audit.

**Wider public sector considerations**

A public sector audit also examines whether:

- Urban Plus Limited carries out its activities effectively and efficiently;
- waste is occurring or likely to occur as a result of any act or failure to act by Urban Plus Limited;
- there is any sign or appearance of a lack of probity as a result of any act or omission by Urban Plus Limited or by one or more of its members, office holders, or employees; and
- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by Urban Plus Limited or by one or more of its members, office holders, or employees.

## Reporting protocols

### Communication with management and the Board



We will meet with management and the Board during the audit. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are “no surprises”.

### Reports to the Board



We will provide a draft of all reports to the Board and management for discussion/clearance purposes. In the interests of timely reporting, we ask management to provide their comments on the draft within 10 working days. Once management comments are received the report will be finalised and provided to the Board.

We will also follow up on your progress in responding to our previous recommendations.

## Audit logistics

### Our team



Our engagement team is selected to ensure that we have the right subject matter expertise and sector knowledge. Each member of the audit team has received tailored training to develop their expertise.

Our senior audit team members are:

|               |                   |
|---------------|-------------------|
| John Whittal  | Appointed Auditor |
| Chee Hong Lim | Audit Manager     |

### Timetable



Our proposed timetable is:

|   |                   |
|---|-------------------|
| Draft financial statements available for audit (including notes to the financial statements) with actual year-end figures | 22 July 2024*     |
| Final audit begins  | 24 July 2024*     |
| Audit opinion issued (draft for annual report adoption)   | 26 August 2024    |
| Draft report to the Board issued  | 8 September 2024  |
| Adoption of annual report   | 12 September 2024 |

\*We have audit staff available for these dates to complete the audit work, we are attempting to move the start of the audit to a later date in July or early August. We will advise if this is possible as soon as we have confirmation

### AuditDashboard

In 2023, we used AuditDashboard, our online portal, to transfer files between your employees and Audit New Zealand. Overall, the use of AuditDashboard made it easy to fulfil requests. Real time status updates provided greater visibility to everyone and helped to keep everyone organised and on the same page.

We will again use AuditDashboard for transferring audits as part of the audit.

## Expectations



For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

Our respective responsibilities are set out in our Audit Engagement Letter.

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance;
- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the annual report, financial statements and performance information will be subjected to appropriate levels of quality review before being provided to us.

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit.

## Health and safety



The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff.

Under the Health and Safety at Work Act 2015, we need to make arrangements with management to keep our audit staff safe while they are working at your premises.

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required. We also expect management to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.



AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

[www.auditnz.parliament.nz](http://www.auditnz.parliament.nz)

PO Box 99  
Wellington 6140  
Phone: 04 496 3099



---

**Report no: ARSC2024/2/86**

## **External Audit Update - Seaview Marina Limited**

### **Purpose of Report**

1. To provide an update on the plans for the preparation and external audit of Seaview Marina Limited Annual Report for the year ended 30 June 2024.

### **Recommendation**

That the Subcommittee receives and notes the Audit New Zealand audit plan for Seaview Marina Limited Annual Report for the year ended 30 June 2024, attached as Appendix 1 to the report.

### **Seaview Marina Limited Annual Report 2023/24**

2. Planning is well progressed for the preparation and external audit of Seaview Marina Limited (SML) Annual Report 2023/24 attached as Appendix 1 to the report.
3. The interim audit begins 3 June 2024 and the final audit begins on 24 July 2024. The final audited Annual Report is expected to be adopted by SML Board 19 September 2024 and the audit opinion will be issued on this date.
4. The statutory deadline this year is 30 September 2024, the planned adoption date of 19 September 2024 is within this timeframe.
5. The audit plan (Appendix 1) highlights a number of focus areas for the audit. Of particular note the focus areas of:
  - Risk of management override of internal controls; and
  - Revaluation of property, plant and equipment.

### **Climate Change Impact and Considerations**

6. The matters addressed in this report have been considered in accordance with the process set out in Council's Climate Change Considerations Guide. There are no climate change impacts or considerations arising from this report.

**Legal Considerations**

7. There are no legal considerations arising from this report.

**Financial Considerations**

8. The financial considerations are detailed in this report in the relevant areas.

**Appendices**

| No. | Title                                  |    |
|-----|--|----|
| 1   | Appendix 1 – Seaview Marina Audit Plan | 31 |

**Author:** Darrin Newth  
Financial Accounting Manager

**Reviewed By:** Jenny Livschitz  
Group Chief Financial Officer

**Approved By:** Tim Lidgard  
Chief Executive, Seaview Marina

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

# Audit plan

## Seaview Marina Limited

For the year ending 30 June 2024

Audit plan

I am pleased to present our audit plan for the audit of Seaview Marina Limited (the Company) for the year ending 30 June 2024. The purpose of this audit plan is to discuss:

|                             |    |
|-----------------------------|----|
| Audit risks and issues..... | 2  |
| Our audit process .....     | 5  |
| Reporting protocols .....   | 9  |
| Audit logistics.....        | 10 |
| Expectations .....          | 11 |

The contents of this plan should provide a good basis for discussion when we meet with you.

We will be happy to elaborate further on the matters raised in this plan.

Our work improves the performance of, and the public’s trust in, the public sector. Our role as your auditor is to give an independent opinion on the financial statements and performance information. We also recommend improvements to the internal controls relevant to the audit.

If there are additional matters that you think we should include, or any matters requiring clarification, please discuss these with me.

Yours sincerely



John Whittal  
Appointed Auditor  
12 April 2024

## Audit risks and issues

### Focus areas



Based on the planning work and discussions that we have completed to date, we set out in the table below the main audit risks and issues including those issues we have assessed as significant audit risks. These will be the main focus areas during the audit.

| Audit risk/issue   | Our audit response   |
|--|--|
| <b>The risk of management override of internal controls</b>  |  |
| <p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls.</p> <p>Management are 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. Auditing standards require us to treat this as a risk on every audit.</p>  | <p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> <li>• testing the appropriateness of selected journal entries;</li> <li>• reviewing accounting estimates for indications of bias; and</li> <li>• evaluating any unusual or one-off transactions, including those with related parties.</li> </ul>  |
| <b>Revaluation of Property, Plant and Equipment (revaluation year)</b>   |  |
| <p>The Company periodically revalues its land and buildings. PBE IPSAS 17, Property, Plant and Equipment, requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.</p> <p>Land and building assets were last revalued to fair value at 31 May 2022. Land and building assets are being revalued this year.</p> <p>The fair value is based on a market value, using comparative sales and industrial property investment yields approaches for land and buildings respectively. The valuation has a moderate level of estimation uncertainty, which combined with the value of land, buildings, and improvements means that there is a risk that the value is materially misstated.</p> | <p>Our audit procedures will include:</p> <ul style="list-style-type: none"> <li>• reviewing the method of valuing the assets and assessing if the applicable method used is in line with the financial reporting framework, including the reasonableness of the assumptions and judgements made by the valuer and other inputs to the valuation;</li> <li>• assessing the valuation process, including the competence and experience of the person completing the valuation, the valuer and any peer reviewer;</li> <li>• discussing the results with and obtaining a confirmation letter from the valuers;</li> <li>• assessing relevant controls in place including the completeness of items being revalued, the reasonableness of useful lives and consideration of the condition of assets;</li> </ul> |

| Audit risk/issue | Our audit response   |
|------------------|--|
|                  | <ul style="list-style-type: none"> <li>• reviewing evidence of management's review of the appropriateness of the valuation inputs (e.g. confirming market comparative sales and yields); and</li> <li>• assessing the presentation and disclosure of information related to the valuation in the financial statements, including whether the resulting change in values are correctly incorporated into the financial statements and the assumptions and judgements relating to the valuation are adequately disclosed.</li> </ul> |

Please tell us about any additional matters we should consider, or any specific risks that we have not covered. Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.

### Fraud risk

Misstatements in the financial statements and performance information can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. In considering fraud risk, two types of intentional misstatements are relevant – misstatements resulting from fraudulent reporting, and misstatements resulting from misappropriation of assets.

The primary responsibility for the prevention and detection of fraud and error rests with the Board, with assistance from management. In this regard, we will discuss the following questions with you:

- What role does the Board play in relation to fraud? How do you monitor management's exercise of its responsibilities?
- Has a robust fraud risk assessment been completed? If so, is the Board satisfied that it had appropriate input into this process?
- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the Board and management to keep you informed of instances of fraud, either actual, suspected, or alleged?
- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management's investigation been reported to the Board? Has appropriate action been taken on any lessons learned?

***Our responsibility***

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and performance information are free from material misstatement resulting from fraud. Our approach to obtaining this assurance is to:

- identify fraud risk factors and evaluate areas of potential risk of material misstatement;
- evaluate the effectiveness of internal controls in mitigating the risks;
- perform substantive audit procedures; and
- remain alert for indications of potential fraud in evaluating audit evidence.

The Auditor-General has published useful information on fraud that can be found at [oag.parliament.nz/reports/fraud-reports](https://oag.parliament.nz/reports/fraud-reports).

## Our audit process

### Initial planning

Initial planning activities include verifying compliance with independence requirements and building the audit team.

### Understand your business and environment

We use our extensive sector and business knowledge to make sure we have a broad and deep understanding of the Company, your business, and the environment you operate in.

### Assess audit risk

We use our knowledge of the business, the sector and the environment to identify and assess the risks that could lead to a material misstatement in the financial statements and performance information.

### Evaluate internal controls

We update our understanding of internal controls relevant to the audit. This includes reviewing the control environment, risk assessment process, and relevant aspects of information systems controls. Most of this work is done during the initial audit visits. We evaluate internal controls relevant to the audit for the whole financial year, so we consider internal controls relevant to the audit at all visits.

### Finalise the audit approach

We use the results of the internal control evaluation to determine how much we can rely on the information produced from your systems during our final audit.

### Gather audit evidence

During the final audit we audit the balances, disclosures, and other information included in the Company's financial statements and performance information.

### Conclude and report

We will issue our audit report on the financial statements and performance information. We will also report to the Board covering any relevant matters that come to our attention.

## Materiality

In performing our audit, we apply materiality. In the public sector, materiality refers to information that if omitted, misstated, or obscured could reasonably be expected to:

- influence readers' overall understanding of the financial statements and service performance information; and
- influence readers in making decisions about the stewardship and allocation of resources, or assessing your performance.

This definition of materiality is broader than the one used in the private sector.

It is a matter of judgement whether information is material. We consider the nature (qualitative) and amount (quantitative) of each item judged in the surrounding circumstances and its impact. In the public sector qualitative considerations are of equal significance as quantitative considerations. Qualitative considerations are of primary importance in our assessment of materiality in the context of disclosures for transparency and accountability reasons, and in evaluating any non-compliance with laws and regulations.

The Board and management need to consider materiality in preparing the financial statements and service performance information and make their own assessment of materiality from a preparer's perspective. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on how to make materiality judgements from a financial statements preparer's perspective. Although this guidance is primarily aimed at for-profit entities, the same principles can be applied by public benefit entities. Management and the Board should not rely on our materiality assessment as a basis for owning and making judgements about the integrity of the financial statements and service performance information.

### **Financial statements materiality**

For planning purposes we have set **overall materiality** for the financial statements at \$2,250,000 based on budgeted Property, Plant and Equipment. This is subject to change once the actual results for the current year are available.

For this audit we are only applying this overall materiality to the fair value of Property, Plant and Equipment.

|                           |             |
|---------------------------|-------------|
| Overall materiality       | \$2,250,000 |
| Specific materiality      | \$145,000   |
| Clearly trivial threshold | \$7,250     |

For this audit we have set a lower, **specific materiality** of \$145,000 for all items not related to the fair value of Property, Plant and Equipment. A lower specific materiality is also determined separately for some items due to their sensitive nature. For example, a lower specific materiality is determined and applied for related party and key management personnel disclosures.

We design our audit procedures to detect misstatements at a lower level than overall materiality. This takes account of the risk of cumulative misstatements and provides a safety net against the risk of undetected misstatements.

We will report all uncorrected misstatements to the Board other than those that are **clearly trivial**. We consider misstatements of less than \$7,250 to be clearly trivial unless there are qualitative considerations that heighten its significance. We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations from management and the Board on the reasons why the corrections will not be made.

#### Misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements and service performance information. The effects of any detected and uncorrected misstatements, individually and in aggregate, are assessed against overall materiality and qualitative considerations.

Overall financial statement materiality does not apply to any matters of effectiveness and efficiency, waste, or a lack of probity or financial prudence.

#### **Materiality for service performance information**

At an overall level, we assess whether the service performance information is suitable, given your purpose and the nature of your activities, and whether the reporting allows for an informed assessment of the Company's performance. In doing this we consider whether the information is relevant, complete, reliable, neutral, and understandable.

We set materiality for service performance information at an individual measure level based on what we expect would influence readers' overall understanding, decision-making, or assessment of Company's performance. We consider a variety of factors including the level of public interest and potential public risk. Because of the variety of measurement bases applied, we normally express this materiality as a percentage of the reported result.

We have identified the following measures as material and assessed materiality for planning purposes. We will reassess this during the audit.

| Material measure   | Materiality |
|--|-------------|
| Achieve prescribed rate of return on equity before tax   | 8%          |
| Deliver annual budgeted incomes for each of the four business entities: <ul style="list-style-type: none"> <li>Boat storage</li> <li>Hardstand</li> <li>Marine Centre</li> <li>Launching ramp</li> </ul> | 8%          |
| Client service: 88% satisfaction in the biannual survey  | 8%          |
| Achieve no notifiable health and safety incidents  | 0%          |

## **Professional judgement and professional scepticism**

Many of the issues that arise in an audit, particularly those involving valuations or assumptions about the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated. These are areas where we must use our experience and skill to reach an opinion on the financial statements and performance information.

The term “opinion” reflects the fact that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mind-set. A sceptical mind-set drives us to adopt a questioning approach when considering information and in forming conclusions.

Exercising professional scepticism means that we will not accept everything we are told at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgements and assumptions and weigh them against alternative possibilities.

## **How we consider compliance with laws and regulations**

As part of the Auditor-General’s mandate, we consider compliance with laws and regulations that directly affect your financial statements or general accountability. Our audit does not cover all of your requirements to comply with laws and regulations.

Our approach involves first assessing the systems and procedures that you have in place to monitor and manage compliance with laws and regulations relevant to the audit. We may also complete our own checklists. In addition, we will ask you about any non-compliance with laws and regulations that you are aware of. We will evaluate the effect of any such non-compliance on our audit.

## **Wider public sector considerations**

A public sector audit also examines whether:

- the Company carries out its activities effectively and efficiently;
- waste is occurring or likely to occur as a result of any act or failure to act by the Company;
- there is any sign or appearance of a lack of probity as a result of any act or omission by the Company or by one or more of its members, office holders, or employees; and
- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by the Company or by one or more of its members, office holders, or employees.

## Reporting protocols

### Communication with management and the Board



We will meet with management and the Board throughout the audit. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are “no surprises”.

### Reports to the Board



We will provide a draft of all reports to management and the Board for discussion/clearance purposes. In the interests of timely reporting, we ask management to provide their comments on the draft within 10 working days. Once management comments are received the report will be finalised and provided to the Board.

We will also follow up on your progress in responding to our previous recommendations.

## Audit logistics

### Our team



Our engagement team is selected to ensure that we have the right subject matter expertise and sector knowledge. Each member of the audit team has received tailored training to develop their expertise.

Our senior audit team members are:

|               |                   |
|---------------|-------------------|
| John Whittal  | Appointed Auditor |
| Chee Hong Lim | Audit Manager     |
| TBA           | Audit Supervisor  |

### Timetable



Our proposed timetable is:

|   |                   |
|---|-------------------|
| Interim audit begins  | 3 June 2024       |
| Draft full annual report available with financial statements, notes to accounts, performance information, including any Chair and Chief Executive's overview or reports | 20 July 2024      |
| Final audit begins  | 22 July 2024*     |
| Final annual report available, incorporating all the amendments agreed to between us  | 2 August 2024*    |
| Audit opinion issued (draft for annual report adoption)   | 6 September 2024  |
| Draft management report issued  | 13 September 2024 |
| Adoption of annual report   | 19 September 2024 |

\*We have audit staff available for these dates to complete the audit work, we are attempting to move the start of the audit to a later date in July or early August. We will advise if this is possible as soon as we have confirmation.

### AuditDashboard

In 2023, we used AuditDashboard, our online portal, to transfer files between your employees and Audit New Zealand. Overall, the use of AuditDashboard made it easy to fulfil requests. Real time status updates provided greater visibility to everyone and helped to keep everyone organised and on the same page. We will again use AuditDashboard for transferring audits as part of the audit.

## Expectations



For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

Our respective responsibilities are set out in our Audit Engagement Letter.

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance;
- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the annual report, financial statements and performance information will be subjected to appropriate levels of quality review before being provided to us.

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit.

## Health and safety



The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff.

Under the Health and Safety at Work Act 2015, we need to make arrangements with management to keep our audit staff safe while they are working at your premises.

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required. We also expect management to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.



AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

[www.auditnz.parliament.nz](http://www.auditnz.parliament.nz)

PO Box 99  
Wellington 6140  
Phone: 04 496 3099



---

**Report no: ARSC2024/2/87**

## **External Audit Update - Hutt City Council**

### **Purpose of Report**

1. To provide an update on the external audit process for the Long Term Plan 2024-2034.
2. To provide an update on the plans for the preparation and external audit of the Group Annual Report for the year ended 30 June 2024.

### **Recommendations**

That the Subcommittee:

- (1) receives and notes the update on the external audit of the Long Term Plan 2024-2034;
- (2) receives and notes the Audit New Zealand report to Council on the audit of the Long Term Plan Consultation Document, attached as Appendix 2 to the report;
- (3) receives and notes the Audit New Zealand audit plan for the Group Annual Report for the year ended 30 June 2024, attached as Appendix 3 to the report;
- (4) note the statutory deadline for the completion of the Group Annual Report 2023-24 is 31 October 2024;
- (5) notes the planned external audit and review process which includes reporting back to the Audit and Risk Subcommittee; and
- (6) notes the focus areas for the external audit which includes the performance measures related to Wellington Water Ltd (WWL).

### **Long term Plan 2024-2034**

3. On 5 February 2024, Audit NZ began its audit of the draft Long Term Plan 2024-2034 and consultation documents. The purpose of the audit was to assess whether:
  - 1) the consultation document provides an effective basis for public participation in the Council's decisions about the proposed content of our draft Long Term Plan;
  - 2) the underlying information and assumptions are reasonable; and

- 3) the draft Long Term Plan provides a reasonable basis for long-term decision-making and co-ordination of the Council's resources and its accountability to the community.
4. The Audit New Zealand engagement letter for the audit of the consultation document and Long Term Plan 2024-2034 was to be reported to the Audit and Risk Subcommittee on 27 February 2024. The Office of the Auditor General delayed the distribution of the letters due to the repeal of water reform legislation that was being progressed by Central Government. The engagement letter is attached as appendix 1 to the report.
5. The audit plan noted that the main focus areas for the audit were:
  - impact of the current economic environment on the Council's forecasts;
  - Central Government reforms;
  - Financial strategy and Infrastructure strategy;
  - assumptions; and
  - quality of asset-related forecasting information.
6. Officers prepared and submitted material for the audit process. The audit "hot review" process of the Consultation Document took place in mid-March and officers worked through the feedback and queries raised.
7. Based on the feedback received some minor changes were made to the consultation document. This included adding more context around the issues linked to the audit opinion Emphasis of Matter (EOM) points, highlighting financial challenges with the deferred three waters capital investment programme in years 11 to 30 and some additional information added around the service level impacts for the options being consulted on.
8. The audit opinion was presented by the Audit New Zealand Audit Director at the 27 March 2024 Long term plan Subcommittee meeting. It contained two EOM paragraphs as detailed below. Both these EOM points were also included in the last LTP 2021-2031:
  - *Uncertainty over the three waters renewals forecasts and use of mainly age based asset information*
  - *Uncertainty over the delivery of the capital programme given the significant increase in the programme.*
9. An EOM paragraph in the audit opinion draws the users attention to important information.
10. Following Council's adoption of the consultation document and the draft Long Term Plan on 27 March 2024, the final version of the consultation document including the signed audit opinion from Audit NZ has now been published (Refer to link <https://www.huttcity.govt.nz/LTP-2024>).

11. The Audit NZ report to Council on the audit on the Long Term Plan Consultation Document attached as Appendix 2 to the report, includes information covering:

- the audit opinion issued;
- confirms there were no uncorrected misstatements;
- describes the project delivery and control environment; and
- provides commentary on the key audit findings, with a particular focus on the water services quality of asset related forecasting information.

The report states:

*“The development of a Consultation Document(CD) together with the required underlying information is a large and complex task. We found there was a robust process for developing and preparing the associated underlying information for the proposed LTP. The Council’s detailed LTP project plan included assigned responsibilities, workshops and engagements with the Council, various stakeholders and the community which supported the successful development of the CD. Management worked well with us and addressed our feedback to ensure that the CD provided an effective basis for public participation in the Council’s decisions about the proposed LTP.”*

12. The final audit is scheduled to begin on 3 June 2024 and will be focused on the final Long Term Plan 2024-2034, policies and strategies to be adopted on 27 June 2024 and any changes from the draft plan, policies and strategies prepared for consultation purposes. A further audit opinion will be issued following the audit of the final Long Term Plan. A final report to governors will be prepared by Audit NZ and available in July 2024.

### **Group Annual Report 2023/24**

13. Planning is well progressed for the preparation and external audit of the Group Annual Report 2023/24 attached as Appendix 3 to the report. The interim audit is planned from the 17 June 2024 and the final audit will start on 16 September 2024. The final audited Group Annual Report is expected to be available for Council adoption on 21 October 2024. The statutory deadline for the completion of the Group Annual Report is 31 October 2024.
14. Officers plan to present the Group Annual Report content to the Audit and Risk Subcommittee on 24 September 2024 and the Policy, Finance and Strategy Committee on 14 October 2024. The intent will be to seek the endorsement of this content subject to the completion of any audit adjustments and receipt of final audit clearance from Audit NZ.
15. To further support this process, a briefing of the Audit and Risk Subcommittee will be planned for mid-September 2024. This will be an opportunity for the Subcommittee to review the draft Annual Report content and provide feedback to officers.

16. The audit plan (Appendix 3) highlights a number of focus areas for the audit. Of particular note is the focus on:

- a) WWL performance measures;
- b) risk of management override of internal controls;
- c) valuation of property plant and equipment;
- d) impact of three waters reform;
- e) capital projects included in work in progress; and
- f) central government funding and rates.

### **Climate Change Impact and Considerations**

17. There are no climate change impacts or considerations arising from this report.

### **Legal Considerations**

18. There are no legal considerations arising from this report.

### **Financial Considerations**

19. The financial considerations are detailed in this report in the relevant areas.

### **Appendices**

| <b>No.</b>        | <b>Title</b>   | <b>Page</b> |
|-------------------|--|-------------|
| <a href="#">1</a> | Appendix 1 - LTP audit engagement letter                       | 49          |
| <a href="#">2</a> | Appendix 2 - Audit of the Long Term Plan Consultation Document | 66          |
| <a href="#">3</a> | Appendix 3 - Hutt City Council Audit Plan                      | 82          |

**Author:** Deepu Nunnian  
Manager Financial Strategy and Planning

**Author:** Darrin Newth  
Financial Accounting Manager

**Reviewed By:** Jenny Livschitz  
Group Chief Financial Officer

**Approved By:** Jo Miller  
Chief Executive



AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

28 February 2024

Level 1, 100 Molesworth Street  
Thorndon  
PO Box 99, Wellington 6140

Campbell Barry  
Mayor  
Hutt City Council  
30 Laings Road  
Lower Hutt 5040

Dear Campbell

**Audit Engagement Letter: Audit of the consultation document and long-term plan for the ten-year period commencing 1 July 2024**

This Audit Engagement Letter is sent to you on behalf of the Auditor-General, who is the auditor of all “public entities”, including Hutt City Council (the Council), under section 14 of the Public Audit Act 2001. The Council wishes to have its 2024 consultation document audited and it is mandatory for the long-term plan (the LTP) to be audited. The Auditor-General has appointed me, John Whittal, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Public Audit Act 2001, to carry out the audit of the Council’s consultation document and the LTP.

This letter outlines:

- the terms of the audit engagement and the respective responsibilities of the Council and me as the Appointed Auditor;
- the audit scope and objectives;
- the approach taken to complete the audit;
- the areas of audit emphasis;
- the audit logistics; and
- the professional fees.

**1 Specific responsibilities of the Council for preparing the consultation document and the long-term plan**

We will carry out our audit on the basis that the Council acknowledges that it has responsibility for preparing the consultation document and LTP, by applying the Council’s own assumptions, in accordance with the Local Government Act 2002 (the Act) (in particular, the requirements of Part 6 and Schedule 10) and in accordance with generally

accepted accounting practice in New Zealand. We assume that elected members are familiar with those responsibilities and, where necessary, have obtained advice about them.

For clarity, we note the following statutory responsibilities as set out in the Act:

- Section 93 of the Act requires the Council to have an LTP at all times, and Part 1 of Schedule 10 prescribes the information that must be included in the LTP.
- Section 111 requires all information that is required to be included in the LTP to be prepared in accordance with applicable generally accepted accounting practice standards.
- Section 83 (with reference to section 93A) sets out the special consultative procedure that the Council is required to follow to adopt the consultation document and LTP.
- Section 93C(4) requires an auditor's report on the consultation document<sup>1</sup>, and section 94 requires a separate audit report on the LTP.

Please note that the audit does not relieve the Council of any of its responsibilities.

Other general terms are set out in the relevant sections of this letter and Appendix 1.

## 2 Our audit scope

The Act requires us to provide two separate reports, as follows:

- on the consultation document, a report on:
  - whether the consultation document gives effect to the purpose specified in section 93B; and
  - the quality of the information and assumptions underlying the information in the consultation document; and
- on the LTP, a report on:
  - whether the LTP gives effect to the purpose in section 93(6); and
  - the quality of the information and assumptions underlying the forecast information provided in the LTP.

We expect our work to assess the quality of underlying information and assumptions to be a single, continuous process during the entire LTP preparation period.

<sup>1</sup> Clause 45 of Schedule 1AA of the Act (inserted by the Water Services Acts Repeal Act 2024) provides that, despite section 93C(4), the consultation document for the 2024-2034 LTP of a territorial authority (except the Chatham Islands Council) or the Wellington Regional Council need not contain an auditor's report. However, the Council wishes to have its consultation document audited.

Our focus for the first limb of each report will be to assess whether the consultation document and the LTP meet their respective statutory purposes. Given the different purposes of each document, we will assess the answers to different questions for each report.

Our focus for the second limb of each report will be to obtain evidence about the quality of the information and assumptions underlying the information contained in the consultation document and LTP. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the information and assumptions underlying the information contained in the consultation document and LTP, whether because of fraud or error.

Our audit reports do not:

- provide a guarantee of absolute accuracy of the information in the relevant document;
- provide a guarantee that the Council has complied with all relevant legal obligations;
- express an opinion on the merits of any policy content; or
- include an opinion on whether the forecasts will be achieved.

### **3 Our approach to this audit**

#### **3.1 The content of the consultation document**

The Act emphasises the discretion of the Council to decide what is appropriate to include in the consultation document and the associated consultation process. In deciding what to include in the consultation document, the Council must have regard to its significance and engagement policy, and the importance of other matters to the city and its communities.

We will need to understand how the Council has approached the task of applying its significance and engagement policy, and how it has weighed the importance of other matters in deciding what to include in the consultation document. This will help inform our assessment of whether the consultation document achieves its statutory purpose.

#### **3.2 Adopting and auditing the underlying information**

Before adopting the consultation document, section 93G of the Act requires the Council to prepare and adopt the information that:

- is relied on by the content of the consultation document;
- is necessary to enable the Auditor-General to issue an audit report under section 93C(4); and
- provides the basis for the preparation of the LTP.

The information to be prepared and adopted needs to be enough to enable the Council to prepare the consultation document.

We consider that local authorities will need to have thought comprehensively about how best to meet the requirements of the Act. Consistent with the guidance of Taituarā, Local Government Professionals Aotearoa, our view is that core building blocks of an LTP will be needed to support an effective consultation document. This will include, but not be limited to, draft financial and infrastructure strategies and the information that underlies them, including asset management information, assumptions, defined levels of service, funding and financial policies, and a complete set of financial forecasts.

We will work with management to understand the information proposed to be adopted and assess whether it will enable us to issue an audit report under section 93C(4).

In addition, the time frames to consider and adopt the LTP after the consultation process will be tight. From a practical perspective, it will be important that the Council is well advanced with the preparation of the full LTP when it issues the consultation document. Otherwise, you may find it difficult to complete the work and adopt the full LTP before the statutory deadline. The same is true for the audit work. The more audit work that can be completed at the first stage of the process, the less pressure there will be on you and the audit team at the end of the process.

### **3.3 Control environment**

The Council is responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the Council), supported by written policies and procedures, designed to prepare the consultation document and LTP, and to provide reasonable quality information and assumptions underlying the information contained in these documents.

Our approach to the audit will be to identify, confirm, and assess the Council's key processes and controls over the underlying information and the production of both the consultation document and the LTP. The purpose of this assessment is to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit reports. Our assessment is not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls.

We will carry out a review of the control environment to help us understand the approach taken to develop the consultation document and LTP, develop expectations of what should be included in the consultation document and LTP, and identify areas of potential audit risk. This will involve discussions with elected representatives and selected staff throughout the Council, review of publicly available information about the Council, updating our knowledge of Council issues developed during recent years, and a review of Council minutes since the last audit review.

Our review of your self-assessment response (see below) and key controls relating to the underlying information and development of the LTP is useful to our initial assessment of audit risk and so the nature and extent of our overall audit work.

### **3.4 Project management, reporting deadlines, and audit progress**

The development of the consultation document and LTP is a significant and complex project, and a comprehensive project plan is required for a successful LTP process. It is also essential that there is commitment throughout the organisation for the project, starting with the elected representatives. The involvement of senior management and elected representatives is important in deciding what to include in the consultation document.

The LTP has complex and inter-related information needs and draws together plans, policies, decisions, and information from throughout the Council and its community. We recognise that the Council will be doing its LTP preparation over an extended period. A more efficient and cost-effective audit can be achieved when audit work and feedback is provided in “real time” or on an “auditing as you go” basis as the underlying information is developed.

Consequently, we will discuss with you and your staff the Council’s approach to preparing and completing the LTP. We expect that the Council is approaching its preparation on a project basis and recognise that our audit work should “shadow” that project timetable. The success of this “auditing as you go” approach will depend on the Council’s project management of the overall LTP process, which should include time for audit work at appropriate points in the process.

### **3.5 Self-assessment**

To assist our audit planning, we intend to use a self-assessment process to assist with our risk assessment process. The self-assessment requires you to reflect on your most significant issues and risks, governance of the LTP project, and the systems and processes you have in place (particularly to meet the purposes in the Act for the consultation document and the LTP), asset management, performance management and reporting, and financial management.

We have previously forwarded the self-assessment to you under a separate cover, and it has been returned us. We have used the information to assist with our assessment of audit risk assessment.

The self-assessment is like those used with our audit of previous LTPs. The information provided through the self-assessment will be confirmed with you through discussion after its completion.

## **4 Our particular areas of audit focus**

### **4.1 Impact of the current economic environment on the Council’s forecasts**

The national and international response to the Covid-19 pandemic has created a significantly uncertain economic environment. Supply chain and labour market constraints due to closed borders and economic stimulus has led to inflationary pressures being seen around the world. New Zealand’s response to increased inflation has meant significantly higher interest rates than that experienced in the recent past.

The current economic environment and what it means for the future will need to be factored into the Council's LTP forecasts. We will review the approach the Council has done to do this, and the quality of the supporting evidence used for the resulting assumptions.

We will also carefully consider how the Council sets out its proposed response to the current economic environment, including any discussion of any affordability trade-offs that are needed in the response, in the consultation document. We will specifically focus on whether Council's consultation document is "fit for purpose" in accordance with section 93B of the Local Government Act 2002.

## **4.2 Central Government reforms**

The Government is undertaking a significant reform programme, some of which impacts on the operations of the Council. We discuss the main areas of reform and how we expect them to impact on the audit of the LTP below:

### **Resource Management Act reforms**

The Natural and Built Environment Act 2023 and the Spatial Planning Act 2023 were both enacted in August 2023. We understand implementation of the reforms will be staged over the next seven years.

As we understand all regional spatial strategies will need to be completed by mid-2029, the Council will need to forecast the implementation in the LTP. We will assess the reasonableness of the assumptions made by the Council in forecasting the implementation. In assessing the reasonableness, we will be interested in understanding what discussions have occurred with other councils involved in the implementation of its regional spatial strategy.

We note that the new coalition Government has confirmed its intention to repeal the Natural and Built Environment Act and the Spatial Planning Act. In the absence of amending legislation being passed, the current legislative requirements stand, and so our audit will need to be conducted in the context of the current legislative framework. Should amending legislation be passed we will reassess our approach.

### **Future for local government**

As the Future for Local Government Panel only provided its final report to Government in June 2023, we do not expect any substantive policy decisions will be made to inform the development of the LTP.

The Council may decide to include some discussion of the Future for Local Government Panel's final report in the LTP or other supporting documentation such as the consultation document. We will assess the reasonableness of any such discussion.

#### 4.3 Financial strategy and infrastructure strategy

The Act requires a local authority to prepare two key strategies as part of the LTP: the financial strategy and the infrastructure strategy.

The purpose of the financial strategy is to:

- facilitate prudent financial management by the local authority by providing a guide for the local authority to consider proposals for funding and expenditure against; and
- provide a context for consultation on the local authority's proposals for funding and expenditure by making transparent the overall effects of those proposals on the local authority's services, rates, debt, and investments.

The purpose of the infrastructure strategy is to:

- identify significant infrastructure issues for the local authority during the period covered by the strategy; and
- identify the principal options for managing those issues and the implications of those options.

For the two strategies to be effective, they must be closely aligned. Section 101B(5) allows for them to be combined into a single document.

Although the Act clearly sets the minimum requirements for these strategies, it does not define the only things that can be in a strategy. A good strategy should include what is needed to be a good quality strategic planning document. In the case of the infrastructure strategy, the principles of ISO 55000 should be considered, particularly where the Council is seeking to prepare a best practice strategy.

In our audit of the Council's 2021/31 LTP, we recommended improvements to the Asset Management Plans (AMP) and that all parts of the Wellington Water Limited proposed approach to the AMP are finalised. We also recommended that additional investigations and condition assessments which support the AMPs are completed, particularly the level of renewal capital expenditure.

Overall we were satisfied that the infrastructure strategy was fit for purpose and the supporting underlying information is considered reasonable (in the context of our comments about the 3 waters renewals). The infrastructure strategy fulfilled the legislative purpose and meets our expectations of such a document and is consistent with our knowledge of asset management planning for the Council.

Our focus when reviewing both strategies is to assess whether the Council has met the purpose outlined in the Act and presented the strategies in a coherent and easily readable manner. Specifically, we will:

- confirm that the two strategies are appropriately aligned;

- understand the effect of the financial forecasts included in the infrastructure strategy on the prudence of the financial strategy; and
- assess the reasonableness of the prepared forecasts by:
  - understanding how the Council has applied the effect of its assumptions (for example, allowing for changing demographics, the implications of the changing climate, the condition and performance of critical assets) and levels of service on expenditure decisions and outlined the implications of these decisions in the strategies;
  - reviewing the Council's relationship between its renewal capital expenditure and depreciation expenditure forecasts; and
  - checking that the infrastructure strategy is appropriately inflated.

The Council's financial modelling is a significant component of the underlying information that supports both the financial strategy and infrastructure strategy. We will place particular emphasis on the integrity and effectiveness of the financial modelling of all local authorities.

An additional role played by these strategies is to facilitate accountability to the community. It is critical that these strategies are presented in such a way that they are engaging and informative, and support the presentation of issues, options, and implications presented in the consultation document.

#### **4.4 Assumptions**

The quality of the Council's financial forecasts is significantly affected by whether the assumptions on which they are based are defined and reasonable. The Act recognises this by requiring all local authorities to clearly outline all significant forecasting assumptions and risks underlying the financial estimates in the LTP (Schedule 10, clause 17). Prospective Financial Statements (PBE FRS 42) also requires the disclosure of significant assumptions.

We will review the Council's list of significant forecasting assumptions and confirm that they are materially complete. We will also test the application of selected assumptions in the financial forecasts to check they have been reasonably applied. Finally, we will confirm that:

- all significant forecasting assumptions disclose the level of uncertainty associated with the assumption; and
- for all significant forecasting assumptions that involve a high level of uncertainty, the uncertainty and an estimate of the potential effects of the uncertainty on the financial forecasts are appropriately disclosed in the LTP.

We consider that the significant forecasting assumptions are crucial to the underlying information for the consultation document and will complete our review during our audit of the consultation document.

**Climate change assumption**

We will continue to focus on the assumptions that the Council has made about climate change and the adequacy of other information and disclosures relating to climate change.

We will review the Council's climate change assumptions to determine whether they are reasonable and supportable. We will assess the quality of the supporting information the Council is using in developing its assumptions and disclosures included in the LTP, the consultation document (if relevant), and the adopted underlying information.

We do expect the Council to reflect information on the impacts of climate change identified in the last three years in its climate change assumptions and work plans outlined in the LTP.

**4.5 Quality of asset-related forecasting information**

A significant portion of the Council's operations relates to the management of its infrastructure: the roading network and the "three-waters" of water supply, sewerage, and stormwater drainage. These activities make up a significant amount of operational and capital expenditure.

In our audit of the Council's 2021/31 LTP, we recommended improvements to the Asset Management Plans (AMP) and that all parts of the Wellington Water Limited proposed approach to the AMP are finalised. We also recommended that additional investigations and condition assessments are completed which support the AMPs, particularly the level of renewal capital expenditure. The Council's forecast cost of critical asset renewals for three waters assets were based on age only. Using only aged-based information means there is a higher degree of uncertainty in the timing and amounts of these forecasts. It was noted that the Council's 2021/31 forecasts included investment to better understand asset the condition of critical three waters assets, which will improve the reliability of the amount and timing of future forecasts asset renewals for future LTPs. We included an Emphasis of Matter paragraph in our audit report on this matter.

To prepare reasonable quality asset information, the Council needs to have a comprehensive understanding of its critical assets and the cost of adequately maintaining and renewing them. An important consideration is how well the Council understands the condition of its assets and how the assets are performing.

In reviewing the reasonableness of the Council's asset-related forecasting information, we will:

- assess the Council's type asset management planning systems and processes;
- understand what changes the Council proposes to its forecast levels of service;
- understand the Council's assessment of the reliability of the asset-related information;
- consider how accurate recently prepared budgets have been; and

- assess how matters such as affordability have been incorporated into the asset-related forecasts prepared.

Depending on what we identify in completing the above, we may have to complete further detailed testing on the Council's asset-related information.

## **5 Other matters**

### **5.1 Our independence**

It is essential that the audit team and Audit New Zealand remain both economically and attitudinally independent of the Council (including being independent of management personnel and the Council). This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with integrity, objectivity, and independence.

### **5.2 Publication of the consultation document and adopted long-term plan on the Council's website**

The Council is responsible for the electronic presentation of the consultation document and LTP on its website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the presented data. Please ensure that your project plan allows time for us to examine the final electronic file version of the respective documents, including our audit report, before their inclusion on the website.

We need to do this to ensure consistency with the paper-based documents that have been subject to audit.

## **6 Audit logistics**

### **6.1 Audit timing**

The key dates in the audit timetable are as follows:

|   |                  |
|---|------------------|
| Self-assessment provided to Council                           | 12 October 2023  |
| Self-assessment returned to audit team for consideration      | 15 December 2023 |
| Proposed consultation documents available                     | 2 February 2024  |
| First audit visit - audit of consultation document            | 5 February 2024  |
| Verbal clearance  | 14 March 2024    |
| Audit report on consultation document required                | 27 March 2024    |
| Draft report to governors on consultation document engagement | 15 April 2024    |

|   |               |
|---|---------------|
| Finalised report to governors on consultation document engagement | 30 April 2024 |
| Proposed LTP for adoption available                               | 31 May 2024   |
| Second audit visit – audit of LTP                                 | 4 June 2024   |
| Audit report on adopted LTP required                              | 27 June 2024  |
| Draft report to governors on LTP engagement                       | 15 July 2024  |
| Finalised report to governors on LTP engagement                   | 31 July 2024  |

Should we encounter any significant problems or delays during the audit, we will inform you immediately.

We have an electronic audit management system. This means that our auditors will complete most of their work on their laptops. Therefore, we would appreciate it if the following could be made available during our audit:

- a suitable workspace for computer use (in keeping with the health and safety requirements discussed in Appendix 1); and
- electronic copies of key documents.

As noted in section 3.4, our audit work needs to be done as you develop your underlying information and prepare your consultation document and LTP, to ensure the timely completion of our audit.

To ensure that we meet agreed deadlines, it is essential that the dates agreed are adhered to.

## **7 Professional fees**

Our audit fee, covering both the consultation document and the LTP for the ten-year period commencing 1 July 2024, is \$123,400 (excluding GST and disbursements).

In the unlikely event the actual hours to carry out the audit of the consultation document and LTP results in the above audit fee being more than \$210 per hour, the fee will be reduced to a maximum \$210 per hour.

For the 2018 LTP, our actual hours were 991. These hours are likely to include some inefficiencies on our part, as well as inefficiencies caused by the council. The audit fee we charged was \$139,000 (includes a recovery of \$46,000), which was an effective hourly rate of \$140. For context, in 2018 the average effective charge out rate for an audit of this complexity should have been \$163-\$211 per hour.

For the 2021 LTP, our actual hours were 1,073. These hours are likely to include some inefficiencies on our part, as well as inefficiencies caused by the council. The audit fee we

charged was \$108,300, (includes a recovery of \$8,000) which was an effective hourly rate of \$101. For context, in 2021 the average effective charge out rate for an audit of this complexity should have been \$180-\$233 per hour.

We cannot continue to spend significant amounts of time on the audit that is not compensated. Over time, we need to increase our audit fees to fairly reflect the costs of performing an efficient audit. The proposed 2024 fee is an increase of 13.9% compared to the final 2021 fee.

The proposed fee is based on the following assumptions:

- Information required to conduct the audit is complete and provided in accordance with the agreed timelines. This includes the draft consultation document and the full draft financial strategy, draft infrastructure strategy and key underlying assumptions and information that supports the draft consultation document.
- There will be an appropriate level of assistance from your staff.
- All documentation (consultation document, LTP, and all other underlying documentation) provided will be subject to appropriate levels of quality review before submission for audit.
- The consultation document and LTP will include all relevant disclosures.
- We will review, at most, two drafts of each of the consultation document and LTP during our audit.
- We will also review one printer's proof copy of the consultation document and LTP and one copy of the electronic version of the consultation document and LTP (for publication on your website).
- There are no significant changes in the structure or level of operations of the Council impacting on the audit, such as the establishment of a CCO to deliver core functions or a major restructuring of groups of activities.
- The local authority is preparing forecast financial statements for the "Council parent" only, rather than including consolidated forecast financial statements for the Council and any controlled entities in the adopted LTP.

If the scope and/or amount of work changes significantly (such as a change in direction during the development of the consultation document or between the development of the consultation document and the LTP), we will discuss the issues with you at the time.

A possible change in audit scope could arise if the new government makes changes to the legislation to transfer water assets, liabilities and operations to the new water services entities, as signalled ahead of the election. Such an outcome would impact the amount of audit work we are required to carry out, and therefore the fees we charge. If this happens, we will discuss the matter and any implications for additional audit fees with you.

If information is not available for the visits as agreed, or the systems and controls the Council use to prepare the underlying information and assumptions cannot be relied on, we will seek to recover all additional costs incurred as a result. We will endeavour to inform you as soon as possible should such a situation arise.

This fee is exclusive of any subsequent amendments the Council might make to the adopted LTP under section 93D.

We wish to interim bill as work progresses. We propose the following billing arrangements:

|          | \$      |
|----------|---------|
| February | 35,000  |
| March    | 25,000  |
| June     | 30,000  |
| July     | 28,400  |
|          | 123,400 |

## 8 Personnel

Our personnel involved in the management of the audit are:

|                |  |
|----------------|--|
| John Whittal   | Appointed Auditor                      |
| Julian Tan     | Engagement Quality Review Director     |
| Rebecca Murphy | Special Audit and Assurance Specialist |
| Chee Hong Lim  | Audit Manager                          |
| Hannah Nerona  | Audit Supervisor                       |

We have endeavoured to maintain staff continuity as far as possible.

## 9 Agreement

Please sign and return the attached copy of this letter to indicate that:

- It is in accordance with your understanding of the arrangements for this audit of the consultation document and LTP for the ten-year period commencing 1 July 2024; and
- you accept the terms of the engagement set out in this letter that apply specifically to the audit of the consultation document and LTP and supplement the existing Audit Engagement Letter dated 11 July 2023.

If there are any matters requiring further clarification, please contact me.

Yours sincerely



John Whittal  
Appointed Auditor

cc Jenny Livschitz, Chief Financial Officer

*I acknowledge that this letter is in accordance with my understanding of the arrangements of the audit engagement. I also acknowledge the terms of the engagement that apply specifically to the audit of the consultation document and LTP, and that supplement the existing Audit Engagement Letter dated 11 July 2023.*

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
Campbell Barry  
Mayor

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
Jo Miller  
Chief Executive

## Appendix 1: Terms of the engagement that apply specifically to the audit of the consultation document and LTP

### Objectives

The objectives of the audit of the consultation document and LTP are:

- to provide independent reports on the consultation document (under section 93C(4) of the Act) and on the LTP (under section 94(1) of the Act) about:
  - whether each document gives effect to the relevant statutory purpose; and
  - the quality of the information and assumptions underlying the information included in each document; and
- to report on matters relevant to the Council's planning systems that come to our attention.

Our audit involves performing procedures that examine, on a test basis, evidence supporting assumptions, amounts, and other disclosures in the consultation document and LTP, and evaluating the overall adequacy of the presentation of information.

We also review other information associated with the consultation document and LTP to identify whether there are material inconsistencies with the audited consultation document and LTP.

### Provision of a report to the governors of the Council

At a minimum, we will report to the governors of the Council at the conclusion of the engagement. The report communicates matters that come to our attention during the engagement and that we think are relevant to the Council. For example, we will report:

- any weaknesses in the Council's systems; and
- uncorrected misstatements noted during the audit.

Please note that the Auditor-General may refer to matters that are identified in the audit of consultation documents and LTPs in a report to Parliament if it is in the public interest, in keeping with section 20 of the Public Audit Act 2001.

### Materiality

Consistent with the annual audit, the audit engagement for the consultation document and LTP adheres to the principles and concepts of materiality during the ten-year period of the LTP and beyond (where relevant).

Materiality is one of the main factors affecting our judgement on the areas to be tested and the nature and extent of our tests and procedures performed during the audit. In planning and performing the audit, we aim to obtain assurance that the consultation document and LTP, and the information and assumptions underlying the information contained in these documents, do not have material misstatements caused by either fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence a reader's overall understanding of the consultation document and LTP.

Consequently, if we find material misstatements that are not corrected, we will refer to them in the audit report. Our preference is for any material misstatement to be corrected, avoiding the need to refer to misstatements.

### **The standards applied when conducting the audit of the consultation document and adopted long-term plan**

Our audit is carried out in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. In meeting the requirements of this standard, we considered particular elements of the Auditor-General's Auditing Standards and International Standard on Assurance Engagements 3400: *The Examination of Prospective Financial Information* that were consistent with those requirements.

### **Responsibilities**

#### ***General responsibilities***

The general responsibilities of the Council for preparing and completing the consultation document and LTP are consistent with those for the annual report, as set out in the Audit Engagement Letter dated 11 July 2023 - but noting that the consultation document and LTP include forecast information.

These responsibilities include those set out in Appendix 1 of that Audit Engagement Letter as detailed below:

- Appendix 1: Respective specific responsibilities of the Council and the Appointed Auditor:
  - responsibilities for compliance with laws and regulations; and
  - responsibilities to establish and maintain appropriate standards of conduct and personal integrity.

#### ***Specific responsibilities***

The Council is responsible for:

- maintaining accounting and other records that:
  - correctly record and explain the forecast transactions of the Council;

- enable the Council to monitor the resources, activities, and entities under its control;
- enable the Council's forecast financial position to be determined with reasonable accuracy at any time; and
- enable the Council to prepare forecast financial statements and performance information that comply with legislation; and
- providing us with:
  - access to all information and assumptions relevant to preparing the consultation document and LTP, such as records, documentation, and other matters;
  - additional information that we may request from the Council for the purpose of the audit;
  - unrestricted access to Council members and employees that we consider necessary; and
  - written confirmation of representations made to us in connection with the audit.

### **Health and safety of audit staff**

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015, we need to make arrangements with you to keep our audit staff safe while they are working at your premises.

We expect you to provide a safe work environment for our audit staff that is without risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

Report to the Council on the  
audit of

**Hutt City Council's**

Long-Term Plan Consultation  
Document

For the ten-year period 1 July 2024 to 30 June  
2034

## Contents

|   |    |
|---|----|
| Key messages .....  | 3  |
| 1 Our audit report .....  | 5  |
| 2 Project delivery and the control environment .....                        | 7  |
| 3 Matters raised in the Audit Engagement Letter and key audit findings..... | 8  |
| 4 Next steps for the Council.....   | 13 |
| 5 Audit of the long-term plan .....   | 14 |
| Appendix 1: Disclosures .....   | 15 |

## Key messages

We have completed the audit of Hutt City Council's (the Council's) long-term plan Consultation Document (CD) for the ten-year period commencing 1 July 2024 to 30 June 2034. The Council will adopt its final LTP in June 2024.

This report sets out our findings and recommendations from the audit of the CD stage of the LTP.

### Audit report

We issued our audit report which included an unmodified audit opinion on Council's CD on 27 March 2024. This means that in our opinion, the CD document provides an effective basis for public participation in the Council's decision-making processes relating to the content of its draft LTP.

Without modifying our opinion, we included two emphasis of matter paragraphs in the audit report drawing readers' attention to certain disclosures in the CD.

These are:

- the uncertainty over the three waters renewals forecasts; and
- the uncertainty over the delivery of the capital programme.

### Key audit findings

#### *Preparation of the Consultation Document and underlying information*

The development of a CD together with the required underlying information is a large and complex task. We found there was a robust process for developing and preparing the associated underlying information for the proposed LTP. The Council's detailed LTP project plan included assigned responsibilities, workshops and engagements with the Council, various stakeholders and the community which supported the successful development of the CD. Management worked well with us and addressed our feedback to ensure that the CD provided an effective basis for public participation in the Council's decisions about the proposed LTP.

#### *Uncertainty over the three waters renewals forecasts*

The Council's forecasting for its three waters assets is primarily based on age, and is capped by what the Council considers is affordable. Using mostly age-based information creates uncertainty over which assets to prioritise for renewal, the timing thereof, and the forecast amounts required, resulting in a risk of asset failure and reduced levels of service. To reduce the risk, the Council has committed funding to repair the backlog of leaky pipes and is working to better understand the condition of its underground assets.

#### *Uncertainty over the delivery of the capital programme*

The Council is proposing a significant increase in its capital programme. While the Council has put in place a number of initiatives, there is an inherent level of uncertainty and risk that the Council may

not be able to deliver on the programme, especially when it has increased substantially. The Council notes the potential impacts of not achieving the capital programme, such as not meeting planned levels of service, or greater costs in the long term.

### **Audit of the final LTP**

Following the conclusion of the consultation period and the Council's hearing of submissions, we will review any final changes made to the LTP and issue a separate audit report on the LTP in June 2024.

To ensure our audit of the final LTP is efficient, we ask the Council to prepare and provide us with a schedule of changes to the financial forecasts and other underlying information that were the basis for the CD.

### **Thank you**

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



John Whittal  
Appointed Auditor  
17 April 2024

# 1 Our audit report

## 1.1 Scope of our audit

The scope of our audit engagement and our respective responsibilities are contained in our Audit Engagement Letter dated 28 February 2024.

## 1.2 We issued an unqualified audit report on 27 March 2024



This means we were satisfied that the CD meets the statutory purpose and provides an effective basis for public participation in Council's decisions about the proposed content of the 2024-34 LTP. We also found the underlying information and assumptions used to prepare the CD are reasonable.

Without modifying our opinion, we included three emphasis of matter paragraphs in the audit report drawing attention to the disclosure in the CD document on the following:

### 1.2.1 Uncertainty over the three waters renewals forecasts (see section 3.5)

The renewals profiles of three water assets (wastewater, water supply and stormwater) are based on age. Condition and performance information of assets are used to prioritise the available funding for renewals.

Council's forecasting for its three waters assets is still therefore primarily age-based and is capped by what the Council considers is affordable. Using age-based information to generate renewal profiles creates uncertainty over the timing of asset renewals and the forecast amounts required, resulting in a risk of asset failure and reduced levels of service. To reduce the risk, the Council has committed funding to repair the backlog of leaky pipes and is working to better understand the condition of its underground assets.

Council has disclosed the age-based renewals in the CD. We are satisfied that the disclosure adequately to explain the risk/uncertainty.

### 1.2.2 Uncertainty over the delivery of the capital programme

Over the next 10 years, the Council is proposing a significant increase in its capital programme. While the Council has put in place a number of initiatives, there is an inherent level of uncertainty and risk that the Council may not be able to deliver on the programme, especially when it has increased substantially. The Council notes the potential impacts of not achieving the capital programme, such as not meeting planned levels of service, or greater costs in the long term.

**1.3      Uncorrected misstatements**

The CD and the underlying information are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those that were clearly trivial.

The Council has corrected all significant misstatements we have identified and notified to management.

## 2 Project delivery and the control environment

Our approach to the audit was to identify, confirm and assess the Council's key processes and controls over the underlying information, and ultimate production of both the CD document and the LTP. The purpose of this assessment was to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit opinions.

We concluded that the Council's control environment was effective for the purpose of preparing the CD and the underlying information. Our review of the control environment included two key areas. These are the planning and budgeting processes, and asset management practices.

### 2.1 Process to develop the Consultation Document and underlying information

We assessed that the process to develop the CD and prepare the underlying information was generally well-managed and planned. We noted clear direction from elected members and senior management, internal co-ordination, and quality assurance reviews.

### 2.2 Planning and budgeting process

We obtained an understanding of the Council's budgeting process in discussions with the relevant staff members and by reviewing various supporting documentation.

Overall, we found that the Council had a good process in place that provided an appropriate basis to prepare the underlying information and ultimately the production of the CD and the proposed LTP.

### 2.3 Asset management practices

Please refer to section 3.5 of this report.

### 3 Matters raised in the Audit Engagement Letter and key audit findings



In our Audit Engagement Letter, we identified matters we would focus on during the audit. Our comments on these matters and our other key audit findings are as follows:

#### 3.1 Council meeting the purpose statement of the consultation document

Over the years, the Council has faced several challenges as the city continues to grow. The last LTP focused on “getting the basics right” which included investing in key infrastructure. While this continues to be a key priority, the Council is aiming to find the right balance between the investment required and cost impact on the public.

In the CD, the Council will consult on a number of areas. We discuss these further in section 3.2 below.

Overall, we are satisfied that the CD provides an effective basis for public participation in local authority decision-making process relating to the content of a long-term plan. We consider that the CD provides a fair representation of the matters that are proposed for inclusion in the Council’s long-term plan.

We are satisfied that the CD identifies and explains to the community, the significant and other important issues, and choices facing the Council and the consequences of these choices. The CD also informs discussions between the Council and the community about the matters that are proposed for inclusion in the long-term plan.

Our assessment concluded that that the consultation document meets the requirements of s93B of the Local Government Act 2002 (the Act).

#### 3.2 Content of the consultation document

The CD incorporates four key consultation topics on the Council’s top priorities. These include addressing issues from underinvestment towards water infrastructure in the past, while ensuring that continued growth in the city and the rising cost of living are also considered. The four key priorities covered in the CD are:

- water services;
- food organics and green organics (FOGO) collection service;
- rates relief for low-income households; and
- Petone assets.

Overall, we concluded that the CD provides an effective basis for public participation in the Council’s decisions on the proposed content of its 2024-34 LTP. We are satisfied that the

consultation topics align well with the issues that the city faces in the future. The proposed options clearly detail financial impacts and impacts on levels of service in a way that is consistent with the infrastructure strategy, financial strategy, financial model, and other underlying assumptions.

We note that the CD is a relatively shorter document than previously. Council decided to provide key information to substantiate decisions made, consultation items, and preferred options in a concise and succinct manner.

The CD has contextual information and is presented in logical sections.

The CD is clear on which issues are being consulted on (including a range of options, the consequences of these choices, and Council's preferred option).

It highlights the critical parts of the proposed financial strategy and infrastructural strategy.

We are satisfied that the consultation document is fit for purpose.

### **3.3 Financial strategy**

We developed an understanding of the Council's financial strategy and evaluated its compliance with the requirements of section 101A of the Local Government Act 2002, including the balanced budget requirements.

The financial environment has changed a lot since the previous LTP and has presented a number of challenges including upward cost pressure on operating and capital expenditure and higher borrowing costs. Council clearly documents the key principles underlying its financial strategy. It focuses on strong fiscal management whilst addressing cost pressure and the growing demands for increased capital expenditure in core infrastructure assets. Funding implications detailed in the infrastructure strategy have been consistently reflected in the financial strategy.

The Council has proposed to borrow to fund large projects with the debt balance projected to peak at just over \$1 billion in 2030. The Council remains within their debt limits over the period to the plan, with remaining headroom intended to deal with unplanned significant events or emergencies.

The Council is also clear on its consideration of the level of rates increases, with a need to balance financial prudence, intergenerational equity and affordability. The key actions to support this include the smoothing of increases over multiple years, finding efficiency savings and finding alternate funding sources (where possible).

We are satisfied that the financial strategy is fit for purpose and the supporting underlying information is considered reasonable.

### 3.4 Infrastructure strategy

We developed an understanding of the Council's infrastructure strategy (IS) and evaluated its compliance with the requirements of the Local Government Act 2002.

We performed work to ensure that the:

- infrastructure strategy is aligned with the financial strategy;
- information in the financial model reconciles with the infrastructure strategy;
- infrastructure strategy supports accountability;
- correlation between depreciation and renewals is reasonable; and
- content of the infrastructure strategy document includes everything necessary to achieve its statutory purpose.

Through our review, we made some recommendations on the initial draft IS which the Council has subsequently addressed.

We are satisfied that the infrastructure strategy meets the legislative requirements and identifies significant infrastructure issues for the local authority during the period covered by the strategy; and identifies the principal options for managing those issues and the implications of those options.

We also gained an understanding as to how the Council proposes to fund renewals and its proposed overall approach to manage the assets included in the IS. The Council has developed its infrastructure strategy and modelled its renewal forecasts for the next 30 years. The largest proportion of pipes in Council's three waters network is between 40 and 80 years old (installed between the 1940s and 1980s); however, there is also a group of pipes aged up to 120 years. The forecast shows that a peak renewal period is coming within the period of the infrastructure strategy. This is in line with our understanding of the Council and its assets.

The Council developed the IS disclosures relating to three waters assets through discussions with WWL. The IS explains the context of the age profile of the three waters network and that this is a key challenge for the Council due to the level of investment needed over the next 30 years. The IS also includes an assumption about asset lives and conditions, essentially describing that the network is not expected to change significantly over the period of the strategy, but that further work will be carried out to review useful lives and evaluate the condition of very high and high criticality three water assets.

Overall, we are satisfied that the infrastructure strategy demonstrates accountability to the community. It describes what the Council wants to achieve, the challenges it faces, and how it plans to respond so that it can continue to deliver the outcomes that have been set by the Council.

### 3.5 Quality of asset-related forecasting information (including condition and performance information of critical assets)

The renewals profiles of three water assets (wastewater, water supply and stormwater) are based on age. Condition and performance information of assets is used to prioritise the available funding for renewals. Critical assets nearing the end of their useful lives have condition assessments. Renewals of critical assets with a condition grading of poor or very poor will be planned. Critical assets at the end of their theoretical life with other condition gradings will not be replaced until the condition grading deteriorates to poor or very poor. Non-critical asset renewals are planned on the basis of the asset's failure history.

For the first three years of the LTP forecast there are named projects for renewals. Years 4 to 6 of the forecast contain a mix of named projects (mainly critical assets) and a bucket of need (mainly non-critical assets). Years six onwards of the forecast is a bucket of need approach. The three-year planning horizon is used to tag in projects. The bucket of need is spent on the highest failure rates for non-critical assets. The level of renewals backlog and current asset failure rates mean that there will very likely be sufficient pipes that need renewal to meet the bucket of funding available.

As part of our assessment, we also considered the size of the population of the City and the nature of the Council's assets. The age profile of the network shows it is approaching an older age with majority of drinking water and wastewater assets due for renewal over the next 30 years. There are already adverse indications from the aging asset base including the Council not meeting several of its performance measures related to these assets and increased operations and maintenance costs, these will continue to escalate without the backlog being addressed. The ten-year renewal programme for this LTP does not address the backlog. The constrained approach avoids significant investment spikes, but creates service delivery and financial risks. The risks arise from backlog renewals failing, but also it is possible that certain portions of the required renewals will also have significant performance issues before the theoretical "average" life ends.

Overall, we concluded that the forecasting approach for water assets primarily based on age, and capped by what the Council considers is affordable is not unreasonable however, creates significant uncertainty over the timing of asset renewals and the forecast amounts required, resulting in a risk of asset failure and reduced levels of service. To reduce the risk, the Council has committed funding to repair the backlog of leaky pipes and is working to better understand the condition of its underground assets.

We have included an emphasis of matter in our audit report drawing readers' attention to certain disclosures in the CD about the renewals approach and the risks resulting.

We also continue to recommend that all parts of the WWL asset information presented as the minimum viable product are consolidated into respective Asset Management Plans (AMPs). AMPs would provide an opportunity to explain the justification for the actual approaches proposed as opposed simply to general intervention principles. They would also specify projects scheduled for year one to three with a justification. The links to Levels of Service (LoS) required reference to annual reports and didn't give a strong sense of

planning being intended to deliver LoS into the medium term – clearer LoS linkages would be included in an AMP. Also, some WWL documents did not differentiate between the councils (instead they were documented on a whole of region basis) requiring follow up questions to understand the implications for specific councils.

WWL also engaged an independent expert to report on the infrastructure evidence to support Council's water investment programmes. The report includes several findings and conclusions, we recommend that these are considered further and a improvement plan developed to address the issues as part of the asset management process going forward.

#### **Management comment**

*We will continue to work with Wellington Water and other Council's in the region to make improvements in this area.*

### **3.6 Assumptions**

We reviewed and assessed the appropriateness of the assumptions Council has disclosed as a basis for developing the CD. When reviewing the assumptions, we focused on those we considered material from an audit perspective.

The quality of the Council's financial forecasts is significantly affected by the assumptions on which they are based. For the selected material assumptions, we assessed the reliability of the source data and the reasonableness of any judgements made by Council such as the level of risk and uncertainty attached to each assumption. We confirmed the majority of material assumptions had been consistently applied throughout the forecast financial statements (apart from the issues identified in section 1.2.2 of this report). We also reviewed the other assumptions for reasonableness and internal consistency.

Overall, we were satisfied Council's assumptions were reasonable and supportable, being derived from appropriate sources, and have been applied appropriately and consistently throughout the CD and underlying information.

We recommend that all assumptions are reassessed when preparing the final LTP forecasts.

## 4 Next steps for the Council



There is a consultation period of 2 April to 3 May for ratepayers to make submissions on the CD and underlying information, in addition where it is requested feedback can be presented to Councillors at hearings over 15 – 17 May 2024. The Council will then consider the submissions made before adopting the LTP in June 2024.

This process means that there may be changes to the underlying information that supported the CD. Changes may arise from submissions received by Council, or from updated or improved underlying supporting information, or management initiated changes. The Council may also be affected by announcements outside of its control that impact on the decisions and assumptions in the CD.

## 5 Audit of the long-term plan

The last step in the LTP audit process will be the audit of the LTP document. This audit is scheduled to be undertaken on 4 June 2024 following the Council's deliberations.

To ensure our audit of the LTP is efficient, we ask the Council to prepare and provide us with a schedule of changes to the financial forecasts and other underlying information that were the basis of the CD. This will enable us to assess the extent of changes and tailor our audit work accordingly.

In respect of these changes, we will gain assurance that appropriate consequential changes and disclosures have been made. We also check the consistency of the updated documents in the LTP.

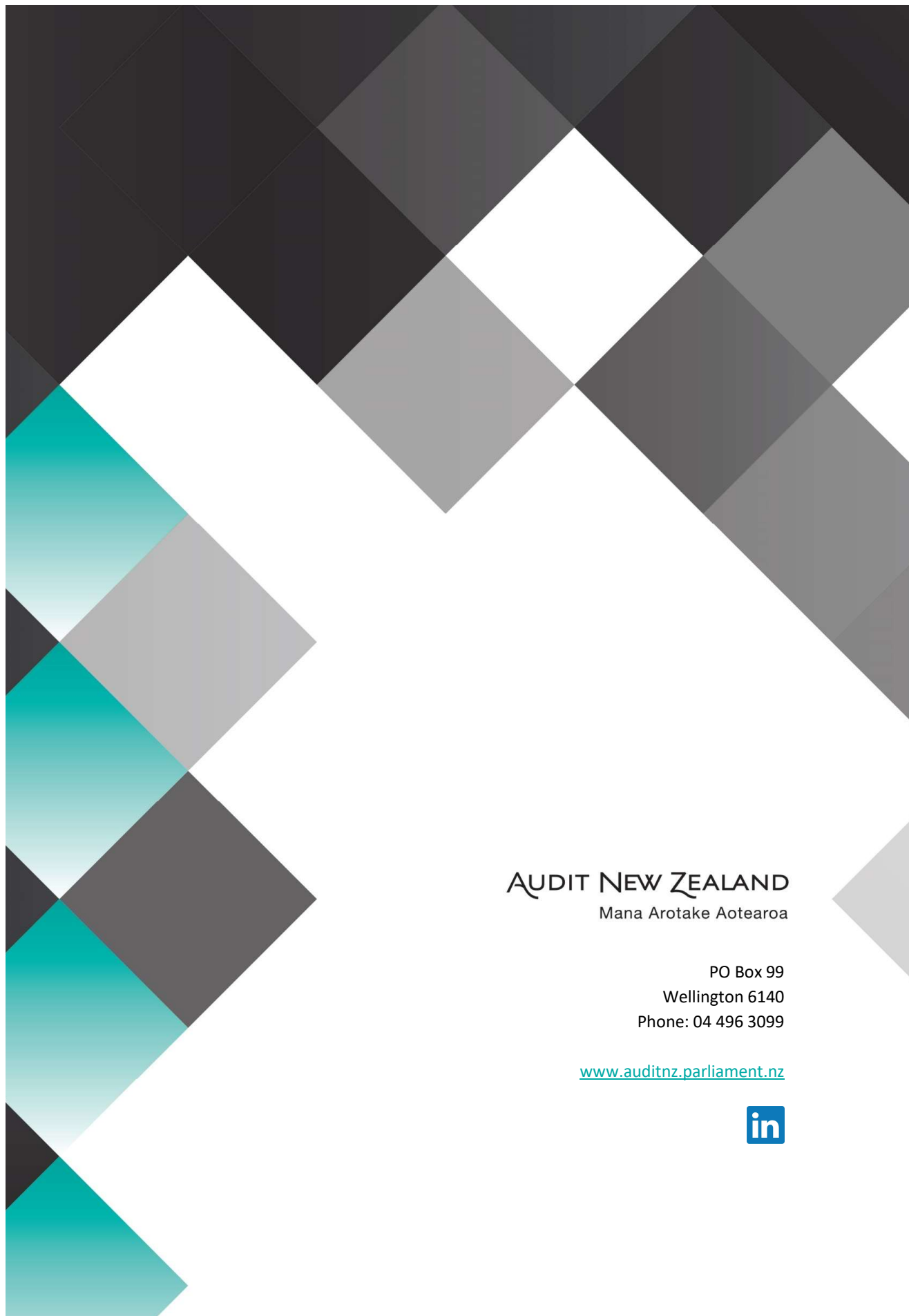
Under section 94(1) of the Local Government Act 2002, our audit report on the LTP forms part of the LTP, which the Council is required to adopt by 30 June 2024 under section 93(3) of the Act. Our agreed timeframes will enable us to issue our audit report in time for the Council meeting scheduled for 27 June 2024, at which time the 2024-34 LTP will be formally adopted.

We are responsible for reporting on whether the LTP meets the statutory purpose and provides a reasonable basis for integrated decision-making by the Council and accountability to the community. We also provide an opinion on whether the information and assumptions underlying the financial forecasts are reasonable. Finally, we will provide our opinion on whether the disclosures in the LTP meet the requirements of Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014 and accurately reflect the information drawn from the LTP.

At the conclusion of the LTP audit, we will ask Council to provide us with a signed management representation letter on the LTP. We will provide the letter template during the LTP audit.

## Appendix 1: Disclosures

| Area   | Key messages  |
|--|---|
| Our responsibilities in conducting the audit | <p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the Consultation Document and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the 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 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 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>Code of Ethics for Assurance Practitioners</i>, issued by the New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to our audit of the Council's consultation document and all legally required external audits, we have reported on the Council's debenture trust deed assurance engagement. These engagements are compatible with those independence requirements. Other than these engagements, we have no relationship with, or interests in, the Council or any of its subsidiaries.</p> |
| Fees   | <p>The fee for auditing the consultation document and the LTP is \$123,400 (excluding GST and disbursements), as detailed in our Audit Engagement Letter dated 28 February 2024.</p> <p>Our fees for reporting on the external audit and assurance engagement are disclosed in the Council's 2023 annual report.</p>  |
| Other relationships                          | <p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Council during or since the audit.</p>   |



AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

PO Box 99  
Wellington 6140  
Phone: 04 496 3099

[www.auditnz.parliament.nz](http://www.auditnz.parliament.nz)



AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

# Audit plan

## Hutt City Council

For the year ending 30 June 2024

## Audit plan

I am pleased to present our audit plan for the audit of Hutt City Council (the City Council) for the year ending 30 June 2024. The purpose of this audit plan is to discuss:

|                             |    |
|-----------------------------|----|
| Audit risks and issues..... | 2  |
| Group audit.....            | 9  |
| Our audit process .....     | 10 |
| Reporting protocols.....    | 17 |
| Audit logistics.....        | 18 |
| Expectations .....          | 20 |

The contents of this plan should provide a good basis for discussion when we meet with you.

We will be happy to elaborate further on the matters raised in this plan.

Our work improves the performance of, and the public's trust in, the public sector. Our role as your auditor is to give an independent opinion on the financial statements and performance information. We also recommend improvements to the internal controls relevant to the audit.

If there are additional matters that you think we should include, or any matters requiring clarification, please discuss these with me.

Yours sincerely

John Whittal  
Appointed Auditor  
Draft – 02 April 2024

## Audit risks and issues

### Focus areas



Based on the planning work and discussions that we have completed to date, we set out in the table below the main audit risks and issues including those issues we have assessed as significant audit risks. These will be the main focus areas during the audit.

| Audit risk/issue   | Our audit response   |
|--|--|
| <b>Performance reporting – Qualified performance measures - significant audit risk (SAR)</b>   |  |
| <p>The City Council makes use of a service provider, Wellington Water Limited (Wellington Water), for specific services relating to (water supply, wastewater and stormwater) and to provide the results for certain performance measures that the Council uses for reporting in the annual report.</p> <p>As a result of significant issues with the performance measures in the prior three years, our audit opinion was modified on certain performance information.</p> <p><b>Meeting customer expectations – Water supply, Wastewater and Stormwater</b></p> <ul style="list-style-type: none"> <li>○ <i>Water supply: Number of complaints for drinking water per 1000 connections.</i></li> <li>○ <i>Wastewater: Number of complaints for wastewater per 1000 connections.</i></li> <li>○ <i>Stormwater: Number of complaints about stormwater system performance per 1000 connections.</i></li> </ul> <p>It is important that the City Council continues discussions with Wellington Water to ensure that there are appropriate performance results available and there is robust evidence available to support the performance results provided.</p> <p>If the issues identified in the past are not addressed and improvements made, our audit opinion may continue to be modified for these measures.</p> | <p>We will continue discussions with the City Council about how this matter has progressed and its plans to resolve the issues identified in the past.</p> <p>We will complete our planned audit approach, which will include engagement with the Wellington Water auditor to seek assurance over the performance information which the City Council will rely on for its performance reporting.</p> |

| Audit risk/issue  | Our audit response  |
|---|---|
| <b>The risk of management override of internal controls – SAR</b>   |   |
| <p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls.</p> <p>Management are 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. Auditing standards require us to treat this as a risk on every audit.</p> | <p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> <li>• testing the appropriateness of selected journal entries;</li> <li>• reviewing accounting estimates for indications of bias; and</li> <li>• evaluating any unusual or one-off transactions, including those with related parties.</li> </ul> |

| Audit risk/issue  | Our audit response   |
|---|--|
| <b>Valuation of Property, Plant and Equipment – SAR</b>   |  |
| <p>The City Council revalues its infrastructure assets (three waters assets and roading assets) and operational land and buildings (L&amp;B) on a three-year rolling cycle. The asset classes were last revalued at 30 June 2022, so are not scheduled for revaluation this year.</p> <p>However, management have advised us that Infrastructure and L&amp;B assets will be revalued in 2023/24. The decision was made given the recent construction industry cost pressures experienced and property market movements leading to increased risk of a material variance between the fair value and carrying value of the assets.</p> <p>The City Council has planned to make use of an external service provider to perform these valuations in accordance with valuation standards and the City Council's financial reporting framework.</p> | <p>We will:</p> <ul style="list-style-type: none"> <li>• review the method of valuing the assets and assess if the applicable method used is in line with the financial reporting framework, including the reasonableness of the assumptions and judgements made by the valuer and other inputs to the valuation;</li> <li>• assess the valuation process, including the competence and experience of the person completing the valuation;</li> <li>• discuss the results with and obtain a confirmation letter from the valuers;</li> <li>• assess relevant controls in place including the completeness of items being revalued, the reasonableness of useful lives and consideration of the condition of assets;</li> <li>• review evidence of the appropriateness of the valuation inputs; and</li> <li>• assess the presentation and disclosure of information related to the valuation in the financial statements, including whether the resulting change in values are correctly incorporated into the financial statements and the assumptions and judgements relating to the valuation are adequately disclosed.</li> </ul> <p>Should we consider it necessary, we will look to engage our own audit expert to gather further evidence to support the reasonableness of particularly the unit rates and remaining useful lives applied in the valuation.</p> |

| Audit risk/issue   | Our audit response   |
|--|--|
| <b>Water services</b>  |  |
| <p>On 12 February 2024, the Government provided an update on progress and outlined the plan for the next 12-18 months to implement Local Water Done Well.</p> <p>The Government passed a bill to repeal the previous Government's water services legislation in February 2024. Further legislation to implement Local Water Done Well will progress in a two-stage approach. The first bill, which will establish the framework and transitional arrangements for the new water services system, will be passed by the middle of 2024. A second bill to provide for the long-term replacement regime will be introduced in December 2024.</p> <p>The City Council should ensure that there is sufficient disclosure about the impacts of the water services legislation (to the extent the impact is known) within the financial statements.</p> | <p>Because the impact could be significant, but is uncertain, an emphasis of matter paragraph in the audit report for this year end is likely.</p>   |
| <b>Capital projects including work in progress – Area of audit focus (AOF)</b>   |  |
| <p>The City Council continues to have a significant ongoing capital programme, which is 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,</p>  | <p>We will review the accounting for costs incurred on capital projects, including:</p> <ul style="list-style-type: none"> <li>reviewing assumptions and judgements used by management in classifying costs as either capital or operational in nature;</li> </ul> |

| Audit risk/issue  | Our audit response  |
|---|---|
| <p>requires assumptions and judgements to be made that can have a significant impact on the financial statements.</p> <p>Management and Council are responsible for managing the financial statement risks associated with capital projects. This includes ensuring:</p> <ul style="list-style-type: none"> <li>• project costs are reviewed to ensure these are appropriately classified as capital or operational in nature;</li> <li>• 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;</li> <li>• WIP balances on projects that span an extended period 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;</li> <li>• asset components are identified at an appropriate level, and appropriate useful lives are assigned to these components on completion;</li> <li>• the value and remaining useful life (RUL) of existing assets remains appropriate given replacement projects underway; and</li> <li>• capital commitments related to contracts entered before balance date are disclosed in the notes to the financial statements.</li> </ul> | <ul style="list-style-type: none"> <li>• appropriate capitalisation point for completed assets, including transfers from work in progress;</li> <li>• the reasonableness of depreciation rates and useful lives applied to asset components; and</li> <li>• WIP review for impairment;</li> <li>• the disclosures included within the financial statements, including those relating to capital commitments.</li> </ul> |

**Additional focus area applicable to all councils**

| Audit risk/issue   | Our audit response  |
|--|---|
| <b>Rates - OAF</b>   |   |
| <p>Rates are the City Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) in rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge.</p> <p>The City Council should ensure it has appropriate processes in place, including seeking legal advice where appropriate, to ensure compliance of its rates and rating processes with legislation.</p> | <p>We will consider the City Council's compliance with aspects of the LGRA that potentially materially impact on the financial statements. Principally this means a focus on the rates setting process – the consistency and completeness of the resolution and the Funding Impact Statement (FIS).</p> <p>We will also review selected differentially set and/or targeted rates to assess whether the matters and factors used are consistent with the LGRA.</p> <p>Our review of compliance with legislation is completed for the purposes of expressing our audit opinion. It is not, and should not be seen, as a comprehensive legal review. This is beyond the scope of the audit, and our expertise as auditors. The City Council is responsible for ensuring that it complies with applicable laws and regulations.</p> |

Please tell us about any additional matters we should consider, or any specific risks that we have not covered. Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.

**Fraud risk**

Misstatements in the financial statements and performance information can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. In considering fraud risk, two types of intentional misstatements are relevant – misstatements resulting from fraudulent reporting, and misstatements resulting from misappropriation of assets.

The primary responsibility for the prevention and detection of fraud and error rests with the Council, with assistance from management. In this regard, we will discuss the following questions with you:

- What role does the Council play in relation to fraud? How do you monitor management's exercise of its responsibilities?
- Has a robust fraud risk assessment been completed? If so, is the Council satisfied that it had appropriate input into this process?
- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?

- What protocols/procedures have been established between the Council and management to keep you informed of instances of fraud, either actual, suspected, or alleged?
- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management's investigation been reported to the Council? Has appropriate action been taken on any lessons learned?

***Our responsibility***

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and performance information are free from material misstatement resulting from fraud. Our approach to obtaining this assurance is to:

- identify fraud risk factors and evaluate areas of potential risk of material misstatement;
- evaluate the effectiveness of internal controls in mitigating the risks;
- perform substantive audit procedures; and
- remain alert for indications of potential fraud in evaluating audit evidence.

The Auditor-General has published useful information on fraud that can be found at [oag.parliament.nz/reports/fraud-reports](https://oag.parliament.nz/reports/fraud-reports).

## Group audit



The Group comprises of the Hutt City Council (Parent), Urban Plus Limited group and Seaview Marina Limited.

Our auditor's report covers the Group as a whole. Our audit approach is developed to ensure we have sufficient information to give an opinion on the Group. In designing our group audit approach, we considered the structure of the Group and identified the entities which are included in the Group financial statements. Each entity is referred to as a component.

We have assessed the risks of material misstatement and have identified our approach for each component. The table below shows the work planned for each significant component.

| Significant component    | Work to be performed   |
|--------------------------|--|
| Urban Plus Limited group | <p>This will be audited by me as the Appointed Auditor from Audit New Zealand.</p> <p>The significant audit risks relevant to this component are included in the Urban Plus Limited group's audit plan.</p> <p>The audit work on this component will be a full financial statement and performance report audit.</p> |

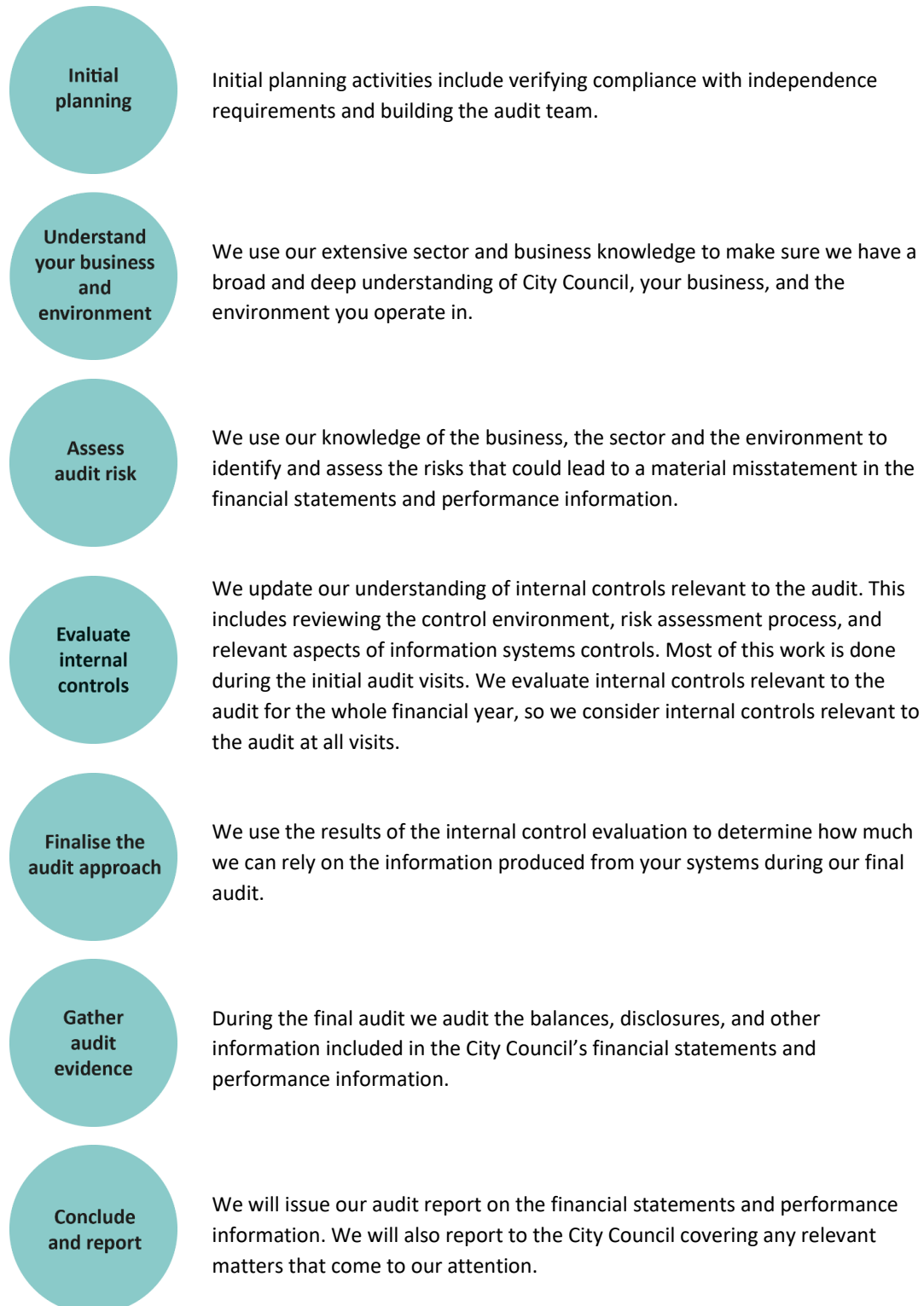
For non-significant components, we will perform analytical procedures at the Group level to identify any unexpected movements.

We will report any significant internal control deficiencies to the Council and management of the Group. This will include any deficiencies identified by the Group engagement team. We will communicate deficiencies related to:

- group-wide internal control; or
- internal controls at each component.

We will also communicate any fraud identified by the group engagement team or brought to our attention by the component auditor.

## Our audit process



## Materiality

In performing our audit, we apply materiality. In the public sector, materiality refers to information that if omitted, misstated, or obscured could reasonably be expected to:

- influence readers' overall understanding of the financial statements and service performance information; and
- influence readers in making decisions about the stewardship and allocation of resources, or assessing your performance.

This definition of materiality is broader than the one used in the private sector.

It is a matter of judgement whether information is material. We consider the nature (qualitative) and amount (quantitative) of each item judged in the surrounding circumstances and its impact. In the public sector qualitative considerations are of equal significance as quantitative considerations. Qualitative considerations are of primary importance in our assessment of materiality in the context of disclosures for transparency and accountability reasons, and in evaluating any non-compliance with laws and regulations.

The Council and management need to consider materiality in preparing the financial statements and service performance information and make their own assessment of materiality from a preparer's perspective. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on how to make materiality judgements from a financial statements preparer's perspective. Although this guidance is primarily aimed at for-profit entities, the same principles can be applied by public benefit entities. Management and the Council should not rely on our materiality assessment as a basis for owning and making judgements about the integrity of the financial statements and service performance information.

### Financial statements materiality

For planning purposes, we have set **overall Group materiality** for the financial statements at \$201,350,000 based on budgeted property, plant and equipment. This is subject to change once the actual results for the current year are available. For this audit we are only applying this overall Group materiality to the fair value of Property, Plant and Equipment.

For this audit we have set a lower, **specific Group materiality** of \$7,600,000 for all items not related to the fair value of Property, Plant and Equipment.

|                                  |               |
|----------------------------------|---------------|
| Overall Group materiality        | \$201,350,000 |
| Specific Group materiality       | \$7,600,000   |
| Group clearly trivial threshold  | \$380,000     |
| Overall Parent materiality       | \$196,200,000 |
| Specific Parent materiality      | \$7,400,000   |
| Parent clearly trivial threshold | \$370,000     |

We have set **overall Parent materiality** for the financial statements at \$196,200,000 based on budgeted property, plant and equipment. This is subject to change once the actual results for the current year are available. For this audit we are only applying this overall Parent materiality to the fair value of Property, Plant and Equipment. We have set a lower, **specific Parent materiality** of \$7,400,000 for all items not related to the fair value of Property, Plant and Equipment.

We also set a lower, **specific materiality** for some items due to their sensitivity. For example, we apply a lower specific materiality to related party and key management personnel disclosures.

We design our audit procedures to detect misstatements at a lower level than overall materiality. This takes account of the risk of cumulative misstatements and provides a safety net against the risk of undetected misstatements.

We will report all uncorrected misstatements to the Council other than those that are **clearly trivial**. We consider misstatements of less than \$370,000 to be clearly trivial for the **Group** financial statements and misstatements of less than \$370,000 to be clearly trivial for the **Parent** financial statements unless there are qualitative considerations that heighten its significance. We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations from management and the Council on the reasons why the corrections will not be made.

#### Misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements and service performance information. The effects of any detected and uncorrected misstatements, individually and in aggregate, are assessed against overall materiality and qualitative considerations.

Overall financial statement materiality does not apply to any matters of effectiveness and efficiency, waste, or a lack of probity or financial prudence.

#### **Materiality for service performance information**

At an overall level, we assess whether the service performance information is suitable, given your purpose and the nature of your activities, and whether the reporting allows for an informed assessment of the City Council's performance. In doing this we consider whether the information is relevant, complete, reliable, neutral, and understandable.

We set materiality for service performance information at an individual measure level based on what we expect would influence readers' overall understanding, decision-making, or assessment of the City Council's performance. We consider a variety of factors including the level of public interest and potential public risk. Because of the variety of measurement bases applied, we normally express this materiality as a percentage of the reported result.

We have identified the following measures as material and assessed materiality for planning purposes. We will reassess this during the audit.

| Material measure  | Materiality                   |
|---|-------------------------------|
| <b>Water supply</b>   |                               |
| <b>Safety of drinking water</b><br>The extent to which the local authority's drinking water supply complies with: <ul style="list-style-type: none"> <li>a) part 4 of the drinking-water standards (bacteria compliance criteria), and</li> <li>b) part 5 of the drinking-water standards (protozoal compliance criteria).</li> </ul> | No margin of acceptable error |

| Material measure  | Materiality           |
|---|-----------------------|
| <b>Maintenance of the reticulation network</b><br>The percentage of real water loss from the local authority's networked reticulation system (including a description of the methodology used to calculate this).   | 5% of reported result |
| <b>Fault resolution times</b><br>Where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the median response times measured for resolution of urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption.                                  | 5% of reported result |
| <b>Customer satisfaction</b><br>The total number of complaints received by the local authority about any of the following: <ul style="list-style-type: none"> <li>a) Drinking water clarity.</li> <li>b) Drinking water taste.</li> <li>c) Drinking water odour.</li> <li>d) Drinking water pressure or flow.</li> <li>e) Continuity of supply.</li> <li>f) The local authority's response to any of these issues.</li> </ul> | 5% of reported result |
| <b>Sewerage and the treatment and disposal of sewage</b>  |                       |
| <b>System and adequacy</b><br>The number of dry weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system.   | 5% of reported result |
| <b>Discharge compliance</b><br>Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: <ul style="list-style-type: none"> <li>a) abatement notices</li> <li>b) infringement notices</li> <li>c) enforcement orders, and</li> <li>d) convictions</li> </ul> received by the territorial authority in relation those resource consents.                 | 5% of reported result |
| <b>Fault resolution</b><br>Where the territorial authority attends to sewerage overflows resulting from a blockage or other fault in the territorial authority's sewerage system, the median response times measured for resolution time: from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault.                            | 5% of reported result |

| Material measure   | Materiality  |
|--|--|
| <b>Customer satisfaction</b><br>The total number of complaints received by the territorial authority about any of the following:<br>a) Sewage odour.<br>b) Sewerage system faults.<br>c) Sewerage system blockages.<br>d) The territorial authority's response to issues with its sewerage system.<br>Expressed per 1000 connections to the territorial authority's sewerage system. | 5% of reported result  |
| <b>Stormwater drainage</b>   |  |
| <b>System and adequacy</b><br>a) The number of flooding events that occur in a territorial authority district.<br>b) For each flooding event, the number of habitable floors affected. (Expressed per 1000 properties connected to the territorial authority's stormwater system).   | a) No margin of acceptable error<br>b) 5% of reported result |
| <b>Discharge compliance</b><br>Compliance with the territorial authority's resource consents for discharge from its stormwater system, measured by the number of:<br>a) abatement notices<br>b) infringement notices<br>c) enforcement orders, and<br>d) convictions<br>received by the territorial authority in relation those resource consents.                                   | No margin of acceptable error                                |
| <b>Customer satisfaction</b><br>The number of complaints received by a territorial authority about the performance of its stormwater system, expressed per 1000 properties connected to the territorial authority's stormwater system.   | 5% of reported result  |
| <b>Regulatory Services</b>   |  |
| Percentage of building consents processed within statutory timeframes.   | 8% of reported result  |
| Percentage of non-notified resource consents processed within statutory timeframes.  | 8% of reported result  |
| <b>Climate Change</b>  |  |
| TBA refer note below*  |  |
| <b>Roading safety</b>  |  |
| The number of fatalities and serious injury crashes on the local road network in the previous calendar year.   | 5% of reported result  |

| Material measure  | Materiality           |
|---|-----------------------|
| The average quality of ride on a sealed local road network, measured by smooth travel exposure. | 8% of reported result |

**\* Carbon emissions performance measures**

Council's 2021-31 long-term plan includes non-financial performance measures relating to greenhouse gas (GHG) emissions. We are currently considering whether any of these measures are material. In doing so, this requires us to reflect on aspects of the Council's performance that are material to users of the performance information. If we decide that any of these measures are material, performance reported for these measures the 2023/24 annual report will be subject to detailed audit testing.

It is important that management ensures there are reliable systems in place to record, collate and report data on GHG emissions and that performance reported is able to be audited. Where an external entity is engaged to provide assurance to Council, management needs to ensure that entity has the necessary expertise and is able to demonstrate their objectivity.

Regardless of whether we perform detailed testing on performance reported by the Council about GHG emissions, we recommend that there is good disclosure in the annual report about which GHG emissions are included in the measure.

**Professional judgement and professional scepticism**

Many of the issues that arise in an audit, particularly those involving valuations or assumptions about the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated. These are areas where we must use our experience and skill to reach an opinion on the financial statements and performance information.

The term "opinion" reflects the fact that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mind-set. A sceptical mind-set drives us to adopt a questioning approach when considering information and in forming conclusions.

Exercising professional scepticism means that we will not accept everything we are told at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgements and assumptions and weigh them against alternative possibilities.

**How we consider compliance with laws and regulations**

As part of the Auditor-General's mandate, we consider compliance with laws and regulations that directly affect your financial statements or general accountability. Our audit does not cover all of your requirements to comply with laws and regulations.

Our approach involves first assessing the systems and procedures that you have in place to monitor and manage compliance with laws and regulations relevant to the audit. We may also complete our own checklists. In addition, we will ask you about any non-compliance with laws and regulations that you are aware of. We will evaluate the effect of any such non-compliance on our audit.

**Wider public sector considerations**

A public sector audit also examines whether:

- the City Council carries out its activities effectively and efficiently;
- waste is occurring or likely to occur as a result of any act or failure to act by the City Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by the City Council or by one or more of its members, office holders, or employees; and
- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by the City Council or by one or more of its members, office holders, or employees.

## Reporting protocols

### Communication with management and the Council



We will meet with management and the Council throughout the audit. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are “no surprises”.

### Reports to the Council



We will provide a draft of all reports to management for discussion/clearance purposes. In the interests of timely reporting, we ask management to provide their comments on the draft within 10 working days. Once management comments are received the report will be finalised and provided to the Council.

We will also follow up on your progress in responding to our previous recommendations.

## Audit logistics

### Our team



Our engagement team is selected to ensure that we have the right subject matter expertise and sector knowledge. Each member of the audit team has received tailored training to develop their expertise.

Our senior audit team members are:

|                    |                   |
|--------------------|-------------------|
| John Whittal       | Appointed Auditor |
| Sachi Delpachithra | Audit Manager     |
| Hannah Nerona      | Audit Supervisor  |

### Timetable



Our proposed timetable is:

| Matter   | Date in 2024              | Audit NZ | City Council |
|--|---------------------------|----------|--------------|
| • Risk assessment and planning   | Up to May                 | ✓        | ✓            |
| • Interim and pre-final audit  | 17 Jun – 12 July          | ✓        | ✓            |
| • Final audit  | 16 September – 20 October | ✓        | ✓            |
| • Wrap up and reporting  | End of November           | ✓        |              |
| <b>Financial statements</b>  |                           |          |              |
| • Draft financial statements available                                 | 16 September              |          | ✓            |
| • Provide feedback on financial statements                             | 7 October                 | ✓        |              |
| • Final financial statements agreed between us available               | 16 October                |          | ✓            |
| <b>Performance information</b>   |                           |          |              |
| • Draft statement of service provision available                       | 16 September              |          | ✓            |
| • Provide feedback on statement of performance provision information   | 7 October                 | ✓        |              |
| • Final statement of performance provision agreed between us available | 16 October                |          | ✓            |

| Matter   | Date in 2024 | Audit NZ | City Council |
|--|--------------|----------|--------------|
| <b>Annual report</b>   |              |          |              |
| • Full annual report available for audit (draft)                                     | 16 September |          | ✓            |
| • Feedback on annual report  | 7 October    | ✓        |              |
| • Final annual report (inclusive of all changes agreed between us) available         | 16 October   |          | ✓            |
| • Verbal clearance on annual report  | 16 October   | ✓        |              |
| • Audit opinion provided in draft  | 16 October   | ✓        |              |
| • Representation letter issued to Council for signing by Mayor and Chief Executive   | 16 October   | ✓        |              |
| • Audit opinion issued and annual report adopted                                     | 21 October   | ✓        | ✓            |
| <b>Reporting to the Council</b>  |              |          |              |
| • Final management report to the Council issued in draft for management's comments   | 9 November   | ✓        |              |
| <b>Summary annual report</b>   |              |          |              |
| • Summary annual report available  | To be agreed | ✓        | ✓            |
| • Feedback on Summary annual report  |              | ✓        |              |
| • Final Summary annual report (inclusive of all changes agreed between us) available |              |          | ✓            |
| • Verbal clearance on Summary annual report  |              | ✓        |              |
| • Audit opinion provided in draft  |              | ✓        |              |
| • Representation letter issued to Council for signing by Mayor and Chief Executive   |              | ✓        |              |
| • Audit opinion issued on Summary annual report                                      |              | ✓        |              |

There is the possibility that changes may be required to the timetable proposed above. Where this arises we will discuss a revised timetable with you.

### AuditDashboard

In previous years, we used AuditDashboard, our online portal, to transfer files between your employees and Audit New Zealand. Overall, the use of AuditDashboard went well and avoided the sending large files by email or transferring them using memory sticks. We will again use AuditDashboard for transferring audits as part of the audit.

## Expectations



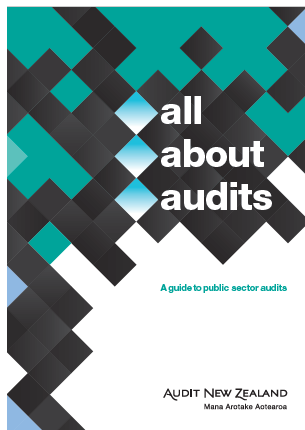
For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

Our respective responsibilities are set out in our Audit Engagement Letter.

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance;
- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the annual report, financial statements and performance information will be subjected to appropriate levels of quality review before being provided to us.

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit. We have also published information to help explain the audit process:



## Health and safety



The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff.

Under the Health and Safety at Work Act 2015, we need to make arrangements with management to keep our audit staff safe while they are working at your premises.

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required. We also expect management to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.



AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

[www.auditnz.parliament.nz](http://www.auditnz.parliament.nz)

PO Box 99  
Wellington 6140  
Phone: 04 496 3099



---

Report no: ARSC2024/2/88

## **Standard and Poors Global Ratings - recent reports and changes in Local Government ratings**

### **Purpose of Report**

1. This report provides an overview of recent reports by Standard and Poors Global Rating Agency (S&P), including changes to NZ Local Government rating assessments.

### **Recommendation**

That the Subcommittee notes the Standard and Poor's Global Rating Agency reports and recent rating actions taken attached as Appendix 2 to the report.

### **Background**

2. S&P issued a report on 20 November 2023 entitled "*New Zealand government outlook 2024: Bridge over troubled waters*". This was reported to the Audit and Risk Subcommittee 28 November 2023 as part of the regularly reporting on the Water Services Reform update.
3. The key takeaways summarised in the S&P report were:
  - 1) *The repeal of Affordable Water Reform legislation will be politically popular but financially detrimental for many New Zealand local councils;*
  - 2) *Alternative reform proposals, such as the voluntary formation of council-controlled water utilities, might not alleviate high sectorwide debt; and*
  - 3) *Our net outlook on 25 rated councils is negative and downgrade pressure is building.*
4. S&P issued further reports on 18 February 2024. These are attached to this report as follows:
  - Institutional Framework Assessment: New Zealand's extremely predictable and supportive institutional settings are at risk attached as Appendix 1 to the report;

- Various Rating Actions taken to New Zealand local Councils on weakening institutional framework trend attached as Appendix 2 to the report; and
  - Credit FAQ – New Zealand’s Policy Shift to weaken the institutional setting on local Councils attached as Appendix 3 to the report.
5. The key points in the S&P reports are extracted as follows:
- 1) *Rising infrastructure budgets and responsibilities are increasing weighing on the finances of New Zealand’s local government sector. Further, policy uncertainty is elevated for the sector;*
  - 2) *We have revised the trend of our institutional framework assessment for New Zealand local councils to weakening from stable. The institutional framework remains at the highest possible assessment of extremely predictable and supportive;*
  - 3) *As a result, we have revised our outlooks on 15 councils and two council-controlled organisations to negative from stable. At the same time, we affirmed the ratings and stable outlooks on four councils and one council-controlled organization; and*
  - 4) *The outlooks on a further six councils remain negative.*

### **Climate Change Impact and Considerations**

6. There are no specific climate change matters for Council to consider with the transition process itself.

### **Consultation**

7. There are no consultation requirements to consider.

### **Legal Considerations**

8. There are no legal matters to consider.

### **Financial Considerations**

9. Hutt City Council’s credit rating was affirmed as AA in August 2023, with the outlook revised from stable to negative at this time.
10. The rating will be reassessed by S&P in August 2024. Depending on where the final LTP 2024-2034 budgets land, there are risks related to the Council retaining its AA credit rating.

## Appendices

| No.                 | Title  | Page |
|---------------------|--|------|
| 1 <a href="#">↓</a> | Appendix 1 - Institutional Framework Assessment: New Zealand Councils' Extremely Predictable And Supportive Institutional Settings Are At Risk | 108  |
| 2 <a href="#">↓</a> | Appendix 2 - Various Rating Actions Taken On New Zealand Local Councils On Weakening Institutional Framework Trend                             | 120  |
| 3 <a href="#">↓</a> | Appendix 3 - Credit FAQ: New Zealand's Policy Shift To Weaken The Institutional Setting On Local Councils                                      | 142  |

**Author:** Jenny Livschitz  
Group Chief Financial Officer

**Approved By:** Jo Miller  
Chief Executive



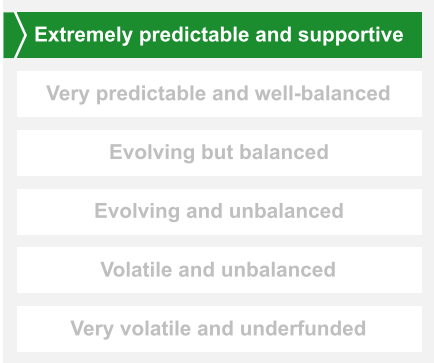
Institutional Framework Assessment:

New Zealand Councils' Extremely Predictable And  
Supportive Institutional Settings Are At Risk

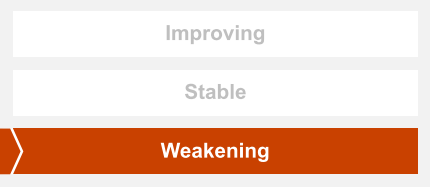
February 18, 2024

This report does not constitute a rating action.

Institutional Framework Assessment:



Trend:



PRIMARY CREDIT ANALYST

Rebecca Hrvatin  
Melbourne  
+ 61 3 9631 2123  
rebecca.hrvatin  
@spglobal.com

SECONDARY CONTACTS

Martin J Foo  
Melbourne  
+ 61 3 9631 2016  
martin.foo  
@spglobal.com

Anthony Walker  
Melbourne  
+ 61 3 9631 2019  
anthony.walker  
@spglobal.com

Major Factors

| Key strengths  | Key risks  |
|--|--|
| Extremely predictable system with changes flagged well in advance.                         | Large infrastructure responsibilities increase the sector's borrowings and weigh on the revenue and expenditure balance compared to similar systems. |
| Highly transparent and accountable system, with strong disclosure and reporting standards. | Uncertainty around the implementation and potential impact of the central government policies such as water reforms.                                 |
| High operating balances with strong security of rates revenue.                             |  |

**Rising infrastructure budgets and responsibilities are putting growing pressure on the New Zealand local government sector's finances.** The councils' own-sourced revenues and grants from the New Zealand government (Crown) are not rising enough to adequately cover this additional spending. This is widening revenue and expenditure mismatches, as seen with large deficits and rising debt levels compared with similar systems.

We believe these imbalances will persist for longer than we expected. This is because of rising inflation and infrastructure budgets, and given the new National Party-led coalition government's promise to repeal existing water reform legislation by Feb. 23, 2024. These reforms were aimed at removing water-related operating and infrastructure responsibilities from councils.

The new government plans to institute its own version of water reform, dubbed "Local Water Done Well". While specifics around this plan are yet to be publicly disclosed, the Crown has outlined its key principles and indicated that it aims to pass its own legislation by mid-2025. Key principles include the restoration of ownership and control of water assets to councils, and the setting of stricter rules and regulation of water infrastructure for local authorities. The new program could see councils opt for alternative delivery models, such as jointly council-controlled organizations that aim to notionally separate water activities from council finances, but without the complex "co-governance" aspects promoted by Labour. The net effect of the program on the sector will depend on further developments.

Our view of New Zealand's institutional framework is also based on a predictable system with a high level of transparency and accountability.

### Trend: Weakening

We have revised the trend for New Zealand's local government institutional framework to weakening from stable. The sector's debt has continued to rise since the start of the pandemic as councils grapple with large infrastructure needs and persistent inflation in operating and capital budgets. Sectorwide deficits and debt levels are much higher than we forecast last year, weighing on our assessment of New Zealand's revenue and expenditure balance.

The final design of the new National Party-led government's reform will be vital to address the rising revenue and expenditure mismatches across the sector. Reforms will also be important to curtail the upward trajectory of the sector's debt levels as a proportion of operating revenues.

In addition, uncertainty is elevated given the shift in political support for key sector reforms, including water reform and the Resource Management Act (RMA). The former government's water legislation was developed after many years of reviews and working groups, and the sudden reversal makes it difficult for councils to prepare their upcoming ten-year long-term plans. Policy uncertainty could weigh on our view of the system's predictability compared to other highly rated systems internationally.

We could revise our assessment of New Zealand's institutional framework to stable if we observed greater policy stability that could narrow the sector's revenue and expenditure mismatches, leading to a sustainable reduction in sectorwide debt. This could occur if proposed local government reforms or upcoming budget planning markedly improves councils' financial positions.

## Predictability Of The Framework: Uncertainty Elevated In Areas Of Key Reforms

**Major reforms are rare, but may be vital to the sector** The New Zealand local government system is mature, governed by legislation that is predictable and supportive of local councils across the country. It is also reflective of the historically stable policy environment in New Zealand. Reforms and policy changes usually evolve over long timeframes and undergo rigorous consultation and development processes to ensure their suitability.

However, the recent change in central government has created uncertainty with delays in key water reforms. The new government has pledged to repeal these reforms by Feb. 23, 2024, and to restore control of water assets to councils before implementing its own version, Local Water Done Well, at some point in the future.

Between 2020 and 2023, the former government passed a suite of bills to enact major water reforms. The legislation created a new water regulatory framework and new water service entities (aggregated utilities), which were due to take control and operation of councils' water assets between July 1, 2024 and July 1, 2026.

The former government's water reforms were flagged well in advance and involved substantial consultation and development. In 2016, the Crown evaluated making local governments more flexible by allowing them to share services and costs across jurisdictions. The following year, the Crown established the Three Waters Review to develop recommendations for systemwide performance improvements for water services. The review recommended the establishment of aggregated water utilities, separate from local government, that would take some of the funding pressure off local government.

The RMA, a national strategy governing how land and natural resources are used, had undergone several changes under the former government following an independent review. The new central government, however, recently repealed these changes.

In June 2023, the former government handed down the Future for Local Government report. The report, which was in development for two years, examined the suitability of the local government system to emerging challenges, especially given that no major reforms have taken place since 1989. The new government did not address the recommendations prior to the October 2023 elections, and it is unclear if any of the suggested changes will be implemented.

The Crown has launched several rounds of minor reforms since 2012. The objectives of these reforms, such as improving financial accountability and long-term planning, and the way they were introduced have reinforced our view of New Zealand's extremely predictable and supportive institutional framework.

**New Zealand local councils have limited ability to influence Crown policy** New Zealand local governments are established under the Crown's Local Government Act, and not the constitution, like some of its international peers. This means the sector has less ability to withstand unwanted changes than many of its peers.

Local governments have some power to soften the negative consequences of reform but can't prevent them. Councils can individually and through Local Government New Zealand, an advocacy group, impact the debate surrounding changes. The Crown regularly consults with the association and individual local governments, but local governments have no power to reject reforms or demand additional funding to cover new mandates.

The water reform process demonstrated local councils' ability to influence Crown policy. Key principles of the new government's Local Water Done Well model appear to be driven by suggestions from many local authorities, including criticisms raised by many councils around the former government's legislation. These include issues such as water quality and regulation, ownership and control of water assets, co-governance of water services, and the implementation timeline. The Local Water Done Well model could restore more control to local governments, potentially allowing councils and ratepayers to adopt their own model to manage water assets.

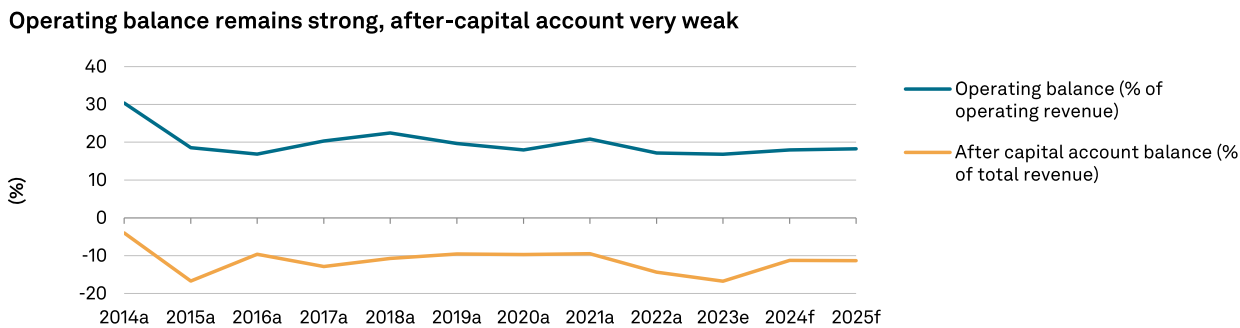
In contrast, the former government pushed ahead with controversial elements of its water reforms such as co-governance despite strong council opposition. Most of the opposition to Affordable Waters reform related to ideological differences, rather than to the significant debt relief that the reforms could have provided.

Revenue/Expenditure Balance: Revenue Growth May Not Adequately Fund Rising Infrastructure Spending

**Strong revenue growth but not enough to cover rising expenditure needs** The New Zealand central and local government appears to be a unwilling to address the growing imbalance between revenue growth and rising expenditure for the local government sector. Despite local governments having strong revenue and expenditure autonomy, they have much larger deficits and higher debt than we forecast.

Many councils are reluctant to substantially raise general property rates more than inflation to fund rising expenditure. This is despite rates being set by individual local governments and not being limited by Crown policies. Large rate increases in recent years have been cannibalized by high inflation, and rising interest expenses and infrastructure spending. Because of this, deficits have widened across the sector. We estimate the after-capital account deficit across the sector grew to be 16% of total revenues in 2023, and total debt rose to 184% of operating revenues.

Chart 1



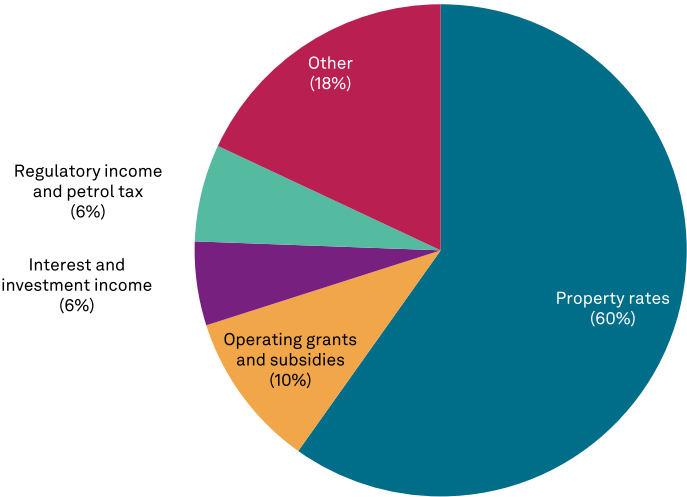
New Zealand fiscal year ends June 30. a--Actual. e--Estimate. f--Forecast. Source: S&P Global Ratings.

The New Zealand Productivity Commission estimates that local government property rates are roughly the same proportion of GDP today as they were more than 100 years ago. In contrast, the Crown's taxation has more than tripled over this period. Many councils prefer to accumulate debt to fund most of their infrastructure rather than fund it via cash flows, and they have limited ability to raise revenues outside of property rates.

Chart 2

Property rates make up the majority of revenue

Operating revenue breakdown of New Zealand councils for fiscal year 2022

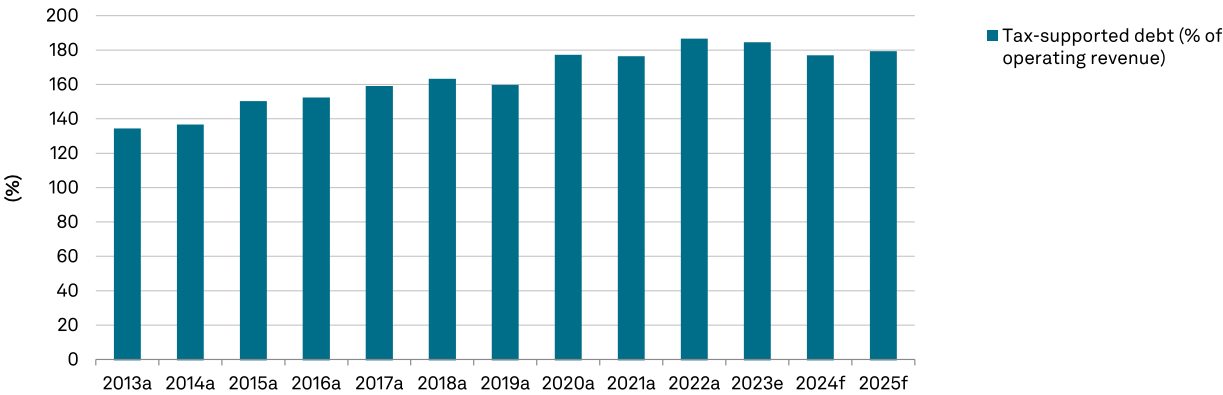


New Zealand fiscal year ends June 30. Sources: Stats NZ local authority financial statistics, fiscal 2022.  
Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

The debt of New Zealand councils is very high on a global scale and is rising more than our previous expectations. The size of the debt stock reflects the large infrastructure component of the responsibilities of these governments and the timing of capital expenditure, rather than an operating revenue and expenditure mismatch.

Chart 3

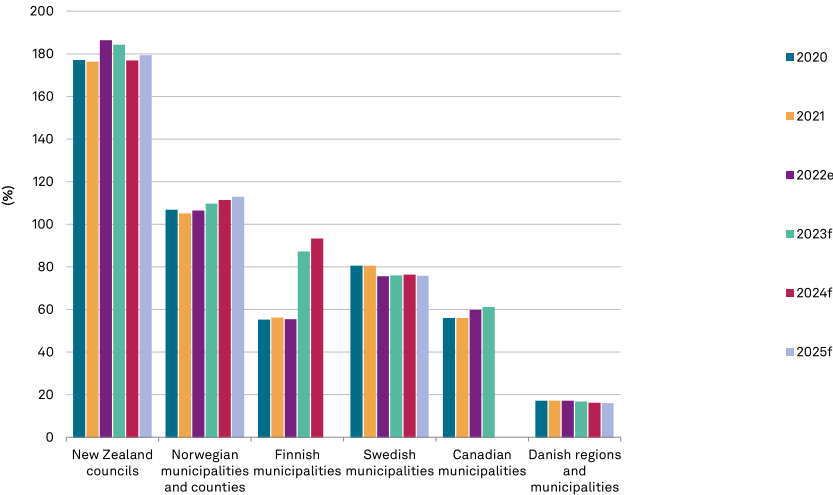
Sectorwide debt is very high



New Zealand fiscal year ends June 30. a--Actual. e--Estimate. f--Forecast. Source: S&P Global Ratings.  
Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

Chart 4

**Debt of New Zealand councils is very high**  
Ratio of gross debt to operating revenue, selected jurisdictions



Figures based on our most recent reviews of institutional framework assessments over 2021-2023. f--Forecast. Source: S&P Global Ratings. Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

The Crown has steadily withdrawn financial assistance to local councils while increasing the sector's responsibilities. Local governments are responsible for a substantial proportion of infrastructure in New Zealand, such as road development and transportation and water infrastructure. Increased investment in water assets by local councils is a result of higher water standards imposed by the Crown, as well as emerging evidence of a nationwide infrastructure deficit due to historic underinvestment in renewals.

In addition, changes to national standards around earthquake strengthening and environmental protection have lifted investment too. These higher standards typically do not come with any new transfers or funding tools, which forces councils to rely even more on unpopular rate hikes to generate revenue. Other drivers of infrastructure spending growth include increasing community expectations, strong population growth, and reconstruction costs following recent natural disasters in areas such as Nelson, Marlborough, and Hawke's Bay. We also see some evidence of questionable project selection, with some councils prioritizing new sports and community facilities ahead of renewing less visible but critical underground water infrastructure.

The Crown provides partial capital funding for large infrastructure projects and ongoing grants for road renewal and maintenance. This amounts to about 5% of total revenues for the council sector, while general financial assistance, including for road maintenance, accounts for about 15-18% of the sector's operating revenue.

Local governments have extraordinarily strong rate-collection abilities because they can recover

unpaid rates ahead of residents' mortgages (i.e., local governments outrank banks and finance companies) and can seek court approval to sell properties to claim unpaid rates. These are key strengths underpinning New Zealand local councils' creditworthiness.

There is no system of fiscal equalization in New Zealand.

**Fiscal policy framework focuses on operating outcomes** The fiscal policy framework in New Zealand supports the sector's operating revenue and expenditure match by requiring local governments to balance their budgets on an accrual basis and ensure that debt is not used to fund operating expenditure or financial investments (termed the "golden rule" of fiscal policy). The framework limits debt to capital investments and requires depreciation of capital to be expensed in the accrual financial statements. However, the system, doesn't limit overall deficits or indebtedness of the sector.

The Crown requires a local government to provide a sound rationale if the council is forecasting an accrual operating deficit. Despite this, some local governments have signaled that they will run small accrual operating deficits. We expect almost all rated local governments to deliver strong operating surpluses on a cash basis.

Debt limits and liquidity covenants apply to local governments borrowing from the New Zealand Local Government Funding Agency (LGFA). The debt covenants are relatively relaxed, in our view, and were loosened in 2020 to give councils even more debt headroom to respond to the pandemic. As of December 2023, LGFA membership totals 77 of the sector's 78 local governments and the funding agency accounts for 90% of New Zealand local government sector debt. Auckland Council--the largest and most sophisticated local government--is the only council allowed to borrow in foreign currency. This limits the sector's exposure to foreign currency risks. No local government can use derivatives for speculative purposes. Further, councils must disclose liquidity targets and their interest rate exposure.

Local governments' financial policies and targets are outlined in their long-term plans. All local governments have internal debt limits that are published in the long-term plans, annual plans, and annual reports that are audited by Audit New Zealand to ensure financial sustainability.

**We expect the Crown to intervene before situations become critical** In our view, Crown support would be forthcoming to a local council long before a default scenario materializes. This is as a result of the Crown's close oversight of local governments, the system's transparency, and the mechanisms available to the Crown to intervene in a local council's operations.

There is no explicit guarantee for New Zealand's local governments and no history of extraordinary support provided to a local government in distress. There has been no known local government default in New Zealand. The Crown has set out several ways that it could intervene in the operation of local governments to prevent them from being close to default. It has the power to call an election and dismiss a local government based on the local government's inability to properly govern, poor financial management, or corruption. Other measures include requesting information from a local government, as well as appointing a Crown review team, a Crown observer, a Crown manager, or a commission.

The Crown has shown that it is willing to use these powers when needed. It has intervened in several local councils in recent years, such as:

- Appointing a commission to act in place of elected representatives at Tauranga City Council in February 2021. This followed an independent review which identified significant governance problems and infrastructure and funding challenges. Crown commissioners will oversee the development of the council's 2024-2034 long term plan before the return of elected officials.

Local government elections are scheduled in Tauranga for July 2024.

- Appointing a Crown observer to Christchurch City Council in January 2012 to assist the council after several major earthquakes. It also appointed a Crown manager in July 2013 to ensure the council regained its building consent accreditation, which was withdrawn by International Accreditation New Zealand (the council regained accreditation in 2015).
- Appointing commissioners to Kaipara District Council in August 2012 to replace elected councilors and appointing a Crown manager in 2016 and 2017 after a range of legal issues.
- Replacing councilors from Environment Canterbury, a regional council, with commissioners in May 2010.

Another example is the Crown's cost-sharing arrangements for natural disasters, such as the repair and replacement of Christchurch City Council's essential infrastructure after several severe earthquakes. The Crown pledged to fund 60% of the rebuild cost. The Crown offered a NZ\$275 million emergency financial support package to councils affected by Cyclone Gabrielle in May 2023, covering a considerable proportion of emergency costs for affected councils. In addition, longer-term cost sharing deals will need to be negotiated with the hardest-hit councils to fund restoration costs. For example, Marlborough District Council secured funding from the Crown for 95% to help repair its storm-damaged roads after two heavy rain events in July 2021 and August 2022.

The Crown and individual councils each fund 25% of the repair cost of properties that suffer from "weathertightness" issues or building moisture damage. We also expect that the Crown could provide support to the LGFA, which raises debt on behalf of local councils, through, for example, its NZ\$1.5 billion committed liquidity facility with the New Zealand Debt Management office.

## Transparency And Accountability: Strong Oversight And Disclosure Requirements

**The New Zealand local government system is highly transparent when compared with international peers** Governing laws set out in the Local Government Act 2002 impose comprehensive requirements for public consultation and financial planning and reporting. There is also a clear separation between the responsibilities and roles of elected officials and their administration.

Strict financial and nonfinancial reporting requirements enhance the transparency and accountability of New Zealand local governments. The requirements include public reporting of audited consolidated accounts, in accrual and cash terms, within specified time limits. Crown reforms have increased disclosure and transparency by introducing funding impact statements and disclosure of risk-management strategies.

The Local Government Act requires local governments to develop long-term plans that span 10 years and are updated every three years. Long-term plans supplement the annual planning process with which they are integrated and reflect longer-term asset-management intentions. The system also requires local governments to consult the public on these documents and annual plans. All local governments also must develop and publish 30-year infrastructure strategies to identify future infrastructure needs and identify options, including asset management plans, to address them. These extensive plans, even for the smallest local governments, are an indication of the sector's long-term capital planning and budgeting capabilities.

Policy uncertainty has caused reporting delays. The Crown government has announced an

extension to the June 30, 2024, statutory deadline for the adoption of upcoming long-term plans. This followed a direction for all councils to include water activities in all future budgets. However, current legislation requires local governments to remove all water-related activities from financial statements starting from the 2026 fiscal year. We expect the Crown to repeal this legislation by Feb. 23, 2024. Nevertheless, this has caused a period of heightened uncertainty for councils.

The ongoing shortage of auditors has affected many organizations' ability to prepare audited financial statements. Consequently, legislation was passed in 2020 extending statutory reporting timeframes by two months for Crown entities, local authorities, and council-controlled organizations with June 30 balance dates. Auditor shortages, challenging immigration settings, staff turnover, and higher sick leave (in audit firms and in public organizations related to COVID-19) led to 35 councils adopting 2022 annual reports more than four months after of the end of fiscal year, breaching the statutory deadline. We anticipate the timing of reporting will improve as councils are increasingly permitted to access the private sector for audit opinions and as staff shortages ease.

As part of the amended Local Government Act, local governments are required to prepare pre-election reports. The reports, which provide information about the issues a local government faces, promote public discussion and help voters make more informed choices. The reports provide details on a local government's financial performance for the three years before the election; financial plans and projects for the next three years; and statements comparing rates, rate increases, borrowing, and returns on investments, with the limits and targets set in the financial strategy.

Local governments also publish financial prudence benchmarking in their annual reports. This shows a local government's financial performance in relation to various benchmarks to assess whether it is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings. The benchmarks compare actual performance to budgets, including a local government's performance against self-imposed financial ratios that are flagged in long-term plans and annual plans.

**High level of disclosure, with councils adhering to international accounting standards** The minimum level of disclosure in the New Zealand local government sector is high by international comparison. Local governments' financial statements, on accrual and cash formats; long-term plans, including treasury and liability management policies; 30-year infrastructure plans; and annual plans are all publicly disclosed and must meet detailed requirements as set out in legislation. Monthly or quarterly reports are also available via local government websites, as are the agenda and minutes of most local government meetings.

**Standardized audit procedures provide for reliable information.** Long-term plans are audited by Audit New Zealand, a business unit of the Crown, or its appointed agents. Annual plans are published before the start of the fiscal year, and any changes to annual plans are also reviewed by Audit New Zealand and publicly disclosed. Audits are done according to the Auditor General's Auditing Standards, which incorporate New Zealand's public benefit entity accounting standards.

## Related Criteria

- Criteria | Governments | International Public Finance: Methodology For Rating Local And Regional Governments Outside Of The U.S., July 15, 2019

## Related Research

- Institutional Framework Assessments For Local And Regional Governments Outside Of The U.S., Dec. 16, 2023
- New Zealand Local Government Outlook 2024: Bridge Over Troubled Waters, Nov. 20, 2023
- New Zealand 'AA+/A-1+' Foreign Currency Ratings Affirmed; Outlook Stable, Sept. 08, 2023
- New Zealand Local Government Funding Agency, March 2, 2023
- New Zealand Local Government Funding Agency Ltd. Ratings Can Tolerate Higher Council Leverage Limits, May 6, 2020

S&P Global Ratings Australia Pty Ltd holds Australian financial services license number 337565 under the Corporations Act 2001. S&P Global Ratings' credit ratings and related research are not intended for and must not be distributed to any person in Australia other than a wholesale client (as defined in Chapter 7 of the Corporations Act).

Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.spglobal.com/ratings](http://www.spglobal.com/ratings) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.spglobal.com/usratingsfees](http://www.spglobal.com/usratingsfees).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.



# Various Rating Actions Taken On New Zealand Local Councils On Weakening Institutional Framework Trend

February 18, 2024

- Rising infrastructure budgets and responsibilities are increasingly weighing on the finances of New Zealand's local government sector. Further, policy uncertainty is elevated for the sector.
- We have revised the trend of our institutional framework assessment for New Zealand local councils to weakening from stable. The institutional framework remains at the highest possible assessment of extremely predictable and supportive.
- As a result, we have revised our outlooks on 15 councils and two council-controlled organizations to negative from stable. At the same time, we affirmed the ratings and stable outlooks on four councils and one council-controlled organization.
- The outlooks on a further six councils remain negative.

MELBOURNE (S&P Global Ratings) Feb. 19, 2024--S&P Global Ratings today revised its rating outlooks on 15 New Zealand local councils and two council-controlled organizations to negative from stable. At the same time, we affirmed our ratings on four councils and one council-controlled organization with stable outlooks.

The rating actions follow our revision of the trend of New Zealand local council sector's institutional framework to weakening from stable. The institutional framework assessment remains extremely predictable and supportive.

Rising infrastructure budgets and responsibilities are increasingly weighing on the finances of New Zealand local governments. Council revenues and central government grants are not rising enough to adequately cover this additional spending. This is leading to widening revenue and expenditure mismatches, with large cash deficits and rising debt levels compared with similar subnational government systems in other countries.

The New Zealand local council sector's debt levels have continued to rise since the start of the pandemic as councils grapple with greater infrastructure needs; persistent inflation in operating and capital budgets; rising environmental, water, and building standards; and sometimes political resistance to large rate hikes. Further, policy uncertainty is elevated given the weakening of financial outcomes and a shift in political support for key reforms (particularly related to water services and infrastructure) that were partly designed to alleviate financial pressures on the sector.

If the trend continues, it could undermine the strong credit quality of the sector.

## PRIMARY CREDIT ANALYSTS

### Anthony Walker

Melbourne  
+ 61 3 9631 2019  
anthony.walker  
@spglobal.com

### Martin J Foo

Melbourne  
+ 61 3 9631 2016  
martin.foo  
@spglobal.com

### Rebecca Hrvatin

Melbourne  
+ 61 3 9631 2123  
rebecca.hrvatin  
@spglobal.com

### Deriek Pijls

Melbourne  
+61 396312066  
deriek.pijls  
@spglobal.com

### Julian X Nikakis

Sydney  
(61) 2-9255-9818  
julian.nikakis  
@spglobal.com

## SECONDARY CONTACT

### Frank Dunne

Melbourne  
+61 396312041  
frank.dunne  
@spglobal.com

See complete contact list at end of article.

[www.spglobal.com/ratingsdirect](http://www.spglobal.com/ratingsdirect)

February 18, 2024 1

## Various Rating Actions Taken On New Zealand Local Councils On Weakening Institutional Framework Trend

Our negative outlooks on the remaining six rated councils already reflect downside pressure on the ratings. For more information see "Credit FAQ: New Zealand's Policy Shift To Weaken The Institutional Setting On Local Councils," published Feb. 19, 2024.

## Ratings And Outlooks On Entities Affected By The Revision Of Our Institutional Framework Trend

| Entity                                 | Issuer credit rating | Outlook (of Feb. 19, 2024) | Previous Outlook |
|--|----------------------|----------------------------|------------------|
| Auckland Council                       | AA                   | Stable                     | Stable           |
| Christchurch City Council              | AA                   | Stable                     | Stable           |
| Christchurch City Holdings Ltd.        | AA                   | Stable                     | Stable           |
| Dunedin City Council                   | AA                   | Negative                   | Stable           |
| Dunedin City Treasury Ltd.             | AA                   | Negative                   | Stable           |
| Greater Wellington Regional Council    | AA+                  | Negative                   | Stable           |
| Hastings District Council              | AA-                  | Negative                   | Stable           |
| Horowhenua District Council            | AA-                  | Negative                   | Stable           |
| Nelson City Council                    | AA                   | Negative                   | Stable           |
| New Plymouth District Council          | AA+                  | Negative                   | Stable           |
| Palmerston North City Council          | AA                   | Negative                   | Stable           |
| Porirua City Council                   | AA                   | Negative                   | Stable           |
| South Taranaki District Council        | AA                   | Negative                   | Stable           |
| Tasman District Council                | AA                   | Negative                   | Stable           |
| Taupo District Council                 | AA+                  | Negative                   | Stable           |
| Tauranga City Council                  | A+                   | Stable                     | Stable           |
| Upper Hutt City Council                | A+                   | Negative                   | Stable           |
| Waimakariri District Council           | AA                   | Negative                   | Stable           |
| Western Bay of Plenty District Council | AA                   | Negative                   | Stable           |
| Whanganui District Council             | AA                   | Negative                   | Stable           |
| Whangarei District Council             | AA                   | Stable                     | Stable           |
| WRC Holdings Ltd.                      | AA+                  | Negative                   | Stable           |

## Auckland Council (AA/Stable/A-1+)

The stable outlook reflects our expectation that Auckland will successfully manage the city's growth pressures and large capital expenditure requirements while maintaining debt at a level consistent with the 'AA' rating.

## Downside scenario

Downward rating pressure may arise if we consider Auckland's financial management to be weakening. This could occur if management allows the council's budgetary performance to

**Various Rating Actions Taken On New Zealand Local Councils On Weakening Institutional Framework Trend**

deteriorate, driving debt higher than our forecasts.

**Upside scenario**

While unlikely, upward rating pressure may arise if Auckland's debt burden were to structurally improve while the council maintained exceptional liquidity.

**Christchurch City Council (AA/Stable/A-1+)**

The stable outlook reflects our expectation that Christchurch will post small after capital account deficits and keep its debt ratio relatively steady while delivering its capital expenditure program.

**Downside scenario**

We could lower our ratings on Christchurch if its after capital account deficits widen structurally. This could occur if the council increases its capital expenditure program or if revenue growth underperforms our expectations. This could be an indication that the council has less budgetary flexibility than peers. Wider deficits could also weigh on liquidity coverage.

**Upside scenario**

We could raise our ratings on Christchurch if we are confident the council's management team has stabilized and can deliver stronger financial outcomes than our base-case forecasts. This could be demonstrated by after capital account deficits narrowing below 5% structurally, or if the council exhibits stronger budgetary flexibility.

**Christchurch City Holdings Ltd. (CCHL; AA/Stable/A-1+)**

The stable outlook on CCHL reflects that on our rating on Christchurch City Council (CCC), as well as our expectation that CCHL's role will remain critical and its link integral to the council over the next two years.

**Downside scenario**

We would lower our rating on CCHL over the next two years if we took the same rating action on CCC. We could also downgrade CCHL if we consider its role or link with the council to be weakening, although this is highly unlikely.

**Upside scenario**

We would raise our rating on CCHL over the next two years if we take the same rating action on CCC, provided we believe CCHL's role and its link to the council remain the same.

## Various Rating Actions Taken On New Zealand Local Councils On Weakening Institutional Framework Trend

**Dunedin City Council (AA/Negative/A-1+)**

The negative outlook primarily reflects downward pressure on the institutional settings for New Zealand's local government sector.

**Downside scenario**

We could lower our ratings on Dunedin if the New Zealand local government sector's overall commitment to strong finances continues to deteriorate, as indicated by large sectorwide cash deficits and further growth in the sector's already-elevated debt burden. This could result from inadequate revenue growth to fund capital expenditure, or changes in central government policy that undermine the financial outcomes of the sector.

We could also lower our ratings on Dunedin if its operating margins or after capital account deficits underperform our forecasts. This scenario could drive its total tax-supported debt to more than 240% of operating revenues, interest expenses above 10% of operating revenues, or its debt-service-coverage ratio to fall below 80%.

**Upside scenario**

We could revise our rating outlook on Dunedin to stable if the New Zealand local government sector's overall commitment to strong finances improves.

We could also revise our outlook on Dunedin to stable if its after capital account deficits substantially tightened, resulting in a declining debt burden or stronger liquidity coverage. This could occur due to changes to the council's financial strategy which may signal stronger financial management.

**Dunedin City Treasury Ltd. (DCTL; AA/Negative/A-1+)**

The negative rating outlook on DCTL reflects that on the ratings of Dunedin City Council as well as our expectation that DCTL's role will remain critical and its link integral to the council over the next two years.

**Downside scenario**

We would lower our ratings if we were to downgrade Dunedin City Council, or if we believed DCTL's role or link to the council was weakening.

**Upside scenario**

We could revise the outlook to stable if we were to take the same action on Dunedin City Council and we believed DCTL's role and link to the council remain the same.

## Various Rating Actions Taken On New Zealand Local Councils On Weakening Institutional Framework Trend

**Greater Wellington Regional Council (AA+/Negative/A-1+)**

The negative rating outlook reflects downward pressure on the institutional settings for New Zealand's local government sector. It also reflects our view that Greater Wellington's budgetary metrics may underperform our expectations over the next two years.

**Downside scenario**

We could lower our ratings on Greater Wellington if the New Zealand local government sector's overall commitment to strong finances continues to deteriorate, as indicated by large sectorwide cash deficits and further growth in the sector's already-elevated debt burden. This could result from inadequate revenue growth to fund capital expenditure, or changes in central government policy that undermine the financial outcomes of the sector.

We could also lower our ratings on Greater Wellington if we see a further weakening in the council's budgetary metrics. This could occur if the council backed away from planned increases in rates revenue, or increased its expenditures more than we forecast. This may also lead us to reassess our view of the council's financial management.

**Upside scenario**

We could revise our rating outlook on Greater Wellington to stable if the New Zealand local government sector's overall commitment to strong finances improves.

We could also revise our outlook on Greater Wellington to stable if the council's budgetary outcomes significantly improve. Higher operating margins and smaller after-capital account deficits could indicate this.

**WRC Holdings Ltd. (WRCH; AA+/Negative/A-1+)**

The negative outlook on WRCH reflects that on Greater Wellington, as well as our expectation that WRCH's role will remain critical and its link integral to the council over the next two years.

**Downside scenario**

We would lower our ratings if we downgrade Greater Wellington, or if we believe WRCH's role or link to the council is weakening.

**Upside scenario**

We could revise the rating outlook to stable if we take the same action on Greater Wellington, and we believe WRCH's role and link to the council remain the same.

**Hastings District Council (AA-/Negative/A-1+)**

The negative outlook primarily reflects downward pressure on the institutional settings for New Zealand's local government sector.

## Various Rating Actions Taken On New Zealand Local Councils On Weakening Institutional Framework Trend

**Downside scenario**

We could lower our ratings on Hastings if the New Zealand local government sector's overall commitment to strong finances continues to deteriorate, as indicated by large sectorwide cash deficits and further growth in the sector's already-elevated debt burden. This could result from inadequate revenue growth to fund capital expenditure, or changes in central government policy that undermine the financial outcomes of the sector.

We could also lower our ratings on Hastings if we believe the deficits are likely to structurally exceed 25% of total revenues. This could occur if Hastings adds to, or accelerates, its capital spending beyond our expectations. Downward pressure could also occur if Hastings' liquidity coverage weakens on an ongoing basis.

**Upside scenario**

We could revise our rating outlook on Hastings to stable if the New Zealand local government sector's overall commitment to strong finances improves.

We could also revise our rating outlook on Hastings to stable if new funding arrangements with the New Zealand central (Crown) government leave a minimal burden on the council's financial metrics. Such funding arrangements could result in deficits, debt levels, and liquidity coverage substantially outperforming our forecasts.

**Horowhenua District Council (AA-/Negative/A-1+)**

The negative outlook primarily reflects downward pressure on the institutional settings for New Zealand's local government sector.

**Downside scenario**

We could lower our ratings on Horowhenua if the New Zealand local government sector's overall commitment to strong finances continues to deteriorate, as indicated by large sectorwide cash deficits and further growth in the sector's already-elevated debt burden. This could result from inadequate revenue growth to fund capital expenditure, or changes in central government policy that undermine the financial outcomes of the sector.

We could also lower our ratings if the council's capital expenditure rose more steeply than we expect, further widening after-capital account deficits. This could push total tax-supported debt to more than 240% of operating revenue or interest expenses to more than 10% of operating revenue. It may also weaken liquidity coverage.

**Upside scenario**

We could revise our rating outlook on Horowhenua to stable if the New Zealand local government sector's overall commitment to strong finances improves.

We could also revise our outlook to stable if Horowhenua reduces its after-capital account deficits. For that, debt would need to be lower than that of most 'AA' category rated peers, given Horowhenua's weaker economic profile.

## Various Rating Actions Taken On New Zealand Local Councils On Weakening Institutional Framework Trend

**Nelson City Council (AA/Negative/A-1+)**

The negative outlook primarily reflects downward pressure on the institutional settings for New Zealand's local government sector.

**Downside scenario**

We could lower our ratings on Nelson if the New Zealand local government sector's overall commitment to strong finances continues to deteriorate, as indicated by large sectorwide cash deficits and further growth in the sector's already-elevated debt burden. This could result from inadequate revenue growth to fund capital expenditure, or changes in central government policy that undermine the financial outcomes of the sector.

We could also lower our ratings on Nelson if operating margins narrow across our forecasts because of lower rate increases than we expect. This could weaken our view of the council's budgetary performance, debt, or liquidity.

**Upside scenario**

We could revise our rating outlook on Nelson to stable if the New Zealand local government sector's overall commitment to strong finances improves.

We could also revise our outlook on Nelson if the council's budgetary performance improves, driving its debt lower than we currently forecast. Such developments might enhance our view of the council's financial management.

**New Plymouth District Council (AA+/Negative/A-1+)**

The negative outlook primarily reflects downward pressure on the institutional settings for New Zealand's local government sector.

**Downside scenario**

We could lower our ratings on New Plymouth if the New Zealand local government sector's overall commitment to strong finances continues to deteriorate, as indicated by large sectorwide cash deficits and further growth in the sector's already-elevated debt burden. This could result from inadequate revenue growth to fund capital expenditure, or changes in central government policy that undermine the financial outcomes of the sector.

We could also lower our ratings on New Plymouth if the council's after capital account deficits are larger or more prolonged than we currently expect, resulting in a persistent rise in the debt burden. This scenario could occur, for example, if New Plymouth further adds to its infrastructure spending pipeline without concomitant revenue increases.

**Upside scenario**

We could revise our rating outlook on New Plymouth to stable if the New Zealand local government sector's overall commitment to strong finances improves.

**Various Rating Actions Taken On New Zealand Local Councils On Weakening Institutional Framework Trend**

We could also revise our outlook to stable if New Plymouth's stand-alone credit metrics improve substantially. A sustained upturn in budgetary performance, leading to a declining debt burden, could indicate this.

**Palmerston North City Council (AA/Negative/A-1+)**

The negative outlook primarily reflects downward pressure on the institutional settings for New Zealand's local government sector.

**Downside scenario**

We could lower our ratings on Palmerston North if the New Zealand local government sector's overall commitment to strong finances continues to deteriorate, as evidenced by large sector wide cash deficits and further growth in the sector's already-elevated debt burden. This could result from inadequate revenue growth to fund capital expenditure, or changes in central government policy that undermine the financial outcomes of the sector.

We could also lower our ratings on Palmerston North if the council's after-capital account deficits are larger or more prolonged than we expect, leading to much higher debt levels or weaker internal liquidity. This could eventuate if, for example, Palmerston North allows a large uptick in infrastructure spending without a concomitant increase in revenues. Such a scenario could also cause us to reassess our view of the council's strong financial management.

**Upside scenario**

We could revise our rating outlook on Palmerston North to stable if the New Zealand local government sector's overall commitment to strong finances improves.

**Porirua City Council (AA/Negative/A-1+)**

The negative outlook primarily reflects downward pressure on the institutional settings for New Zealand's local government sector.

**Downside scenario**

We could lower our ratings on Porirua if the New Zealand local government sector's overall commitment to strong finances continues to deteriorate, as indicated by large sectorwide cash deficits and further growth in the sector's already-elevated debt burden. This could result from inadequate revenue growth to fund capital expenditure, or changes in central government policy that undermine the financial outcomes of the sector.

We could also lower our ratings on Porirua if rising interest costs and widening after-capital account deficits result in debt levels rising above our forecasts. If this were to occur, it could undermine the council's liquidity coverage.

**Upside scenario**

We could revise our rating outlook on Porirua to stable if the New Zealand local government sector's overall commitment to strong finances improves.

**Various Rating Actions Taken On New Zealand Local Councils On Weakening Institutional Framework Trend**

We could also revise our outlook Porirua to stable if the council's financial position strengthens, with small deficits and a declining debt burden.

**South Taranaki District Council (AA/Negative/A-1+)**

The negative outlook primarily reflects downward pressure on the institutional settings for New Zealand's local government sector.

**Downside scenario**

We could lower our ratings on South Taranaki if the New Zealand local government sector's overall commitment to strong finances continues to deteriorate, as indicated by large sectorwide cash deficits and further growth in the sector's already-elevated debt burden. This could result from inadequate revenue growth to fund capital expenditure, or changes in central government policy that undermine the financial outcomes of the sector.

We could also lower our ratings on South Taranaki if the council's after-capital account deficits are larger or more prolonged than we expect. This might occur, for instance, if South Taranaki substantially increases its capital works program without offsetting revenue growth. This may, in turn, drive a much sharper rise in debt and interest expenses than we forecast. Such developments could also cause us to negatively re-evaluate our view of the council's financial management.

**Upside scenario**

We could revise our rating outlook on South Taranaki to stable if the New Zealand local government sector's overall commitment to strong finances improves.

We could also revise our outlook to stable if the council's financial management or budgetary metrics improve, as indicated by a structurally stronger after capital account balance and declining debt burden.

**Tasman District Council (AA/Negative/A-1+)**

The negative outlook primarily reflects downward pressure on the institutional settings for New Zealand's local government sector.

**Downside scenario**

We could lower our ratings on Tasman if the New Zealand local government sector's overall commitment to strong finances continues to deteriorate, as indicated by large sectorwide cash deficits and further growth in the sector's already-elevated debt burden. This could result from inadequate revenue growth to fund capital expenditure, or changes in central government policy that undermine the financial outcomes of the sector.

We could also lower our ratings on Tasman if the council maintains larger and more prolonged after-capital account deficits than we expect, markedly increasing debt levels. We may also lower our ratings if the council's liquidity coverage deteriorates.

## Various Rating Actions Taken On New Zealand Local Councils On Weakening Institutional Framework Trend

**Upside scenario**

We could revise our rating outlook on Tasman to stable if the New Zealand local government sector's overall commitment to strong finances improves.

We could also revise our outlook on Tasman if the council significantly reduces its after capital account deficits, leading to a declining debt burden while liquidity coverage remains strong.

**Taupo District Council (AA+/Negative/A-1+)**

The negative outlook primarily reflects downward pressure on the institutional settings for New Zealand's local government sector.

**Downside scenario**

We could lower our ratings on Taupo if the New Zealand local government sector's overall commitment to strong finances continues to improve, as indicated by large sectorwide cash deficits and further growth in the sector's already-elevated debt burden. This could result from inadequate revenue growth to fund capital expenditure, or changes in central government policy that undermine the financial outcomes of the sector.

We could also lower our ratings on Taupo if the council's financial management weakens. This could occur if the council keeps capital spending elevated without offsetting increases in revenues, driving the budget into persistently large after-capital account deficits. This could, in turn, push debt and interest expenses higher.

**Upside scenario**

We could revise our rating outlook on Taupo to stable if the New Zealand local government sector's overall commitment to strong finances improves.

We could also revise our outlook to stable if Taupo's own creditworthiness substantially improves, with sustained surpluses that result in debt falling considerably below our current forecasts.

**Tauranga City Council (A+/Stable/A-1)**

The stable outlook on Tauranga incorporates our expectation that the council will follow through with planned rate increases, and that the budgetary performance will remain weak, given considerable capital expenditure requirements.

**Downside scenario**

We could lower our ratings on Tauranga if the council's capital expenditure is more than we forecast, or if revenue growth, such as rates or capital grants, fails to meet our expectations. This could weaken Tauranga's liquidity position or result in after-capital account deficits averaging more than 25% of total revenues.

## Various Rating Actions Taken On New Zealand Local Councils On Weakening Institutional Framework Trend

**Upside scenario**

We could upgrade Tauranga if, after council elections, the council delivers financial outcomes that are broadly in line with our forecasts. This could improve our view of Tauranga's financial management.

Alternatively, we could raise our ratings if the council's budgetary performance was structurally stronger, resulting in a lower ratio of debt to operating revenue.

**Upper Hutt City Council (A+/Negative/A-1)**

The negative outlook primarily reflects downward pressure on the institutional settings for New Zealand's local government sector.

**Downside scenario**

We could lower our ratings on Upper Hutt if the New Zealand local government sector's overall commitment to strong finances continues to deteriorate, as indicated by large sectorwide cash deficits and further growth in the sector's already-elevated debt burden. This could result from inadequate revenue growth to fund capital expenditure, or changes in central government policy that undermine the financial outcomes of the sector.

We could also lower our ratings on Upper Hutt if the council's financial management weakens. Liquidity coverage declining on a structural basis or a deteriorating operating balance could indicate such deterioration.

**Upside scenario**

We could revise our rating outlook on Upper Hutt to stable if the New Zealand local government sector's overall commitment to strong finances improves.

We could also revise the outlook to stable if Upper Hutt's budgetary performance is materially better than we presently expect. This could ease downward pressure on the council's liquidity metrics and lower its debt trajectory.

**Waimakariri District Council (AA/Negative/A-1+)**

The negative outlook primarily reflects downward pressure on the institutional settings for New Zealand's local government sector.

**Downside scenario**

We could lower our ratings on Waimakariri if the New Zealand local government sector's overall commitment to strong finances continues to deteriorate, as indicated by large sectorwide cash deficits and further growth in the sector's already-elevated debt burden. This could result from inadequate revenue growth to fund capital expenditure, or changes in central government policy that undermine the financial outcomes of the sector.

We could also lower our ratings on Waimakariri if the council's after capital account deficits are

**Various Rating Actions Taken On New Zealand Local Councils On Weakening Institutional Framework Trend**

larger or more prolonged than we expect, resulting in a persistent rise in the debt burden. This scenario could occur, for example, if Waimakariri further adds to its infrastructure spending pipeline without concomitant revenue increases.

**Upside scenario**

We could revise our rating outlook on Waimakariri to stable if the New Zealand local government sector's overall commitment to strong finances improves.

We could also revise our outlook on Waimakariri to stable if our assessment of Waimakariri's stand-alone credit metrics improves substantially. A sustained upturn in budgetary performance, leading to a declining debt burden, would indicate such an improvement.

**Western Bay of Plenty District Council (AA/Negative/A-1+)**

The negative outlook primarily reflects downward pressure on the institutional settings for New Zealand's local government sector.

**Downside scenario**

We could lower our ratings on Western Bay if the New Zealand local government sector's overall commitment to strong finances continues to deteriorate, as indicated by large sectorwide cash deficits and further growth in the sector's already-elevated debt burden. This could result from inadequate revenue growth to fund capital expenditure, or changes in central government policy that undermine the financial outcomes of the sector.

Downward pressure on the ratings could also emerge if Western Bay's liquidity coverage deteriorates structurally to less than 120% of upcoming debt service.

Alternatively, we could lower the ratings if Western Bay's fiscal metrics weaken because the council displays less ability to raise revenue or reduce expenditure than we believe it can.

**Upside scenario**

We could revise our rating outlook on Western Bay to stable if the New Zealand local government sector's overall commitment to strong finances improves.

We could also revise our outlook if the council's budgetary performance is significantly better than our forecasts, reducing debt and interest expenses relative to operating revenue. This could cause us to reassess our view of the council's financial management.

**Whanganui District Council (AA/Negative/A-1+)**

The negative outlook primarily reflects downward pressure on the institutional settings for New Zealand's local government sector.

**Downside scenario**

We could lower our ratings on Whanganui if the New Zealand local government sector's overall commitment to strong finances continues to deteriorate, as indicated by large sectorwide cash

## Various Rating Actions Taken On New Zealand Local Councils On Weakening Institutional Framework Trend

deficits and further growth in the sector's already-elevated debt burden. This could result from inadequate revenue growth to fund capital expenditure, or changes in central government policy that undermine the financial outcomes of the sector.

We could also lower our rating on Whanganui if management deviates from its current financial strategy, resulting in larger and persistent after-capital account deficits. This could weaken liquidity coverage.

## Upside scenario

We could revise our rating outlook on Whanganui to stable if the New Zealand local government sector's overall commitment to strong finances improves.

We could also revise our outlook to stable on Whanganui if the council achieves consistently strong financial outcomes that lower its debt trajectory and interest costs.

## Whangarei District Council (AA/Stable/A-1+)

The stable outlook reflects our view that Whangarei's strong financial management will help the council maintain moderate after-capital account deficits and ensure liquidity coverage remains above 120% of debt service, especially while capital spending remains elevated.

## Downside scenario

We could lower our ratings on Whangarei if we believe financial management was weakening. This could occur if the council backed away from planned rate increases that result in after-capital account deficits widening beyond our expectation, and liquidity coverage falling below 120% structurally.

## Upside scenario

We could raise our ratings on Whangarei if the council's after-capital account deficits were materially less, and its economic profile improved.

## WEBINAR

S&P Global Ratings will host a webinar and Q&A at 3:00pm Auckland time on Thursday, Feb. 22, 2023, to discuss today's ratings actions and our view on the New Zealand local council's institutional settings. Details on the webcast will shortly be available on the following weblink: <https://event.on24.com/wcc/r/4495226/95000F9833F9E6422C1732ED1F158FDE?partnerref=MR>

## New Zealand Councils -- Ratings Score Snapshot

| Entity           | Institutional framework | Economy | Financial management | Budgetary performance | Liquidity | Debt Burden | Stand-alone credit profile | Issuer credit rating | Outlook |
|------------------|-------------------------|---------|----------------------|-----------------------|-----------|-------------|----------------------------|----------------------|---------|
| Auckland Council | 1                       | 1       | 1                    | 3                     | 1         | 5           | aa                         | AA                   | Stable  |

## Various Rating Actions Taken On New Zealand Local Councils On Weakening Institutional Framework Trend

## New Zealand Councils -- Ratings Score Snapshot (cont.)

| Entity                              | Institutional framework | Economy | Financial management | Budgetary performance | Liquidity | Debt Burden | Stand-alone credit profile | Issuer credit rating | Outlook  |
|-------------------------------------|-------------------------|---------|----------------------|-----------------------|-----------|-------------|----------------------------|----------------------|----------|
| Bay Of Plenty Regional Council      | 1                       | 3       | 1                    | 4                     | 1         | 5           | aa                         | AA                   | Negative |
| Christchurch City Council           | 1                       | 1       | 3                    | 3                     | 2         | 4           | aa                         | AA                   | Stable   |
| Dunedin City Council                | 1                       | 2       | 2                    | 4                     | 2         | 4           | aa                         | AA                   | Stable   |
| Greater Wellington Regional Council | 1                       | 1       | 1                    | 4                     | 1         | 4           | aa+                        | AA+                  | Negative |
| Hamilton City Council               | 1                       | 1       | 2                    | 4                     | 2         | 5           | aa-                        | AA-                  | Negative |
| Hastings District Council           | 1                       | 2       | 2                    | 4                     | 2         | 5           | aa-                        | AA-                  | Negative |
| Horowhenua District Council         | 1                       | 3       | 2                    | 4                     | 1         | 4           | aa-                        | AA-                  | Negative |
| Hutt City Council                   | 1                       | 2       | 2                    | 3                     | 2         | 4           | aa                         | AA                   | Negative |
| Kapiti Coast District Council       | 1                       | 2       | 2                    | 3                     | 2         | 5           | aa                         | AA                   | Negative |
| Marlborough District Council        | 1                       | 2       | 1                    | 4                     | 3         | 4           | aa                         | AA                   | Negative |
| Nelson City Council                 | 1                       | 2       | 2                    | 4                     | 1         | 4           | aa                         | AA                   | Negative |
| New Plymouth District Council       | 1                       | 2       | 2                    | 2                     | 1         | 4           | aa+                        | AA+                  | Negative |
| Palmerston North City Council       | 1                       | 2       | 2                    | 3                     | 2         | 4           | aa                         | AA                   | Negative |
| Porirua City Council                | 1                       | 2       | 2                    | 3                     | 1         | 4           | aa                         | AA                   | Negative |
| South Taranaki District Council     | 1                       | 3       | 2                    | 3                     | 1         | 4           | aa                         | AA                   | Negative |
| Tasman District Council             | 1                       | 3       | 2                    | 2                     | 1         | 5           | aa                         | AA                   | Negative |

## Various Rating Actions Taken On New Zealand Local Councils On Weakening Institutional Framework Trend

## New Zealand Councils -- Ratings Score Snapshot (cont.)

| Entity                                 | Institutional framework | Economy | Financial management | Budgetary performance | Liquidity | Debt Burden | Stand-alone credit profile | Issuer credit rating | Outlook  |
|--|-------------------------|---------|----------------------|-----------------------|-----------|-------------|----------------------------|----------------------|----------|
| Taupo District Council                 | 1                       | 2       | 1                    | 2                     | 1         | 4           | aa+                        | AA+                  | Negative |
| Tauranga City Council                  | 1                       | 2       | 3                    | 4                     | 2         | 5           | a+                         | A+                   | Stable   |
| Upper Hutt City Council                | 1                       | 2       | 2                    | 4                     | 2         | 5           | a+                         | A+                   | Negative |
| Waimakariri District Council           | 1                       | 2       | 2                    | 3                     | 2         | 4           | aa                         | AA                   | Negative |
| Wellington City Council                | 1                       | 1       | 1                    | 3                     | 1         | 4           | aa+                        | AA+                  | Negative |
| Western Bay of Plenty District Council | 1                       | 3       | 2                    | 3                     | 1         | 4           | aa                         | AA                   | Negative |
| Whanganui District Council             | 1                       | 3       | 2                    | 2                     | 1         | 4           | aa                         | AA                   | Negative |
| Whangarei District Council             | 1                       | 3       | 1                    | 3                     | 1         | 4           | aa                         | AA                   | Stable   |

## Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | International Public Finance: Methodology For Rating Local And Regional Governments Outside Of The U.S., July 15, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## Related Research

- New Zealand Councils' Extremely Predictable and Supportive Institutional Settings Are At Risk, Feb. 19, 2024
- Credit FAQ: New Zealand's Policy Shift To Weaken The Institutional Setting On Local Councils, Feb. 19, 2024
- Waimakariri District Council, Jan. 23, 2024

## Various Rating Actions Taken On New Zealand Local Councils On Weakening Institutional Framework Trend

- Research Update: Dunedin City Council 'AA/A-1+' Ratings Affirmed; Outlook Stable, Dec. 15, 2023
- Research Update: Dunedin City Treasury Ltd. 'AA/A-1+' Ratings Affirmed; Outlook Stable, Dec. 15, 2023
- Research Update: Christchurch City Council 'AA/A-1+' Ratings Affirmed; Outlook Stable, Dec. 8, 2023
- Research Update: Christchurch City Holdings Ltd. 'AA/A-1+' Ratings Affirmed; Outlook Stable, Dec. 8, 2023
- Nelson City Council 'AA/A-1+' Ratings Affirmed; Outlook Stable, Nov. 20, 2023
- New Zealand Local Government Outlook 2024: Bridge Over Troubled Waters, Nov. 19, 2023
- Upper Hutt City Council, Nov. 13, 2023
- Tasman District Council, Nov. 6, 2023
- Tauranga City Council, Oct. 23, 2023
- Auckland Council, Oct. 5, 2023
- Western Bay Of Plenty District Council 'AA/A-1+' Ratings Affirmed; Outlook Stable, Sept. 28, 2023
- Whangarei District Council Rating Lowered To 'AA' On Weakening Budgetary Metrics; Outlook Stable, Aug. 18, 2023
- Porirua City Council, Aug. 8, 2023
- Hastings District Council Rating Lowered To 'AA-', Following Financial Hit From Cyclone Gabrielle; Outlook Stable, July 21, 2023
- Taupo District Council, July 6, 2023
- Whanganui District Council 'AA/A-1+' Ratings Affirmed; Outlook Stable, June 15, 2023
- Horowhenua District Council 'AA-/A-1+' Ratings Affirmed; Outlook Stable, June 1, 2023
- South Taranaki District Council, May 30, 2023
- Palmerston North City Council, May 4, 2023
- New Plymouth District Council, May 2, 2023
- Pipedream Or Panacea: New Zealand's "Three Waters" Reforms Pt.1, Feb. 27, 2023
- Pipedream Or Panacea: New Zealand's "Three Waters" Reforms Pt. 2, Feb. 27, 2023
- Credit FAQ: Lifting The Lid On New Zealand's "Three Waters" Reforms, Oct. 12, 2022

## Ratings List

\*\*\*\*\*Auckland Council\*\*\*\*\*

## Ratings Affirmed

## Auckland Council

Issuer Credit Rating

AA/Stable/A-1+

[www.spglobal.com/ratingsdirect](http://www.spglobal.com/ratingsdirect)

February 18, 2024 16

## Various Rating Actions Taken On New Zealand Local Councils On Weakening Institutional Framework Trend

**Auckland Council**

|                  |      |
|------------------|------|
| Senior Secured   | AA   |
| Commercial Paper | A-1+ |

## \*\*\*\*\* Christchurch City Council \*\*\*\*\*

**Ratings Affirmed****Christchurch City Council****Christchurch City Holdings Ltd.**

|                      |                |
|----------------------|----------------|
| Issuer Credit Rating | AA/Stable/A-1+ |
|----------------------|----------------|

**Christchurch City Holdings Ltd.**

|                  |      |
|------------------|------|
| Senior Unsecured | AA   |
| Commercial Paper | A-1+ |

## \*\*\*\*\* Dunedin City Council \*\*\*\*\*

**Ratings Affirmed****Dunedin City Treasury Ltd.**

|                  |      |
|------------------|------|
| Senior Secured   | AA   |
| Senior Unsecured | AA   |
| Commercial Paper | A-1+ |

**Ratings Affirmed; CreditWatch/Outlook Action**

|  | To | From |
|--|----|------|
|--|----|------|

**Dunedin City Council****Dunedin City Treasury Ltd.**

|                      |                  |                |
|----------------------|------------------|----------------|
| Issuer Credit Rating | AA/Negative/A-1+ | AA/Stable/A-1+ |
|----------------------|------------------|----------------|

## \*\*\*\*\* Greater Wellington Regional Council \*\*\*\*\*

**Ratings Affirmed; CreditWatch/Outlook Action**

|  | To | From |
|--|----|------|
|--|----|------|

**Greater Wellington Regional Council**

|                      |                   |                 |
|----------------------|-------------------|-----------------|
| Issuer Credit Rating | AA+/Negative/A-1+ | AA+/Stable/A-1+ |
|----------------------|-------------------|-----------------|

**WRC Holdings Ltd.**

|                      |                                   |
|----------------------|-----------------------------------|
| Issuer Credit Rating |                                   |
| Local Currency       | AA+/Negative/A-1+ AA+/Stable/A-1+ |

## \*\*\*\*\* Hastings District Council \*\*\*\*\*

**Ratings Affirmed; CreditWatch/Outlook Action**

|  | To | From |
|--|----|------|
|--|----|------|

**Hastings District Council**

|                      |                   |                 |
|----------------------|-------------------|-----------------|
| Issuer Credit Rating | AA-/Negative/A-1+ | AA-/Stable/A-1+ |
|----------------------|-------------------|-----------------|

## Various Rating Actions Taken On New Zealand Local Councils On Weakening Institutional Framework Trend

## \*\*\*\*\* Horowhenua District Council \*\*\*\*\*

## Ratings Affirmed; CreditWatch/Outlook Action

|  | To | From |
|--|----|------|
|--|----|------|

## Horowhenua District Council

|                      |                   |                 |
|----------------------|-------------------|-----------------|
| Issuer Credit Rating | AA-/Negative/A-1+ | AA-/Stable/A-1+ |
|----------------------|-------------------|-----------------|

## \*\*\*\*\* Nelson City Council \*\*\*\*\*

## Ratings Affirmed

## Nelson City Council

|                  |      |  |
|------------------|------|--|
| Commercial Paper | A-1+ |  |
|------------------|------|--|

## Ratings Affirmed; CreditWatch/Outlook Action

|  | To | From |
|--|----|------|
|--|----|------|

## Nelson City Council

|                      |                   |                 |
|----------------------|-------------------|-----------------|
| Issuer Credit Rating | AA-/Negative/A-1+ | AA-/Stable/A-1+ |
|----------------------|-------------------|-----------------|

## \*\*\*\*\* New Plymouth District Council \*\*\*\*\*

## Ratings Affirmed

## New Plymouth District Council

|                  |      |  |
|------------------|------|--|
| Commercial Paper | A-1+ |  |
|------------------|------|--|

## Ratings Affirmed; CreditWatch/Outlook Action

|  | To | From |
|--|----|------|
|--|----|------|

## New Plymouth District Council

|                      |                   |                 |
|----------------------|-------------------|-----------------|
| Issuer Credit Rating | AA+/Negative/A-1+ | AA+/Stable/A-1+ |
|----------------------|-------------------|-----------------|

## \*\*\*\*\* Palmerston North City Council \*\*\*\*\*

## Ratings Affirmed; CreditWatch/Outlook Action

|  | To | From |
|--|----|------|
|--|----|------|

## Palmerston North City Council

|                      |                   |                 |
|----------------------|-------------------|-----------------|
| Issuer Credit Rating | AA-/Negative/A-1+ | AA-/Stable/A-1+ |
|----------------------|-------------------|-----------------|

## \*\*\*\*\* Porirua City Council \*\*\*\*\*

## Ratings Affirmed; CreditWatch/Outlook Action

|  | To | From |
|--|----|------|
|--|----|------|

## Porirua City Council

|                      |                   |                 |
|----------------------|-------------------|-----------------|
| Issuer Credit Rating | AA-/Negative/A-1+ | AA-/Stable/A-1+ |
|----------------------|-------------------|-----------------|

## \*\*\*\*\* South Taranaki District Council \*\*\*\*\*

## Ratings Affirmed; CreditWatch/Outlook Action

|  | To | From |
|--|----|------|
|--|----|------|

## South Taranaki District Council

|                      |                   |                 |
|----------------------|-------------------|-----------------|
| Issuer Credit Rating | AA-/Negative/A-1+ | AA-/Stable/A-1+ |
|----------------------|-------------------|-----------------|

[www.spglobal.com/ratingsdirect](http://www.spglobal.com/ratingsdirect)

February 18, 2024 18

## Various Rating Actions Taken On New Zealand Local Councils On Weakening Institutional Framework Trend

## \*\*\*\*\* Tasman District Council \*\*\*\*\*

## Ratings Affirmed; CreditWatch/Outlook Action

|  | To | From |
|--|----|------|
|--|----|------|

## Tasman District Council

|                      |                  |                |
|----------------------|------------------|----------------|
| Issuer Credit Rating | AA/Negative/A-1+ | AA/Stable/A-1+ |
|----------------------|------------------|----------------|

## \*\*\*\*\* Taupo District Council \*\*\*\*\*

## Ratings Affirmed

## Taupo District Council

|                  |      |  |
|------------------|------|--|
| Commercial Paper | A-1+ |  |
|------------------|------|--|

## Ratings Affirmed; CreditWatch/Outlook Action

|  | To | From |
|--|----|------|
|--|----|------|

## Taupo District Council

|                      |                   |                 |
|----------------------|-------------------|-----------------|
| Issuer Credit Rating | AA+/Negative/A-1+ | AA+/Stable/A-1+ |
|----------------------|-------------------|-----------------|

## \*\*\*\*\* Tauranga City Council \*\*\*\*\*

## Ratings Affirmed

## Tauranga City Council

|                      |               |  |
|----------------------|---------------|--|
| Issuer Credit Rating | A+/Stable/A-1 |  |
|----------------------|---------------|--|

## Tauranga City Council

|                  |     |  |
|------------------|-----|--|
| Commercial Paper | A-1 |  |
|------------------|-----|--|

## \*\*\*\*\* Upper Hutt City Council \*\*\*\*\*

## Ratings Affirmed; CreditWatch/Outlook Action

|  | To | From |
|--|----|------|
|--|----|------|

## Upper Hutt City Council

|                      |                 |               |
|----------------------|-----------------|---------------|
| Issuer Credit Rating | A+/Negative/A-1 | A+/Stable/A-1 |
|----------------------|-----------------|---------------|

## \*\*\*\*\* Waimakariri District Council \*\*\*\*\*

## Ratings Affirmed; CreditWatch/Outlook Action

|  | To | From |
|--|----|------|
|--|----|------|

## Waimakariri District Council

|                      |                  |                |
|----------------------|------------------|----------------|
| Issuer Credit Rating | AA/Negative/A-1+ | AA/Stable/A-1+ |
|----------------------|------------------|----------------|

## \*\*\*\*\* Western Bay of Plenty District Council \*\*\*\*\*

## Ratings Affirmed; CreditWatch/Outlook Action

|  | To | From |
|--|----|------|
|--|----|------|

## Western Bay of Plenty District Council

|                      |                  |                |
|----------------------|------------------|----------------|
| Issuer Credit Rating | AA/Negative/A-1+ | AA/Stable/A-1+ |
|----------------------|------------------|----------------|

Various Rating Actions Taken On New Zealand Local Councils On Weakening Institutional Framework Trend

|  |                  |                |
|--|------------------|----------------|
| ***** Whanganui District Council *****       |                  |                |
| Ratings Affirmed; CreditWatch/Outlook Action |                  |                |
|  | To               | From           |
| Whanganui District Council                   |                  |                |
| Issuer Credit Rating                         | AA/Negative/A-1+ | AA/Stable/A-1+ |
| ***** Whangarei District Council *****       |                  |                |
| Ratings Affirmed                             |                  |                |
| Whangarei District Council                   |                  |                |
| Issuer Credit Rating                         | AA/Stable/A-1+   |                |

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.spglobal.com/ratings](http://www.spglobal.com/ratings) for further information. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings).

AUSTRALIA

S&P Global Ratings Australia Pty Ltd holds Australian financial services license number 337565 under the Corporations Act 2001. S&P Global Ratings' credit ratings and related research are not intended for and must not be distributed to any person in Australia other than a wholesale client (as defined in Chapter 7 of the Corporations Act).

## Various Rating Actions Taken On New Zealand Local Councils On Weakening Institutional Framework Trend

## Contact List

## PRIMARY CREDIT ANALYST

**Anthony Walker**  
Melbourne  
+ 61 3 9631 2019  
anthony.walker@spglobal.com

## PRIMARY CREDIT ANALYST

**Martin J Foo**  
Melbourne  
+ 61 3 9631 2016  
martin.foo@spglobal.com

## PRIMARY CREDIT ANALYST

**Rebecca Hrvatin**  
Melbourne  
+ 61 3 9631 2123  
rebecca.hrvatin@spglobal.com

## PRIMARY CREDIT ANALYST

**Deriek Pijls**  
Melbourne  
+61 396312066  
deriek.pijls@spglobal.com

## PRIMARY CREDIT ANALYST

**Julian X Nikakis**  
Sydney  
(61) 2-9255-9818  
julian.nikakis@spglobal.com

## SECONDARY CONTACT

**Frank Dunne**  
Melbourne  
+61 396312041  
frank.dunne@spglobal.com

## SECONDARY CONTACT

**Sharad Jain**  
Melbourne  
+ 61 3 9631 2077  
sharad.jain@spglobal.com

## MEDIA CONTACT

**Richard J Noonan**  
Melbourne  
+ 61 3 9631 2152  
richard.noonan@spglobal.com

## Various Rating Actions Taken On New Zealand Local Councils On Weakening Institutional Framework Trend

Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.spglobal.com/ratings](http://www.spglobal.com/ratings) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.spglobal.com/usratingsfees](http://www.spglobal.com/usratingsfees).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.



RatingsDirect®

## Credit FAQ:

# New Zealand's Policy Shift To Weaken The Institutional Setting On Local Councils

February 18, 2024

This report does not constitute a rating action.

Credit risk for New Zealand's local councils is rising. On Feb. 19, 2024, S&P Global Ratings revised the trend of our New Zealand local council institutional framework to weakening from stable. Sector debt has risen rapidly since the start of the pandemic as councils grapple with large infrastructure needs and persistent inflation in operating and capital budgets.

On Feb. 19, 2024, we revised the outlooks on our long-term ratings on 15 New Zealand local councils and two council-controlled organizations to negative from stable to reflect this risk (see "New Zealand Councils' Extremely Predictable And Supportive Institutional Settings Are At Risk," Feb. 18, 2024).

## Frequently Asked Questions

Why did we take this action and what's changed this year?

Rising infrastructure budgets and responsibilities are exerting pressure on the finances of New Zealand's local governments. Revenues and central government (Crown) grants are not rising enough to cover this additional spending. This is leading to widening revenue and expenditure mismatches, as seen in large deficits and rising debt compared with similar systems. If the trend continues, we could assess that the institutional framework for local councils in New Zealand has weakened.

We now forecast much higher sector deficits and debt than we previously expected. This weighs on our assessment of New Zealand's revenue and expenditure balance. The local government sector's after capital account deficit reached 16% of total revenues in fiscal 2023. The deficit may remain at more than 10% over the next two years, versus our previous estimation that it could narrow to half the amount.

Meanwhile, gross total tax-supported debt was 184% of operating revenues in 2023, up from less than 160% in 2019. Gross debt was steady at 150%-160% from 2015 to 2019.

## Primary contacts

**Anthony Walker**

Melbourne  
61-3-9631-2019  
anthony.walker  
@spglobal.com

**Martin J Foo**

Melbourne  
61-3-9631-2016  
martin.foo  
@spglobal.com

**Rebecca Hrvatin**

Melbourne  
61-3-9631-2123  
rebecca.hrvatin  
@spglobal.com

**Deriek Pijls**

Melbourne  
61-396312066  
deriek.pijls  
@spglobal.com

See complete contact list at end of article.

[www.spglobal.com/ratingsdirect](http://www.spglobal.com/ratingsdirect)

February 18, 2024 1

## New Zealand's Policy Shift To Weaken The Institutional Setting On Local Councils

Furthermore, the final timing and structure of Crown water reforms and the impact on local government finances remain uncertain after more than five years. A new National Party-led government, elected in October 2023, promised to repeal existing legislation by Feb. 23, 2024. It also plans to legislate its version of reforms--Local Water Done Well--by mid-2025. The former Labour government passed its final water reform legislation prior to the election. Labour's reforms, if implemented, could have alleviated a significant portion of sector debt.

The final design of Local Water Done Well will be vital for addressing the rising revenue and expenditure mismatches in the sector. Reforms may also be important for curtailing sector debt as a proportion of operating revenues.

Were all local councils affected by the change in the institutional framework trend?

No. We revised the outlooks on our long-term ratings on 15 councils to negative from stable. We affirmed our ratings on another four councils with stable outlooks. Our ratings on the remaining six councils in our rated portfolio were already under pressure and retain negative outlooks.

Why did we revise the rating outlooks on some councils to negative?

The outlook revisions suggest we are likely lower the ratings on these entities if we were to form a view that the institutional framework has weakened. These 15 councils have limited headroom within the current ratings to accommodate a weakening of the institutional settings or other credit metrics.

Why did we keep the rating outlooks on some councils stable while revising others to negative?

We decided that four councils still have enough headroom within the current ratings to accommodate a potential weakening in the institutional framework. This could be, for example:

- If the councils' individual credit profiles are at the stronger end of the current rating categories; and
- If there are other countervailing improvements that potentially offset the weakening institutional framework, such as improving economic prospects and diversification, or improving fiscal outcomes with smaller deficits and declining debt and interest costs.

Our rating on Auckland Council, for example, is unaffected by today's announcement. Auckland's individual credit profile is at the stronger end of an 'AA' rating. We forecast its after capital account deficit will narrow and be smaller than the sector average over the next two years.

Furthermore, Auckland's total tax-supported debt could continue to drop compared with operating revenues. The council's interest expenses also sit just above a key threshold in our methodology. If interest expenses relative to operating expenses decline slightly, our view on the council's debt burden could improve. Because of these factors, we believe the council has sufficient headroom at the current rating.

Did we consider last week's Local Water Done Well announcement in our latest rating decision?

The rating actions are not the result of the Crown's Feb. 12, 2024 announcement. The Crown outlined its plan to repeal the water reform legislation of the former government and introduce its own reforms. Pressure has been building on local governments for a few years and we believed the previous Affordable Water reforms may have addressed the sector's growing revenue and expenditure mismatches. In saying this, policy uncertainty is elevated until there is a clear way forward.

Would successful implementation of Local Water Done Well support the sector and institutional framework?

The new Crown government will repeal the previous government's Affordable Water reforms by Feb. 23, 2024. It will eventually replace these with Local Water Done Well. At the time of writing, the repeal bill had already passed New Zealand's parliament and will soon be signed into law.

**New Zealand's Policy Shift To Weaken The Institutional Setting On Local Councils**

There is little information on how Local Water Done Well will operate or the timeline for its implementation. We only know that the Crown expects to pass relevant legislation by mid-2025. Implementation could drag the process on for another couple of years, given the complexity of the issue and the public consultation processes. During this period, fiscal conditions for the local councils could continue to deteriorate, and policy uncertainty may continue. This would increase credit risks.

Recent announcements on Local Water Done Well signal that councils may have to devise plans to meet the new, stricter, water standards, under the supervision of a new water infrastructure regulator. The councils would also have the option to form regional council-controlled organizations (CCOs) for water delivery. These CCOs would presumably differ from Labour's proposed water services entities. They could be voluntary and more tightly controlled by councils because of the removal of the co-governance requirement with local mana whenua.

As we previously highlighted, we would likely view a CCO (with either a high degree of political control or concentrated ownership, alongside a high level of indebtedness) as part of its parent council's tax-supported debt or at least a contingent liability of the council (see "New Zealand Local Government Outlook 2024: Bridge Over Troubled Waters," published Nov. 19, 2023).

Additionally, we see heightened policy uncertainty for the local councils. For instance, the Crown has extended the statutory deadlines for 2024-2034 long-term plans, given the upcoming repeal of water legislation. If policy uncertainty continues, even if Local Water Done Well is implemented, the institutional framework may face downward pressure. Unlike some peers, central government legislation and not a constitution governs New Zealand's local councils. This means the sector is less able than peers to influence structural changes.

What would cause us to revise downward our institutional framework assessment (IFA)?

We could revise downward our IFA for New Zealand's local councils if there is no material improvement in the revenue and expenditure balance of the sector, such as a substantial reduction in after capital account deficits and a structural lowering of tax-supported debt to operating revenues.

Additionally, we could revise downward our IFA if policy uncertainty continues, particularly in areas with large effects on the sector's financial outcomes, such as water reforms.

What would cause us to revise the IFA trend assessment to stable and how would this affect the ratings on local councils?

We could revise the IFA trend back to stable if we observed greater policy stability that helps to narrow the sector's revenue and expenditure mismatches, leading to a sustainable reduction in sectorwide debt. This could occur if the proposed local government reforms or upcoming budget planning markedly improves the financial positions of councils.

Revising the trend of the institutional framework back to stable could result in our revision of the outlooks on the affected councils to stable, all else being constant. This is if there is no underlying weakening of the individual credit profiles of the councils.

Does this mean New Zealand's local councils won't be highly rated anymore?

New Zealand's local councils remain highly rated. We have not lowered the ratings on any local council today. We have flagged a potential weakening in ratings and revised several outlooks to negative. Even if we revised downward the institutional framework and lowered the ratings, New Zealand councils remain highly rated in a global context at between "AA" and "A" categories.

What is the effect of today's actions on the sovereign rating on New Zealand and the rating on the New Zealand Local Government Funding Agency Ltd. (LGFA)?

There is no direct bearing on either rating.

**New Zealand's Policy Shift To Weaken The Institutional Setting On Local Councils**

Our assessment of the sovereign's fiscal performance and debt burden looks at the general government sector (i.e., it consolidates the central and local governments). In theory, a further widening of local government deficits and debt could weigh on this assessment.

However, the local government sector in New Zealand is a small component of the general government. It accounts for just 11% of gross general government debt on our measures. As such, activity at the central government level will continue to drive sovereign fiscal metrics.

We also assess that a slight weakening in the average credit quality of the local councils--say, a one-notch drop--would be unlikely to affect the rating on LGFA. There are at least two avenues through which local government credit quality affects the LGFA:

- It affects the quality of LGFA's loan book. However, generally improving loan book quality over the past decade counterbalances the negative rating actions announced today. The councils still have very strong capacity to service their debt obligations to LGFA, in our view.
- It affects the average credit quality of the councils that are parties to the joint and several guarantee over the LGFA's obligations. This guarantee has expanded to 72 guarantors and remains a key rating strength for the LGFA.

If the ratings on local councils fall, those councils may pay higher credit margins to the LGFA under current arrangements. This could slightly boost the profitability of the LGFA.

## Related Research

- New Zealand Councils' Extremely Predictable And Supportive Institutional Settings Are At Risk, Feb. 18, 2024
- Various Rating Actions Taken On New Zealand Local Councils On Weakening Institutional Framework Trend, Feb. 18, 2024
- New Zealand Local Government Outlook 2024: Bridge Over Troubled Waters, Nov. 19, 2023

AUSTRALIA S&P Global Ratings Australia Pty Ltd holds Australian financial services license number 337565 under the Corporations Act 2001. S&P Global Ratings' credit ratings and related research are not intended for and must not be distributed to any person in Australia other than a wholesale client (as defined in Chapter 7 of the Corporations Act).

New Zealand's Policy Shift To Weaken The Institutional Setting On Local Councils

Contact List

Primary contact

**Anthony Walker**  
Melbourne  
61-3-9631-2019  
anthony.walker  
@spglobal.com

Primary contact

**Deriek Pijls**  
Melbourne  
61-396312066  
deriek.pijls  
@spglobal.com

Primary contact

**Martin J Foo**  
Melbourne  
61-3-9631-2016  
martin.foo  
@spglobal.com

Secondary contact

**Frank Dunne**  
Melbourne  
61-396312041  
frank.dunne  
@spglobal.com

Primary contact

**Rebecca Hrvatin**  
Melbourne  
61-3-9631-2123  
rebecca.hrvatin  
@spglobal.com

Secondary contact

**Julian X Nikakis**  
Sydney  
61-2-9255-9818  
julian.nikakis  
@spglobal.com

New Zealand's Policy Shift To Weaken The Institutional Setting On Local Councils

[www.spglobal.com/ratingsdirect](https://www.spglobal.com/ratingsdirect)

February 18, 2024 6

## New Zealand's Policy Shift To Weaken The Institutional Setting On Local Councils

Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.spglobal.com/ratings](http://www.spglobal.com/ratings) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.spglobal.com/usratingsfees](http://www.spglobal.com/usratingsfees).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.

**10 April 2024****Report no: ARSC2024/2/83**

## **3 Waters Matters**

### **Purpose of Report**

1. This report highlights issues and risks relating to the three waters activity including an update on three waters reform.

### **Recommendations**

That the Subcommittee:

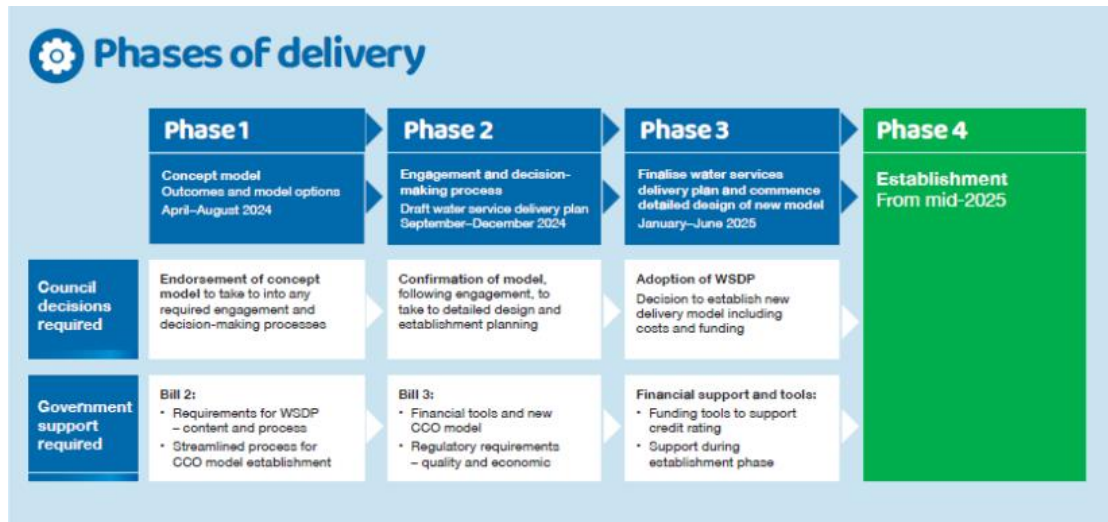
- (1) notes that all Councils in the Wellington Region along with Horowhenua District Council have agreed to be part of a regional project to develop a water services delivery plan and future delivery model;
- (2) notes that the first phase of this work has commenced and will go through to August 2024;
- (3) notes that unspent three waters reform transitional funding, provided by government under the previous reform process will meet the costs of phase 1, but it is unclear at this stage whether future phases will be financially supported by government; and
- (4) notes the risk of failure of a segment of the main wastewater pipe adjacent and under State Highway 2 (SH2).

### **Background**

#### ***Water reform - Local Water Done Well***

2. The Minister of Local Government made public announcements on 5 April 2024, about the first steps of the rollout of the Local Water Done Well (LWDW) programme of reforms, following recent cabinet decisions.
3. This includes streamlined processes for establishing new water services Council Controlled Organisations (CCOs), requirements for all councils to develop Water Services Delivery Plans and steps towards future economic regulation.

4. Led by Council Chief Executives, all Councils within the Wellington Region plus the Horowhenua District Council have formally resolved to work together to develop a joint water services delivery plan and a future delivery model.
5. The project is being planned to be delivered over 4 phases with the first phase now underway. The following table sets out the phases and their timing, along with the tie into the government's LWDW legislative programme.



6. The goal of the first phase of the project is to outline the high-level conceptual design for a preferred future delivery model. This will be used to confirm individual Council support. Note that while agreeing to work together on this plan, each Council is able to opt out of the joint approach at any stage and work on another solution.
7. This first phase of the project will include identifying:
  - a. the key features of an ideal future CCO model;
  - b. the funding requirements and options for the new model;
  - c. the governance options for the new model; and
  - d. any legal changes required to enable the new model and simplify the transition.
8. The first phase of the project is estimated to be \$600k, the cost of which will be shared by all Councils. The HCC share (\$100k) will be able to be met from unspent three waters transitional funding received from the Department of Internal Affairs (DIA). Unless further funding is made available from government, the cost of phases 2 and 3 would be a variance to the 2024/25 budget. The government has stated that it has agreed to retain and redirect existing funding programmes (Better Off and Transitional funding) and has asked DIA to work with councils to align funding to LWDW.

9. For this initial phase of the project resourcing from Wellington Water Limited (WWL) is expected to be minimal. WWL is concentrating on delivering core services including delivery of the capital works programme which is generally on target.

### **Main Hutt Valley Wastewater Pipe SH2**

10. WWL has advised that a 360-metre segment of the main (825mm) wastewater pipe (laid in 1963) which carries all Upper Hutt and much of the Western Hills wastewater has been found to be in very poor condition. This was discovered via a recent CCTV inspection.
11. This section of pipeline runs alongside and under SH2 on the northbound side, crossing under the highway approximately 150 metres north of the Tirohanga/Block Road intersection.
12. While the risk of imminent failure has not been determined, WWL is taking immediate action to put together a contingency plan and has started work on an urgent project to assess and develop plans to either repair or renew this part of the Hutt Valley Bulk Wastewater network.
13. Council will need to consider how it will manage this project in terms of the draft LTP but note that there is an unallocated pot within the wastewater capital programme against which the cost of this work could be allocated and brought forward as required.
14. NZTA has been advised of the situation and has asked to be kept informed.

### **Water Shortage**

15. Taumata Arowai, the water regulator, has asked WWL, Greater Wellington Regional Council (GWRC) and the four metropolitan Councils in the Wellington region to provide it with a plan showing how we will collectively minimise the risk of water shortages next summer. The two main actions WWL is undertaking on behalf of HCC are:
  - a. to reduce water leaks over the next 8 months to a level that will keep them within the 20-day target repair time for non-urgent leaks; and
  - b. install pressure reduction valves in different parts of the network to reduce both the likelihood of leaks and water loss where leaks do occur.
16. These actions are expected to decrease water loss in Hutt City by between 10-15%. To facilitate the work to reduce the number of leaks Council has increased its operating budget by \$2.8M. WWL has been asked to regularly report against its plan.

**Climate Change Impact and Considerations**

17. With a changing climate Council's three water infrastructure will come under more pressure, whether that be less overall rainfall during the summer months or greater incidences of higher rainfall events, resulting in flooding with both stormwater and wastewater networks overloaded.

**Consultation**

18. Investment in three waters infrastructure will be the subject of consultation through the draft Long Term Plan.

**Legal Considerations**

19. There are no legal considerations at this time.

**Financial Considerations**

20. The government has indicated that transitional funding for Local Water Done Well will be continued. The Department of Internal Affairs (DIA) will contact Councils individually to discuss the details of this.

**Appendices**

There are no appendices for this report.

**Author:** Bruce Hodgins  
Strategic Advisor

**Reviewed By:** Alison Geddes  
Director Environment and Sustainability

**Approved By:** Jo Miller  
Chief Executive

---

**Report no: ARSC2024/2/84**

## **ComplyWith: Legal Compliance report**

### **Purpose of Report**

1. The purpose of this report is to present the key findings from the ComplyWith survey on legal compliance.

### **Recommendations**

That the Subcommittee:

- (1) notes the ComplyWith legal compliance report for the period 01 July 2023 to 31 December 2023; and
- (2) notes that out of the 38 non-compliances recorded during the survey, 14 are already resolved. Once the six duplicates from the remaining 24 non-compliances have been removed, 18 Corrective Actions remain. These are listed in Appendix 1 attached to the report.

For the reasons outlined in the report.

### **Background**

2. Council uses 'ComplyWith', a legal compliance management tool, to identify and monitor legal compliance risks. During the implementation stage in September 2021, legal obligations were mapped to the responsible roles within Council. These staff, and any new staff appointed to these roles, complete an online compliance survey twice a year which enables them to proactively identify legal risks and issues. The 'Corrective Actions' function on ComplyWith allows staff to monitor risks and set Action Plans that require them to lay out the steps needed to resolve non-compliances. The function also helps track unresolved risks by sending staff regular reminders.

### **Discussion**

3. The ComplyWith survey was sent out to 121 staff on 25 January 2024. The survey covered the period between 1 July 2023 to 31 December 2023 and captured 3,422 obligations under 110 Acts and Regulations. Everyone who the survey was assigned to, completed it.

4. The survey recorded 38 non-compliances, each of which had an Action Plan attached to it. Out of the 38 non-compliances, 14 are already resolved. The remaining 24 non-compliances are reviewed every three months by staff and the Corporate Leadership Team. There is some duplicate reporting of the same non-compliance. Once the six duplicates are removed, 18 Corrective Actions remain. The list of remaining unresolved Corrective Actions and the mitigations that are or will be put in place to address these can be viewed in Appendix 1 attached to the report.
5. The non-compliances recorded above is down from the 51 non-compliances recorded in the last survey.
6. The next survey will be out on 1 July 2024 and will cover the period between 1 January 2024 to 30 June 2024.

### **Overview of key results from the third survey**

#### **Local Government**

7. Two non-compliances were reported against obligations under the Local Government Act 2002 and Local Government (Financial Reporting and Prudence) Regulations 2014.
  - Bylaws must be reviewed at the required intervals using the correct procedure. The Strategy and Policy business unit have initiated new processes to include notifications for bylaws that are up for review.
  - One instance was recorded where the statutory timeframe of 15 days to provide written notice of outcome for an application requesting reconsideration for a development contribution was not met. The application was sent to an un-manned email inbox which resulted a two-month delay. Action has been taken to correct this and the email address has been discontinued.

#### **Health and Safety**

8. The ComplyWith Survey showed high level of compliance across our health and safety obligations. There were four obligations that were reported as only having partial compliance.
9. Head of Environmental Protection (Acting) identified two obligations that required attention and have now been resolved.
  - The Hazardous Substances and New Organisms Act 1996 requires that Council appoints enforcement officers correctly and gives an annual notice to the Environmental Protection Authority (EPA). The EPA has not sent out their annual questionnaire this year. Once the survey is out, the EPA will be notified of Councils Enforcement Officers.
  - An amusement device and site must be inspected by the council engineer or another competent person before a permit to operate is issued. There was one incident where no staff were available to inspect a device.

10. The Health, Safety and Wellbeing Manager noted work being done to maintain safe systems of work, with team Health and Safety handbooks being developed. This is an ongoing piece of work to improve each team's safety procedures.

### **Buildings**

11. There were 10 non-compliances recorded against obligations under the Building Act 2004, out of which two were duplicates of the same obligations and one already resolved.
  - Certificate of Acceptance has been applied for the outstanding amendment for access control at Eastbourne Library.
  - There is a gap between demand, staff capacity and the required level of technical skills. Recruitment plans are being implemented with contractors in place in the interim to meet statutory timeframe of 20 working days to decide on building consent applications, issuing of code compliance certificates and applications for certificates of acceptance.
  - If an emergency occurs but no state of emergency or transition period is in force, an affected area must only be designated with the Minister's approval after following the correct process.

As there was no state of emergency in place during the powerful winds/tornado in December 2023, the rapid building assessment process was used when the process under section 124 should have been used instead. Lessons learnt have been recorded.

- The Building Act requires Council to issue a compliance schedule if it is required because of building work and if specified systems meet the performance standards. Council does not always receive notifications from building owners. Risk assessment is underway for all buildings where there is a compliance schedule to initially target those high-risk buildings.

### **Environment**

12. Seven non-compliances were recorded under the Resource Management Act 1991 and Regulations and the Reserves Act 1997.
  - As per section 16(1) of the Resource Management Act (RMA) 1991 and Regulations, the best practicable option must be adopted to make sure that noise emissions do not exceed a reasonable level. Work plan is in place to collaborate with the Environmental Health team to approve night work on roads and notify all affected residents well in advance.

- The RMA requires that Council monitor the required matters in section 35(2), take action, and make available a 5 yearly review. Resourcing for the monitoring function of the RMA has been increased and work is underway to address this through the current District Plan review.
- The RMA requires that Council only approves survey plans for a subdivision within 10 working days if the required conditions are met. As most of the Section 223 applications are submitted with a Section 224 application, the statutory timeframe has not always been met. Generally, this is accepted by developers.
- Full review of the regional policy statement and plans will be addressed through the current District Plan Review.
- An instance where notice of decisions on resource consent applications have not been given within the required time has been recorded. 90% of the notices are now given within the statutory time frame.
- Resourcing of a consultant to complete the work on preparing and submitting to the Minister for approval a draft management plan within 5 years of appointment is underway.

### **Managing information**

13. The survey for this period asked more people across Hutt City Council about the specific privacy obligations as these are relevant to all staff across Council. Doing this has better reflected the true state of compliance with more partial compliances and indicates an improved awareness of privacy risk and required mitigations.
14. During the period of the survey, we notified the Office of the Privacy Commissioner about three privacy incidents, two of these were notifiable breaches. These were in relation to a small number of licence applications available through our website and an error made during the re-registration of a dog. These incidents have been resolved and recommendations made to the relevant teams for changes to their processes and practices to prevent similar incidents from happening in the future.
15. Overall privacy compliance is improving. Training and awareness raising for privacy has continued and privacy risks and mitigations are being managed across Council teams, helping to reduce our overall risk. Work to improve privacy awareness across all Council staff continues, alongside an increased focus on the use of Privacy Impact Assessments (PIAs) to help identify and mitigate privacy risks before they eventuate.

### **Transport**

16. The Land Transport Act 1998 requires that the transport agency is given the information before a new speed limit is applied. Work is underway for the scope of the speed limits to be extended in line with the Speed Management Plan 2024-2027.

### **Paying for parking using a credit/debit card**

17. In April 2024, the fees associated with credit and debit cards (whether PayWave or card insertion) for Hutt City Council-run car parking machines will be waived. This is to align with the Retail Payment System Act 2022 (the Act) and the Commerce Commission's recent guidelines. There will continue to be no fee when paying with cash on meters that provide this option.
18. Parking users can also pay for parking using the PayMyPark App. Their transaction fee of \$0.50 for casual use and the percentage-based service fee charged to account holders utilising the account top-up feature will remain in place. PayMyPark is a third-party supplier, and Council does not receive any card fees for this service. Discussions regarding their fees are ongoing with PayMyPark.

### **Appendices**

| No.               | Title  | Page |
|-------------------|--|------|
| <a href="#">1</a> | Appendix 1 - The list of remaining unresolved Corrective Actions | 158  |

**Author:** Lakna Siriwardena  
Legal Co-ordinator

**Approved By:** Bradley Cato  
Chief Legal Officer

Attachment 1:

**The list of remaining unresolved Corrective Actions**

|    | Corrective Action   | Action Plans in place  |
|----|---|--|
| 1. | Decide whether to issue a code compliance certificate within 20 working days using the correct process.                         | <p>Compliant in terms of technical decisions. However, statutory timeframes have not been consistently met.</p> <p>There is a gap between demand, staff capacity and the required level of technical skills. Recruitment plans are being implemented with contractors in place in the interim.</p> |
| 2. | Issue a compliance schedule if it is required because of building work and if specified systems meet the performance standards. | <p>Council does not always receive notifications from building owners.</p> <p>Risk assessment is underway for all buildings where there is a compliance schedule to initially target those high-risk buildings.</p>  |
| 3. | Decide building consent applications in 20 working days using the correct process.  | <p>Compliant in terms of technical decisions. However, statutory timeframes have not been consistently met.</p> <p>There is a gap between demand, staff capacity and the required level of technical skills. Recruitment plans are being implemented with contractors in place in the interim.</p> |
| 4. | Decide certificate of acceptance applications within 20 working days using the correct process.                                 | <p>Compliant in terms of technical decisions. However, statutory timeframes have not been consistently met.</p> <p>There is a gap between demand, staff capacity and the required level of technical skills. Recruitment plans are being implemented with contractors in place in the interim.</p> |
| 5. | Carry out reviews of provisions of Policy statements and plans when required using the correct process.                         | District Plan review is underway. Not complete.  |
| 6. | If council decides to carry out a full review of a regional policy statement  | District Plan review is underway. Not complete.  |

|     |   |   |
|-----|---|---|
|     | (RPS) or plan, the whole RPS or plan and all changes must be reviewed.  |   |
| 7.  | Monitor the required matters in section 35(2), take action, and make available a 5 yearly review.   | Resourcing for the monitoring function of the RMA has been increased and work is underway to address this through the current District Plan review.   |
| 8.  | Notice of decisions on resource consent applications must be given in the correct way and within the required time.   | Working with the Engineering team to get the consents done within timeframes. 90% of the notices are now given within the statutory time frame.   |
| 9.  | Only approve survey plans for a subdivision within 10 working days if the required conditions are met.  | As most of the Section 223 applications are submitted with a Section 224 application, 10 working day timeframe has not always been met. Generally, this is accepted by Developers.  |
| 10. | Prepare and submit to the Minister for approval a draft management plan for a reserve under its control, management, or administration within 5 years after its appointment as administering body of a reserve. | Resourcing of a consultant to complete the work is underway.  |
| 11. | Review bylaws at the required intervals using the correct procedure.  | New processes to include notifications for bylaws that are up for review are now in place.  |
| 12. | Personal information must be protected by reasonable security safeguards against loss, unauthorised access, use, modification, or disclosure, or other misuse.  | Work is underway to manage and transfer the data from historical surveys into a secure SharePoint folder.   |
| 13. | Personal information must not be kept for longer than is required for the purposes for which the information can lawfully be used.  | <p>Collaboration with Information Services team to seek support to review and manage historical survey data remaining in Council's systems.</p> <p>Work with the Privacy Officer to ensure historic databases / lists of contacts are compliant is underway.</p> <p>Work with the Information Management team to develop a process to dispose electronic employee files moved into Te Pataka from TRIM/CM9 is in place.</p> |

|     |  |  |
|-----|--|--|
| 14. | Must apply to amend a Compliance schedule if required to meet performance standards or comply with Building Act.   | Certificate of Acceptance has been applied for the outstanding amendment for access control at Eastbourne Library.                               |
| 15. | A building consent must be obtained before carrying out building work.   | Certificate of Acceptance has been applied for the outstanding amendment for access control at Eastbourne Library.                               |
| 16. | Privacy Act 2020 - Overview obligation for team leaders or managers.   | Review of the privacy statements are underway.   |
| 17. | The organisation must provide and maintain safe systems of work, so far as is reasonably practicable.  | H&S Manual is in place. Handbooks are being developed for teams and key work is planned to be completed according to the H&S Workplan.           |
| 18. | A local authority record that is no longer in current use or is 25 years old (a local authority archive) must be classified as open access or restricted access. | Plan in place to rectify across the archives collection. Processes in place to ensure material is assessed for any restrictions prior to access. |

---

**Report no: ARSC2024/2/89**

## **Risk Management and Assurance Update**

### **Purpose of Report**

1. To update the Subcommittee on activities undertaken to maintain and improve risk management at Council. The risk register was last considered by this Subcommittee on 28 November 2023.
2. This report also covers an update on other assurance activities.

### **Recommendations**

That the Subcommittee:

- (1) receives and notes the information in the report;
- (2) notes there are eight risks (previously 10) on Council's strategic risk register;
- (3) notes the update on "Other Assurance Activities; and
- (4) notes the Risk Register as at 30 March 2024 attached as Appendix 1 to the report.

### **Background**

3. Risk and Assurance provides frequent updates on the activities to maintain and improve Council's risk management awareness.
4. Council's Risk Register ("the register") is a living document that is updated periodically through consultation with risk owners. It is a means of providing relevant and timely information to key stakeholders (Corporate Leadership Team, the Chief Executive, staff and members) enabling meaningful conversations about how risk is managed and ensuring sufficient attention is focused on key matters. It also supports planning, managing, and responding to high-level risks and good decision making.

### **Council's Risk Register**

5. There is ongoing review and refining of the risk register, ensuring that the strategic/top risks are appropriately identified, evaluated, and assessed and that effective risk mitigations are in place to reduce the risk likelihood or impact on Council's objectives.

6. There are eight risks on Council's strategic risk register (previously 10 as per the last update to the Audit and Risk Subcommittee on 28 November 2023).
7. The risks relating to "Enterprise Portfolio Management" and "Emergency Management" have been removed following discussions with risk owners. Officers are seeing the positive outcomes from the various tools and treatments that were put in place to address these risks which are now classified as low.
8. All overall residual risk ratings, except one risk remain unchanged since the last update to the Audit and Risk Subcommittee on 28 November 2023. The risk relating to "Workforce, Capacity, Capability and Engagement had components of its residual rating change, resulting in the overall residual risk rating decreasing from medium to low. Whilst a large volume of planned mitigation treatments has been completed since the last update, some remain a work in progress.
9. Of the eight risks identified, one risk has an overall residual risk rating of high, seven risks having an overall residual risk rating of medium, and one risk has an overall residual risk rating of low.
10. Risk identification, assessment and management continues to be an ongoing focus, ensuring that appropriate resources are allocated to the areas listed on the risk register to reduce both the likelihood and impact of the risks should they eventuate.
11. Through the recent Long-Term Plan (LTP) 2024-2034 preparation process, there has been additional and/or an increase in funding allocated to address some risks. These include an increase in funding for Eastern Hutt Road Resilience of \$20M (\$48M in total) and a resilience fund for Transport of \$5M for three years. (Risk 4 - Planning for Climate Change).
12. The new government has now repealed the Three Waters legislation, made changes to the fast-track provisions of the Resource Management Act and stopped the review of the Resource Management legislation. This creates increased levels of uncertainties for Councils and impacts a number of areas such as the recent LTP preparations, financial viability, structures and planning processes. Hutt City Council is working closely with regional councils to establish a water reform plan (Local Water Done Well).
13. Additionally, this summer the Wellington region has experienced level two water restrictions due to leaking pipes and weather patterns over the period. Financial constraints impacting investment over many years in infrastructure, accompanied by the ageing water piping networks had seen approximately 40% of the region's drinking water being lost through leaks.
14. On a positive note, Wellington Water Limited's (WWL) latest update (11 April 2024) notes that the likelihood of moving to level 3 water restrictions before the end of summer has reduced substantially to 16%, with the chance of level 4 dropping to 5%.

15. Council and WWL are currently working on a plan of action to address water shortages for next summer and committed to a joined-up approach for the Wellington region on a water service delivery plan which is required under the Government's new Local Water Done Well policy.
16. As part of Council's LTP process, an additional capex investment of \$600M over the next 10 years has been allocated to address water services infrastructure, and an additional \$2.8M of immediate funding (to be utilised in 2024/25) has been allocated to address the water leaks backlog.
17. Risks that are not captured on the strategic risk register continue to be monitored via operational risk registers by the respective business unit leads and escalation occurs, as required, in alignment with the risk assessment criteria. Risk and Assurance continue to provide advice and support to business units on evaluation and assessment in higher risk areas and on developing operational risk registers.
18. Additionally, the development of foundational risk management training is now complete, with an online training session offered to all staff that will take place before 30 June 2024. The aim of this session is to continue to create awareness of Council's risk management practices.

### Other assurance activities

19. Below is a progress status on the internal audit reviews since the last update.

| Internal Audit Review   | Comments   |
|---|--|
| Review of the Integrity Framework (Phase 1)                                 | <ul style="list-style-type: none"> <li>• A decision has been made to perform the full scope of this review at once rather than through three phases (as previously agreed).</li> <li>• Audit will be completed by 30 June 2024.</li> </ul>   |
| Review of the Statutory Improvement Board (Resource Consents changes)       | <ul style="list-style-type: none"> <li>• In progress.</li> <li>• Audit will be completed by 30 June 2024.</li> </ul>   |
| Review of Non-Rates Revenue Fees and Charges (focused on Resource Consents) | <ul style="list-style-type: none"> <li>• Audit completed.</li> <li>• There were no high-risk findings identified. Subject to resolution of certain matters, the control framework is appropriate and effective (Per Council's Risk Management Framework assessment).</li> <li>• Findings identified have been accepted by the business unit.</li> <li>• The business unit has commenced work on addressing these findings.</li> <li>• A follow-up will be performed in quarter two of 2024/25.</li> </ul>  |
| Follow-up Review – Procurement & Contract Management                        | <ul style="list-style-type: none"> <li>• This is an additional review being performed in 2023/24 (currently underway).</li> <li>• The initial review was performed in 2022.</li> <li>• The objective of this review is to (1) follow-up on the progress made with implementing the recommendations per the 2022 internal audit review performed and (2) review three recent procurement activities undertaken recently and assess whether Council's current procurement and contract management practices deliver best value for money to ratepayers, enabling innovative delivery of services and supporting environmental sustainability outcome.</li> </ul> |

**Business Continuity Plans**

20. Annual review and refresh of business continuity plans, ensuring they are current, fit for purpose and practical to implement, is currently underway.

**Climate Change Impact and Considerations**

21. The matters addressed in this report have been considered in accordance with the process set out in Council's Climate Change Considerations Guide.

**Consultation**

22. Not applicable.

**Legal Considerations**

23. Not applicable.

**Financial Considerations**

24. The work programme for Risk and Assurance is funded from baseline budgets.

**Appendices**

| No.               | Title                   | Page |
|-------------------|-------------------------|------|
| <a href="#">1</a> | Strategic Risk Register | 166  |

**Author:** Nishana Reddy  
Risk and Assurance Manager - Finance

**Reviewed By:** Jenny Livschitz  
Group Chief Financial Officer

**Approved By:** Jo Miller  
Chief Executive

# STRATEGIC RISK REGISTER (MARCH 2024)



## Key:

**Inherent risk** – assessed level of risk before any control treatments/mitigations have been put in place to reduce the severity impacts should the risk eventuate.

**Residual risk** – assessed level of risk after control treatments/mitigations have been put in place to reduce the severity impacts should the risk eventuate.

## 1. Government Reform

**Risk Owner:** Chief Executive, **Secondary Risk Owner:** Director – Environment and Sustainability

### Risk Ratings:

| INHERENT RISK |        |      |
|---------------|--------|------|
| Likelihood    | Impact | Risk |
| Likely        | Major  | High |

| RESIDUAL RISK |        |      |
|---------------|--------|------|
| Likelihood    | Impact | Risk |
| Possible      | Major  | High |

| Likelihood   | Almost Certain |       |        |       |         |
|--------------|----------------|-------|--------|-------|---------|
|              |                |       |        |       |         |
|              |                |       |        |       |         |
|              |                |       |        |       |         |
|              |                |       |        |       |         |
| Consequences | Insignificant  | Minor | Modest | Major | Extreme |
|              |                |       |        |       |         |
|              |                |       |        |       |         |
|              |                |       |        |       |         |
|              |                |       |        |       |         |

Risk Appetite: Low appetite

**Risk Description:** The new government have repealed the Three Waters legislation, made changes to the fast-track provisions of the Resource Management Act and stopped the review of the Resource Management legislation. This creates uncertainty for Councils and impacts a number of areas including the recent LTP preparation, financial viability, structure and planning processes. It also presents opportunities for Councils to work together and present information to the new government.

If Council is not adequately prepared and/or engaged in the transitioning of central government's sector reform then there maybe disruption/cancellation/delays to work programmes which are important to the interests of the city, resulting in loss of trust and confidence.

There are potential opportunities from the programmes to improve the wellbeing of our communities and financial efficiencies, with Hutt City now working closely with regional councils to establish a water reform plan (Local Water Done Well)

There may also be opportunities and impacts on Council's financial position, financial performance, operations, impacts on staffing, service delivery and outcomes to our community.

## STRATEGIC RISK REGISTER

**Risk Drivers:**

- Uncertainty around Council's end role and obligations;
- Uncertainty of Council's financial position;

**Current controls**

- Officers and elected members are proactively engaging in information from the new government, providing feedback on the RMA, including through LGNZ, Taituarā and the Mayoral Forum.
- HCC committed to a joined-up approach for the Wellington region on working together on a water service delivery plan which is required under the Government's new Local Water Done Well policy.

**Planned mitigation actions:**

- As more details become available, all potential opportunities and implications for Council and our communities will be assessed and will be responded to;
- Continue to perform detailed analysis of any impacts; and
- Quality advice prepared to support Council and other decision making.

**2. Asset Planning and Management**

**Risk Owner:** Director – Economy and Development, **Secondary Risk Owners:** Director Neighbourhoods and Communities and Head of Assets and Facilities Management

**Risk Ratings:**

| INHERENT RISK |        |      |
|---------------|--------|------|
| Likelihood    | Impact | Risk |
| Possible      | Major  | High |

| RESIDUAL RISK |        |        |
|---------------|--------|--------|
| Likelihood    | Impact | Risk   |
| Unlikely      | Major  | Medium |

|            |                |               |       |          |       |         |
|------------|----------------|---------------|-------|----------|-------|---------|
| Likelihood | Almost Certain |               |       |          |       |         |
|            | Likely         |               |       |          |       |         |
|            | Possible       |               |       |          |       |         |
|            | Unlikely       |               |       |          |       |         |
|            | Rare           |               |       |          |       |         |
|            |                | Insignificant | Minor | Moderate | Major | Extreme |

Risk Appetite (service delivery): **Low**  
Risk Appetite (strategy): **Moderate**

**Risk Description:** If assets are not optimised / fit for purpose or adequately maintained, then this may result in health and safety risks for Council staff and communities and assets not being able to achieve the desired outcomes or service at required levels.

If assets are unsafe, then there will be public dissatisfaction as a result of closures.

There may be higher whole of life costs and financial loss due to poor planning for new construction (higher operating costs), reactive maintenance / renewal and reduced lifespans.

Trust and confidence may be lost as environmental outcomes will not be achieved or are too expensive for local communities to use.

**Risk Drivers:**

- Ageing assets, lack of sufficient investment / budget allocation. Renewal's investment required to address backlog as assets continue to age / deteriorate;

## STRATEGIC RISK REGISTER

- Resourcing shortfall of expertise, technical advisers, contractor availability and contractor performance affecting delivery;
- Reactive and unbudgeted maintenance is very costly;
- Inflationary pressures and supply change delays and disruptions;
- Accelerated asset demand and consumption due to population growth and urban intensification, made worse by unsustainably low revenue;
- Changing needs and expectations of our population and rising expectation of public to provide a higher level of service;
- Uncertainty around funding (e.g., Waka Kotahi subsidy for maintenance, operations renewals);
- Inconsistent Long-Term Asset Management Plans across all asset types and sites;
- Economic, environment, financial constraints, impacts on assets management plans;
- Significant increases in infrastructure cost and access to materials/services that are critical to deliver our infrastructure programme as a result of the COVID -19 pandemic;
- Waters Reform impacts on resourcing / technical expertise, work programme impacts;
- Legislative requirements and changes to standards to meet requirements means further investment in renewals is required (e.g., seismic for buildings, machinery, and components at pools / water supply / sewage treatment etc. for compliance and heritage aspects: Petone Wharf, Naenae pool);
- Increasing impacts of climate change, natural hazards, liquefaction prone soils, floods, slips as a result of storm events;
- Financial security of partners, local bodies and subsidiaries put assets and community enjoyment of assets at risk;
- and
- Central Government has injected significant capital into a number of projects throughout New Zealand. This has acted to stimulate the economy, but the effect is that if there are more projects then increase capacity is required to deliver them.

**Current controls**

- Effective contractor management and monitoring of performance to ensure delivery against service levels;
- Inspections and analysis of condition and useful life to understand and prioritise spending on maintenance, operations, and renewals;
- Ongoing funding for life of the asset in business cases;
- Completed assessment of asset conditions;
- Regular stakeholder communication about asset condition and level of investment required;
- Asset Management Plans approved for built and green assets, including asset divestment and savings (August 2023);
- Centralised Asset and Facilities Management function, within Economy and Development directorate,
- Clear work programmes develop for all projects;
- Establishment and filling of critical roles;
- Proactively managing mould issues at Petone Library and Hardwick Smith Lounge;
- Review of the roading asset management work programme completed;
- Ongoing independent Quantity Surveyor advice on RiverLink cost estimates, with budget reviews undertaken as part of LTP 2024-34;
- Facility strategic 10-year asset management plan to map assets to community's needs, now and in the future, to provide reliable information to support decisions on how assets are best used and optimised, align affordability to stakeholder expectations and required investment to support renewal & replacements and inform the LTP 2024-2034 process. The full demand/cost to reach Asset Management lifespan for facilities will be determined as part of this;
- An Asbestos Management Policy and procedures documents developed and implemented; and
- Review, monitor progress and assess the need to pause current projects in light of the current world situations. (flow on pandemic effects, inflation and supply and demand challenges).

**Planned mitigation actions:**

- Site safety compliance remediation work programme underway;
- Ongoing work on partnering with strategic contractors; and
- Ongoing work on Alliance type models and assessing of shared risks, collectively working to mitigate risks; and
- Asbestos survey to be completed in 2024.

## STRATEGIC RISK REGISTER

## 3. Health and Safety

**Risk Owner:** Chief Executive, **Secondary Risk Owner:** Chief People Officer

**Risk Ratings:**

| INHERENT RISK |        |      |
|---------------|--------|------|
| Likelihood    | Impact | Risk |
| Likely        | Major  | High |

| RESIDUAL RISK |          |        |
|---------------|----------|--------|
| Likelihood    | Impact   | Risk   |
| Possible      | Moderate | Medium |

| Likelihood   | Almost Certain | Likely | Possible | Unlikely | Rare    |
|--------------|----------------|--------|----------|----------|---------|
|              | Significant    | Minor  | Moderate | Major    | Extreme |
|              | Significant    | Minor  | Moderate | Major    | Extreme |
|              | Significant    | Minor  | Moderate | Major    | Extreme |
|              | Significant    | Minor  | Moderate | Major    | Extreme |
| Consequences |                |        |          |          |         |

**Risk Appetite:** No Appetite

**Risk Description:** If risk of injury, illness or death to a staff member, contractor, or member of public or damage to plant or equipment from hazards within the work environment or while undertaking operational activities on behalf of the Council occurs, then there is a risk of:

- Prosecution under the Health and Safety at Work Act 2015 resulting in fines, reputation, damage to employment brand;
- Individual prosecution or imprisonment for Officers under the Act (Chief Executive and Directors are deemed Officers under the Act);
- Staff, public and/or stakeholder loss of trust and confidence in Council;
- Financial impacts for Council to cover costs of treatment, sickness leave and service delivery interruption; and
- Continuity issues and loss of organisational or operational knowledge.

**Risk Drivers:**

- Resourcing constraints at a group and local level;
- Breakdown in workplace practices and failed or absent controls;
- Complex and high-risk activities that are managed through contractors or partnerships with overlapping duties with varying levels of capability;
- Lack of understanding of health and safety responsibilities leading to a reduction in psychological safety culture and attitude to and ownership of health and safety risks;
- Varying levels of staff engagement and high workload pressures, which can lead to heightened levels of stress, and low resilience;
- Ongoing change programme; and
- External drivers including an increase in Antisocial Behaviour and Public aggression, threats to personal and facility safety due to mental health issues and pressures in the community.

**Current controls**

- Existing H&S management framework and reporting system Assura;
- An active and engaged HSW committee and representatives;
- H&S Hazard and Risk register and active controls;
- Staff operational H&S induction and training; including 'Situational Awareness', 'Good Yarn' and safeguarding children;
- Leaders HS&W training and induction programme;
- Development of the Leadership Capability Framework and delivery of leadership training and communications;

## STRATEGIC RISK REGISTER

- Debriefs/investigations of events and publishing of lessons learned to provide learning opportunities;
- Assets and Facilities work programme including Seismic Performance Register and strengthening activity, Asbestos register and facilities repairs and maintenance work including oversight of mould issues;
- Pre-emptive planning to consider impacts on staff from projects and org change initiatives;
- Wellbeing Programme and Employee Assistance Programme; and
- HSW team focus on hazard and contractor management, site audits, enhancing organisation H&S capability as outlined and prioritised in the annual HSW workplan.

**Planned mitigation actions:**

- Identification of critical risks;
- Introduction of H&S reporting to Audit & Risk Subcommittee;
- Ongoing re-prioritisation of facility upgrades;
- Review of the wider HSW framework to ensure all H&S policies, procedures and other documents are fit for purpose, and adequate;
- Development of Crisis and Emergency Management Framework and appropriate plans, policies and procedures;
- Development of a Wellbeing and Belonging Strategy to provide direction for supporting psychosocial risks, mental health & wellbeing, and psychological safety;
- Remediation of prioritised improvements re. current state review; and
- Review of physical controls, training, and processes for managing antisocial behaviour.

**4. Planning for Climate Change****Risk Owners:** Corporate Leadership Team**Risk Ratings:**

| INHERENT RISK |        |      |
|---------------|--------|------|
| Likelihood    | Impact | Risk |
| Likely        | Major  | High |

| RESIDUAL RISK |          |        |
|---------------|----------|--------|
| Likelihood    | Impact   | Risk   |
| Possible      | Moderate | Medium |

|            |                |                    |       |               |       |         |
|------------|----------------|--------------------|-------|---------------|-------|---------|
| Likelihood | Almost Certain |                    |       |               |       |         |
|            | Likely         |                    |       |               |       |         |
|            | Possible       |                    |       |               |       |         |
|            | Unlikely       |                    |       |               |       |         |
|            | Rare           |                    |       |               |       |         |
|            |                | Insignifi-<br>cant | Minor | Moder-<br>ate | Major | Extreme |
|            |                | Consequences       |       |               |       |         |

**Risk Appetite:** Moderate

**Risk Description:** If Council's planning, adaptations, mitigations do not adequately respond or absorb the impacts of climate change, then there may be impacts to personal safety, disruption to business and transport (e.g. storms, floods, slips/ erosion, surges etc.), threats to the ongoing financial sustainability of businesses, impacts on community wellbeing, economic impacts, potential infrastructure asset impairment/reduced useful life/increased costs for assets in risk prone areas and loss of trust and confidence.

## STRATEGIC RISK REGISTER

**Risk Drivers:**

- Topography, river and shoreline movements, speed of change such as sea level rise;
- Insufficient global and local focus, prioritisation and funding of climate initiatives;
- Climate Change Commission reports and NZ Government's responses (or lack of it) at a national or local level will have an impact on HCC's ability to drive environmental objectives;
- Challenges in adapting and aligning plans over time to address new legislation and Government's directives could be cost prohibitive for HCC in the current financially constrained environment; and
- Availability of funding for projects and activities that affect the speed of adaptation and mitigation.

**Current controls**

- Council approved interim Carbon Reduction & Climate Resilience Plan 2021-2031, includes all the work to decarbonise Council assets, improve efficiency & electrifying of vehicle fleet, establish environmental policies and implement strategies to achieve carbon zero targets. Initiatives are monitored and progress tracked against objectives;
- Climate Change and Sustainability Committee established, with oversight on climate change work;
- Various projects implemented or under way to reduce emissions (eg Silverstream landfill supplementary flare, roll out of public EV charging stations, etc);
- Lower Hutt climate action pathway was published in March 2022. (Pathway to reduce city wide emissions);
- Low Carbon Acceleration Fund launched in Feb 2024 to assist with co-funding for projects in Lower Hutt that result in accelerated carbon reduction actions;
- LTP 2024-34 has agreed additional investment of \$20M for Eastern Hutt Road resilience works;
- Capital Investment projects underway with a focus on climate change includes:
  - RiverLink Project - flood protection;
  - Tupua Horo Nuku (Eastern Bays Shared Path) - coastal resilience;
  - District Plan – hazard mapping;
  - Integrated Transport Strategy – includes having more EVs in Council's vehicle fleet;
  - Supporting Waka Kotahi - NZ Transport Agency with their micro-mobility programme, and
  - Working closely with GNZ on geotechnical information and slips.

**Planned mitigation actions:**

- Draft long-term plan 2024-34 proposes a new Food and Green Organics Collection Service, for implementation in 2027, to reduce organic material going to landfill and resulting in methane emissions.

## STRATEGIC RISK REGISTER

## 5. Information and Technology

**Risk Owner:** Chief Digital Officer**Risk Ratings:**

| INHERENT RISK |        |      |
|---------------|--------|------|
| Likelihood    | Impact | Risk |
| Possible      | Major  | High |

| RESIDUAL RISK |        |        |
|---------------|--------|--------|
| Likelihood    | Impact | Risk   |
| Unlikely      | Major  | Medium |

| Likelihood | Almost Certain |       |        |       |         |  |
|------------|----------------|-------|--------|-------|---------|--|
|            |                |       |        |       |         |  |
|            |                |       |        |       |         |  |
|            |                |       |        |       |         |  |
|            |                |       |        |       |         |  |
|            | Insignificant  | Minor | Modest | Major | Extreme |  |
|            | Consequences   |       |        |       |         |  |

**Risk Appetite:** No Appetite

**Risk Description:** If key systems become unavailable or unusable to process transactions, provide services and progress Council's outcomes, or an unauthorised access or use of systems occurs (Cyber-attack), then this may result in loss of data, adverse impacts on service delivery, financial loss (cost to restore backup, reduced productivity), compliance breaches if personal information or sensitive data is released (e.g., Privacy Act, Public Records Act, LGOIMA) and loss of trust and confidence in Council.

**Risk Drivers:**

- Increase in external malicious cyber-attacks globally and locally;
- Education levels of staff around awareness and malicious threats;
- Staff creating / downloading applications for use on Council devices without obtaining the correct authorisation and/or fully understanding the associated security risks;
- Potential IT security and policies not clearly understood;
- Management of information by staff; and
- Legacy systems are increasingly not fit for purpose.

**Current controls**

- Cyber security governance and strategy in place;
- Security reporting completed quarterly to Security Governance Group;
- Ongoing staff training and communication to maintain awareness;
- Change control process enforced for changes to all IT systems;
- Annual penetration testing;
- Annual security audit;
- IT security systems well managed and tested regularly;
- Network security patches maintained;
- Managed security contracts and security monitoring tools in place;
- Digital strategy, roadmap and funding for investments are in place;
- Prompt reporting of security and data breaches;
- Key core systems (finance, rates, document management, email) are SaaS (Software as a Service) solutions replicated across multiple datacentres (in the cloud);
- Secure backup solution for all systems (backing up on prem and in cloud) in place; and
- Strong login password criteria and Multi Factor Authentication (MFA) implemented across Council.

**Planned mitigation actions:**

- Ongoing work in the Te Kōhao (Go Digital) Programme outcomes to improve redundancy and security; and

## STRATEGIC RISK REGISTER

- Project in progress to move to a Hybrid Cloud solution (Public / Private hosted Cloud).

## 6. Financial Management

**Risk Owner:** Group Chief Financial Officer

### Risk Ratings:

| INHERENT RISK |        |      |
|---------------|--------|------|
| Likelihood    | Impact | Risk |
| Likely        | Major  | High |

| RESIDUAL RISK |          |        |
|---------------|----------|--------|
| Likelihood    | Impact   | Risk   |
| Possible      | Moderate | Medium |

| Likelihood | Almost Certain |                    |       |               |       |              |
|------------|----------------|--------------------|-------|---------------|-------|--------------|
|            | Likely         |                    |       |               |       |              |
|            | Possible       |                    |       |               |       |              |
|            | Unlikely       |                    |       |               |       |              |
|            | Rare           |                    |       |               |       |              |
|            |                | Insignifi-<br>cant | Minor | Moder-<br>ate | Major | Extrem-<br>e |
|            |                | Consequences       |       |               |       |              |

**Risk Appetite:** Moderate

**Risk Description:** If Council's financial capacity and revenue does not meet demand and service needs, then it may not be able to prudently manage its financial obligations.

This may result in:

- Standard and Poor's downgrade. (It is important to note, in August 2023 Standard and Poors Credit Rating Agency amended our rating from an AA with a stable outlook to an AA with a negative outlook. This followed from Council decisions in the Annual Plan 2023-24 where there were significant financial pressures from high inflation, interest costs etc. The next S&P review will follow when the Long-Term Plan 2024-2034 is completed in June 2024);
- Increased cost of funding and/or inability to borrow, impacting on debt;
- Liquidity issues;
- Project delays;
- Deferral of asset maintenance/renewals;
- Service levels below community expectations;
- Suppliers unwilling to engage with Council to provide services;
- Difficulties in accessing skilled staff to deliver projects; and
- Loss in trust and confidence.

### Risk Drivers:

- Reduced revenue combined with increased / unplanned / unbudgeted costs and/or requirement for higher debt levels;
- Uncertainty from central government reforms: Water Reform, Resource Management Act and the Future for Local Government;
- Uncertainty in global market and economic conditions effect on domestic / regional / local economy;
- Capacity / resourcing constraints and lack of sufficient capabilities (understanding) around managing debt collection and associated legislative rules;
- A shock event such as an earthquake would impact borrowing costs (on top of increased borrowing to spend on assets/projects) and reduced disposable household and local businesses income;
- Sustainability of Council debt levels and unfavourable interest rate changes;
- Cost escalations due to supply chain issues, disruptions, inflationary pressures and shortages of both skills and materials; and
- Economic climate conditions with increased cost of living impacting unfavourably on Council revenue

## STRATEGIC RISK REGISTER

sources and overall financial position.

**Current controls**

- Future investment priorities and projects confirmed through Long Term Plan 2021-2031, with further revision of priorities and projects through the Annual Plan 2022-23 and Annual Plan 2023-24;
- In depth budget review process as part of draft Long-term Plan 2024-2034; includes comprehensive advice on cost escalations, debt headroom capacity constraints and options to address Financial Strategy risks.
- Treasury Risk Management Policy, liquidity management, forecasting, monitoring; with additional specialist advice on treasury strategy, given the economic conditions;
- Financial Strategy debt limits and monitoring mechanisms;
- Transparent reporting and financial management;
- Scrutiny during budget setting and project business cases;
- Financial performance monitoring processes which include monthly reporting to Corporate Leadership Team and quarterly reporting to Policy, Finance and Strategy Committee which enables financial issues to be raised and proactively managed;
- Increased oversight and monitoring of significant projects;
- Policies, tools and options for rates relief and payment options.
- Proactive promotion of rates relief tools and schemes;
- Use of good quality data to inform decisions and planning;
- Implemented and continue to work on improvements to project cost estimates process;
- Proactive engagement on the new government policy programme to ensure financial risks and impacts are well understood;
- Working closely with the local government sector and Local Government Funding Agency; and
- Have ongoing assurance activities in place.

**Planned mitigation actions:**

- Ongoing mitigations and planned actions around portfolio / programme / project management, asset management and procurement will drive better understanding of costs and help identify savings and efficiency opportunities; and
- Take up opportunities to influence central government policy and advocate for communities in financial hardship.

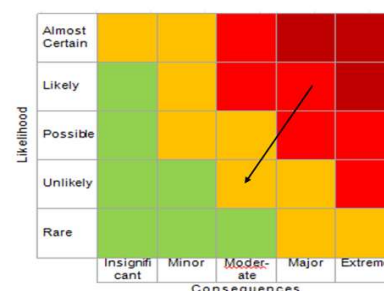
**7. Procurement**

**Risk Owner: Group Chief Financial Officer**

**Risk Ratings:**

| INHERENT RISK |        |      |
|---------------|--------|------|
| Likelihood    | Impact | Risk |
| Likely        | Major  | High |

| RESIDUAL RISK |          |        |
|---------------|----------|--------|
| Likelihood    | Impact   | Risk   |
| Unlikely      | Moderate | Medium |



**Risk Appetite (strategy/ financial):**  
Moderate

## STRATEGIC RISK REGISTER

**Risk Description:** If sub-optimal practices around the procuring of goods, works and services materialise, then this will impact the achievement of wider outcomes for procurement and create financial losses for Council due to:

- Unfavourable or sub-optimal contract terms;
- Difference in rules when partnering with other agencies;
- Missed opportunities to leverage bargaining power;
- Reduced service levels below community expectations;
- Poor vendor performance;
- Inappropriate KPIs that promote or incentivise the wrong vendor behaviours;
- Increased risk of fraud and corruption in the appointment process; and
- Loss of trust and confidence.

**Risk Drivers:**

- Lack of a robust contract register to plan and manage vendor performance;
- Lack of standardised reporting and transparency over vendor performance;
- Competitive market conditions resulting in lack of available supplier resource in contractor market, particularly the civil and construction areas across NZ that will draw on the same expertise / supplier resource; and
- The complexity and impact of the broader outcome's framework on suppliers and reporting.

**Current controls**

- Procurement Strategy approved by Council on 27 March 2024;
- Consistent use of Procurement practices and capabilities, and an established strategic framework to maximise commercial opportunities, performance standards, efficiencies, and effectiveness;
- Procurement plans for different financial thresholds in place and is reviewed against best practices for early identification of potential risk exposures;
- A procurement guide is available to staff that outlines the policy, process, and practices;
- On-going advice and guidance being provided across HCC business areas on procurement practices as required, leading to a shift in mindset around simplification of processes which leads to efficiencies to all stakeholders;
- Regular communications with other Councils in the region, exploring opportunities for combined market approach for similar service and gaining economies of scale;
- Enterprise-wide contracts register in place, enabling better analysis of spend, measurement of vendor performance and increase the overall effectiveness of contract management; and
- Ongoing training and support on the enterprise-wide contracts register.

**Planned mitigation actions:**

- Practices being reviewed to make sourcing efficient, whilst maintaining the integrity of processes;
- Annual review of procurement plans to ensure it is fit for purpose;
- Continuing to develop a procurement training framework;
- Working on including procurement practices and Council's approach in on boarding of new staff; and
- Hold procurement workshops to educate Council staff on good procurement practices and lessons learnt from previous procurement activities.

## STRATEGIC RISK REGISTER

## 8. Workforce capacity, capability and engagement

**Risk Owner:** Chief People Officer

**Risk Ratings:**

| INHERENT RISK |        |      |
|---------------|--------|------|
| Likelihood    | Impact | Risk |
| Likely        | Major  | High |

| RESIDUAL RISK |        |      |
|---------------|--------|------|
| Likelihood    | Impact | Risk |
| Unlikely      | Minor  | Low  |

| Likelihood | Almost Certain |               |       |          |       |         |
|------------|----------------|---------------|-------|----------|-------|---------|
|            | Likely         |               |       |          |       |         |
|            | Possible       |               |       |          |       |         |
|            | Unlikely       |               |       |          |       |         |
|            | Rare           |               |       |          |       |         |
|            |                | Insignificant | Minor | Moderate | Major | Extreme |
|            |                | Consequences  |       |          |       |         |

Risk Appetite (strategy): **Moderate**

**Risk Description:** If workforce capacity, capability and engagement is not effectively managed, maintained and developed, this may result in disengagement and/or resignations of key staff - leaving gaps of knowledge and increasing costs to recruit, induct and train, loss of intellectual property, wellness impacts and increased pressure on remaining team members due to workloads.

We need to ensure we have people in the right place with the right skills, so we have both the capacity and capability to deliver on the plans for our city and to better serve our communities. We also need to ensure we provide a positive work environment and experience for our people. Workforce pressures impact organisational effectiveness and Council's ability to deliver its LTP.

**Risk Drivers:**

- While labour market constraints are expected to ease further with changes expected within Central Government, retention and recruitment, particularly of skilled staff (including in regulatory and policy areas), continues to be key areas of focus;
- Higher levels of remuneration being paid and offered, particularly by central government which impacts on us due to our proximity to Wellington;
- Increased employee expectations of employers and the experience, compensation, flexibility etc they provide;
- Changing nature and expectations of leadership;
- Pressure in some parts of the business which should be resolved through ongoing improvements to systems and processes;
- Ongoing realignment activities and inadequate focus and effort put into these leading to disengagement, lack of role clarity etc; and
- Not having sufficient staffing levels for workloads (including \$2.6B capital investment programme to deliver).

**Current controls**

- Ongoing engagement with staff including providing regular opportunities for feedback through our Waioara Surveys, follow-up discussions and action plans;
- Clear performance expectations being set, aligned with organisational priorities and the business planning process. Expectation of ongoing feedback and coaching being undertaken by leaders;
- Upcoming remuneration review process in July 2024, which will include the opportunity to address issues such as relativities and to recognise performance to support retention of key talent;
- Ongoing exit surveys with timely reporting to identify areas for improvement proactively by tracking attrition statistics and feedback trends over time;
- Wellbeing programme activities including regular communications and promotion of support services available such as Vitae for EAP Services;
- Regular All Staff Hui's and pānui/kōrero comms to share information and ensure connection across

## STRATEGIC RISK REGISTER

|   |
|---|
| <p>Council;</p> <ul style="list-style-type: none"> <li>• Leadership education and learning opportunities such as webinars and the leadership forums, through the Te Ara Whakatupu programme;</li> <li>• Providing internal promotions and secondment opportunities where appropriate;</li> <li>• Supporting the business to prioritise recruitment activity and get the best outcomes;</li> <li>• Delivery of initiatives outlined in the Organisation &amp; Capability Development Plan;</li> <li>• Go1 digital eLearning platform being utilised to provide access to learning activities (onboarding, compliance, core capabilities etc), and to support professional and personal growth and development;</li> <li>• New performance development approach introduced to provide a framework and resources for the various conversations; and</li> <li>• Monthly and quarterly reporting undertaken to enable identification of trends and support decision-making.</li> </ul> |
| <p><b>Planned mitigation actions:</b></p> <ul style="list-style-type: none"> <li>• Developing of a Wellbeing and Belonging Strategy to provide an intentional approach to supporting staff wellbeing;</li> <li>• Ongoing promotion of opportunities internally through Te Pataka and better access/visibility of vacancies;</li> <li>• Work to develop leadership capabilities is currently underway;</li> <li>• Additional attraction strategies to highlight opportunities at council e.g., use of email job banners.</li> </ul>  |

---

Report no: ARSC2024/2/50

## **Sensitive Expenditure Disclosures**

---

### **Purpose**

1. To provide the Subcommittee with a listing of sensitive expenditure incurred by Elected Members, Chief Executive and Directors for the period 1 January 2024 to 31 March 2024.

### **Recommendations**

That the Subcommittee:

- (1) receives and notes the information; and
- (2) notes the Sensitive Expenditure disclosure information attached as Appendix 1 to the report: Summary of Sensitive Expenditure 1 January 2024 to 31 March 2024.

### **Background**

2. Information has been extracted from our financial system from relevant cost centres and expenditure codes where sensitive expenditure is highly likely to be coded.
3. The list of transactions for the quarter from 1 January 2024 to 31 March 2024 is attached as Appendix 1 to the report.
4. This information will also be published on Council's website.  
<http://www.huttcity.govt.nz/Your-Council/sensitive-expenditure/>
5. The current information provided by the Office of the Auditor General on sensitive expenditure can be located on their website.  
<https://oag.parliament.nz/good-practice/sensitive-expenditure>

**Appendices**

| No.                 | Title   | Page |
|---------------------|---|------|
| 1 <a href="#">↓</a> | Appendix 1 - Sensitive Expenditure 01 Jan 2024 to 31 Mar 2024 | 180  |

**Author:** Darrin Newth  
Financial Accounting Manager

**Reviewed By:** Jenny Livschitz  
Group Chief Financial Officer

**Approved By:** Jo Miller  
Chief Executive

## Summary of Sensitive Expenditure 01 January 2024 to 31 March 2024

### Chief Executive and Directors

| Representative | Date      | Amount \$ | Paid to                | Description   |
|----------------|-----------|-----------|------------------------|---|
| Miller, J      | 13 Mar 24 | 70.00     | Bellbird Ltd           | Catering for leaders attending meetings at HCC on 23 February 2024 - 21 invitees  |
| Miller, J      | 4 Mar 24  | 304.35    | Lowry Bay Yacht Club   | Venue hire for the Corporate Leadership Team Away Day   |
| Blackshaw, A   | 29 Feb 24 | 425.10    | Orbit Corporate Travel | Air NZ flights and booking fee – Wellington to Gisborne return – 15 April 2024 – Mayor and Delegation Visit CDEM Tairāwhiti and Hawke's Bay |
| Blackshaw, A   | 27 Mar 24 | 32.17     | Reimbursement          | Neighbourhoods and Communities Heads Planning Day light refreshments for 1 February 2024.   |
| Griffiths, J   | 18 Dec 23 | 2,695.00  | Project Plus Ltd       | Management of Portfolios – Foundation 3-day Course 26 February 2024   |
| Griffiths, J   | 28 Feb 24 | 50.88     | Purchase Card          | Car Parking Wellington - 3 days parking charge while attending management course  |
| Griffiths, J   | 7 Feb 24  | 14.95     | Purchase Card          | Countdown Queensgate – Light refreshments for Strategy and Engagement Hui 14 February 2024 – 47 attendees                                   |
| Griffiths, J   | 15 Feb 24 | 44.51     | Purchase Card          | Pak-N-Save Petone – Light refreshments for Strategy and Engagement Hui 14 February 2024 – 47 attendees                                      |
| Kingsbury, J   | 1 Mar 24  | 315.97    | Silverstream Retreat   | Board meeting room booking and lunch – Economy & Development Leadership meeting for 8 people  |
| Kingsbury, J   | 24 Jan 24 | 23.13     | Purchase Card          | Wilson Parking – RiverLink Meeting  |
| Kingsbury, J   | 14 Feb 24 | 23.13     | Purchase Card          | Wilson Parking – RiverLink Meeting  |
| Kingsbury, J   | 22 Feb 24 | 17.91     | Purchase Card          | Wilson Parking – Ministers Briefing   |
| Kingsbury, J   | 28 Feb 24 | 23.13     | Purchase Card          | Wilson Parking – RiverLink Meeting  |
| Kingsbury, J   | 6 Mar 24  | 23.13     | Purchase Card          | Wilson Parking – RiverLink Meeting  |

|              |           |       |               |                                    |
|--------------|-----------|-------|---------------|------------------------------------|
| Kingsbury, J | 13 Mar 24 | 23.13 | Purchase Card | Wilson Parking – RiverLink Meeting |
|--------------|-----------|-------|---------------|------------------------------------|

### Mayor and Councillors

| Representative                      | Date      | Amount \$ | Paid to                                  | Description  |
|-------------------------------------|-----------|-----------|--|--|
| <b>Council – Cr Briggs</b>          | 15 Nov 23 | 900.00    | Local Government NZ                      | Registration for Young Elected Members Conference 6 December 2023  |
| <b>Council – Deputy Mayor Lewis</b> | 31 Dec 23 | 620.45    | Orbit Corporate Travel                   | Air NZ flights and booking fee – Wellington to Whangarei return - 4 February 2024 for attendance at Waitangi Day to commemorate the signing of New Zealand's founding document: Te Tiriti o Waitangi, The Treaty of Waitangi                     |
| <b>Council – Deputy Mayor Lewis</b> | 27 Mar 24 | 645.47    | Reimbursement                            | Accommodation, (organised by the Far North Mayor's Office), meals and airport taxi on 4 February 2024 for attendance at Waitangi Day to commemorate the signing of New Zealand's founding document: Te Tiriti o Waitangi, The Treaty of Waitangi |
| <b>Council – Cr Dyer</b>            | 29 Feb 24 | 3,222.54  | Orbit Corporate Travel and reimbursement | Net costs for flights, accommodation, and travel expenses for a visit to Minoh, Japan (sister city) as part of a delegation led by the Waiwhetū Marae 17 February 2024. This amount factors in GST and additional travel booking fees.           |
| <b>Council – Cr Morgan</b>          | 16 Feb 24 | 40.00     | Hutt Valley Chamber of Commerce          | Women in Business - Breaking Barriers: Empowering Women Redefining Success - 7 March 2024 (Councillor training)  |
| <b>Mayoral Office</b>               | 13 Feb 24 | 96.04     | Purchase Card                            | Gift Engrave Napier - Māori wooden carving for a gift from Mayor Barry to Minoh Mayor  |
| <b>Mayoral Office</b>               | 29 Feb 24 | 338.09    | Orbit Corporate Travel                   | Air NZ flights and booking fee for Mayor Barry – Wellington to Gisborne and Napier to Wellington to meet with Gisborne, Napier, Hastings Mayors, CEs and Emergency Management staff– 15-16 April 2024  |
| <b>Mayoral Office</b>               | 31 Dec 23 | 273.22    | Orbit Corporate Travel                   | Grand Millennium Auckland – Accommodation, meals and booking fees for Mayor Barry - 5 December 2023 trip for appearing on AM show in Auckland on way to Kerikeri   |

|                       |           |          |                        |   |
|-----------------------|-----------|----------|------------------------|---|
| <b>Mayoral Office</b> | 31 Dec 23 | 126.43   | Orbit Corporate Travel | Avis Car Rental Auckland - costs for Mayor Barry - 5 December 2023 trip Auckland for AM show appearance                                     |
| <b>Mayoral Office</b> | 31 Jan 24 | 21.35    | Orbit Corporate Travel | Booking fee – Mayor Barry   |
| <b>Mayoral Office</b> | 29 Feb 24 | 101.20   | Orbit Corporate Travel | Booking and cancellation fee – Mayor Barry<br>Cancellation of Waitangi accommodation as Far North Mayor had arranged accommodation.         |
| <b>Mayoral Office</b> | 25 Mar 24 | 56.20    | Orbit Corporate Travel | Cancellation fee – Deputy Mayor Lewis Cancellation of Waitangi accommodation as Far North Mayor had arranged accommodation                  |
| <b>Mayoral Office</b> | 16 Dec 23 | 10.96    | Purchase Card          | Wilson Parking - Carparking at Chinese Embassy 15 December 2023 while dropping off Mayor Barry's Chinese visa application (C Poole-Alefaio) |
| <b>Mayoral Office</b> | 18 Jan 24 | 102.96   | Purchase Card          | Mayor's taxi from WLG Airport on 9 December 2023 to home (Wainuiomata) after the YEM Hui in Kerikeri.                                       |
| <b>Mayoral Office</b> | 14 Feb 24 | 4.78     | Reimbursement          | Carparking in Wellington (at BDO) for Institute of Directors New member networking event 8 February 2024                                    |
| <b>Mayoral Office</b> | 7 Mar 24  | 77.13    | Purchase Card          | Corporate Cab Ltd - Sky Stadium to home following Wellington Homeless Women's Trust & Women's Refuge Gala Dinner 6 March 2024               |
| <b>Mayoral Office</b> | 9 Mar 24  | 56.17    | Purchase Card          | Corporate Cab Ltd - Sky Stadium from HCC for the Wellington Homeless Women's Trust & Women's Refuge Gala Dinner 6 March 2024                |
| <b>Mayoral Office</b> | 11 Mar 24 | 7,900.00 | Infrastructure NZ      | Infrastructure New Zealand UK Delegation - Place Based Solutions: Learning from the UK 17 June - 21 June 2024                               |
| <b>Mayoral Office</b> | 29 Nov 23 | 293.25   | Blue Carrot Catering   | Catering for Mayor's Planting Stakeholder Event 27 November 2023. Approx 34 people  |
| <b>Mayoral Office</b> | 20 Mar 24 | 111.00   | Blue Carrot Catering   | Catering for Tempe delegation morning tea 25 March 2024 Approx 17 people  |
| <b>Mayoral Office</b> | 20 Mar 24 | 323.80   | Blue Carrot Catering   | Catering for Tempe delegation lunch – 25 March 2024 Approx 16 people  |
| <b>Mayoral Office</b> | 22 Mar 24 | 78.70    | Purchase Card          | Soft drinks from Countdown for upcoming stakeholder events held in the Mayor's Office.  |

NB: The Mayor's expenses are approved by the Audit and Risk Subcommittee Independent Chair.

**TO:** Chair and Members  
Audit and Risk Subcommittee



**FROM:** Andrew Quinn

**DATE:** 12 April 2024

**SUBJECT:** WHAKATUPU NGAENGAE - PROGRESS UPDATE

### **Purpose of Memorandum**

1. To provide an update to the subcommittee on the progress and management of the Whakatupu Ngaengae Project (pool and town centre development) since the last update on 27 February 2024.

### **Recommendations**

That the Subcommittee:

- (1) receives and notes the information; and
- (2) notes the following progress that has been made on the Whakatupu Ngaengae project:
  - (a) work on the new Naenae Pool and Fitness Centre is progressing well however recent adverse weather conditions have impacted on practical completion which is expected to be achieved in August 2024, followed by opening to the public in October 2024. Confidence remains high that the project can be completed within budget;
  - (b) the conversion of the old Naenae Post Office to community centre is nearing completion and a blessing of the site has been arranged for 17 May 2024, following by final fit-out for public use and;
  - (c) community engagement on the scope of improvements to Walter Mildenhall Park is progressing well and numerous drop-in sessions and workshops have been held locally.
  - (d) spatial zoning plans for the improvement to Walter Mildenhall Park that will be shared with the community for feedback is attached to this report. A final decision on the preferred concept will be made prior to submission of resource consent, once community feedback has been received and processed.

**Naenae Pool and Fitness Centre**

2. Since the last report, installation of the main roof panels is now complete and only a few sections of the roof covering remain. The recent adverse weather conditions of high winds and heavy rain has affected the planned schedule to the extent that practical completion is now expected in August 2024. Work continues inside the building however, and there is good progress reported to the main pool hall, leisure pool hall, plant rooms and on the installation of the two hydro-slides.
3. The main pool hall is looking closer to completion with the lane marking to the pool bottom now added and a start to the moveable floor. The concourse around the pool is also close to completion (see appendices for pictures).
4. The new electrical transformer has been installed and permanent power to the pool will be available mid-April 2024. Included in this installation will be outlets for two EV chargers (for four EV vehicles) in the family car-park.
5. Window framing and glazing will be fixed progressively starting in April, enabling the building envelope to be weathertight and a start to internal finishes that are dependent on dry conditions e.g. wall framing, plasterboard, wall, and floor finishes. In the meantime, installation of high-level electrical trunking and air-conditioning equipment continues to all areas.
6. Whilst progress on multiple work fronts is being made, the completion of the building envelope has impacted on the end date, to the extent that the latest programme now shows practical completion achieved by 29 August 2024, previously 31 July 2024. Given the work planned to take place beyond practical completion i.e. final fit-out, tuning of the pool water/internal climate/building services, training of maintenance staff, aquatic staff transition and installation of gym equipment, we are currently targeting mid-October 2024 for the grand opening. The proposed date will be released at the time of practical completion.
7. The internal Council team set up to help transition the building to operations continues to meet to report progress on workstream responsibilities and deliverables.

**Community Centre**

8. Refurbishment of the Naenae Post office and conversion to a Community Centre is nearing completion. This month work has continued with the final floor finishes, tiling, and ceiling finishes.
9. Members of the Community Advisory group held a tender process for the operator of the centre, following the expressions of interest that were previously submitted. The group have now made a recommendation for the lead tenant and currently negotiations are underway to finalise a contract with the successful respondent. An announcement will be made once an agreement to lease has been signed.

**Walter Mildenhall Park**

10. Following the appointment of the design team, community engagement on concepts for the development of a park adjacent to the Pool is underway.
11. Whilst no recommendation is being sought at this early stage, members of the committee will note the community engagement to date and the broad spatial zoning plans that will be shared with the community to invite feedback.
12. Final concepts will be confirmed in May 2024, prior to an application for resource consent.

**Risk**

13. The cost of the Naenae Pool and Fitness Centre continues to be reviewed at regular intervals and remains within the \$68M budget cap. The latest risk register in the appendices of this report demonstrates that all risk mitigations are being carefully monitored for effectiveness. There remains high confidence that the pool project can be completed within budget.
14. Officers continue to monitor construction market conditions, particularly in the local supply chain. Materials delivered earlier to the construction site are now being incorporated into the works.
15. The key risk of adverse weather conditions will diminish once the building envelope is closed in, as most of the remaining works will then be inside the building.

**Financial Considerations**

16. The project team has reviewed and updated the current financial profile of the project for the 2023/24 Annual Plan. As reported above, the project is still tracking well to the capital expenditure budget of \$68M.
17. Crown Infrastructure Partners (CIP) are providing co-funding of \$27M through the COVID-19 response and recovery fund. To date, Council has drawn down \$14.85M of the \$27M of co-funding.
18. Expenditure on the Community Centre is forecasted to be \$6.65M at completion, inclusive of purchase of the old Post Office and 7.5% provision for risk. This still leaves \$2.35M for the further development of Walter Mildenhall Park, which is the chosen priority for the Community Advisory Group.

**Legal Considerations**

17. There are no legal considerations to report.

**Appendices**

| <b>No.</b>          | <b>Title</b>  | <b>Page</b> |
|---------------------|---|-------------|
| 1 <a href="#">↓</a> | Current risk register   | 187         |
| 2 <a href="#">↓</a> | Wall framing between Change Rooms and Leisure Pool Hall   | 195         |
| 3 <a href="#">↓</a> | Main pool lane marking nearing completion.  | 196         |
| 4 <a href="#">↓</a> | Interior hydro slide unit and frames being installed.   | 197         |
| 5 <a href="#">↓</a> | Services, painting works, starter block plinth, and moveable floor preparation in the Main Pool Hall. | 198         |
| 6 <a href="#">↓</a> | Services, painting works, starter block plinth, and moveable floor preparation in the Main Pool Hall. | 199         |
| 7 <a href="#">↓</a> | Community engagement report - Walter Mildenhall Park  | 200         |
| 8 <a href="#">↓</a> | Broad spatial zoning - Walter Mildenhall Park   | 205         |

**Author:** Andrew Quinn  
Project Manager (Naenae)

**Approved By:** Andrea Blackshaw  
Director Neighbourhoods and Communities

Naenae Pool & Fitness Centre Risk Register

Revision 5 - 08/03/2024

|    | THE RISK<br>IF [event or condition i.e. what can happen]<br>THEN [consequence. Why is it a concern / impact if we don't get it right]  | RISK DRIVERS<br>existing and potential causes/triggers   | Risk owner | INHERENT RISK |          |        | CONTROLS / RISK RESPONSES   | RESIDUAL RISK |          |        |
|----|--|--|------------|---------------|----------|--------|---|---------------|----------|--------|
|    |  |  |            | Likelihood    | Impact   | Risk   |   | Likelihood    | Impact   | Risk   |
| 48 | <u>CIP management</u><br>If there is insufficient construction progress to meet CIP milestones, CIP is not informed of delays to milestone dates, and if an extension of time is not notified by HCC,<br><br>Then the CIP contract may be terminated and therefore funding for the project may be jeopardised.               | - Design delays impact programme<br>- Consenting delays<br>- Construction delays impacting programme<br>- Force majeure events<br>- COVID-19 associated delays   | HCC        | Likely        | Major    | High   | <b>Current controls/risk treatments:</b><br>- All project team members informed of CIP dates<br>- Design stages to proceed concurrent with client approval<br>- Construction strategy to enable early procurement of long lead time items and to enable early works packages to proceed ahead of design completion<br>- CIP milestones are included in the construction programme<br>- Staged consenting<br><br><b>Planned mitigation actions:</b><br>- Construction contractor to provide detailed programme and identify critical path. CIP milestones included in programme.<br>- Construction programme to be monitored monthly | Possible      | Major    | High   |
| 96 | <u>Bond</u><br>If Apollo enters financial difficulty and the performance bond is called in,<br><br>Then there would be delays to the opening of the facility and increased costs for HCC through obtaining a new main contractor or taking on the construction management directly. HCC could also face reputational damage. | - Apollo encounter financial issues on other projects<br>- Subcontractor costs above budget allowances<br>- Material costs above budget allowances<br>- Subcontractors pull out at short notice due to other commitments<br>- Subcontractors stop trading due to financial constraints   | HCC        | Possible      | Moderate | Medium | <b>Current controls/risk treatments:</b><br>- Regular discussions with Apollo on procurement progress and concerns<br>- Apollo engaging subcontractors early and using local market where possible<br>- Monitoring of local subcontractor market for financial liquidity<br>- Apollo monitoring subcontractor performance<br><br><b>Planned mitigation actions:</b>   | Unlikely      | Moderate | Medium |
| 95 | <u>Contingency Risk</u><br>If Apollo is unable to procure contractors within their anticipated trade budget due to market conditions in Wellington<br><br>Then Apollo would use up their available contingency and could seek to recover increased costs from HCC through variations   | - Wellington market pricing higher than anticipated<br>- Tight subcontractor market with high demand<br>- Requirements of local/social procurement targets<br>- Design development process   | Apollo     | Possible      | Moderate | Medium | <b>Current controls/risk treatments:</b><br>- Regular discussions with Apollo on procurement progress and concerns<br>- Monitoring of variations and cost recovery with a focus on delivery within budget<br><br><b>Planned mitigation actions:</b><br>- Discussions on financial risk / position at PCG  | Possible      | Moderate | Medium |
| 94 | <u>Programme Prolongation</u><br>If Apollo is unable to complete the work according to programme and is delayed by more than six weeks<br><br>Then there would be delays to the opening of the facility and increased costs for HCC through ongoing consultant fees  | - Materials delayed in arrival to site due to availability<br>- Materials delayed in arrival to site due to shipping delays<br>- Subcontractors unable to deliver to timeframes due to other commitments<br>- Subcontractors pull out at short notice due to other commitments<br>- Subcontractors stop trading due to financial constraints | HCC        | Likely        | Moderate | High   | <b>Current controls/risk treatments:</b><br>- Regular discussions with Apollo on procurement<br>- Regular discussions with Apollo on material availability and shipping<br>- Regular discussions with Apollo on subcontractor performance and concerns<br>- Apollo procuring materials early and storing onsite<br>- Apollo engaging subcontractors early and using local market where possible<br>- Management and monitoring of long lead time items<br>- Monitoring of programme and review of mitigations where programme deviates from agreed baseline<br><br><b>Planned mitigation actions:</b>                               | Likely        | Moderate | High   |

Naenae Pool and Fitness Centre: Risk Register  
Prepared by AECOM

Print Date: 2/04/2024

|    | THE RISK<br>IF [event or condition i.e. what can happen]<br>THEN [consequence. Why is it a concern / impact if we don't get it right]   | RISK DRIVERS<br>existing and potential causes/triggers  | Risk owner            | INHERENT RISK |          |        | CONTROLS / RISK RESPONSES   | RESIDUAL RISK |          |        |
|----|---|---|-----------------------|---------------|----------|--------|---|---------------|----------|--------|
|    |   |   |                       | Likelihood    | Impact   | Risk   |   | Likelihood    | Impact   | Risk   |
| 68 | <u>Earthquakes</u><br>If there was a damage causing earthquake,<br><br><b>Then</b> severe damage could be caused to the building structure, site or the surrounding area or infrastructure. This would result in programme delays and progress stoppage. There would also be expected damage to the contract works, on-site materials, area infrastructure, introduced collapse risks and/or reduced availability of materials and/or labour. | - Large damage causing earthquake   | HCC                   | Likely        | Moderate | High   | <b>Current controls/risk treatments:</b><br>- Review of structural stability post earthquake if during construction<br>- Temporary support structures designed to code<br>- Seismic design considerations and restraints incorporated<br>- Apollo Projects have contract works insurance in place<br><br><b>Planned mitigation actions:</b><br>- Project Team equipped to operate remotely<br>- Safety plans are in place and consider earthquake risk<br>- Review of structural stability post earthquake if during construction<br>- Apollo Projects have contract works insurance in place   | Unlikely      | Moderate | Medium |
| 55 | <u>Site safety</u><br>If a serious incident occurs on site,<br><br><b>Then</b> there could be an injury or fatality. As well as work stoppage and/or programme implications and impacts to staff morale and/or mental wellbeing. This can result in an internal investigation into incidents, and there is a potential for a WorkSafe investigation.  | - Health, Safety and Environment Procedures not implemented or followed<br>- Multiple work faces<br>- Multiple hazards  | Apollo Projects       | Possible      | Extreme  | High   | <b>Current controls/risk treatments:</b><br>- Setting safety responsibility within contracts<br>- Review of SSSP and contractor management plans and regular safety audits<br>- Tool box talks, safety inductions etc<br>- Engagement with HCC/Contractor Safety Managers<br>- Engagement with HCC safety manager<br>- WorkSafe notifications for high risk activities<br>- Development of work method statements as applicable<br><br><b>Planned mitigation actions:</b><br>- Monthly reporting, Apollo HSE audits   | Possible      | Moderate | Medium |
| 91 | <u>Bowls club</u><br>If there is noisy or dusty construction work during bowls tournaments that causes disruption,<br><br><b>Then</b> this will upset bowls community, cause reputational damage, and/or attract potential negative media (some events are broadcast live to a global audience).  | - Lack of communication with bowls club<br>- Failure to review and put in place mitigation tactics to minimise disruption<br>- Delays in programme  | HCC / Apollo Projects | Unlikely      | Moderate | Medium | <b>Current controls/risk treatments:</b><br>- Meetings held with bowls club to confirm dates and information about events<br>- Main contractor to put in place regular communications with bowling club<br>- Review of construction activities one month prior to events and review of mitigation including additional fencing, acoustic and minimising work adjacent to the boundary<br><br><b>Planned mitigation actions:</b><br>- Dust mitigation plans<br>- Minimising noise during bowls tournaments<br>- Moving noisy works to adjacent end of the site<br>- Rescheduling noisy works around Tournament days<br>- Monthly reporting | Unlikely      | Minor    | Low    |
| 14 | <u>COVID impacts to project</u><br>If the global issue of the pandemic, such as further variants of Covid-19, impacts on global supply chain, staff contracting Covid-19, material supply constraints result in lock downs or restrictions,<br><br><b>Then</b> there would be impact on delivery of project, including escalating costs, schedule and resourcing.   | - Escalation costs due to Covid-19<br>- Availability of material and personnel<br>- Government mandated restrictions<br>- Global delays in supply chain<br>- Local delays in supply chain<br>- Influx of infection within staff working on site<br>- Impact on works for site staff | HCC                   | Possible      | Moderate | Medium | <b>Current controls/risk treatments:</b><br>- Lessons learnt<br>- Project Team equipped to operate remotely<br>- Expectations that anything that can be done is done (i.e. early procurement of key elements)<br>- Consideration of use of products available locally<br>- Early identification of long lead time items for timely procurement<br>- Follow construction sector guidance for on site practices / requirements<br>- Greater personal hygiene on site<br>- Enforcing personnel staying at home when sick<br><br><b>Planned mitigation actions:</b><br>- Apollo Projects to procure materials and sub-trades early            | Unlikely      | Minor    | Low    |

Naenae Pool and Fitness Centre: Risk Register  
Prepared by AECOM

Print Date: 2/04/2024

|    | THE RISK<br>IF [event or condition i.e. what can happen]<br>THEN [consequence. Why is it a concern / impact if we don't get it right]   | RISK DRIVERS<br>existing and potential causes/triggers   | Risk owner            | INHERENT RISK |               |        | CONTROLS / RISK RESPONSES  | RESIDUAL RISK |               |      |
|----|---|--|-----------------------|---------------|---------------|--------|--|---------------|---------------|------|
|    |   |  |                       | Likelihood    | Impact        | Risk   |  | Likelihood    | Impact        | Risk |
| 25 | <u>Availability of materials</u><br>If there is not enough of the required materials available during any stage of the construction phase due to supply constraints,<br><br><b>Then</b> there would be project delays and cost implications due to a need to source alternative products at higher cost and at less than specified standard of quality. | - Local shortage of supply due to high demand<br>- Internationally sourced products and delays in delivery to New Zealand  | Apollo Projects       | Possible      | Minor         | Medium | <b>Current controls/risk treatments:</b><br>- Early procurement of key items<br>- Early identification of lead in time for procurement<br>- Source alternative products of greater or equal quality<br>- Early sourcing by contractor and storage off-site<br>- Consideration of available materials during design<br>- Consideration of locally available materials during design<br><br><b>Planned mitigation actions:</b><br>- Apollo have identified long lead time items and regular monitoring of delivery status<br>- Review of Apollo's construction programme and scheduled timelines of off-site fabrication and materials   | Unlikely      | Minor         | Low  |
| 29 | <u>Cost impact of Greenstar and other sustainability initiatives</u><br>If the contractor is unable to meet HCC sustainability ambitions and certification,<br><br><b>Then</b> there will be damage to the Clients reputation and contribution to carbon zero commitments for Council cannot be met.  | - Sustainability initiatives may result in higher capex  | BBD                   | Possible      | Insignificant | Low    | <b>Current controls/risk treatments:</b><br>- Identification from project team to budget from Day 1<br>- Project team aware of requirements<br>- Design to be able to meet green star certification requirements<br>- Independent Commissioning Agent (ICA) initiatives<br><br><b>Planned mitigation actions:</b><br>- Monthly reporting   | Unlikely      | Insignificant | Low  |
| 83 | <u>Construction works adjacent to the residential houses</u><br>If construction noise or traffic causes disruption to neighbouring residential houses,<br><br><b>Then</b> there is a potential for reputational damage or an increase in complaints from the public.  | - Increased noise levels, dust and nuisance<br>- Disruption to the surrounding road network  | HCC / Apollo Projects | Possible      | Minor         | Medium | <b>Current controls/risk treatments:</b><br>- Keeping the community informed with site works through the HCC communication channels<br>- Letter box drops every 2 months<br>- Clear lines of communication, being open and honest<br>- Review of contractor methodology and mitigations<br><br><b>Planned mitigation actions:</b><br>- Keeping the community informed with site works through the HCC communication channels, including letter box drops.<br>- Contractor communications<br>- Attendance at CAG meetings<br>- Keeping HCC councillors informed   | Unlikely      | Insignificant | Low  |
| 2  | <u>Aquatic Community Expectations</u><br>If the completed project fails to meet the requirements and expectations of the aquatic community,<br><br><b>Then</b> sport groups will not use the pool as it does not meet their requirements  | - Insufficient engagement with aquatic users throughout the design process<br>- Competing interests between aquatic sports and local community users<br>- Cost pressures result in reduced scope | HCC                   | Unlikely      | Minor         | Low    | <b>Current controls/risk treatments:</b><br>- Development of communication and stakeholder management plans at project commencement<br>- Engaging with the aquatic community in a structured and planned way<br>- Decision from Board where there is a competing interest between local users, sports groups and community groups<br>- Formation of the Aquatic Users Group to represent various aquatic stakeholders<br>- Regular engagement with the Aquatic Users Group throughout design development<br>- Aquatic Users Group to have a representative on the Community Advisory Group<br><br><b>Planned mitigation actions:</b><br>- Future involvement with community and sports groups<br>- Update community and sports groups at each design phase | Unlikely      | Minor         | Low  |

Naenae Pool and Fitness Centre: Risk Register  
Prepared by AECOM

Print Date: 2/04/2024

|    | THE RISK<br>IF [event or condition i.e. what can happen]<br>THEN [consequence. Why is it a concern / impact if we don't get it right]  | RISK DRIVERS<br>existing and potential causes/triggers   | Risk owner      | INHERENT RISK |          |        | CONTROLS / RISK RESPONSES   | RESIDUAL RISK |               |      |
|----|--|--|-----------------|---------------|----------|--------|---|---------------|---------------|------|
|    |  |  |                 | Likelihood    | Impact   | Risk   |   | Likelihood    | Impact        | Risk |
| 9  | <u>Degree of consultation (not enough)</u><br>If there is insufficient engagement with local stakeholders and users early on,<br><br>Then there will be late changes in project resulting in delays, additional costs, higher than specified operational costs, and possibly reduced use of the facilities.  | - Inadequate timeframes<br>- Lack of information and participation<br>- Inexperience or incorrect key team members   | HCC             | Unlikely      | Moderate | Medium | <b>Current controls/risk treatments:</b><br>- Stakeholder mapping and engagement plan (what can we talk to people about and when)<br>- Community Advisory Group will feed into design<br>- Design team visual representation and interpretation to be shared with the community through HCC media platforms<br><br><b>Planned mitigation actions:</b>   | Unlikely      | Insignificant | Low  |
| 34 | <u>Insufficient QA practices to deliver fit for purpose facility</u><br>If the review processes and quality inspections during construction is insufficient,<br><br>Then there will be poor deliverables and/or an impact on of cost/programme.  | - Poor planning/time   | Apollo Projects | Unlikely      | Moderate | Medium | <b>Current controls/risk treatments:</b><br>- Quality Management Plan (QMP)<br>- Review Contractor QMP<br>- ICA controls and control measures within principal's requirements<br><br><b>Planned mitigation actions:</b><br>- Engineer to Contract to manage contractor performance using the contract terms.<br>- QA updates / inspection reports provided monthly by Apollo  | Unlikely      | Minor         | Low  |
| 70 | <u>Changes of personnel in consenting</u><br>If key HCC personnel are changed during the consenting phase,<br><br>Then there will be a delay in approved consents or changes in consent requirements or both.  | - Staff leaving or change in role<br>- Resignation<br>- Health<br>- Leave<br>- Retirement<br>- Workload  | HCC             | Unlikely      | Moderate | Medium | <b>Current controls/risk treatments:</b><br>- Pre-application meeting and identification of consenting staff<br>- Documenting agreed requirements<br>- Consenting completed as soon as possible<br><br><b>Planned mitigation actions:</b><br>- Pre-application meeting and identification of consenting staff<br>- Documenting agreed requirements<br>- Consenting completed as soon as possible<br>- Regular communications as consenting progresses | Unlikely      | Minor         | Low  |
| 3  | <u>Stakeholders - Communication and reporting is not clear and results in misinformation</u><br>If there are not enough communication and accurate reporting with the stakeholders,<br><br>Then there will be misinformation within the project team and being issued to the public through engagement or media. As well as community pressure in elected officials and/or Loss of community confidence                    | - Clear lines of communication not identified<br>- Reporting timeframes not followed<br>- Expectations around reporting and communication contents not aligned | AECOM / HCC     | Unlikely      | Minor    | Low    | <b>Current controls/risk treatments:</b><br>- Communication protocols will be set out and defined in the Project Management Plan, Communication Plan and Stakeholder Management Plan will be prepared at project initiation to provide clarity<br>- Review of communication protocols<br><br><b>Planned mitigation actions:</b><br>- CAG engagement during project execution  | Unlikely      | Minor         | Low  |
| 4  | <u>Project Team - Communication and reporting is not clear and results in misinformation</u><br>If there is unclear and insufficient communication within members of the project team,<br><br>Then there will be misinformation within the project team and misinformation may be issued to the public through engagement or media. As well as community pressure in elected officials and a loss of community confidence. | - Clear lines of communication not identified<br>- Reporting timeframes not followed<br>- Expectations around reporting and communication contents not aligned | AECOM / HCC     | Unlikely      | Minor    | Low    | <b>Current controls/risk treatments:</b><br>- Communication protocols will be set out and defined in the Project Management Plan, Communication Plan and Stakeholder Management Plan will be prepared at project initiation to provide clarity<br>- Review of communication protocols<br><br><b>Planned mitigation actions:</b><br>- Regular reporting through weekly, monthly and quarterly reports  | Unlikely      | Minor         | Low  |

Naenae Pool and Fitness Centre: Risk Register  
Prepared by AECOM

Print Date: 2/04/2024

|    | THE RISK<br>IF [event or condition i.e. what can happen]<br>THEN [consequence. Why is it a concern / impact if we don't get it right]   | RISK DRIVERS<br>existing and potential causes/triggers  | Risk owner            | INHERENT RISK |          |        | CONTROLS / RISK RESPONSES  | RESIDUAL RISK |        |      |
|----|---|---|-----------------------|---------------|----------|--------|--|---------------|--------|------|
|    |   |   |                       | Likelihood    | Impact   | Risk   |  | Likelihood    | Impact | Risk |
| 5  | <u>Not being able to achieve expectations within budget</u><br>If the budget is unachievable within expectations, or the budget is not sufficient for the desired outcome,<br><br><b>Then</b> there will be damage to the clients, consultants, and/or contractors reputation. A delay in completion of the project. Additional funding may have to be sourced and a need for VM or scope reduction and the benefits of the project will not be achieved. | - Changes in design that are not aligned with original brief (including Scope creep)<br>- Unexpected additional costs due to insufficient information from third parties<br>- Omissions in the designs<br>- Unavailability of specified products with alternatives being more costly<br>- Artwork not provided within timeframe creating extra cost<br>- Incorrect cost estimation<br>- Variable founding conditions (foundations)<br>- Costs not within their provisional sums   | HCC                   | Possible      | Minor    | Medium | <b>Current controls/risk treatments:</b><br>- Early identification of at risk items/materials for pricing fluctuations<br>- Early identification of long-lead items<br>- Procurement of subcontractors and acceptance of fixed pricing<br><br><b>Planned mitigation actions:</b>   | Unlikely      | Minor  | Low  |
| 97 | <u>Not being able to achieve artist expectations within allocated budget</u><br>If the budget is unachievable within expectations (client and community), or the budget is not sufficient for the desired outcome,<br><br><b>Then</b> there could be damage to the Clients reputation.  | - Changes in design that are not aligned with original brief (including Scope creep)<br>- Unexpected additional costs due to insufficient information from third parties<br>- Omissions in design, non-compliant designs, insufficient / incorrect information on equipment space requirements<br>- Unavailability of specified products with alternatives being more costly<br>- International price fluctuations<br>- Incorrect cost estimation<br>- Delays in cost estimation<br>- Costs not within their provisional sums<br>- Insufficient management of artist inputs to programme and budget | HCC                   | Possible      | Minor    | Medium | <b>Current controls/risk treatments:</b><br>- Staged design process<br>- Cost estimates and QRA at each stage for early cost overruns detection<br>- Direction from board to keep to budget (decisions)<br>- Early identification of at risk materials for pricing fluctuations<br>- D&B fixed price contract in place with Apollo<br><br><b>Planned mitigation actions:</b><br>- Monitoring monthly financial reports                           | Unlikely      | Minor  | Low  |
| 20 | <u>Safety-in-Design not adequate</u><br>If safety is not considered enough in design with the final design not meeting safety requirements,<br><br><b>Then</b> the facility will not operate as it should resulting in H&S incidents during occupation. This will require cost and time to rectify problems. Additionally, there may be safety issues during construction that could have been avoided.   | - Safety-in-design process not implemented<br>- Lack of consultation with HCC, contractors, facility operator   | Apollo Projects / HCC | Unlikely      | Moderate | Medium | <b>Current controls/risk treatments:</b><br>- SID at all stages (includes whole of life risks and residual risk)<br>- Handover at completion of construction to HCC<br>- Monthly review of the LIVE document, to be closed out towards end of project<br><br><b>Planned mitigation actions:</b><br>- Adequate SID planned and undertaken at each design stage<br>- Inclusion of wide representation including HCC operators as design progresses | Unlikely      | Minor  | Low  |

Naenae Pool and Fitness Centre: Risk Register  
Prepared by AECOM

Print Date: 2/04/2024

|    | THE RISK<br>IF [event or condition i.e. what can happen]<br>THEN [consequence. Why is it a concern / impact if we don't get it right]  | RISK DRIVERS<br>existing and potential causes/triggers  | Risk owner      | INHERENT RISK |         |        | CONTROLS / RISK RESPONSES  | RESIDUAL RISK |               |      |
|----|--|---|-----------------|---------------|---------|--------|--|---------------|---------------|------|
|    |  |   |                 | Likelihood    | Impact  | Risk   |  | Likelihood    | Impact        | Risk |
| 24 | <u>Site security breaches</u><br>If the site is breached during construction,<br><br>Then there will be a higher safety risk or injury and potential death   | - Ineffective perimeter fencing and signage<br>- Higher risk areas associated with criminal activities  | Apollo Projects | Possible      | Extreme | High   | <b>Current controls/risk treatments:</b><br>- Review of contractor's SSSP<br>- Site left in safe condition<br>- Active management of site by Contractor<br>- Contractor has installed a high-tech site security system. Security Patrol is called out upon system activation.<br>- Storage within secure warehouse<br>- Identifying attractive items and removing from line of sight<br>- As items are being installed within the building, less are stored out in public view/harder to steal<br><br><b>Planned mitigation actions:</b><br>- Review ongoing security requirements for the site as construction progresses and adjust as necessary | Unlikely      | Minor         | Low  |
| 35 | <u>Change in project team personnel</u><br>If the project team take personnel leave or change roles,<br><br>Then there could be a loss of historical knowledge, time loss in handover, a change in team dynamic and/or a gap in project team (if no new resource identified).              | - Resignation<br>- Health<br>- Leave<br>- Retirement<br>- Workload  | HCC             | Possible      | Minor   | Medium | <b>Current controls/risk treatments:</b><br>- Balanced view of resourcing across project team<br>- D&B fixed price contract in place<br><br><b>Planned mitigation actions:</b><br>- Contingency resources identified and utilised as necessary   | Unlikely      | Minor         | Low  |
| 44 | <u>Weather impacts to programme</u><br>If adverse weather results in on-site construction delays to occur,<br><br>Then there will be delays in progress or increased project costs (if substantial delay).   | - Adverse weather   | Apollo Projects | Possible      | Minor   | Medium | <b>Current controls/risk treatments:</b><br>- Schedule weather sensitive activities to occur when weather is typically preferable for the activity<br>- Programme allows for 20WD float for inclement weather<br><br><b>Planned mitigation actions:</b><br>- Continuous review of programme and progress   | Unlikely      | Minor         | Low  |
| 50 | <u>Stakeholder engagement with accessibility representatives</u><br>If accessibility representatives are not engaged and the pool does not have sufficient accessible features,<br><br>Then the pool will fail to be suitable for all of the community.                                    | - No accessibility engagement leading to catering for disabilities not fully considered or incorporated in design                                 | HCC             | Unlikely      | Minor   | Low    | <b>Current controls/risk treatments:</b><br>- Early engagement with accessibility representative either through the CAG or through recognised providers.<br>- Accessibility reviews that extend beyond NZBC compliance<br>- Engage with CAG representative and also identify any other bodies or representatives to provide early design stage inputs to the project<br>- Ongoing consultation with Wheels & Canes<br><br><b>Planned mitigation actions:</b><br>- Apollo to respond to accessibility review. The final agreement to be incorporated into the detailed design   | Unlikely      | Minor         | Low  |
| 69 | <u>Passive Fire more detailed definition of design for consent required</u><br>If there are insufficient details for passive fire design,<br><br>Then there will be a delay in approval of Stage 6 Fitout consent, reputational damage if the overall project delayed and funding impacts. | - Changing regulatory compliance requirements<br>- Consent reviewer may require additional compliance information over an above NZBC requirements | AHDT            | Unlikely      | Minor   | Low    | <b>Current controls/risk treatments:</b><br>- Preparing of consenting strategy<br>- Preapplication meeting early at developed design to determine likely requirements<br><br><b>Planned mitigation actions:</b><br>- Preapplication meeting to determine likely requirements so these can be included prior to consent lodgement<br>- Development of the design to meet current regulatory requirements<br>- Respond to RFI's as they are raised   | Unlikely      | Insignificant | Low  |

Naenae Pool and Fitness Centre: Risk Register  
Prepared by AECOM

Print Date: 2/04/2024

|    | THE RISK<br>IF [event or condition i.e. what can happen]<br>THEN [consequence. Why is it a concern / impact if we don't get it right]   | RISK DRIVERS<br>existing and potential causes/triggers   | Risk owner | INHERENT RISK |          |        | CONTROLS / RISK RESPONSES   | RESIDUAL RISK |               |        |
|----|---|--|------------|---------------|----------|--------|---|---------------|---------------|--------|
|    |   |  |            | Likelihood    | Impact   | Risk   |   | Likelihood    | Impact        | Risk   |
| 93 | <u>Roading changes require further changes following public consultation and TSC approvals</u><br><b>If</b> following public consultation or for transport subcommittee approvals changes are requested to the roading or carpark layout<br><b>Then</b> there may be a requirement to undertake further design and submit a further resource consent amendment. | - Public consultation to on-street parking changes<br>- Transport Subcommittee approvals<br>- HCC roading reviews<br>- Integration with other planned works in the area  | HCC        | Unlikely      | Moderate | Medium | <b>Current controls/risk treatments:</b><br>- Engagement with community leaders as design progresses<br>- HCC roading reviews as design progresses<br>- Consent amendment prepared in parallel to public consultation<br>- HCC roading provide comment prior to consent lodgement<br><br><b>Planned mitigation actions:</b><br>- Ongoing co-ordination discussions with the roading team on status of other works in the area   | Unlikely      | Minor         | Low    |
| 1  | <u>Failure of the completed project to meet the requirements and expectations of the Local Community</u><br><b>If</b> the community needs are not incorporated into the design,<br><b>THEN</b> there will be a reduction in use of facilities by local users.   | - Insufficient engagement with local community<br>- Competing interests of aquatic sports and local community<br>- Cost pressures result in reduced scope                | HCC        | Possible      | Major    | High   | <b>Current controls/risk treatments:</b><br>- Development of stakeholder management plan at project commencement<br>- Engaging with the project stakeholders in a structured and planned way<br>- Availability of support including stakeholder management, iwi specialist, programme review, risk management, global best practice, value management, to get stakeholder and community buy in<br>- Consideration and integration of community context through the involvement of the town planning specialist<br>- Formal stakeholder process for design approval gates are defined agreed with HCC with final approval confirmation to be sent to AECOM via a single point of contact<br>- Decision from Board where there is a competing interest between local users, sports groups and community groups<br><br><b>Planned mitigation actions:</b><br>- Ongoing coordination with local community through CAG | Unlikely      | Moderate      | Medium |
| 82 | <u>Chemical contamination in soil</u><br><b>If</b> soil is contaminated and is unable to be reused onsite or disposed of in regular manner,<br><b>Then the</b> contaminated land requires consenting and removal.   | - Prior site usage and potential contamination of soils<br>- Asbestos presence or contamination<br>- Increased costs associated with transportation of contaminated soil | AHDT / BBD | Likely        | Minor    | Medium | <b>Current controls/risk treatments:</b><br>- Additional soil testing has been undertaken<br>- Asbestos clearance certificates provided for site<br>- Disposal at Silverstream landfill has been approved<br><br><b>Planned mitigation actions:</b>   | Possible      | Insignificant | Low    |

|    | THE RISK<br>IF [event or condition i.e. what can happen]<br>THEN [consequence. Why is it a concern / impact if we don't get it right]   | RISK DRIVERS<br>existing and potential causes/triggers   | Risk owner                   | INHERENT RISK |          |        | CONTROLS / RISK RESPONSES   | RESIDUAL RISK |        |      |
|----|---|--|------------------------------|---------------|----------|--------|---|---------------|--------|------|
|    |   |  |                              | Likelihood    | Impact   | Risk   |   | Likelihood    | Impact | Risk |
| 22 | <u>Inadequate soft handover and training of staff for operation prior to full operation</u><br><b>IF</b> sufficient operational training is not provided for staff during handover and staff cannot properly operate the facility,<br><br><b>THEN</b> there will be poor performance, poor safety, poor operation and financial impact and well as a loss of confidence from the community.     | - Lack of time<br>- Poor management<br>- Pressure to open<br>- Failure to identify appropriate staff / recruit<br>- Availability to participate      | HCC                          | Possible      | Major    | High   | <b>Current controls/risk treatments:</b><br>- Involved in commissioning<br>- Early identification of team and need to recruit<br>- training of op staff<br>- Staff involved during design stage<br>- HCC to agree on operation model<br>- Capabilities of employed ICA<br><br><b>Planned mitigation actions:</b><br>- Regular engagement with operational team regarding the design<br>- establishment of 'transition to operations' project team | Unlikely      | Minor  | Low  |
| 78 | <u>Additional existing services found or buried infrastructure not removed during demolition and/or excavation</u><br><b>IF</b> there are additional existing services found or locations different than expected found during demolition and/or excavation. Or there is buried infrastructure not removed during demolition,<br><br><b>THEN</b> there will be programme and cost implications. | - Services and infrastructure varies from as-built information and there are unexpected discoveries<br>- Existing infrastructure difficult to remove | AHDT /<br>Apollo<br>Projects | Unlikely      | Moderate | Medium | <b>Current controls/risk treatments:</b><br>- Early services identification<br>- Service identification requirements included in demolition specification<br>- Supervision during excavations<br><br><b>Planned mitigation actions:</b><br>- Early services identification<br>- Supervision during excavations  | Unlikely      | Minor  | Low  |
| 37 | <u>Delay due to code compliance certificate</u><br><b>If</b> the code compliance is not filed or granted on time,<br><br><b>Then</b> there will be delays to pool opening   | - Contractor planning/performance  | Apollo<br>Projects           | Unlikely      | Moderate | Medium | <b>Current controls/risk treatments:</b><br>- Early engagement with HCC regulatory team and contractor planning<br>- Contingency in programme<br>- External sources to complete works - Civil works with AECOM<br><br><b>Planned mitigation actions:</b><br>- Identification of all requirements and tracking of completion<br>- Temporary Certificate of Public Use (CPU)  | Unlikely      | Minor  | Low  |











# Progress Update: Community Engagement

10 APRIL 2024

COLLABORATIVE DESIGN PROCESS  
FOR WALTER MILDENHALL PARK

**THIRD STUDIO**  
creating opportunities in design processes

**local**  
local landscape architecture collective limited.

**HUTT CITY**  
TE AWA KAIRANGI

# The Community Engagement Process

The park engagement process is supporting smart design decisions that reflect the diverse needs and aspirations of Naenae communities. To do this, the engagement process is uncovering qualitative data to build on the quantitative information in the Voice of the Community Survey and Voice of Naenae report.

Priority has been placed on going to people and to take direction from community leaders on the best ways to hear from their community. The kaupapa of the workshops, exhibition and travelling exhibition boards has been:

1. To understand why design elements are important to make smart design decisions
2. To test design translations (eg. is this what you mean by 'a quiet space'? Why / why not?)
3. To connect with previously underrepresented communities



**ENGAGEMENT SO FAR:****PHASE 1: WHAT COMPONENTS ARE MOST IMPORTANT IN THE PARK?***Active Engagement: Workshops & Events*

Tailored workshops have taken place at established community places testing design components to see what is most important to people.

- Workshop with community leaders to establish project core values and engagement priorities
- English Language School Workshop with refugee/migrant communities
- Te Wao Workshop with rangatahi
- Oranga Festival public event
- Community Easter Egg Hunt
- Wesley Rata Village Workshops with members of the accessibility community

*Passive Engagement: Interactive Exhibition*

The community is being kept up to date with the design process and opportunities to feed back.

- Naenae Library Exhibition - ongoing (see image on page 3)
- Exhibition boards which are located around the community
  - Te Ngākau Kahukura
  - Kōkiri
  - Oasis Church Rangatahi
  - Pasifika Church
  - Rugby Club

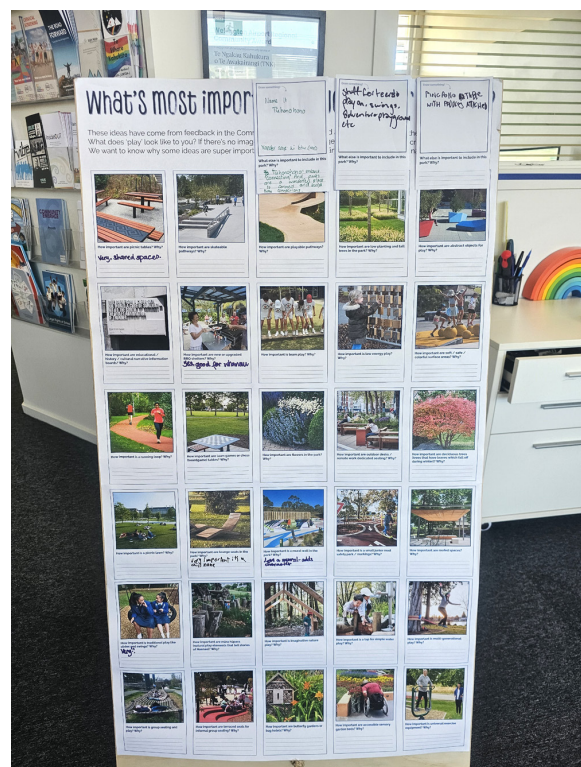
**INTENDED DIRECTION:****PHASE 2: WHERE SHOULD THINGS GO IN THE PARK?***Active Engagement: Workshops & Events*

- Community Advisory Group Workshop
- Trade School Kitchen public event
- Rangatahi Workshop

*Passive Engagement: Interactive Exhibition*

The community is kept updated.

- Naenae Library Exhibition (ongoing)
- Exhibition boards are updated and stay at the Phase 1 location.



## KEY FEEDBACK ABOUT THE PROCESS

### *This is a unique process that is connecting with people*

Numerous people talked about how “cool” the exhibition is and how it is more genuine than the “typical three questions” they have been asked in the past.

### *People want to stay involved*

Manaakitanga underlines all engagement and is being recognised by the community. There is interest in contributing to the exhibition or attending future public events.

### *People open their minds when there's someone to talk to*

Those who came in with strong opinions and concerns felt heard and were more open-minded after having someone to talk to in person. For example, many elderly were opposed to “a skate park” but open to smaller skate elements.

### *People are noticing they can have impact on the park*

People are starting to see that their feedback is being woven into the park design. It will be really important to continue pointing out where their feedback has had impact.



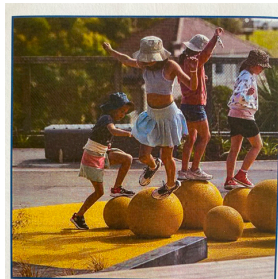
# What We're Hearing So Far

Engagement so far has tested design translations of the community survey via polaroid images.

The community's feedback is suggesting the following nuanced priorities:

## NATURAL, IMAGINATIVE PLAYSCAPES

- Elements that provide "scaffolding" for imaginative play.
- Multi-use elements.



How important are soft / safe / colorful surface areas? Why?

It's important to think of the little kids, it's not just for us, it's for everyone.



How important are skateable pathways? Why?

9 year old says it's fun to learn new stuff 😊

## PLAY AND CONNECTION FOR ALL AGES & ABILITIES

- Design to invite play so people feel encouraged to connect, try without fear of failure and relax. Wheelchair accessible play, sensory play and accessible signage.
- Skate/wheeled elements are a priority but can be included in the wider playscape as small, simple features.



How important is traditional play like slides and swings? Why?

More people on it  
Make a bigger one for more people  
- want to do stuff w friends



How important are educational / history / cultural narrative information boards? Why?

They add to the culture vibe of Wellington. Naenae could have a competition in colleges & their poem gets published.

## SHARING KAI AND WAI

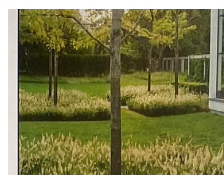
- Eating and drinking facilities integrated into the fabric of the park visually and be placed where it's appropriate for tikanga to be practiced.
- Ability for large groups (10-50 people) to prepare and share kai.

## EXPRESSION OF NAENAE IDENTITY

- Colour and sculpture (eg. engraving) imbued into park elements to tell the stories of Naenae.
- "Native to Naenae" plant selections.

## SAFETY

- Clear lines of sight between key spaces.
- Designed obstacles that signify a change in safety without "fencing off" the park.
- CCTV cameras if and where appropriate.
- Lit pathways.
- Increased shade.



How important are low planting and tall trees in the park? Why?

Shade will make me visit so much more in summer!



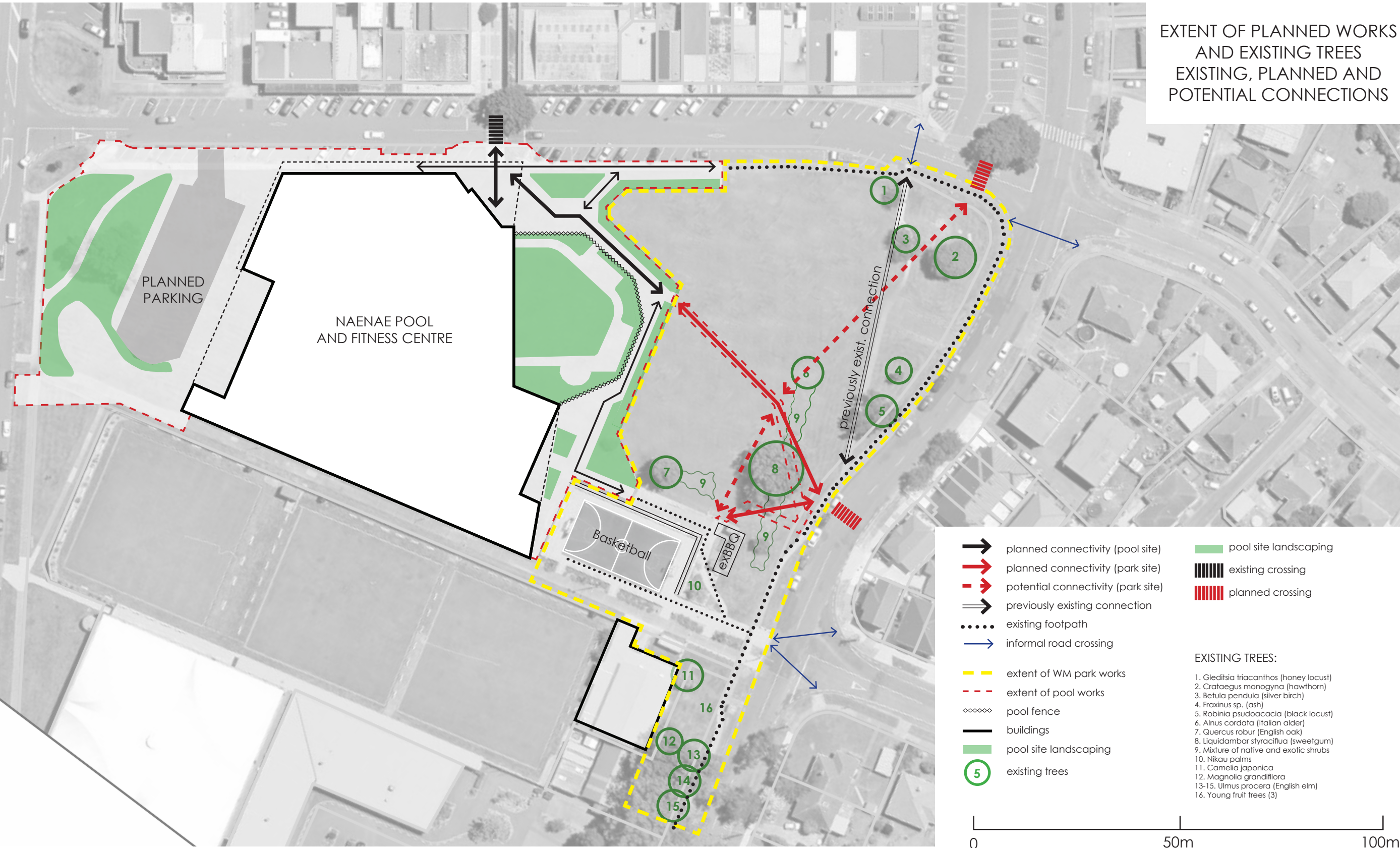
WALTER MILDENHALL PARK

BROAD SPATIAL ZONING

BY  
LOCAL LANDSCAPE ARCHITECTURE COLLECTIVE  
THIRD STUDIO

ISSUED:  
15.04.24





Walter Mildenhall Park Naenae

THIRD STUDIO

local

creating opportunities in design processes

local landscape architecture collective limited.

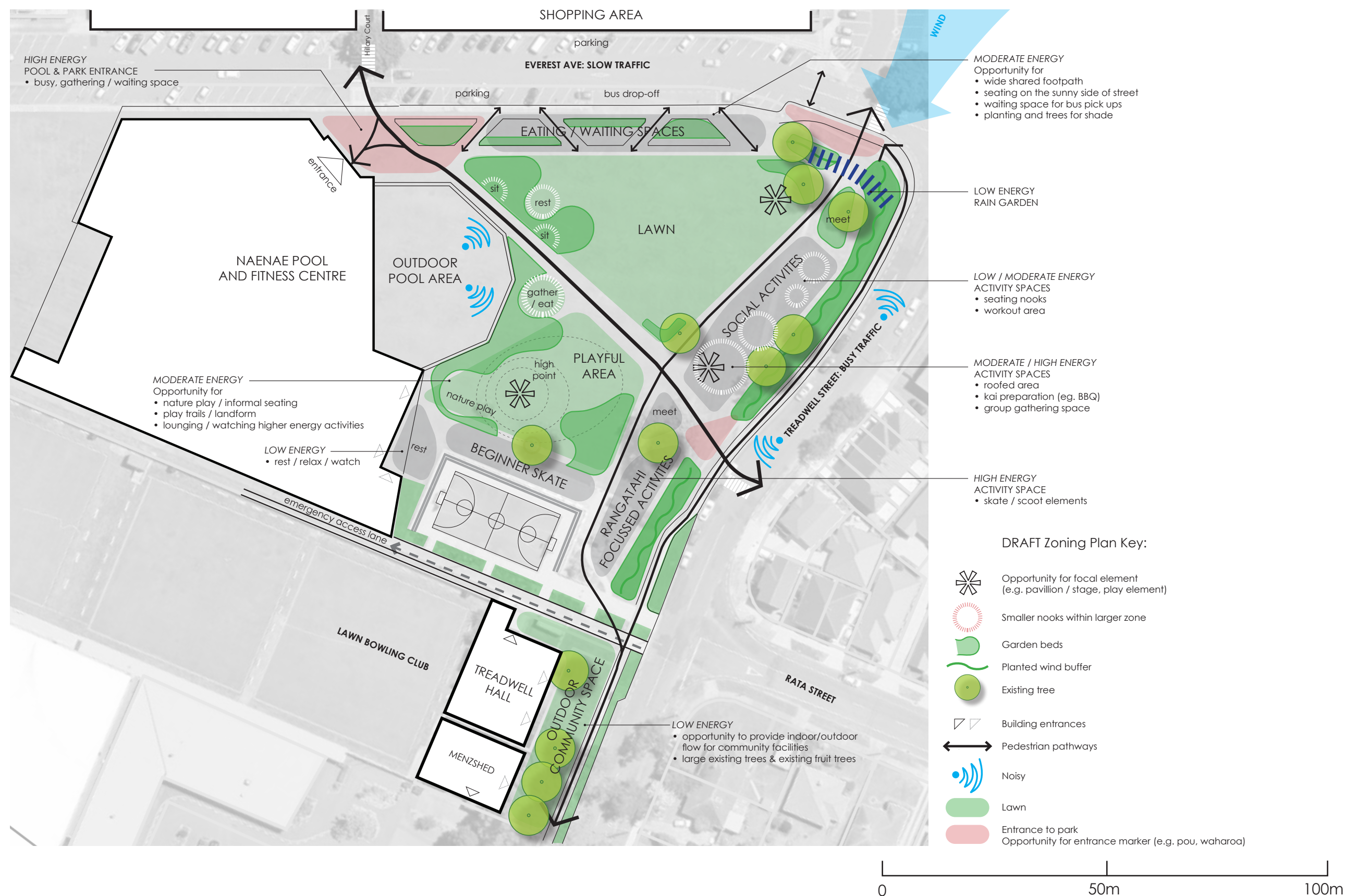
North:  
1  
Scale:

Job Number:  
2401-1321  
Revision:  
F  
Issued For: Information

level 3, 11 vivian street, wellington, new zealand, 6011

Project:  
Walter Mildenhall Park  
Drawing Title:  
Spatial Analysis  
Drawing No:  
SK240415

phone: 04801 6437  
www.localcollective.nz

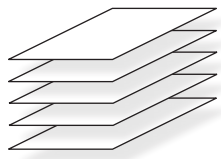


Walter Mildenhall Park Naenae

**THIRD STUDIO local**  
creating opportunities in design processes  
local landscape architecture collective limited.

North:   
Scale:   
Job Number: 2401-1321  
Revision: F  
Issued For: Information  
Level 3, 11 Vivian Street, Wellington, New Zealand, 6011  
phone: 04801 6437  
www.localcollective.nz

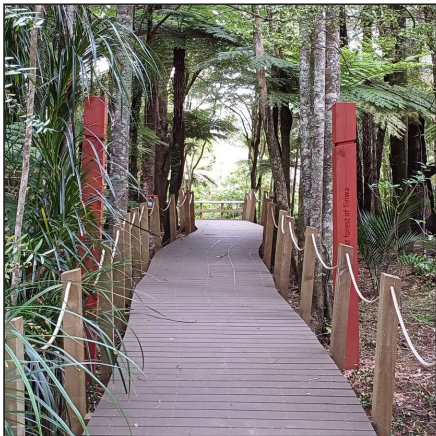
Project: Walter Mildenhall Park  
Drawing Title: Broad spatial layout  
Drawing No: SK240415



Layering of the cultural narrative, tikanga and storytelling in spatial design



Tangible  
Direct



Entrance markers  
Two markers (pou or other) as gateway  
Potential for waharoa



Planting to attract manu (birds) which hold significance in Te Ao Māori.  
Kowhai to attract tūī, who are guardians of the forest



Tikanga in the spatial transitions  
Potential for powhiri  
Tapu and noa spatial relation



Angular skateable elements to depict the stories of tectonic land formation to be used in high energy areas



Representing the story of two taniwha that once lurked in the waters of Naenae lake: a well established safe playscape area for tamariki with a vegetated buffer and good visual connections to other spaces



Providing reference to Waiwhetū and Te Awamutu through organic, meandering vegetated edge

**Makaurangi:** markers acknowledge and illuminate mana whenua connection to place.  
**Hauora:** markers indicate the transition from a busy road to a space that increases hauora and mouri.  
**Manaakitanga:** design communicates a gesture of welcome and protection towards visitors to the park.

**Makaurangi:** planting choices recognise natural heritage and connects people to te taiao.  
**Kaitiakitanga:** planting positively impacts environmental health.  
**Hauora:** planting choices support the health of the whenua and attract manu, supporting the hauora of te tangata.

**Makaurangi:** layout of park encourages Māori ways of operating.  
**Kaitiakitanga:** transitions between zones in the park layout illuminate to people traditional sustainability and stewardship practices.  
**Hauora:** the various zones of the park support the physical, spiritual, social, and mental health of community.  
**Manaakitanga:** the park layout and design features provide places to enact manaakitanga and encourage positive community relationships.

**Makaurangi:** designed elements interpret pūrākau and cultural narratives.  
**Hauora:** skateable and seating elements support physical and social health.  
**Manaakitanga:** design elements welcome skaters of all ages and abilities.

**Makaurangi:** park layout and designed elements interpret pūrākau and cultural narratives.  
**Hauora:** particular areas are zoned for āharu mōwai and support peoples connection to papatūānuku.  
**Manaakitanga:** designs enable spaces for learning.

**Makaurangi:** park layout and designed elements interpret pūrākau and cultural narratives.  
**Kaitiakitanga:** design promote healthy and sustainable relationships between tangata and taiao.  
**Hauora:** park layout and forms subtly support the spiritual and emotional health by connecting people to the organic forms of the whenua.  
**Manaakitanga:** spaces are inviting.

Āhuatanga: Some elements are more tangibly associated with Te Ao Māori while others indirectly integrate mātauranga Māori. Together, the layout of the park and the designed elements within it cohesively encourage the pursuit of mātauranga Māori.

Walter Mildenhall Park Naenae

THIRD STUDIO local  
creating opportunities in design processes

North:  
Scale:  
Job Number:  
2401-1321  
Revision:  
F  
Issued For: Information  
level 3, 11 vivian street, wellington, new zealand, 6011

Project:  
Walter Mildenhall Park  
Drawing Title:  
Tikanga and storytelling  
Drawing No:  
SK240415  
phone: 04801 6437  
www.localcollective.nz

**TO:** Chair and Members  
Audit and Risk Subcommittee

**FROM:** Vanessa Gilmour

**DATE:** 03 April 2024

**SUBJECT:** AUDIT AND RISK SUBCOMMITTEE FORWARD  
PROGRAMME 2024



### Purpose of Memorandum

1. To provide the Audit and Risk Subcommittee (the subcommittee) with a Forward Programme of work planned for the subcommittee for 2024.

### Recommendation

That the Subcommittee receives and notes the Forward Programme for 2024 attached as Appendix 1 to the memorandum.

### Background

2. The Terms of Reference for the subcommittee require the subcommittee to have a monitoring and advisory role in reviewing the effectiveness of the way Council discharges its responsibilities with respect to governance, risk management and internal control.
3. The Forward Programme for 2024 provides a planning tool for both members and officers to co-ordinate programmes of work for the year. The forward programme is attached as Appendix 1 to the memorandum.

### Forward Programme

4. The Forward Programme is a working document and is subject to change on a regular basis.

### Appendices

| No.               | Title  | Page |
|-------------------|--|------|
| <a href="#">1</a> | Appendix 1 - Audit and Risk Subcommittee Forward Work Programme 2024 | 210  |

**Author:** Vanessa Gilmour, Democracy Advisor

**Reviewed By:** Kate Glanville, Senior Democracy Advisor

**Approved By:** Kathryn Stannard, Head of Democratic Services

## Audit and Risk Subcommittee Forward Work Programme 2024

| Description  | Team                 | Cycle 3<br>25 Jun<br>2024 | Cycle 4<br>27 Aug<br>2024 | Annual<br>Report | Cycle 5<br>26 Nov<br>2024 | Pending |
|--|----------------------|---------------------------|---------------------------|------------------|---------------------------|---------|
| Subcommittee Forward Work Programme                          | Democracy Advisor    | ✓                         | ✓                         |                  | ✓                         |         |
| HR and Payroll system  | Information Services | ✓                         |                           |                  |                           |         |
| Tupua Horo Nuku / Eastern Bays Shared Pathway Project Update | Transport            | ✓                         |                           |                  | ✓                         |         |
| RiverLink Project Update                                     | RiverLink Project    |                           | ✓                         |                  | ✓                         |         |
| Naenae Projects Update                                       | Naenae Projects      | ✓                         | ✓                         |                  | ✓                         |         |
| Water Services Reform Update                                 | Strategic Projects   | ✓                         | ✓                         |                  | ✓                         |         |
| Sensitive Expenditure Disclosures                            | Finance              |                           | ✓                         |                  | ✓                         |         |
| External Audit Update – Hutt City Council                    | Finance              | ✓                         | ✓                         |                  | ✓                         |         |
| External Audit Update – Seaview Marina Limited               | Finance              | ✓                         |                           |                  | ✓                         |         |
| External Audit Update – Urban Plus Limited                   | Finance              | ✓                         |                           |                  | ✓                         |         |
| Holidays Act Compliance                                      | Finance              | ✓                         |                           |                  |                           |         |
| Risk Management and Assurance Update                         | Finance              |                           | ✓                         |                  | ✓                         |         |
| Insurance renewal update                                     | Finance              |                           | ✓                         |                  |                           |         |
| Hutt City Council Group Annual Report                        | Finance              |                           |                           | ✓                |                           |         |
| Tax Risk Governance Framework (annual update)                | Finance              |                           |                           |                  | ✓                         |         |
| Future of Local Government                                   | Strategic Projects   |                           |                           |                  |                           | ✓       |