



**Far North
District Council**



Te Kaunihera o Tai Tokerau ki te Raki

AGENDA


Assurance, Risk and Finance Committee Meeting

Wednesday, 21 October 2020

Time: 1.00 pm
Location: Council Chamber
Memorial Avenue
Kaikohe

Membership:

Cr John Vujcich – Chairperson
Bruce Robertson – Deputy Chairperson
Mayor John Carter
Deputy Mayor Ann Court
Cr Mate Radich
Cr Kelly Stratford
Cr Moko Tepania
Member Mike Edmonds - Kaikohe-Hokianga Community Board Chair

	Authorising Body	Mayor/Council
	Status	Standing Committee
COUNCIL COMMITTEE	Title	Assurance, Risk and Finance Committee Terms of Reference
	Approval Date	19 December 2019
	Responsible Officer	Chief Executive

Purpose

The purpose of the Assurance, Risk and Finance Committee (the Committee) is to assist and advise the Governing Body in discharging its responsibility and ownership of finance, risk and internal control.

The Committee will review the effectiveness of the following aspects:

- The robustness of financial management practices;
- The integrity and appropriateness of internal and external reports and accountability arrangements;
- The robustness of the risk management framework;
- The robustness of internal controls and the internal audit framework;
- Compliance with applicable laws, regulations, standards and best practice guidelines;
- The establishment and maintenance of controls to safeguard the Council's financial and non-financial assets;
- Data governance framework

To perform his or her role effectively, each Committee member must develop and maintain

his or her skills and knowledge, including an understanding of the Committee's responsibilities, and of the Council's business, operations and risks.

Membership

The Council will determine the membership of the Assurance, Risk and Finance Committee including at least one independent appointment with suitable financial and risk management knowledge and experience.

The Assurance, Risk and Finance Committee will comprise of at least five elected members (one of which will be the chairperson), and one independent appointed member.

Mayor Carter

John Vujcich – Chairperson

Bruce Robertson – Deputy Chairperson and Independent Member of the Committee

Moko Tepania

Mate Radich

Kelly Stratford

Ann Court

Mike Edmonds

Adele Gardner

Non-appointed councillors may attend meetings with speaking rights, but not voting rights.

Quorum

The quorum at a meeting of the Assurance, Risk and Finance Committee is 4 members.

Frequency of Meetings

The Assurance, Risk and Finance Committee shall meet every 6 weeks, but may be cancelled if there is no business.

Power to Delegate

The Assurance, Risk and Finance Committee may not delegate any of its responsibilities, duties or powers.

Committees Responsibilities

The Committees responsibilities are described below:

Financial systems and performance of the Council

- Review the Council's financial and non-financial performance against the Long Term Plan and Annual Plan
- Review Council quarterly financial statements and draft Annual Report

Far North Holdings Limited (FNHL)

- Recommend to Council the approval of statement of intent and Annual Report (s67 LGA)
- Receive 6 monthly report on operations (s66 LGA)
- Receive quarterly financial statements
- Recommend appointment of directors of FNHL

Risk Management

- Review appropriateness of Council's risk management framework and associated procedures for effective risk identification, evaluation and treatment
- Receive and review risk management dashboard reports
- Provide input, annually, into the setting of the risk management programme of work
- Receive updates on current litigation and legal liabilities

Internal Audit and Controls

- Review whether management has in place a current and comprehensive internal audit framework
- Receive and review the internal audit dashboard reports
- Provide input, annually, into the setting of the internal audit programme of work
- Review whether there are appropriate processes and systems in place to identify and investigate fraudulent behaviour

The Committee will manage Council's relationship with external auditor.

The Committee will approve applications to declare land abandoned and any other such matters under the Rating Act.

Rules and Procedures

Council's Standing Orders and Code of Conduct apply to all the committee's meetings.

Annual reporting

The Chair of the Committee will submit a written report to the Chief Executive on an annual basis. The review will summarise the activities of the Committee and how it has contributed to the Council's governance and strategic objectives. The Chief Executive will place the report on the next available agenda of the governing body.

ASSURANCE, RISK AND FINANCE COMMITTEE - MEMBERS REGISTER OF INTERESTS

Name	Responsibility (i.e. Chairperson etc)	Declaration of Interests	Nature of Potential Interest	Member's Proposed Management Plan
Hon John Carter QSO	Board Member of the Local Government Protection Programme	Board Member of the Local Government Protection Program		
	Carter Family Trust			
John Vujcich (Chair)	Board Member	Pioneer Village	Matters relating to funding and assets	Declare interest and abstain
	Director	Waitukupata Forest Ltd	Potential for council activity to directly affect its assets	Declare interest and abstain
	Director	Rural Service Solutions Ltd	Matters where council regulatory function impact of company services	Declare interest and abstain
	Director	Kaikohe (Rau Marama) Community Trust	Potential funder	Declare interest and abstain
	Partner	MJ & EMJ Vujcich	Matters where council regulatory function impacts on partnership owned assets	Declare interest and abstain
	Member	Kaikohe Rotary Club	Potential funder, or impact on Rotary projects	Declare interest and abstain
	Member	New Zealand Institute of Directors	Potential provider of training to Council	Declare a Conflict of Interest
	Member	Institute of IT Professionals	Unlikely, but possible provider of services to Council	Declare a Conflict of Interest
Bruce Robertson (Deputy)	No Form Received			
Deputy Mayor Ann Court	Waipapa Business Association	Member		Case by case
	Warren Pattinson Limited	Shareholder	Building company. FNDC is a regulator and enforcer	Case by case
	Kerikeri Irrigation	Supplies my water		No
	Top Energy	Supplies my power		No other interest greater than the publics
	District Licensing	N/A	N/A	N/A
	Top Energy Consumer Trust	Trustee	Crossover in regulatory functions, consenting economic development and contracts such as street lighting.	Declare interest and abstain from voting.

Name	Responsibility (i.e. Chairperson etc)	Declaration of Interests	Nature of Potential Interest	Member's Proposed Management Plan
	Ann Court Trust	Private	Private	N/A
	Waipapa Rotary	Honorary member	Potential community funding submitter	Declare interest and abstain from voting.
	Properties on Onekura Road, Waipapa	Owner Shareholder	Any proposed FNDC Capital works or policy change which may have a direct impact (positive/adverse)	Declare interest and abstain from voting.
	Property on Daroux Dr, Waipapa	Financial interest	Any proposed FNDC Capital works or policy change which may have a direct impact (positive/adverse)	Declare interest and abstain from voting.
	Flowers and gifts	Ratepayer 'Thankyou'	Bias/ Pre-determination?	Declare to Governance
	Coffee and food	Ratepayers sometimes 'shout' food and beverage	Bias or pre-determination	Case by case
	Staff	N/A	Suggestion of not being impartial or pre-determined!	Be professional, due diligence, weigh the evidence. Be thorough, thoughtful, considered impartial and balanced. Be fair.
	Warren Pattinson	My husband is a builder and may do work for Council staff		Case by case
Ann Court - Partner	Warren Pattinson Limited	Director	Building Company. FNDC is a regulator	Remain at arm's length
	Air NZ	Shareholder	None	None
	Warren Pattinson Limited	Builder	FNDC is the consent authority, regulator and enforcer.	Apply arm's length rules
	Property on Onekura Road, Waipapa	Owner	Any proposed FNDC capital work in the vicinity or rural plan change. Maybe a link to policy development.	Would not submit. Rest on a case by case basis.
Mate Radich	No form received			
Kelly Stratford	KS Bookkeeping and Administration	Business Owner, provides book keeping, administration and development of	None perceived	Step aside from decisions that arise, that may have conflicts

Name	Responsibility (i.e. Chairperson etc)	Declaration of Interests	Nature of Potential Interest	Member's Proposed Management Plan
		environmental management plans		
	Waikare Marae Trustees	Trustee	Maybe perceived conflicts	Case by case basis
	Bay of Islands College	Parent Elected Trustee	None perceived	If there was a conflict, I will step aside from decision making
	Karetu School	Parent Elected Trustee	None perceived	If there was a conflict, I will step aside from decision making
	Māori title land – Moerewa and Waikare	Beneficiary and husband is a shareholder	None perceived	If there was a conflict, I will step aside from decision making
	Sister is employed by Far North District Council			Will not discuss work/governance matters that are confidential
	Gifts - food and beverages	Residents and ratepayers may 'shout' food and beverage	Perceived bias or predetermination	Case by case basis
Kelly Stratford - Partner	Chef and Barista	Opua Store	None perceived	
	Māori title land – Moerewa	Shareholder	None perceived	If there was a conflict of interest, I would step aside from decision making
Moko Tepania	Teacher	Te Kura Kaupapa Māori o Kaikohe.	Potential Council funding that will benefit my place of employment.	Declare a perceived conflict
	Chairperson	Te Reo o Te Tai Tokerau Trust.	Potential Council funding for events that this trust runs.	Declare a perceived conflict
	Tribal Member	Te Rūnanga o Te Rarawa	As a descendent of Te Rarawa I could have a perceived conflict of interest in Te Rarawa Council relations.	Declare a perceived conflict
	Tribal Member	Te Rūnanga o Whaingaroa	As a descendent of Te Rūnanga o Whaingaroa I could have a perceived conflict of interest in Te Rūnanga o Whaingaroa Council relations.	Declare a perceived conflict

Name	Responsibility (i.e. Chairperson etc)	Declaration of Interests	Nature of Potential Interest	Member's Proposed Management Plan
	Tribal Member	Kahukuraariki Trust Board	As a descendent of Kahukuraariki Trust Board I could have a perceived conflict of interest in Kahukuraariki Trust Board Council relations.	Declare a perceived conflict
	Tribal Member	Te Rūnanga ā-Iwi o Ngāpuhi	As a descendent of Te Rūnanga ā-Iwi o Ngāpuhi I could have a perceived conflict of interest in Te Rūnanga ā-Iwi o Ngāpuhi Council relations.	Declare a perceived conflict
Mike Edmonds	Chair	Kaikohe Mechanical and Historic Trust	Council Funding	Decide at the time
	Committee member	Kaikohe Rugby Football and Sports Club	Council Funding	Withdraw and abstain

Far North District Council
Assurance, Risk and Finance Committee Meeting
will be held in the Council Chamber, Memorial Avenue, Kaikohe on:
Wednesday 21 October 2020 at 1.00 pm

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1 KARAKIA TIMATANGA – OPENING PRAYER**2 APOLOGIES AND DECLARATIONS OF INTEREST**

Members need to stand aside from decision-making when a conflict arises between their role as a Member of the Committee and any private or other external interest they might have. This note is provided as a reminder to Members to review the matters on the agenda and assess and identify where they may have a pecuniary or other conflict of interest, or where there may be a perception of a conflict of interest.

If a Member feels they do have a conflict of interest, they should publicly declare that at the start of the meeting or of the relevant item of business and refrain from participating in the discussion or voting on that item. If a Member thinks they may have a conflict of interest, they can seek advice from the Chief Executive Officer or the Team Leader Democracy Support (preferably before the meeting).

It is noted that while members can seek advice the final decision as to whether a conflict exists rests with the member.

3 DEPUTATION

No requests for deputations were received at the time of the Agenda going to print.

4 CONFIRMATION OF PREVIOUS MINUTES

4.1 CONFIRMATION OF PREVIOUS MINUTES

File Number: A2969318

Author: Casey Gannon, Meetings Administrator

Authoriser: Aisha Huriwai, Team Leader Democracy Services

PURPOSE OF THE REPORT

The minutes are attached to allow the Committee to confirm that the minutes are a true and correct record of previous meetings.

RECOMMENDATION

That the Assurance, Risk and Finance Committee confirms the minutes of the Assurance, Risk and Finance Committee meeting held 9 September 2020 as a true and correct record.

1) BACKGROUND

Local Government Act 2002 Schedule 7 Section 28 states that a local authority must keep minutes of its proceedings. The minutes of these proceedings duly entered and authenticated as prescribed by a local authority are prima facie evidence of those meetings.

2) DISCUSSION AND OPTIONS

The minutes of the meetings are attached.

Far North District Council Standing Orders Section 27.3 states that no discussion shall arise on the substance of the minutes in any succeeding meeting, except as to their correctness.

Reason for the recommendation

The reason for the recommendation is to confirm the minutes are a true and correct record of the previous meetings.

3) FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

There are no financial implications or the need for budgetary provision as a result of this report.

ATTACHMENTS

1. 2020-09-09 Assurance, Risk and Finance Committee Minutes [A2948216] - A2948216 [↓](#)



Compliance schedule:

Full consideration has been given to the provisions of the Local Government Act 2002 S77 in relation to decision making, in particular:

1. A Local authority must, in the course of the decision-making process,
 - a) Seek to identify all reasonably practicable options for the achievement of the objective of a decision; and
 - b) Assess the options in terms of their advantages and disadvantages; and
 - c) If any of the options identified under paragraph (a) involves a significant decision in relation to land or a body of water, take into account the relationship of Māori and their culture and traditions with their ancestral land, water sites, waahi tapu, valued flora and fauna and other taonga.
2. This section is subject to Section 79 - Compliance with procedures in relation to decisions.

Compliance requirement	Staff assessment
State the level of significance (high or low) of the issue or proposal as determined by the Council's Significance and Engagement Policy	This is a matter of low significance.
State the relevant Council policies (external or internal), legislation, and/or community outcomes (as stated in the LTP) that relate to this decision.	This report complies with the Local Government Act 2002 Schedule 7 Section 28.
State whether this issue or proposal has a District wide relevance and, if not, the ways in which the appropriate Community Board's views have been sought.	It is the responsibility of each meeting to confirm their minutes therefore the views of another meeting are not relevant.
State the possible implications for Māori and how Māori have been provided with an opportunity to contribute to decision making if this decision is significant and relates to land and/or any body of water.	There are no implications for Māori in confirming minutes from a previous meeting. Any implications on Māori arising from matters included in meeting minutes should be considered as part of the relevant report.
Identify persons likely to be affected by or have an interest in the matter, and how you have given consideration to their views or preferences (for example, youth, the aged and those with disabilities).	This report is asking for minutes to be confirmed as true and correct record, any interests that affect other people should be considered as part of the individual reports.
State the financial implications and where budgetary provisions have been made to support this decision.	There are no financial implications or the need for budgetary provision arising from this report.
Chief Financial Officer review.	The Chief Financial Officer has not reviewed this report.

**MINUTES OF FAR NORTH DISTRICT COUNCIL
ASSURANCE, RISK AND FINANCE COMMITTEE MEETING
HELD VIRTUALLY VIA MICROSOFT TEAMS
ON WEDNESDAY, 9 SEPTEMBER 2020 AT 1.00 PM**

PRESENT: Cr John Vujcich, Member Bruce Robertson, Mayor John Carter (HWTM), Deputy Mayor Ann Court, Cr Mate Radich, Cr Kelly Stratford, Cr Moko Tepania, Kaikohe-Hokianga Community Board Chairperson Mike Edmonds

IN ATTENDANCE: Cr Rachel Smith, Te Hiku Community Board Chairperson Adele Gardner

1 KARAKIA TIMATANGA – OPENING PRAYER

Chair Vujcich declared the meeting open and commenced with a karakia timatanga.

2 APOLOGIES AND DECLARATIONS OF INTEREST

Cr Tepania – left the meeting at 2:32 pm with prior approval from the Committee and Chair.

3 DEPUTATION

No deputations received for this meeting.

4.1 CONFIRMATION OF PREVIOUS MINUTES

Agenda item 4.1 document number A2942645, pages 12 - 15 refers.

COMMITTEE RESOLUTION 2020/1

Moved: Cr Kelly Stratford

Seconded: Cr Moko Tepania

That the Assurance, Risk and Finance Committee confirms the minutes of the Assurance, Risk and Finance Committee meeting held 29 July 2020 as a true and correct record.

In Favour: Crs John Vujcich, John Carter, Bruce Robertson, Ann Court, Mate Radich, Kelly Stratford, Moko Tepania and Mike Edmonds

Against: Nil

CARRIED

5 REPORTS

5.1 REVENUE RECOVERY REPORT JULY 2020

Agenda item 5.1 document number A2940311, pages 16 - 20 refers.

COMMITTEE RESOLUTION 2020/2

Moved: Mayor John Carter

Seconded: Member Bruce Robertson

That the Assurance, Risk and Finance Committee receive the report Revenue Recovery report July 2020.

In Favour: Crs John Vujcich, John Carter, Bruce Robertson, Ann Court, Mate Radich, Kelly Stratford, Moko Tepania and Mike Edmonds

Against: Nil

CARRIED

1:15 pm Cr Rachel Smith joined the meeting.

1:16 pm Member Adele Gardner joined the meeting.

6 INFORMATION REPORTS

6.1 COUNCIL FINANCIAL REPORT FOR THE PERIOD ENDING 31 JULY 2020

Agenda item 6.1 document number A2943836, pages 21 - 33 refers.

COMMITTEE RESOLUTION 2020/3

Moved: Cr Moko Tepania

Seconded: Mayor John Carter

That the Assurance, Risk and Finance Committee receive the report Council Financial Report for the Period Ending 31 July 2020.

In Favour: Crs John Vujcich, John Carter, Bruce Robertson, Ann Court, Mate Radich, Kelly Stratford, Moko Tepania and Mike Edmonds

Against: Nil

CARRIED

1:27 pm Cr Robertson left the virtual meeting and returned at 1:35 pm.

6.2 SEPTEMBER RISK MANAGEMENT

Agenda item 6.2 document number A2937737, pages 34 - 47 refers.

COMMITTEE RECOMMENDATION

Moved: Cr Kelly Stratford

Seconded: Deputy Mayor Ann Court

That the Assurance, Risk and Finance Committee receive the report September Risk Management.

In Favour: Crs John Vujcich, John Carter, Bruce Robertson, Ann Court, Mate Radich, Kelly Stratford, Moko Tepania and Mike Edmonds

Against: Nil

CARRIED 8/0

6.3 INTERNAL AUDIT AND ASSURANCE REPORT

Agenda item 6.3 document number A2941620, pages 48 - 52 refers.

COMMITTEE RESOLUTION 2020/4

Moved: Mayor John Carter

Seconded: Cr John Vujcich

That the Assurance, Risk and Finance Committee receive the Internal Audit and Assurance Report.

<u>In Favour:</u>	Crs John Vujcich, John Carter, Bruce Robertson, Ann Court, Mate Radich, Kelly Stratford, Moko Tepania and Mike Edmonds
<u>Against:</u>	Nil
CARRIED	

6.4 DIGITAL INFORMATION SERVICES - DATA GOVERNANCE AND IT SECURITY

Agenda item 6.4 document number A2940942, pages 53 - 57 refers.

COMMITTEE RESOLUTION 2020/5

Moved: Cr Moko Tepania

Seconded: Kaikohe-Hokianga Community Board Chairperson Mike Edmonds

That the Assurance, Risk and Finance Committee receive the report Digital Information Services - Data Governance and IT Security.

In Favour: Crs John Vujcich, John Carter, Bruce Robertson, Ann Court, Mate Radich, Kelly Stratford, Moko Tepania and Mike Edmonds

Against: Nil

CARRIED

2:31 pm Trevor Rusling (NZ Audit) joined the meeting.

6.5 LEVEL OF SERVICE KPI QUARTER 4 PERFORMANCE REPORT

Agenda item 6.5 document number A2939659, page 58 - 84 refers.

COMMITTEE RESOLUTION 2020/6

Moved: Member Bruce Robertson

Seconded: Cr Kelly Stratford

That the Assurance, Risk and Finance Committee receive the report Level of Service KPI Quarter 4 Performance Report.

In Favour: Crs John Vujcich, John Carter, Bruce Robertson, Ann Court, Mate Radich, Kelly Stratford and Mike Edmonds

Against: Nil

CARRIED

7 RESOLUTION TO EXCLUDE THE PUBLIC

COMMITTEE RESOLUTION 2020/7

Moved: Cr John Vujcich

Seconded: Cr Kelly Stratford

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

The general subject matter 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 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
7.1 - Confirmation of Previous Minutes	s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	s48(1)(a)(i) - 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 would exist under section 6 or section 7
7.2 - Draft Annual Report for the year ended 30 June 2020	s7(2)(c)(ii) - the withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest s7(2)(f)(i) - free and frank expression of opinions by or between or to members or officers or employees of any local authority	s48(1)(a)(i) - 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 would exist under section 6 or section 7
7.3 - FNDC Current Legal Action Potential Liability Claims	s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege	s48(1)(a)(i) - 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 would exist under section 6 or section 7
<p><u>In Favour:</u> Crs John Vujcich, John Carter, Bruce Robertson, Ann Court, Mate Radich, Kelly Stratford and Mike Edmonds</p> <p><u>Against:</u> Nil</p> <p style="text-align: right;">CARRIED</p>		

CONFIRMATION OF INFORMATION AND DECISIONS IN OPEN MEETING

<p>COMMITTEE RESOLUTION 2020/8</p> <p>Moved: Cr Kelly Stratford</p> <p>Seconded: Mayor John Carter</p> <p>That Assurance, Risk and Finance Committee confirm that the information and decisions contained in the part of the meeting held with the public excluded is not to be restated in public meeting.</p> <p><u>In Favour:</u> Crs John Vujcich, John Carter, Bruce Robertson, Ann Court and Kelly Stratford</p> <p><u>Against:</u> Nil</p> <p><u>Abstained:</u> Cr Mike Edmonds</p> <p style="text-align: right;">CARRIED</p>	
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8 KARAKIA WHAKAMUTUNGA – CLOSING PRAYER

Cr Stratford closed the meeting with a karakia whakamutunga.

9 MEETING CLOSE

The meeting closed at 3.34 pm

The minutes of this meeting will be confirmed at the Assurance, Risk and Finance Committee Meeting held on 21 October 2020.

.....
CHAIRPERSON

5 INFORMATION REPORTS

5.1 2020-10-21 REVENUE RECOVERY REPORT

File Number: A2962676

Author: Margriet Veenstra, Manager - Transaction Services

Authoriser: William J Taylor MBE, General Manager - Corporate Services

PURPOSE OF THE REPORT

The purpose of this report is to provide quarterly reporting to the Far North District Council Assurance, Risk, and Finance Committee.

EXECUTIVE SUMMARY

This is the second report for the financial year 2020/21 and provides information on action taken to collect the current and arrears balances for rates, water and sundry debt so far this year, and to provide information on how collection is tracking against targets.

RECOMMENDATION

That the Assurance, Risk and Finance Committee receive the report “2020-10-21 Revenue recovery report”.

BACKGROUND

This document has been prepared to outline current and arrears balances for rates, water and Sundry debt as at 31 August 2020 and the actions taken by the debt management team for the collection of the General Title rates and water and sundry debt.

This information is part of the standing items reported to the Assurance, Risk and Finance Committee on a regular basis.

DISCUSSION AND NEXT STEPS

The data provided is for General Title and Maori Freehold Land rates and water accounts with Sundry debtors shown in a separate table.

Key actions since the last report:

- Between the 24th and 27th of August, debt management contacted approximately 100 rate payers who missed the 1st instalment only and were due to incur penalties.
- Between the 7th and 16th of September, they reviewed 256 accounts of properties with mortgages who have a payment arrangement in place and contact those who's payments were no longer in line with rates easy pay.
- From the 17th of September, they started contacting all rate payers who qualified for crisis rating relief and offer a suitable payment plan from the 1st of October once the rating relief resolution expires.

We are also preparing for active recovery of arrears from the 1st of October 2020.

- Proceed with accounts on hold for legal action for arrears with an external law firm.
- Policy for approval by Council of next actions post default judgment from the courts.
- Council legal team to commence legal proceedings for 10 accounts.

Additionally, to the above, we will also commence mortgage demand process for General Title properties. Section 62 of the Local Government (Rating) Act 2002 enables councils to recover unpaid previous year's rates from the mortgagee if the property owner is in default.

- From the 1st of November, councils can notify a bank, as mortgagee, that a property owner has not paid his or her previous years' rates, and demand that the bank pay them instead.

- The bank must be given three months notice that the property owner is in default and after that period, councils can demand payment from the bank
- Final demand for payment must be issued and paid in the rating year the mortgage demand notice is sent.
- It is standard practice for the terms and conditions of property loans to include a reference to a bank's right to recover money from customers once the bank has paid the arrears. Typically, it will recover the money from the customer by debiting the amount to his or her account.

Debt management process for this rating year is as follows:

- Between the 1st of October and the 20th of October, debt management will proactively call owners of properties with only last year's rates in arrears or a balance less than \$1,000 to offer payment arrangements to avoid mortgage demand.
- Three months' notice letter is sent to the banks and the owners of 300 properties with the highest arrears' balances on the 20th October 2020.
- Owners are invited to contact debt management to make payment arrangements to avoid final demand in three months.
- Payment arrangements must be in line with rates easy pay to clear the arrears and current rates.
- For those properties where no payment is received or payment arrangements have dishonoured, final demand for payment will be issued to the bank after the three months' notice period has passed on the 20th of January 2021.
- Debt management will proactively contact owners of all remaining properties between the 20th of October and the 1st of February 2021 to offer payment arrangements to avoid mortgage demand.
- Three months' notice letter is sent to the banks and the owners of all remaining accounts with an arrears balance and without a payment arrangement by the 20th of February 2021 with final demand to be issued on the 20th of May 2021, if arrears have not been cleared or no payment arrangement has been made.

For the total number of General Title rates and water accounts marked as 'Debt recovery action to commence':

- These are properties where there is no mortgage, no payments have been received, and the owner has not contacted Council to discuss payment options.
- 27% of these accounts have arrears of more than 2 rating years.
 - 70% of these accounts have received final demand letters from Council.
 - FNDC legal team will commence registering the debt against these properties and commence filing for debt recovery through the courts.
 - Debt management will send final demand letters to the remaining 30%.
- 73% is for accounts with up to two years rates arrears.
 - Debt management to commence calling.
 - If no contact is made, demand letters will be sent.

The total Sundry debtors aged debt balance has remained the same since the last report. Of the total debt, 40% is attributed to invoices raised for Resource Consents and 29% for Building Consents.

Discussions to reduce the resource consent debt commenced a few months ago. Key drivers to the debt are:

- Initial application fee is not enough to cover the average cost of a resource consent.
- This generally results in a high value final invoice when the resource consent is issued.
- Consent is issued on the day the invoice is raised, payment prior to issuing of the consent is not required.

The following actions have been agreed to reduce the current debt and further debt to be added.

- Fee review of initial application fee for resource consent and implementation of an increase at the start of the next rating year in line with current average costs.
- Implement interim invoicing at key stages of a resource application and stop the process if invoices are not paid by the due date.
- Add additional wording to the resource consent application confirmation letter to customers, to explain the payment process, requirements and responsibilities of the applicant.
- Request legal opinion from RMA specialist lawyer for Council to request payment prior to issuing consent as this is not a practice adopted by other councils.
- Workshop on the 14th October with debt management, resource consent team and district services administration to agree inter-departmental communications and processes.

The building consent debt has different key drivers as building consents do require payment prior to issuing. The debt is mainly for costs invoiced by Council for officer time and administration fees associated with notices to fix, refusal of building consent or code of compliance, warrant of fitness and tri-annual swimming pool inspections. A workshop will be held on the 14th of October with the building team to review aged debt and identify any changes or improvements in processes that can be made to reduce future debt.

3) FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

Provision is made annually for doubtful debts in relation to the arrears owed to Council. A higher provision for Maori Freehold land rates and water is made in comparison to General Title rates and water due to the difference in collection options available to Council.

ATTACHMENTS

1. **2020-10-21 ARF Revenue recovery report attachment - A2962666** [↓](#) 

Compliance schedule:

Full consideration has been given to the provisions of the Local Government Act 2002 S77 in relation to decision making, in particular:

1. A Local authority must, in the course of the decision-making process,
 - a) Seek to identify all reasonably practicable options for the achievement of the objective of a decision; and
 - b) Assess the options in terms of their advantages and disadvantages; and
 - c) If any of the options identified under paragraph (a) involves a significant decision in relation to land or a body of water, take into account the relationship of Māori and their culture and traditions with their ancestral land, water sites, waahi tapu, valued flora and fauna and other taonga.
2. This section is subject to Section 79 - Compliance with procedures in relation to decisions.

Compliance requirement	Staff assessment
State the level of significance (high or low) of the issue or proposal as determined by the Council's Significance and Engagement Policy	Low
State the relevant Council policies (external or internal), legislation, and/or community outcomes (as stated in the LTP) that relate to this decision.	Local Government (Rating) Act 2002
State whether this issue or proposal has a District wide relevance and, if not, the ways in which the appropriate Community Board's views have been sought.	District Wide
State the possible implications for Māori and how Māori have been provided with an opportunity to contribute to decision making if this decision is significant and relates to land and/or any body of water.	N/A
Identify persons likely to be affected by or have an interest in the matter, and how you have given consideration to their views or preferences (for example – youth, the aged and those with disabilities).	N/A
State the financial implications and where budgetary provisions have been made to support this decision.	Financial implications are included in the report
Chief Financial Officer review.	The Chief Financial Officer has reviewed this report

General Title rates and water rates analysis by age at 31 August 2020.

General Title Rates and Water Arrears 2020-21							
General Title Rates 31 August 2020	2019-2020	2018-2019	2017-2018	2016-2017	2015+	Total	# accounts
Abandoned Land	60,630	59,992	60,264	58,809	112,445	352,140	40
Payment Arrangement	152,480	32,331	13,045	4,593	2,119	204,568	116
Deceased Rate Payer	86,282	74,079	70,537	61,500	102,035	394,433	50
Mortgage Run 2020-2021	1,636,541	632,965	339,178	81,730	94,427	2,784,839	1,001
Legal Action Commenced (external)	154,165	136,748	126,199	114,480	314,513	846,105	73
Legal Action Commenced (FNDC)	14,621	14,533	14,147	14,326	33,267	90,893	10
Liquidation	5,240	4,101	3,845	3,958	7,003	24,148	3
Direct Debit	388,128	114,486	41,508	17,846	16,820	578,788	264
Debt recovery action to commence	1,494,446	865,587	589,117	443,358	526,352	3,918,861	916
Rates Total	3,992,534	1,934,821	1,257,842	800,598	1,208,980	9,194,775	2,473

General Title Water 31 August 2020	2019-2020	2018-2019	2017-2018	2016-2017	2015+	Total	# accounts
Abandoned Land	643	185	313	296	599	2,036	1
Payment Arrangement	41,785	7,332	2,987	286	-	52,389	26
Deceased Rate Payer	28,397	22,544	14,237	12,918	6,585	84,680	13
Mortgage Run 2019-2020	417,047	168,461	91,857	12,163	6,839	696,367	641
Legal Action Commenced (external)	8,369	11,179	9,145	10,620	25,672	64,986	11
Legal Action Commenced (FNDC)	4,860	3,409	7,484	1,037	3,080	19,870	2
Liquidation	-	-	-	-	-	-	-
Direct Debit	104,390	51,760	21,130	3,129	3,601	184,011	171
Debt recovery action to commence	122,850	49,171	32,833	42,882	46,425	294,161	309
Water Total	728,340	314,041	179,986	83,331	92,801	1,398,499	1,174

Maori Freehold Land rates and water analysis by age at 31 August 2020.

MFL Rates 31 August 2020	2019-2020	2018-2019	2017-2018	2016-2017	2015+	Total	# accounts
Payment Arrangement	11,517	4,889	4,877	3,893	4,479	29,655	14
Deceased ratepayer	24,079	23,088	22,633	20,585	33,444	123,828	14
Direct debit	58,040	39,429	33,502	26,052	31,583	188,607	48
Abandoned Land	5,298	5,235	5,247	5,091	10,332	31,203	3
Debt recovery action to commence	4,181,704	3,803,874	3,532,651	3,448,153	6,280,620	21,247,002	2,386
Rates Total	4,280,638	3,876,515	3,598,909	3,503,775	6,360,458	21,620,295	2,465

MFL Water 31 August 2020	2019-2020	2018-2019	2017-2018	2016-2017	2015+	Total	# accounts
Payment Arrangement	-	-	-	-	-	-	-
Direct Debit	2,651	1,452	-	-	-	4,102	6
Debt recovery action to commence	52,055	53,853	51,690	32,870	41,051	231,519	45
Water Total	54,706	55,304	51,690	32,870	41,051	235,621	51

Sundry Debtors by age for 31 August 2020.

Sundry Debtors Aged Period Report as at 31 August 2020						
Category	30 Days	60 Days	90 Days	90 Days +	Total	% Debt
Sundry	54,132	276	2,082	36,578	93,068	18%
Bookings	-			3,295	3,295	1%
Septage	1,596	-	-	28	1,624	0%
Refuse	1,373	1,089	2,030	9,116	13,608	3%
Building	30,810	27,963	7,162	88,217	154,152	29%
Resource	22,672	3,701	16,182	167,293	209,848	40%
Liquor	8,867	1,426	552	2,335	13,180	3%
Health	4,815	5,665	2,060	23,893	36,433	7%
Total	124,266	40,120	30,068	330,754	525,207	100%

5.2 COUNCIL FINANCIAL REPORT FOR THE PERIOD ENDING 31 AUGUST 2020**File Number:** A2967248**Author:** Angie Thomas, Manager - Accounting Services**Authoriser:** Janice Smith, Chief Financial Officer**PURPOSE OF THE REPORT**

To provide an overview and information on the current financial position and performance of the Far North District Council as at 31 August 2020.

EXECUTIVE SUMMARY

This report provides a summary overview, Statement of Financial Performance, Capital Performance and Borrowing and Investment reports.

RECOMMENDATION

That the Assurance, Risk and Finance Committee receive the report Council Financial Report for the Period Ending 31 August 2020.

BACKGROUND

This reports financial information as at 31 August 2020.

DISCUSSION AND NEXT STEPS

The report is for information only.

FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

There are no financial implications or budgetary provisions required as a result of this report.

ATTACHMENTS

1. Council Financial Report Aug 2020 as at 150920 - A2969287 [↓](#) 



Far North District Council

Council Financial Report

for the period ending **31-August-2020**

Financial Overview

Key financial metrics from the Statement of Financial Performance for the Far North District Council as at 31-August-2020.

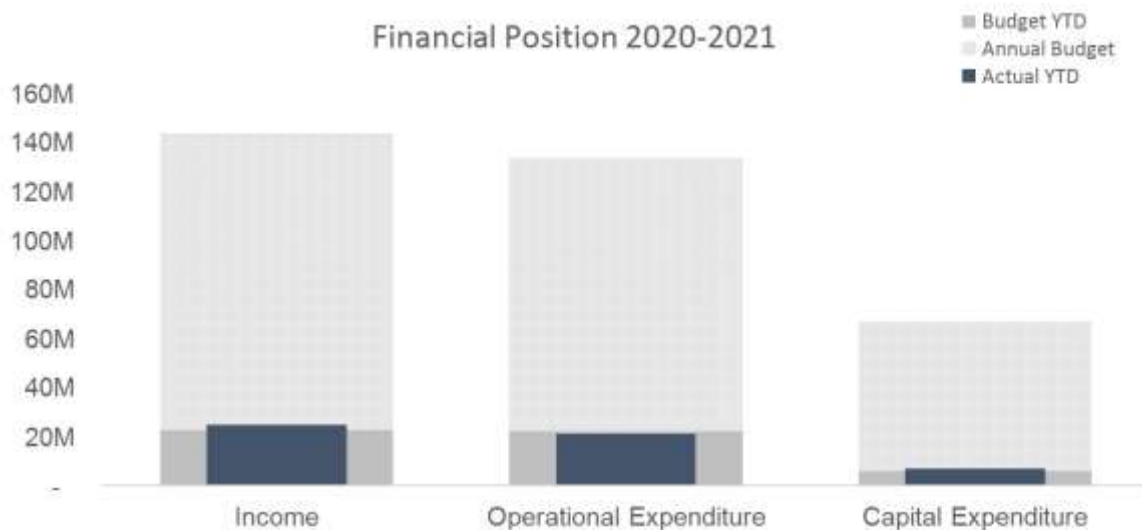
The overall performance of Council has continued as usual even though we have only just come out of the final drought level, post COVID-19 and the recent flood event. Council will continue in the coming months in order to bring back recovery to our economy and district.

The organisation is refocusing their priorities in order to accommodate these situations so ongoing income and expenditure will be reviewed.

With every new financial year there are a number of variances across the organisation, this is mainly due to timing of the budgets. These are being reviewed and will be timed accordingly in the coming months.

The commentary this month will only be by exception.

Overall, we had a Variance to Budget YTD movement of \$3.1M.



Year to Date

Actual Position as at 31-August-2020

	Actual YTD	Budget YTD	Variance to Budget YTD	% Variance Actual to Budget YTD
Total Income	24.7M	22.6M	2.0M	9%
Operational Expenditure	21.0M	22.1M	- 1.1M	-5%
Net Operating Position	3.6M	0.5M	3.1M	628%
Capital Expenditure	6.7M	5.7M	1.1M	19%

Year End

Forecast Position as at 30-June-2021

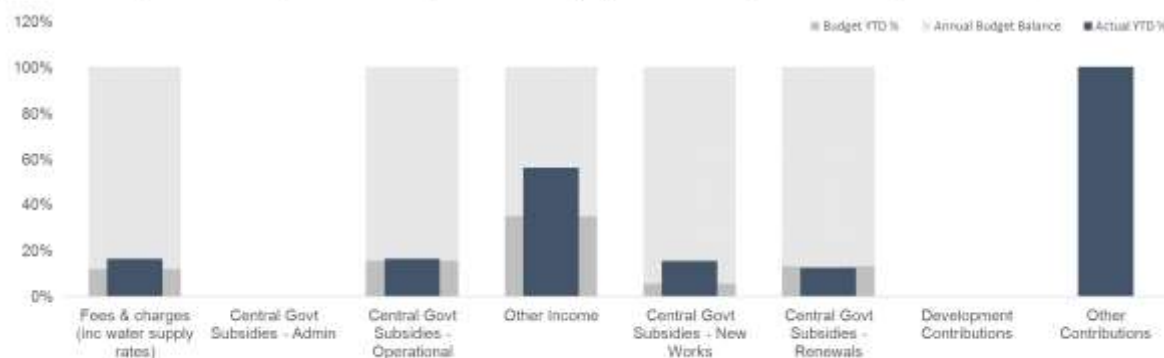
	Annual Forecast	Annual Budget	Forecast Variance to Budget	% Variance Forecast to Budget YTD
Total Income	143.8M	143.8M	- M	0%
Operational Expenditure	133.7M	133.7M	- M	0%
Net Operating Position	10.1M	10.1M	- M	0%
Capital Expenditure	67.2M	66.8M	0.4M	1%

**In the tables above and throughout this report, variances +/- 5% from budget are indicated as on track / green, anything outside this is red.*

Council Financial Performance – Income

Please note these figures relate to the Statement of Financial Performance controllable costs only, which excludes general rates and rates penalties.

Actual YTD	Budget YTD	Variance to Budget YTD	% Variance to Budget YTD	Annual Budget	Annual Forecast	Forecast Variance to Budget	% Forecast Variance to Budget
9.4M	7.2M	2.2M	30%	52.2M	52.2M	- M	0%



Highlights:

Fees & charges (inc water supply rates)

- Residents of Kaitia have been invoiced for their water usage as scheduled.
- Income received from ferry ticket sales due to increased local tourism across the district post COVID-19 lockdown.

Other Income

- Unclaimed Resource Consent bonds older than 6 years have been written-off.
- Provincial Growth Funding (PGF) received for sealing projects at Ruapekapeka, Ngapipito and Peria Road.

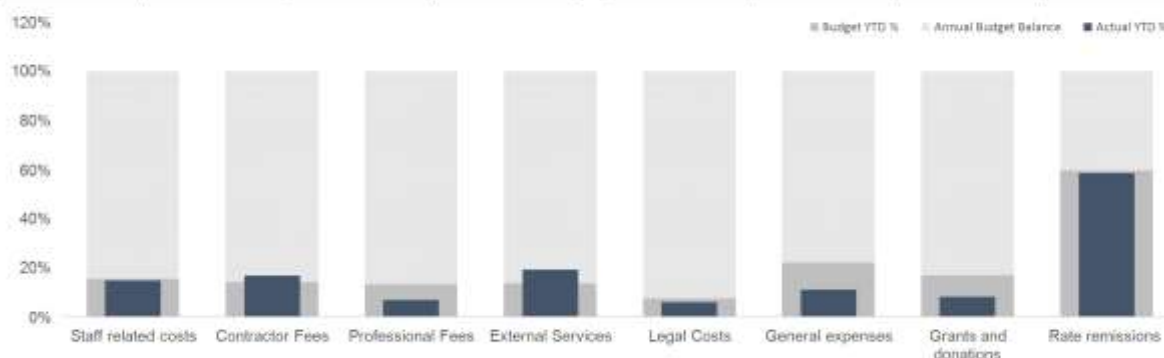
Central Govt Subsidies – New Works

- Ongoing unbudgeted Tourism Infrastructure Funds (TIF) received from Ministry of Business, Innovation & Employment (MBIE) for the construction of public toilets at Opononi, Mitimiti, Waitangi boat ramp and Haruru Falls bush walk.
- Additional NZTA funding not budgeted for ongoing footpath projects from last year for North Park to Whangatane Drive, Kaitia.

Council Financial Performance – Operational Expenditure

Please note these figures relate to the Statement of Financial Performance controllable costs only, which excludes allocations, interest costs, depreciation and other asset costs and gain/loss on disposal.

Actual YTD	Budget YTD	Variance to Budget YTD	% Variance to Budget YTD	Annual Budget	Annual Forecast	Forecast Variance to Budget	% Forecast Variance to Budget
15.0M	16.1M	1.1M	-7%	97.3M	97.3M	- M	0%



Highlights:

Contractor Fees

- Broadspectrum Services Limited (BSL) is ahead of budget for both water and wastewater, this is for contract materials, subcontractors and internal labour due to reactive works with the recent flood event.
- Desludging of the Kaitaia Wastewater Treatment Plant Pond 1 is now complete and final invoice paid.

Professional Fees

- A number of consultants have not yet been engaged across the organisation.

External Services

- Roading expenditure relating to the July storm event for which an application has been made to NZTA and awaiting outcome.
- Maritime facilities unbudgeted request in 2019/2020 for the demolition of the fertilizer shed at Te Hapua due to asbestos is now complete.
- Provincial Growth Funding (PGF) drought related project Lake Omapere is awaiting funding to be received.

Contractor Fees

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- Desludging of the Kaitaia Wastewater Treatment Plant Pond 1 is now complete and final invoice paid.

Professional Fees

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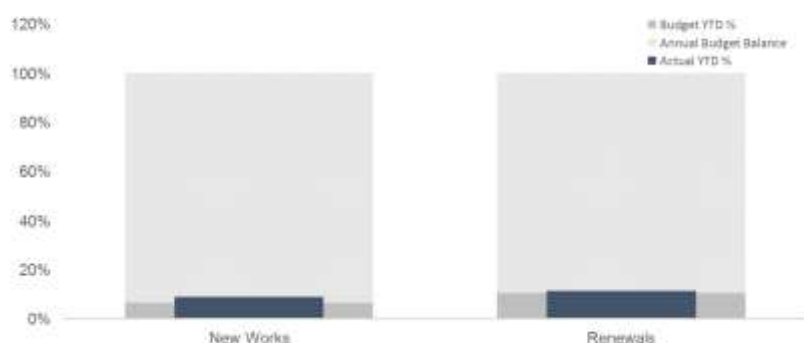
External Services

- Roothing expenditure relating to the July storm event for which an application has been made to NZTA and awaiting outcome.
- Maritime facilities unbudgeted request in 2019/2020 for the demolition of the fertilizer shed at Te Hapua due to asbestos is now complete.
- Provincial Growth Funding (PGF) drought related project Lake Omapere is awaiting funding to be received.

Council Financial Performance – Capital Expenditure

These figures are direct from the Statement of Capital Performance.

Actual YTD	Budget YTD	Variance to Budget YTD	% Variance to Budget YTD	Annual Budget	Annual Forecast	Forecast Variance to Budget	% Forecast Variance to Budget
6.7M	5.7M	1.1M	19%	66.8M	67.2M	0.4M	1%



Highlights:

New Works

- Ongoing minor safety & improvements projects from last financial year for bridges at Otua Rd, West Coast Rd; Panguru Rd raising, and associated improvements.
- A number of projects from prior year has continued but awaiting approval from the Carry Forward exercise to be completed.
- Ongoing footpath projects from last year for North Park to Whangatane Drive, Kaitiaia

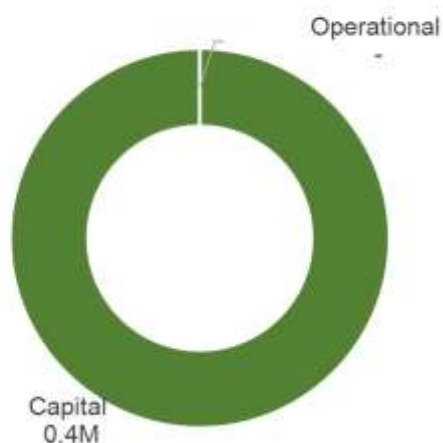
Renewals

- Safety improvement project at Route 4 Kerikeri-Okaihau and Route 7 Matauri Bay Loop Roads has not commenced as planned.
- Ongoing work from last financial year for Parks and Reserves at Centennial Park, Okaihau and Moerewa.

Unbudgeted Expenditure

These are additional works not included in the original budget for the current year.

Unbudgeted work greater than \$100,000 must be approved by Council, anything less than that can be approved by a General Manager with appropriate financial delegation.

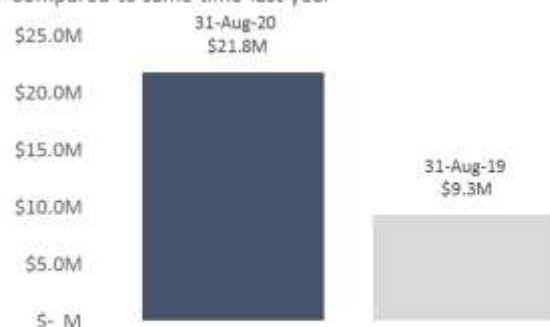


Unbudgeted Expenditure		
<i>*Expenditure over \$100K approved by</i>		
Unbudgeted Capital Works		Amount
Houhora WWTP	CAPEX New Works Contract Services	112,000
Structural works Kawakawa WTP	CAPEX New Works Contract Services	109,051
Hundertwasser toilet upgrade	CAPEX Renewal Works Contract	82,000
East Coast PS Bush Point Rd	CAPEX New Works Contract Services	49,942
East Coast PS Leslie Rd	CAPEX New Works Contract Services	38,000
60 Peninsula Parade Hihi Sewer	CAPEX New Works Contract Services	22,387
Te Hononga CCTV - Hundertwasser	CAPEX New Works Contract Services	12,000
		425,380

Treasury Report

Cash Position

Compared to same time last year



	31-Aug-20	31-Aug-19
ASB General Fund	\$ 16.7M	\$ 4.3M
ASB Special Funds	\$ 5.1M	\$ 5.0M
Investments	\$ - M	\$ - M
Total Cash	\$ 21.8M	\$ 9.3M

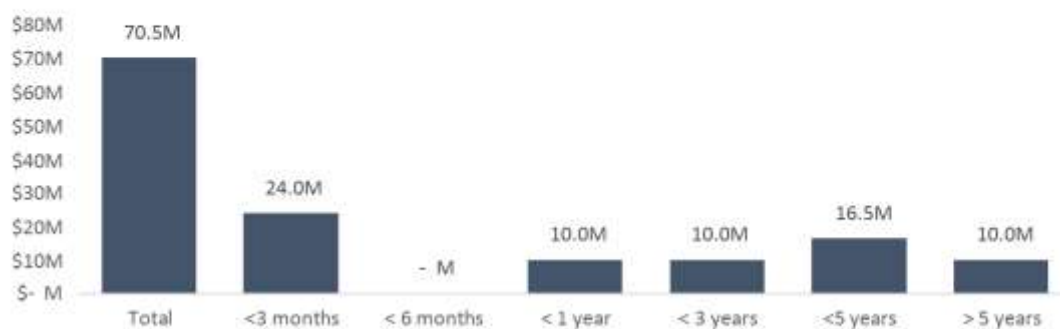
Banking Facility



Banking Facility	\$ 30.0M
Drawn down	\$ 14.0M
Available	\$ 16.0M

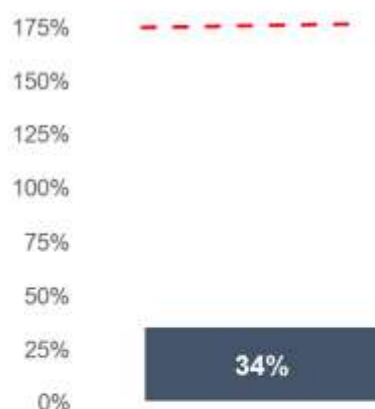
Public Debt

Loans by Maturity Date



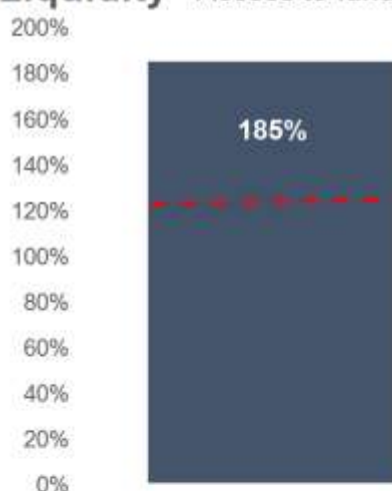
Treasury Compliance

Net Debt as a % of Revenue must be less than 175%



Net Debt	\$ 48.7M
Budgeted Total income	\$ 141.7M
Debt Ceiling	\$ 247.9M
Net debt as % total revenue	34%
Policy Maximum	141%

Liquidity - Access to funds must be greater than 110%



External Debt	\$ 56.5M
ASB Banking Facility	\$ 30.0M
ASB Banking Facility used	-\$ 14.0M
Total Committed Public Debt	\$ 72.5M
Liquid Investments Cash at Bank	\$ 21.8M
Liquid Investments ASB Overdraft Facility	\$ 10.0M
	\$ 104.3M
Access to Funds	185%
Policy Minimum	110%

Note: Total revenue is based on 2019/20 total forecast income excluding non government capital contributions (eg. developer contributions and vested assets).

Liquidity is defined as external debt + committed loan facilities + liquid investments, including bank overdraft facility, divided by existing external debt.

Statement of Financial Performance

for the period ending Aug 2020 (Pd2)

	Year To Date (\$000's)			Full Year (\$000's)						
	YTD Actual	Total Budget YTD	Variance	LTP Budget	Budget Brought Forward	Total Annual Budget	Actual vs Budget Variance	Actual vs Budget %	Total Annual Forecast	Forecast vs Budget Variance
Operational Income										
Rates - general (excl water supply rates)	15,009	14,921 -	88	89,525	-	89,525	74,516	17%	89,525	-
Rates - penalties	300	518	218	2,073	-	2,073	1,773	14%	2,073	-
Fees & charges (inc water supply rates)	2,805	2,018 -	787	17,059	-	17,059	14,254	16%	17,059	-
Central Govt Subsidies - Admin	-	-	-	-	-	-	-	0%	-	-
Central Govt Subsidies - Operational	1,682	1,583 -	99	10,276	-	10,276	8,593	16%	10,276	-
Other Income	2,069	1,287 -	782	3,686	-	3,686	1,618	56%	3,686	-
Capital Income										
Central Govt Subsidies - New Works	938	334 -	603	6,124	-	6,124	5,186	15%	6,124	-
Central Govt Subsidies - Renewals	1,863	1,961	97	15,051	-	15,051	13,188	12%	15,051	-
Development Contributions	-	-	-	-	-	-	-	0%	-	-
Other Contributions	5	- -	5	-	-	- -	5	100%	-	-
Total Operating Income	24,671	22,622 -	2,049	143,794	-	143,794	119,123	17%	143,794	-
Operational Expenditure										
Staff related costs	4,811	4,999	188	32,633	-	32,633	27,823	15%	32,633	-
Contractor Fees	4,839	4,058 -	781	28,719	-	28,719	23,880	17%	28,719	-
Professional Fees	625	1,235	609	9,291	-	9,291	8,666	7%	9,291	-
External Services	1,776	1,260 -	515	9,217	-	9,217	7,441	19%	9,217	-
Legal Costs	41	51	10	682	-	682	641	6%	682	-
General expenses	1,421	2,843	1,423	12,909	-	12,909	11,488	11%	12,909	-
Grants and donations	133	275	141	1,624	-	1,624	1,491	8%	1,624	-
Rate remissions	1,321	1,343	22	2,257	-	2,257	936	59%	2,257	-
Allocations (direct and indirect)	-	0	0 -	0	-	0 -	0	0%	0	-
Interest costs	239	286	47	1,715	-	1,715	1,476	14%	1,715	-
Sub total	15,205	16,349	1,144	99,047	-	99,047	83,841	15%	99,047	-
Depreciation and other asset costs	5,833	5,774 -	59	34,645	-	34,645	28,812	17%	34,645	-
Gain/Loss on Disposal	0	-	0	-	-	-	0	100%	-	-
Total Operational Expenditure	21,038	22,123	1,085	133,691	-	133,691	112,653	16%	133,691	-
Net Operating Surplus	3,633	499	3,134	10,103	-	10,103	6,470		10,103	

Statement of Capital Performance

for the period ending Aug 2020 (Pd2)

	Year To Date (\$000's)			Full Year (\$000's)						
	YTD Actual	Total Budget	Variance	LTP Budget	Budget Brought Forward	Total Annual Budget	Actual vs Budget Variance	Actual vs Budget %	Total Annual Forecast	Forecast vs Budget Variance
District Facilities	336	- -	336	13,028	-	13,028	12,692	3%	13,122	94
Environmental Management	6	- -	6	-	-	-	6	100%	-	-
Roading and Footpaths	3,838	3,644 -	194	37,388	-	37,388	33,550	10%	37,388	-
Wastewater	1,345	1,185 -	160	7,524	-	7,524	6,179	18%	7,746	222
Stormwater	490	43 -	447	1,179	-	1,179	689	42%	1,179	-
Solid Waste Management	-	-	-	325	-	325	325	0%	325	-
Water Supply	425	742	318	4,495	-	4,495	4,071	9%	4,604	109
Governance & Strategic Administration	228	- -	228	2,334	-	2,334	2,106	10%	2,334	-
Customer Services	81	57 -	24	533	-	533	452	15%	533	-
Strategic Planning & Policy	-	-	-	-	-	-	-	0%	-	-
Total Capital Expenditure	6,748	5,672 -	1,077	66,807	-	66,807	60,058	10%	67,232	425

Analysis of Operational Income and Expenditure by LTP Group

Income	Year To Date (\$000's)			Full Year (\$000's)						
	YTD Actual	Total Budget	Variance	LTP Budget	Budget Brought Forward	Total Annual Budget	Actual vs Budget Variance	Actual vs Budget %	Total Annual Forecast	Forecast vs Budget Variance
District Facilities	718	200 -	519	1,866	-	1,866	1,148	-39%	1,866	-
Environmental Management	1,474	1,124 -	350	5,464	-	5,464	3,989	-27%	5,464	-
Roading and Footpaths	5,834	5,216 -	619	34,441	-	34,441	28,607	-17%	34,441	-
Wastewater	18	35	17	403	-	403	384	-4%	403	-
Stormwater	-	-	-	-	-	-	-	-100%	-	-
Solid Waste Management	247	234 -	13	1,405	-	1,405	1,157	-18%	1,405	-
Water Supply	724	142 -	583	6,642	-	6,642	5,918	-11%	6,642	-
Governance & Strategic Administration	274	194 -	80	1,458	-	1,458	1,184	-19%	1,458	-
Customer Services	44	38 -	6	442	-	442	398	-10%	442	-
Strategic Planning & Policy	27	-	27	75	-	75	48	-36%	75	-
Total Operating Income	9,362	7,183 -	2,179	52,196	-	52,196	42,834	18%	52,196	-

Operational Expenditure	Year To Date (\$000's)			Full Year (\$000's)						
	YTD Actual	Total Budget	Variance	LTP Budget	Budget Brought Forward	Total Annual Budget	Actual vs Budget Variance	Actual vs Budget %	Total Annual Forecast	Forecast vs Budget Variance
District Facilities	1,345	1,780	435	9,554	-	9,554	8,208	14%	9,554	-
Environmental Management	1,387	1,521	133	10,489	-	10,489	9,102	13%	10,489	-
Roading and Footpaths	3,786	4,049	263	25,521	-	25,521	21,735	15%	25,521	-
Wastewater	1,086	677 -	408	6,850	-	6,850	5,764	16%	6,850	-
Stormwater	237	202 -	36	1,942	-	1,942	1,705	12%	1,942	-
Solid Waste Management	569	717	147	4,282	-	4,282	3,713	13%	4,282	-
Water Supply	1,158	641 -	517	4,970	-	4,970	3,812	23%	4,970	-
Governance & Strategic Administration	3,990	4,872	882	21,576	-	21,576	17,586	18%	21,576	-
Customer Services	767	822	55	5,658	-	5,658	4,891	14%	5,658	-
Strategic Planning & Policy	640	782	142	6,489	-	6,489	5,849	10%	6,489	-
Total Direct Costs	14,966	16,063	1,097	97,332	-	97,332	82,366	15%	97,332	-

5.3 TENDER PANEL QUARTERLY INFORMATION REPORT MAY – AUGUST 2020

File Number: A2963355

Author: Michelle Sharp, Manager - Project Management

Authoriser: William J Taylor MBE, General Manager - Corporate Services

PURPOSE OF THE REPORT

To provide elected members with oversight of all procurements taken to the internal Tender Panel since it was established in May 2020, including Procurement Plans (as well as those in play at time of reporting), and tenders awarded. No decision is required.

EXECUTIVE SUMMARY

An in-house Tender Panel has been established to introduce a more agile procurement approach to support going out to market and timely decision making, which is now especially relevant as we gear up to navigate shovel ready initiatives.

Five Procurements either above the threshold of \$1million or direct award over \$100,000 have been presented to the Tender Panel for review of process.

Details outlined in table below.

RECOMMENDATION

That the Assurance, Risk and Finance Committee receive the report Tender Panel Quarterly Information Report May – August 2020.

BACKGROUND

The Procurement Board, consisting of Elected Members and staff, was established in 2016 to create greater oversight of procurement matters by Elected Members. The Members also provided input into the creation of the Procurement Policy through the Procurement Reference Group.

In 2019, Elected Members indicated they were in favour of standing down the Procurement Board, reflecting the maturity path which had developed over four years.

An internal Tender Panel was then established in early 2020, and Terms of Reference were developed to provide clarity around the purpose and process (attached). The Tender Panel is scheduled to sit fortnightly to provide quick turnaround to support agile procurement, and consists of five core staff (representing Legal, Finance, Risk, Sustainable Procurement and Operations), and is chaired by GM Corporate Services.

The financial threshold to take a Procurement Plan to the Tender Panel has been increased to align with the recent change in our CEO's delegated financial authority (from \$500k+ to \$1m+). This also helps to alleviate any process blockages around our Procurement approvals.

The Tender Panel provides probity by the following means:

- Having key staff sit on the Tender Panel creates a two-fold opportunity – provides due diligence over financials, legal compliance and risk. Having fixed panel membership ensures a broad base of knowledge is gained over time as procurement plans are brought to the table.
- The panel oversee plans to go to market for high value, high risk procurements and undertake sound probity on supplier recommendations up to \$1million to assure the CEO that due process has occurred to select the supplier. This is further supported by the Procurement Specialist being assigned to support the panel with technical advice and directly engaging with staff undertaking the procurement.

- Quarterly reporting to Assurance, Risk and Finance Committee on all procurements over the quarter – including plans to market (those in play at the time of reporting) and tenders awarded.
- Fortnightly meetings of 30 minutes are scheduled to provide agile turn-around to expedite going to market and supplier decisions – utilised as required.
- Agenda and Minutes are managed by an Administrator.
- General Manager, Corporate Services acts as Chair of the Panel.

DISCUSSION AND NEXT STEPS

Table 1: outlines procurements reviewed by the Tender Panel, including procurement approach taken, Tender Panel decision, and outcome where market exercise has been completed.

TP Date	Name	Procurement Approach	Estimate \$	Category	Tender Panel Decision	Outcome	Activity Closed	Successful Supplier
18 May 2020	Kaitaia Water Main Pipeline Physical Works Registration of Interest	First Stage Registration of Interest, Second Stage following on from the evaluation of the shortlisting a Request for Tender (inviting selected participants from the shortlisting)	\$11.8 million	Physical Works	Endorsement to proceed with the Registration of Interest, approval sought from Council to publish the RFT	RFT closed on GETS on 25/09/2020 – following approval from Council to publish the RFT	To seek authorisation for contract award planned for 4 Nov 2020	
17 June 2020	Dust Suppression District Wide 2020 -2022	Request for Tender, contract estimate exceeds \$200,000 a request to deviate from an open tender to a closed tender i.e. to invite two specialised suppliers	\$1,023,000 (prior to the time of tendering)	Physical Works – roading	Chair and Tender Panel Core Members showed their hands unanimously in agreeance to proceed with the closed tender approach for the Summer Dust Suppression District Wide project.	Tender evaluation process has closed, and outcome of the competitive process is approved. Tenderers notified for the outcome.	September 2020	Gravel Lock Limited Award price of \$984,543.64
20 July 2020	Infill Lighting Improvement Programme	Evaluation closed, seeking guidance following on from the supplier selection method (completion of	The contract included two separable portions relevant to FNDC	Physical Works	In reference to SP4 tendered price of \$3,146,127.24 (excluding	<u>Council Resolution 2020/53</u> Approve Council entering into a back to back contractual	August 2020	McKay Ltd

		supplier selection recommendation report). The contract was jointly tendered with WDC. Contract Manager sought guidance before seeking Council approval due to the value	SP 3 - \$1,123,299.12 and SP4 - \$3,146,127.24		GST) approval to proceed shall not be given until FNDC has approved sufficient budget for this work in the 2021/2031 Far North District Council Long Term Plan. Further to seeking Council approval the preferred tenderer can be advised of the outcome as a preferred participant.	agreement with Whangarei District Council for the sum of \$1,123,299.12 (ex GST) for delivery of FNDC Separable Portion 3 within the WDC Contract 19017 for LED Streetlight Improvements – Northern Package (V Category). Subject to sufficient budget for this work being approved in the 2021/2031 FNDC LTP, the CEO is authorised to approve extension of the back to back contractual agreement with WDC for completion of Separable Portion 4 under the head contract and awarding to the preferred participant for the sum of \$3,146,127.24 (plus any cost fluctuation increase permitted under the		
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						Conditions of Contract).		
17 Aug 2020	Physical Security /Vulnerability Assessment of FNDC Water/Wastewater Assets	Seeking endorsement of a direct award (single selection of a supplier)	\$142,000	Professional Services	The Chair and Tender Panel Core Members were unanimously in agreement to proceed with the direct award.	Direct Award to WSP	Contract Period of five months	WSP
31 Aug 2020	Procurement Plan for 2020/2021 New Footpaths (Ti Hiku Ward, Kaikohe Hokianga, Bay of Islands Whangaroa Ward	To seek endorsement to proceed engineer's estimate of the three tenders exceed \$1 million	Ti Hiku - \$420,750 Kaikohe – Hokianga \$423,752 Bay of Islands – Whangaroa Ward - \$381,186 \$1,225,688	Physical Works – roading	Chair and Tender Panel Core Members were unanimously in agreeance to proceed with publishing three tenders (open market) with an overall estimated value of \$1,225,688.	To be tendered		

FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

No additional budgetary provision is required to run the Tender Panel.

ATTACHMENTS

1. **Tender Panel Terms of Reference May 2020 - A2969232** [↓](#) 
2. **Register of Delegations for Infrastructure Committee - for 2019 triennium - A2557388** [↓](#) 

TENDER PANEL

Terms of Reference (May 2020)

Purpose

The Tender Panel is established to provide further governance and transparency to high value, high risk procurements.

The Tender Panel will assist the Chief Executive to undertake sound probity procedures in relation to procurement of goods and services necessary to deliver on the work programme and operations outlined in Far North District Council's adopted Annual Plan.

The role of the panel will evolve in line with the implementation of the Strategic Procurement framework and Council's ongoing maturity in the procurement space from transactional assessment against the policy/best practice to strategic pipeline planning and sustainable procurement practices.

Membership of the Tender Panel

- The following table identifies members of the Tender Panel: four core members and four voting members.
- Quorum is the Panel Chair plus 4 core members (preferred for consistency).
- A different General Manager will Chair the Tender Panel dependant on the agenda items and mitigation of any form of conflict of interests.

Tender Panel Chair	
Will Taylor	General Manager – Corporate Services
Tender Panel Core Members	
Janice Smith	Chief Financial Officer
George Swanepoel	In House Counsel
Glenn Rainham	Manager - Alliances
Jaime Dyhrberg	Manager Transformation Risk & Audit
Tender Panel (On a rotation basis)	
Dr Dean Myburgh	General Manager – District Services
Darrell Sargent	General Manager – Strategic Policy and Planning
Andy Finch	General Manager – Infrastructure and Asset Management
Assist with the Coordination of the Tender Panel	
Petrina Keane	Procurement Specialist
Administrator of the Tender Panel	
Lisa Williams	Administrator District Administration

Relevant Contract Managers, Project Managers etc may as appropriate be invited to present their case / answer any questions the Tender Panel may have, but do not have any decision-making rights.

Frequency of meetings

The Tender Panel will 'meet' on a fortnightly basis, with a schedule of meetings to be circulated at least three months in advance.

Meeting attendance can be either via Teams, face to face or a hybrid scenario.

Documentation to be reviewed and approved will be circulated to the Tender Panel members at least three business days prior to the meeting.

Terms of Reference

The scope of the Tender Panel covers all financial and contractual commitments that Far North District Council is planning to enter to (or has entered into) regardless of the funding source.

The table below highlights the appropriate levels of authority to review / approve procurement plans, supplier selection recommendations and contract variations.

Infrastructure* Works			
Procurement Stage	Value	Tender Panel Endorsement	Approval
Procurement Plan	Up to \$1,000,000	N/A	Relevant DFA
Procurement Plan	\$1,000,000+	Yes	N/A
Supplier Selection Recommendation	Between \$250,00 - \$1,000,000	Yes	Relevant DFA
Supplier Selection Recommendation	Between \$1,000,000 - \$3,000,000	N/A	Infrastructure Committee
Supplier Selection Recommendation	\$3,000,000+	N/A	Council
Contract Variations to existing contracts	Total contract and variation is less than \$1,000,000	N/A	Relevant DFA
Contract Variations to existing contracts	Total contract and variation is between \$1,000,000 and \$3,000,000	N/A	Infrastructure Committee
Contract Variations to existing contracts	Total contract and variation is more than \$3,000,000	N/A	Council
Other Works and Services			
Procurement Stage	Value	Tender Panel Endorsement	Approval
Procurement Plan	Up to \$1,000,000	N/A	Relevant DFA
Procurement Plan	\$1,000,000+	Yes	N/A
Supplier Selection Recommendation	Up to \$1,000,000	Yes	Relevant DFA
Supplier Selection Recommendation	\$1,000,000+	N/A	Council
Contract Variations to existing contracts	Total contract and variation is less than \$1,000,000	N/A	Relevant DFA
Contract Variations to existing contracts	Total contract and variation is more than \$1,000,000	N/A	Council

*** Definition of Infrastructure Works:**

- Physical Works: Minor Asset Construction, Major Asset Construction
- Professional Services: Engineering Services, Planning Services, Investigation and Design Services

All Procurements that are deemed as being high-risk, high sensitivity or where Council's reputation is affected may be referred to the Tender Panel by the Chief Executive or a General Manager.

Procurement plans for the establishment of supplier panels will be referred to the Tender Panel with a recommendation to Council via the staff report.

[Note: The Infrastructure Committee Terms of Reference dated 9 April 2020 is attached as Appendix A which contain the responsibilities and financial delegations of the Infrastructure Committee.]

Role of the Tender Panel

The role of the Tender Panel is to:

- Be satisfied that the Far North District Council's procurement policies, principles, strategies, objectives and all associated procedures are complied with.
- Be satisfied that sufficient Council funding is available for the proposed procurement.
- Receive, review and endorse the appropriate Procurement Plan prior to going to market.
- Receive and review the Supplier Recommendation Reports on completion of market exercise.
- Be satisfied that the successful tender achieves the best value for money and best outcome for the Far North District Council and its stakeholders.
- Be satisfied that commercial confidentiality is fully maintained as required by the procurement process.
- Advise of any conflicts of interest (perceived or otherwise) that may occur during the Tender Panel's consideration of a matter and remove themselves from the process.
- Ensure the Tender Panel consistently remains neutral and fair.

In considering whether to approve an item or not the Tender Panel will address:

- Whether the funding has been approved appropriately.
- Whether the matter fits the stated business requirement.
- Whether a robust procurement process will be / has been followed.
- Whether the potential savings opportunity is suitably ambitious.
- Whether any risks associated with the matter fits with an acceptable risks profile.
- Whether any legal considerations are appropriately identified and mitigated.
- Any Social, Ethical or Environmental considerations.

Limitations

- It is not the role of the Tender Panel to question the need for the work.
- The Tender Panel is authorised to make recommendations to the Council of the preferred tenderer but does not itself have the authority to award the contract.

Actions and outcomes from the Tender Panel meetings will be reported and distributed to appropriate General Managers / Managers, Project Managers.

Decision Making

- Where all members do not agree on a decision, the Chair of the Tender Panel can ask that further information is provided or put the matter to a vote with a simple majority vote deciding the matter.
- Members of the Tender Panel do not have any voting rights if;
 - They have interest, financial or otherwise, in the matter being decided; or
 - It could be reasonably be perceived by others that they are 'voting for their own project'.

Tender Panel is responsible for:

- Reviewing all submitted reports and agreeing to the recommendations or otherwise at the meeting, or if this is not possible, within an agreed short time period.
- Decision making and supporting the decision across the Far North District Council.
- Requesting reports for areas for concern.
- Quarterly reporting to the Assurance, Risk and Finance Committee on all procurements during the period.

The Chair of the Tender Panel is responsible for:

- Ensuring the efficient and timely running of the Tender Panel.
- Ensuring members give due consideration to the matters under discussion.
- Ensuring the minutes of the meeting accurately represents the discussion and decisions taken.
- Ensuring the Terms of Reference of the Panel are reviewed annually or earlier if required.

	Authorising Body	Mayor/Council
	Status	Standing Committee
COUNCIL COMMITTEE	Title	Infrastructure Committee Terms of Reference
	Approval Date	7 May 2020
	Responsible Officer	Chief Executive

Purpose

The purpose of the Infrastructure Committee (the Committee) is to ensure cost effective, quality and sustainable infrastructure decisions are made to meet the current and future needs of Far North communities and that Councils infrastructure assets are effectively maintained and operated.

The Committee will review the effectiveness of the following aspects:

- Affordable core infrastructure to support healthy and sustainable living;
- Operational performance including monitoring and reporting on significant infrastructure projects
- Delivery of quality infrastructure and district facilities
- Financial spend and reprogramming of capital works
- Property and other assets

To perform his or her role effectively, each Committee member must develop and maintain his or her skills and knowledge, including an understanding of the Committee's responsibilities, Councils' infrastructure assets such as roading, three waters and district facilities.

Membership

The Council will determine the membership of the Infrastructure Committee.

The Infrastructure Committee will comprise of at least six elected members (one of which will be the chairperson).

Mayor Carter
 Felicity Foy – Chairperson
 Ann Court – Deputy Chairperson
 Dave Collard
 Kelly Stratford
 John Vujcich
 Mate Radich

Non-appointed councillors may attend meetings with speaking rights, but not voting rights.

Quorum

The quorum at a meeting of the Infrastructure Committee is 5 members.

Frequency of Meetings

The Infrastructure Committee shall meet every 6 weeks, but may be cancelled if there is no business.

Power to Delegate

The Infrastructure Committee may not delegate any of its responsibilities, duties or powers.

Committees Responsibilities

The Committees responsibilities are described below:

Quality infrastructure and Facilities

- Assess and provide advice to Council on strategic issues relating to the provision of Council's infrastructural activities and district facilities
- Review, and recommend to Council, policy and strategies for the delivery of infrastructural asset services
- Monitor achievement of outcomes included in the Infrastructure Strategy and other infrastructure strategies eg District Transport Strategy
- Ensure that Council protects its investment in its infrastructural assets in accordance with accepted professional standards
- Monitor the risks, financial and operational performance of the Council's infrastructural activities and facilities
- Monitor major contract performance measures/key result areas (KRAs)

Significant Projects – spend, monitoring and reporting

- Monitor significant projects
- Approve budget overspend (above tolerance levels in the CE delegations) and any reprogramming of capex for a project or programme provided that:
 - The overall budget is met from savings
 - The overall budget for capex is not exceeded. Where this is not the case, the Committee must either:
 - Recommend to Council that additional funding is approved (outside the Annual Plan or Long Term Plan process), or
 - Recommend as part of the next round of Long Term Plan or Annual Plan process that the funding is considered for inclusion.
- Approve tenders and contracts provided they are:
 - Up to \$3 million,
 - in accordance with the current year's plan, whether that be Annual Plan or Long Term Plan, and
 - deemed low by the Significance and Engagement Policy

Compliance

- Ensure that operational functions comply with legislative requirements and Council policy
- Ensure that consents associated with Council's infrastructure are being met and renewals are planned for

Service levels (non regulatory)

- Recommend service level changes and new initiatives to the Long Term and Annual Plan processes.

Relationships

- Monitoring Council's relationship with the Northland Transportation Alliance
 - Receive quarterly performance reports
- Monitoring Council's relationship with the Far North Waters Alliance Partner

Property

- Recommend to Council the acquisition or disposal of assets.
- Approve new leases and lease renewals (of non-reserve land), in accordance with the current years' plan, whether that be Annual Plan or Long Term Plan.

Receive updates on changes to national and regional policies that impact on Council provision of infrastructure and where appropriate make recommendation to Council.

Rules and Procedures

Council's Standing Orders and Code of Conduct apply to all the committee's meetings.

Annual reporting

The Chair of the Committee will submit a written report to the Chief Executive on an annual basis. The review will summarise the activities of the Committee and how it has contributed to the Council's governance and strategic objectives. The Chief Executive will place the report on the next available agenda of the governing body.

5.4 INTERNAL AUDIT AND ASSURANCE - OCTOBER 2020**File Number:** A2967061**Author:** Celine Carlisle, Audit and Assurance Specialist**Authoriser:** William J Taylor MBE, General Manager - Corporate Services**PURPOSE OF THE REPORT**

To provide the Assurance, Risk and Finance Committee with an update on internal and external audits, and any associated recommendations.

EXECUTIVE SUMMARY

This report provides an update on internal and external audit recommendations recently completed, almost complete, underway or on hold. Since the last report on 20 August, progress has occurred, but no new recommendations have been completed.

RECOMMENDATION

That the Assurance, Risk and Finance Committee receive the Internal Audit and Assurance – October 2020 report.

BACKGROUND

There are active plans in place to complete all outstanding recommendations.

Audit recommendations as at 1 October 2020:

ID	Audit Name	Title	Priority	Status	Description
23	Internal Audit – Information Security	External user access and authentication	Must do	Almost complete	Network logon account internal audit has been completed. Progress: IT team actioning audit findings.
28	Internal Audit – Information Security	Project Security Risks	Should do	Underway	Information security controls need to be factored into FNDC's project management framework to ensure associated risks are managed. Progress: The PMO are developing a checklist to ensure information security is maintained around project delivery, completion Dec 2020. The considerations around Information security will also be included in the general Project Management Framework training to all key staff / induction.

58	KPMG – Procurement	Spend monitoring	Should do	Underway	Implement quarterly procurement spend analysis.
59	KPMG – Procurement	Spend monitoring	Should do	Underway	As part of the spend analysis process, integrate category spend management on a periodic basis.
74	2017 Audit NZ Interim Annual Management Report	Legislative Compliance System	Should do	On hold	<p>Audit NZ recommend a mechanism for monitoring compliance with legislative requirements is put in place as part of the Council's overall risk management strategies.</p> <p>Stakeholder interviews have been completed. A range of possible solutions have been investigated. The next step is to procure a legislative compliance system and this will be considered in future budgets.</p>
99	Contract Management Review	Set contract management guidelines	Must do	Underway	<p>Focus is being placed on setting organisation wide contract management guidelines, encompassing the three main contractual areas: physical works, fixed term operational and maintenance, and goods and services. This encompasses the four contract stages: contract planning and development, contract execution, contract management and contract review/close-out.</p> <p>Progress:</p> <p>Work on developing a Contract Management Policy and Framework is progressing in readiness to do small testing and seek further input from others in October.</p>
105	2018 Audit NZ Final Annual Management Report	Resource Management Deposits (Bonds)	Must do	Almost complete	<p>When testing the liability balance related to resource management deposits, Audit NZ found some deposits in the listing were received 18 years ago.</p> <p>They recommended resource management deposits be reviewed and an assessment</p>

					<p>made as to whether they still meet the definition of a liability. If not, they should be released to revenue.</p> <p>The Compliance Team have undertaken analysis and site inspections to determine which bonds can be refunded. This work is nearing completion.</p>
111	Three Waters Interim Alliance Agreement Review	Education of Alliance contracts and principles	Should do	Underway	<p>Greater education provided for staff regarding expectations of an Alliance contract and understanding of the Alliance principles.</p> <p>Toolbox sessions are held regularly with Far North Waters. FNDC Asset Managers are going to be taken through the contract so they can get a clear understanding of how it works.</p>
115	Three Waters Interim Alliance Agreement Review	Agree on Key Performance Indicators (KPI)	Should do	Underway	<p>Agree on the KPI's through the Alliance Management Team, including finance and contract performance, proactiveness and innovation, and co-developed Health and Safety. KPI's to be agreed in 2020.</p>
123	2019 Audit NZ Final Annual Management Report	Deferral of capital expenditure	Must do	Underway	<p>Audit NZ recommend the Council give consideration to the impact of deferred capital expenditure on asset condition and any potential impact this may also have on Council's asset valuations and impairment assessments for future reporting cycles.</p> <p>Council has commenced Programme Darwin which is aimed at addressing issues with asset management. Delivery of the capital programme being one of these issues. Council is reviewing the capital programme to ensure it is achievable from inception and limited to what can reasonably be delivered.</p>

138	LGOIMA Compliance and Practice Report	Amend operational guidance on staff intranet to comply with LGOIMA	Must do	Almost complete	SLT approved the policy. Legal Services working with the Communications and IT teams to place it on the Intranet.
139	LGOIMA Compliance and Practice Report	Develop a Proactive Release policy	Must do	Almost complete	<p>The Proactive Release Policy is nearing completion. As a result of the adoption of this policy, Legal Services will commence work on establishing the processes for proactive release of information, as well as how we manage publicly excluded items according to the policy guidelines. The Proactive Release Policy is complete and adopted.</p> <p>Progress:</p> <p>Working to establish procedure for proactive release of information.</p>

Complete: 0

Almost complete: 4

Underway: 7

On hold: 1

Total: 12

FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

This report is for information only.

ATTACHMENTS

Nil

5.5 RISK MANAGEMENT - OCTOBER 2020**File Number:** A2960017**Author:** Tanya Reid, Business Improvement Specialist**Authoriser:** William J Taylor MBE, General Manager - Corporate Services**PURPOSE OF THE REPORT**

To provide a report on organisational risk management, emergent risk and scheduled risk progress reports for the organisation's top risks.

No decision is required.

EXECUTIVE SUMMARY

Four emergent risks have been identified. The organisational risk of externally funded projects is the subject of a separate report to this meeting. The business continuity arrangements risk will be on the December agenda.

Risk progress updates are provided for four of the top organisational risks. Three of these risks have been assessed as no change to the residual risk score, and one reports an increased risk.

Progress on group risk continues.

RECOMMENDATION

That the Assurance, Risk and Finance Committee receive the Risk Management - October 2020 report.

BACKGROUND

The top organisational risks are risks that may impact on Council achieving its vision, mission and community outcomes and are regularly reported to the Assurance, Risk and Finance Committee to ensure they are being appropriately managed. A number of these risks are subject to external influences which may affect effective council operations. The table below provides a risk snapshot of the Assurance, Risk and Finance Committee Organisational Risk Dashboard with inherent and residual risk scores as accepted by the Committee and the risk progress to the residual risk score as assessed by the risk subject matter experts.

Key

↓ Risk is decreasing.

— No change.

↑ Risk is increasing.

Top organisational risk summary:

Risk #:	Risk title	Inherent risk score	Change to risk score	Residual risk score	Accountable Risk Governance	Responsible Risk Governance	Risk Progress Report Frequency (months)
ARF001	Climate Change	63	—	30	CEO	GMSP	6
ARF002	BCA Status Risk	51	↓	18	CEO	GMDS	Monthly SLT/ARF/Council
ARF003	Health & Safety Vulnerabilities	46	↑	34	CEO	Manager P&C	2

ARF004	Asset Management Risks	45	—	18	CEO	GMIAM	6
ARF005	Affordability Risk	45	↑	26	CEO	GMSP	6
ARF006	Project Priorities Deliveries Delays	45	—	14	CEO	GMIAM	2
ARF007	Compliance NRC Abatements	45	↓	18	CEO	GMIAM	6
ARF008	Civil Defence	42	↓	38	CEO	GMIAM	6
ARF009	Customer Service Delivery	39	—	22	CEO	Manager P&C	2
ARF010	Data Governance Risks	39	↑	14	CEO	CEO	6
ARF011	Organisational Cohesion Risks	29	↓	14	CEO	CEO	6
ARF012	Contract Management Risks	39	—	14	CEO	GMIAM	2
ARF013	Drinking Water Resilience	39	Too early to assess.	ARF to agree level residual risk	CEO	GMIAM	3

A programme of deep dive workshops is planned for these risks. The first of two deep dive workshops for ARF005 Affordability risk has been completed, with the second workshop to be scheduled.

The Transformation and Assurance team continues to work with the organisation to refresh / establish Group risk registers, with treatment plans, and regular reviews.

DISCUSSION AND NEXT STEPS

Emergent Risk:

Four emergent organisational risks have been identified:

1. The risk of externally funded shovel ready, economic stimulus employment opportunity projects due to the impact of the COVID-19 pandemic. This is subject to a report at the October 20 Assurance, Risk and Finance Committee meeting.
2. The financial and legal risks as a result of climate change. Timing of a report on this risk, to the Assurance, Risk and Finance Committee meeting, is to be determined.
3. District Services have proposed to escalate one of their top group risks for consideration of inclusion on the top organisational dashboard. It is proposed that this be included in the Assurance, Risk and Finance Committee risk workshop agenda.
4. The risk of not fit for purpose business continuity arrangements. This will be subject to a report at the December 20 Assurance, Risk and Finance Committee meeting.

Lessons learned and business continuity arrangements:

We have conducted a number of “lessons learned from the twin crises” workshops across the organisation to capture what we did well; what were the challenges we faced; and what should we do differently next time. As advised at the September Assurance, Risk and Finance Committee meeting the “lessons learned from our twin crises” report will be on the agenda for the December meeting. Lesson’s learned from the twin crises will be used to is inform the revision of our FNDC business continuity arrangements. These arrangements were last reviewed in August 2009.

Business continuity arrangements are about service delivery, how we will respond to an operational challenge. It involves the recovery or continuation of business activities in the event of any business disruption. The following graphic illustrates where business continuity fits within civil defence, crisis management and business as usual and what the goal of each of these is:

FNDC LINES OF RESILIENCE



As we have recently experienced all organizations will, at some point, be faced with having to respond to an incident that may disrupt or threaten day-to-day operations. The goal of business continuity arrangements is to enable us to respond effectively to any such disruption. Business continuity arrangements are managed through activities such as scoping, risk evaluation, business continuity strategy, business continuity objectives, development planning, training, exercises, testing, reviewing and continual development.

At the end of 2019 Transformation & Assurance, as a part of their risk mandate, took on the ownership of our business continuity arrangements, previously the responsibility of the FNDC Civil Defence function.

Organisational risk progress reports:

Four risk progress reports, including high level treatment plan developments, are provided with highlights and analysis of risk progress below. More detail is available in the attached risk progress reports. ARF004 BCA Risk is reported separately by District Services. No additional reporting on organisational risks are required.

1. 2020 10 ARF003 Health Safety and Wellbeing Vulnerabilities Risk Progress Report: The inherent risk profile has been assessed as increased due to delays in the implementation of some of the proposed treatments; the ongoing COVID-19 pandemic; non-compliance with Work Safe regulations across our assets; and contractor incidents since the last reporting period.

2. 2020 10 ARF006 Projects Priorities Delivery Delays Risk Progress Report: The inherent risk profile has not changed as we currently do not have evidence that we have improved our baseline measurements. It is expected that we will have this evidence towards the end of this financial year.
3. 2020 10 ARF009 Customer Service Delivery Risk Progress Report: While FNDC has made good progress in addressing this risk, prior to the COVID-19 lockdown the customer satisfaction index had exceeded the targeted key performance indicator. The index was negatively impacted by the COVID-19 lockdown and is now recovering. Since lockdown survey response rates have also reduced impacting the reliability of the data. While the impact and likelihood of this risk has been assessed as improved from the last report, the risk impact is unchanged.
4. 2020 10 ARF012 Contract Management Risk Progress Report: The inherent risk profile has been assessed has not changed.

Group Risk

The Transformation and Assurance team continues to work through the organisation to establish and maintain Group Risk Registers.

Group risk registers will capture and maintain information on the identified risks and will be used to inform elected members. At the Top Organizational Risk Dashboard elected member workshop these risks will be reviewed, with escalation and de-escalation of risks onto the organisational dashboard as agreed.

Summary of Group Risk Registers:

Group Risk Register:	Number of identified risks:	Number of high impact/likelihood risks:	Commentary:
CEO Office	No risks have been identified.		Risk workshops are planned.
Corporate Services	35 departmental risks. No group risks have been identified.	Two departmental risks have an inherent risk score of 39 or greater.	Departmental and group risks to be completed. Follow up sessions have been completed.
District Services	19 risks, made up of 15 departmental risks and four group risks.	Three departmental and one group risk have an inherent risk score of 39 or greater.	Proposed escalation of their top group risk, at the ARF risk workshop, for consideration of inclusion on the top organisational dashboard.
Infrastructure and Asset Management	44 risks, made up of 17 departmental risks; 18 group risks; and one organisational risk.	Three departmental; four group risks; and one organisational risk have an inherent risk score of 35 or greater.	Follow up sessions have been completed.
Strategic Planning and Policy	Six risks, three organisational with the remaining unclassified.	One risk has an inherent risk score of 35.	Risk register progress has been put on hold due to workload.

FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

At this stage no additional budgetary provision has been identified for the treatment plans.

ATTACHMENTS

1. **2020 10 ARF003 Health Safety and Wellbeing Vulnerabilities Risk Progress Report - A2959890** [↓](#) 
2. **2020 10 ARF006 Projects Priorities Delivery Delays Risk Progress Report - A2959891** [↓](#) 
3. **2020 10 ARF009 Customer Service Delivery Risk Progress Report - A2959892** [↓](#) 
4. **2020 10 ARF012 Contract Management Risk Progress Report - A2959893** [↓](#) 

ARF003 Health Safety and Wellbeing Vulnerabilities

Risk Status Progress Report for October 2020

Prepared: 16/09/20

Description of risk and impact

Health, Safety and Wellbeing Vulnerabilities are those elements defined in the Health and Safety at Work Act (2015).

Far North District Council (FNDC) has a duty to ensure, so far as is reasonably practicable, that the workplace is without risks to the health, safety and wellbeing of any person and has controls in place to firstly eliminate or then minimize those risks.

Existing Treatments - What has been done so far?

Regular H&S report, with lag and lead indicators, is included in the CEO report within the P&C section for that period. Current H&S concerns are focused on distributed working and lone worker vulnerabilities. Current trends show a drop off in reporting of H&S incidents from an of 13 incidents per month on average to 7.5 incidents per month

FNDC's 5-year strategic plan is currently three months into year three of Horizon 2. Planned activities are well on track with 66% of the planned activities completed; and delivery of the remaining activities is to schedule.

FNDC Health and Safety Committee continue to meet monthly; and all staff have a Health Safety and Wellbeing focused KPI which is reviewed and monitored quarterly. Last KPI performance year data is being analyzed and insights shared with SLT. The calendar of core Health Safety and Wellbeing activities has been reviewed, due to COVID-19, with some activities being bought forward and other re-scheduled.

COVID-19 related support to customer facing and field staff has been an ongoing focus since the previous report. Controls are in place with staff working remotely; specialist PPE; office hygiene kits; and additional engineered solutions (e.g. *sneeze guards*) being procured to further protect our customer facing workers. This work will continue while the pandemic remains in New Zealand.

The Health and Safety risks, with the highest potential consequences, remain the risks with treatments identified in the table below.

High level treatment plan and progress up-date:

Vulnerabilities being addressed:	Progress update:
Lone Worker safety	Progress is to revised plan. Vehicle GPS and Lone Worker Safety Solutions Contracts have been awarded with delivery (installed and staff trained) mid-October.
Health Monitoring of high risk staff (staff who have high levels of health exposure due to their roles e.g. wastewater staff, animal management officers, building officers)	Project has been rescheduled due to COVID-19. Health Monitoring programme to be established for critical roles at Council is at the design and scoping stage with delivery by end quarter three of FY21.

Non-compliance against Health and Safety at Work Act regulations across our assets.	Progress not to plan – currently we remain non-compliant at five of FNDC's water/wastewater Treatment Plants and one swimming pool. As the asset owner we should establish regular audits and monitoring with our contractors who are responsible for the management and operation of these assets.
Contractor Management.	Treatments in place. Pre-qualification processes in place via SiteWise. Tender documents now have the SiteWise requirement in place with ongoing regular contractor monitoring and site inspections/audits via Project Managers and Contract Managers. We have 107 SiteWise registered pre-qualified preferred contractors. Gap: there may be some legacy service providers who are not SiteWise pre-qualified.
Wellbeing programs to address our changing workforce.	Progress to plan Implementing quarterly initiatives (as appropriate in the COVID-19 environment) focusing on overall Wellbeing themes. The focus is on distributed working and COVID-19.
Threatening behavior from members of the public.	Progress to plan Technical solutions will be procured as part of the Lone Worker Safety solution including 24/7 monitoring services. Support plan is in place for any threatened staff. Manager - Environmental Services is considering a trial of body camera's for use by high risk staff.
FNDC's Generic Hazards and Controls/Treatments.	Progress not to plan Generic hazards have been identified and agreed by the Health and Safety Committee. Development of action plans and treatments, to mitigate, have been delayed due to remote working while in COVID-19 related alert level restrictions.

Where are the gaps? / what more could we be doing?

- Worker engagement is developing and ongoing
- Speed of Council to bring Assets up to meet legislative requirements as the Regulations change (e.g. HSNO)
- Working remotely from home safely as an organization as this becomes part of the new normal work routine. Monitoring the impacts of this way of working continue.

The impact and likelihood of this risk has increased due to the ongoing COVID-19 pandemic; non-compliance with Work Safe regulations across our assets; and contractor incidents since last reporting period.

Inherent Risk:	Trend	Residual Risk:	Accountable:	CEO	Date raised:	29/11/18	Report frequency:
	↑		Responsible:	Mgr. P&C	Date accepted:	16/06/19	2 monthly

ARF006 Projects / Priorities Delivery Delays

Risk Status Progress Report for October 2020

Prepared: 04/09/20

Description of risk and impact

Project / Priority delivery risks start with the elements of the project life-cycle (conception and business casing through delivery and ongoing management / maintenance) and involve having robust capabilities to support each stage of this life-cycle. Deficiencies in any one of these stages have flow on effects including costs, quality and delays.

This financial year there is a carry forward for the capital programme 2019-20 year.

Existing Treatments

Treatments established:

1. Building capability

- a. Project Management Office Project Management framework implemented
- b. Business case specialist in place to assist with scopes provided to Project Delivery Team.
- c. The Project Delivery Team has completed project management and commercial training.

2. Managing capacity

- a. Annual Report Improvement established.
- b. LTP Improvement established.
- c. Project planning is a focus. Available capacity can be demonstrated utilizing project programs and at this point demonstrate there is still some capacity within the team. As delivery increases, we will need to look at current resources.

3. Reporting

- a. The Capital Project Life Report Improvement established.

High level treatment plan and progress up-date:

High level treatment plan:	Progress update:
new Procurement strategy	Underway "Smart thinking" round alternative procurement strategies, from those previously used, are being proposed. This includes bundling of projects, off-site builds and assessing design options.
new Reporting	Underway A further improvement to reporting is being designed based on project milestones.
Project Management Office Project Management framework.	To start.

High level treatment plan:	Progress update:
	In line with best management practice a review of the framework is being planned to ensure it is best streamlined to meet the requirements of the team.
Review of the Asset Management frameworks CouncilMark improvement: 18. Asset Management Improvement	Underway. This review will help to identify current short comings in the Asset Framework so that it can be further developed to produce better quality business cases and scopes. This review is expected to be completed by the end of quarter one of the new financial year.
Training, project governance and project roles.	Ongoing. The Project Delivery Team is completing bespoke internal training round programme management and creation. This will be ongoing on a lessons learned basis. All Project Managers have also completed NZS3910 – Conditions of Contract for Building and Civil Engineering Construction.

Where are the gaps? / what more could we be doing?

Current environment

Externally funded projects will result in an increase in the number, and value, of projects to be delivered over the next two years. The risk to delivery of FNDC “business as usual” projects has been mitigated by the creation of a separate team who are responsible for the delivery of these projects. The current project delivery team will continue to deliver the agreed work programme. This separate team has been resourced through the appointment of external professionals in the following roles: legal; procurement; a communication, reporting and stakeholder engagement role; project (information systems) programme manager; project and contract management by Stella; and the secondment of a dedicated financial accountant from FNDC Finance.

With consideration at the design stage, of the potential construction industry supply bottlenecks, the impact and likelihood of this risk as assessed as no change to the residual risk score. An example of how “smart thinking” at the design stage will enable projects to be delivered is the consideration of materials for a project located in Kaitia, designed using concrete, with three potential Kaitia based suppliers to select from, rather than Asphalt where there are no Kaitia based suppliers and the contractors required to install are already committed.

It is expected that we will have evidence to re-assess the impact of the treatments on this risk score towards the end of this financial year.

Inherent Risk:	Trend	Residual Risk:	Accountable:	CEO	Date raised:	29/11/18	Report frequency:
	—		Responsible:	GM IAMs	Date accepted:	30/05/19	Two monthly

ARF009 Customer Service Delivery

Risk Status Progress Report for October 2020

Prepared: 10/09/20

Description of risk and impact

Customer Service Delivery is the efficient and cost-effective delivery of required District Council services to residents, ratepayers, visitors and the community. This includes timely processing and communication with the public around services.

In some cases, ineffective and inefficient processes, and information, cause delays in processing requests and affects timely communication with customers.

Frustrated customers often call elected members who need to escalate or facilitate information back to the individual.

Existing Treatments

Everything we do at Council is for our customers and communities. Below are some new initiatives/projects that have recently been delivered that will improve our customers experience:

- CityWatch – Online service requests
- Payment of infringements online
- LIM online application
- Registrations to enable private view of customers services and lodge applications with FNDC (staff (test) and Building Practitioners)

Treatments established:

- A. Customer Experience Programme
- B. Customer feedback improvement loop
- C. Customer centric culture business engagement (internal and external)
- D. Process diagnostic for the Roding team focused on the end to end RFS process

High level treatment plan and progress up-date:

High level treatment plan:	Progress update:
Customer Experience Improvement Programme	<p>In progress.</p> <p>Currently under review to align with our changing business environment e.g. digital first, on-line strategy</p> <p>The reviewed programme will be presented to the Customer and Digital Transformation board, for their approval, at the next board meeting.</p>
Delivery of the Customer Experience Improvement Programme	

Roading Team improvement project to improve and align the customer journey with the roading service level agreements. This project will pilot the process for enterprise-wide product RFS redesign.	To start No start date identified, on hold dependent on RFS project and resourcing in IT.
Analysis to understand our customers' requirements to enable an informed review of our Customer Experience Strategy and associated procedures.	In progress and on time. To be delivered Q2 of FY end 06/21
Review of customer feedback processes and tools to analysis information and drive improvements.	In progress and on time. Investigating new generation tools. A concept paper has been drafted and will be presented at the next Customer and Digital Transformation board meeting. Current contract extended to end of Q2 of FY end 06/21.
Investigating impact of current crises (drought and COVID-19) on key customer satisfaction metrics and planning/modelling for increased service delivery post pandemic.	In progress. Looking at ways to increase number of survey responses as the low response rate is impacting metrics. Customers and service delivery a key focus in "Great Workplaces" project and investigating initiatives in Improvement Programme.

Where are the gaps? / what more could we be doing?

- Enterprise wide RFS Redesign Project to align customer experience across the organisation (being considered in revised Improvement Programme).
- Customer satisfaction index had exceeded KPI goal prior to lockdown. This index dropped during lockdown, and is now recovering, but we are still slightly below pre COVID levels. Survey response rates are significantly below this time last year signaling of a change in customers feedback behaviour.

The impact and likelihood of this risk has been assessed as unchanged.

Inherent Risk:	Trend	Residual Risk:	Accountable:	CEO	Date raised:	29/11/18	Report frequency:
	—		Responsible:	Mgr P&C	Date accepted:	30/05/19	Two monthly

ARF012 Contract Management Risks

Risk Status Progress Report for October 2020

Prepared: 09/09/20

Description of risk and impact

Contract management risk can arise due to contract wording, contract breaches, contract performance and relationship management.

Contract management risks have the potential to negatively impact on financial, legal, reputational, service delivery and create long term issues for the Far North District. If not managed correctly we could see delays and interruptions with lengthy drawn out disruption. Commercial resource demand could be impacted.

Existing Treatments

Treatments established:

- A. IAMs senior management (GM-IAM; MGR-Infra OPS; MGR-Planning&AssetMgmt; MGR-Project Delivery) all have significant commercial and contract management experience to compliment their core professional competencies.
- B. Two specialists are now in place:
 - 1. Contract Management Specialist (Corp Services) whose focus will be to build capability and address risk treatments; and
 - 2. Contract Specialist (IAMs) whose focus will be operational contract management in District Facilities with the primary focus on the new swimming pool contracts.
- C. A FNDC-wide Contracts Register is available in TK2.

Treatments identified:

- D. A contracts management framework including a policy, defined process and/or guidelines, and templates
- E. Building capacity throughout the organization in good contract management practices with on-going training programmes.

High level treatment plan and progress up-date:

High level treatment plan:	Progress update:
Develop a Contract Management Framework. The Contracts Framework will cover three main contractual arrangements with the addition of AOG (All of Government) and syndicated contracts.	In progress, behind schedule. Draft will be available for management review end of October 2020.
Develop policy, process and templates.	In progress. Delivery planned for end of quarter two of the financial year. Templates for contracts completed.

Building capability	
Increase internal commercial expertise.	In progress and ongoing. Weekly training to develop contract management capability in the IAMs Infrastructure & Asset Management team continues. Currently working through the New Zealand standard construction contract, NZS3910.
Contract Management training. Training plan to support contract management framework roll-out to be developed.	In progress and ongoing.

Where are the gaps? / what more could we be doing?

Current environment:

Currently no gaps are identified.

The impact and likelihood of this risk has been assessed as unchanged.

Inherent Risk:	Trend	Residual Risk:	Accountable:	CEO	Date raised:	29/11/18	Report frequency:
	—		Responsible:	GM IAMs	Date accepted:	30/05/19	2 monthly

5.6 ORGANISATIONAL RISK ASSESSMENT FOR PROGRAMME OF EXTERNALLY FUNDED PROJECTS

File Number: A2970308

Author: Tanya Reid, Business Improvement Specialist

Authoriser: William J Taylor MBE, General Manager - Corporate Services

PURPOSE OF THE REPORT

To provide an assessment of the risk, to our organisation, of the externally funded 'shovel ready' projects that form part of the Government's economic response to the COVID-19 pandemic. This report was prepared on the 28th of September 2020 with review and input from the Strategic Leadership Team. No decision is required.

EXECUTIVE SUMMARY

FNDC, and the Far North District, have a unique opportunity to invest external funds into a number of projects as a part of the current government's economic response to the COVID-19 pandemic. The goal of this funding is to provide economic stimulus and employment opportunity within the Far North District. With this opportunity there is some uncertainty on how this will impact our organisations objectives. Our goal, as an organisation, is to deliver the externally funded projects with minimum impact on day to day Council business; and maximum positive impact for our local communities.

This report provides a risk analysis to inform the Assurance, Risk and Finance Committee, in their governance role, with the steps we will take, as an organisation, to respond to this uncertainty.

RECOMMENDATION

That the Assurance, Risk and Finance Committee:

- a) receive the Organisational Risk Assessment for Programme of Externally Funded Projects report; and**
- b) request regular risk progress reports on the Programme of Externally Funded Projects.**

BACKGROUND

The current COVID-19 pandemic has negatively impacted our nation and district. Nationally economic activity has fallen, nearly 50,000 New Zealanders have lost their jobs, businesses struggle to cope with lower earnings, and incomes are reduced. In this June quarter New Zealand took the largest single hit to the economy ever experienced. It is now expected that the economic scarring and restructuring will continue to occur over the coming few years. It is also worth noting that it is likely that the COVID-19 pandemic, and associated uncertainty, will be with us for the next couple of years.

As part of their response to the negative economic impact of the COVID-19 pandemic, Central Government have provided a number of infrastructure funds to help stimulate the economy. Council bid, and has won, funding for a programme of 'shovel ready' projects. These are 'infrastructure projects/programmes that are ready for construction and could, if the Government deemed it appropriate, be deployed as part of a stimulatory package.' These projects are also known as 'ESEO' (Economic Stimulus, Employment Opportunity) projects and for clarity will be referred to, within this report, as externally funded.

The characteristics of these externally funded projects are:

- that they are either wholly, or partially, externally funded
- may involve multiple funding streams
- with different funding requirements and conditions
- have multiple stakeholders, who may also be the project lead
- have short milestone timelines associated with the delivery of the projects the funding is intended for.

Additional complexities are:

- the potential for a change in government at the 19 October election,
- community dissonance and consultation.

A Programme Steering Group with Terms of Reference is being formed. The Programme Steering Group will meet four weekly to receive a brief report on each of the externally funded projects and to decide key legal and funding arrangements such as ownership of assets created.

As an organisation we already manage the uncertainty of a number of projects, due to their size, complexity and/or potential to impact the level of a core customer service(s).

Our goal, as an organisation, is to deliver these external funded projects with minimum impact on day to day Council business; and maximum positive impact for our local communities.

Funding and project analysis headlines:

- FNDC are the agreed lead (or co-lead) for nine of the externally funded projects, FNHL lead five.
- Currently two agreements (PGF roading priorities and Northland employment opportunities), with a total funding and project cost of \$22.9 million, have been signed. FNDC is either the lead or co-lead for these two projects.
- Signed funding agreements are not in place for the \$28.7 million funding for the remaining FNDC led projects.
- There are a wide range of projects (e.g. roads, animal shelters, sports hub, toilets, jetties) that have been bid on which will require a range of contractors (e.g. design, professional services, construction, materials) to complete the works.
- FNHL led project costs total \$36.40 million with FNDC funding 50% of the total (\$18.36 million). None of these projects, currently, have signed agreements. The majority are maritime projects e.g. jetties, boat ramp.
- There is a wide geographic spread of projects. Two FNHL projects are based in the Far North of our district at Unahi and Pukenui. This may limit their available pool of providers and means mostly there is little overlap of key stakeholders.
- Each project has a different consultation requirement. Some projects have been the subject of consultation and may only require targeted consultation, some will not require consultation and others involve projects which may be divisive. Each project will be subject to a consultation plan with consultation costs built into the project costs. An external project team role has been appointed to manage the consultation.
- FNDC's default contract choice for construction projects is NZS:3910. A recognised gap in the NZS:3910 contract is our requirement to collect asset management information. FNDC manage this gap through the use of special conditions to ensure there is a mechanism to capture the required data. The detail Asset Managers require is captured in Council templates and the Council Engineering Standards and Guidelines.

Table 1 provides a 'by project' breakdown of the externally funded initiatives including agreement status, FNDC role, funding source and expected project cost.

Table 1: Externally funded projects, as at 14/09/20, with agreement status, FNDC role, funding source and expected project cost.

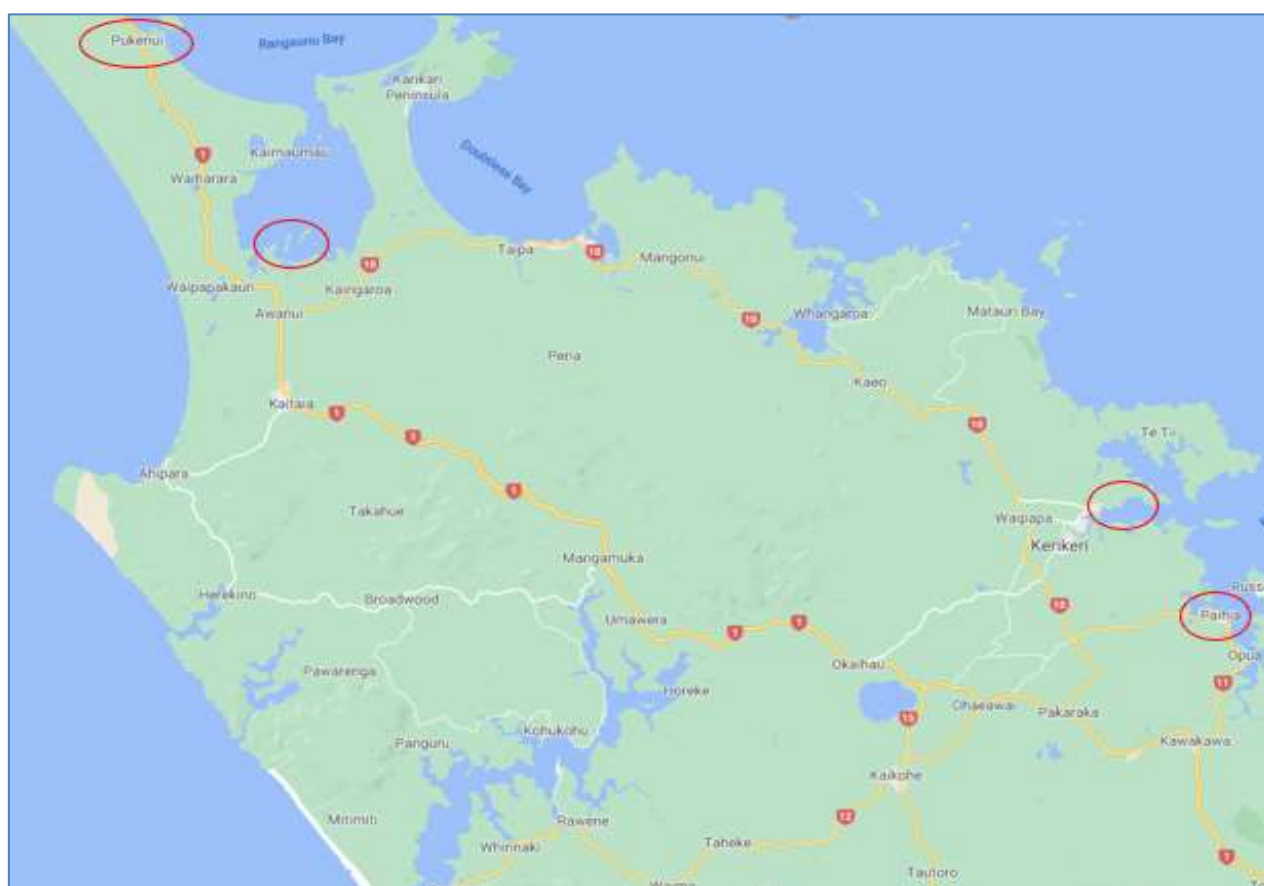
Project	Agreement status	FNDC role	External Funding \$	Council Funding \$	Total project \$
PGF roading priorities	Agreement signed.	Lead	\$20.7m		\$20.7m
Northland employment opportunities	Agreement signed.	Co-lead as part of NTA	\$2.2m		\$2.2m
Te Hiku revitalisation C	Agreement pending.	Lead	\$7m		\$7m

[illegible]

Project	Agreement status	FNDC role	External Funding \$	Council Funding \$	Total project \$
Unahi jetty	Agreement pending.	Contributor (FNHL Lead)	\$ 1m	\$ 0.6m	\$1.6m
Rangitane boat ramp	Agreement pending.	Contributor (FNHL Lead)	\$ 2.45m	\$ 1.05m	\$3.5m
Mangonui waterfront	Agreement announced.		\$ 1.5m	\$1.3m	\$2.8m
Three Waters reforms	Phase one agreed to.	Lead	\$14m	*	*
TOTALS:			\$91.34m	\$21.76m	\$100.71m

* Note: The Council funding and total project cost for Three Waters reforms is unknown.

Map of FNHL maritime projects:



Methodology

The risk management process consists of six sequential steps:

- Step 1** What are we trying to achieve? The objective of this step is to understand our objective(s).
- Step 2** What could affect us achieving our objectives? The objective of this step is to identify the risk (the uncertainty of achieving our objective(s)).

- Step 3 Which of these are the most important? The objective of this step is to prioritise the identified risks.
- Step 4 What can we do about it? The objective of this step is to identify treatments appropriate to eliminate uncertainty, transfer uncertainty, modify exposure to the uncertainty; and/or control and manage the uncertainty.
- Step 5 Do it! (implement) The objective of this step is to implement the agreed treatments.
- Step 6 Did it work, what changed? This is the continuous improvement loop such as the Lessons Learned from our twin crises.

On 7 August 2020, a workshop was held with the Strategic Leadership Team to understand the organisational risks associated with the externally funded projects. The workshop stepped the participants through the first, and part of the second, of the six steps which form the risk management process, using our bespoke IDEATE methodology.

The first two steps are:

1. What are we trying to achieve (understand the externally funded projects programme) objective?
 - a. The Strategic Leadership Team agreed the goal, as an organisation, is to deliver these external funded projects with minimum impact on day to day Council business; and maximum positive impact for our local communities.
2. What could affect us achieving these objectives (identifying the uncertainty that matters)?
 - a. The issues and challenges identified at this workshop were then analysed to identify the uncertainty. The outcome was the identification of four risks to achieving the organisations goals.

The four externally funded project risks identified are:

1. Complexity of external funding
2. Funding gaps
3. Impact on rates
4. Disruptions

The full risk statements are:

	Because of	There is a chance that....	Leading to....
1 Complexity external funding	The high level of complexity of the externally funded FNDC led projects: short timelines to complete CAPEX projects multiple funding pots multiple external parties/stakeholders involved different funding requirements different external parties can be leading the projects e.g. FNHL	Projects may not proceed, may be delayed or not completed.	Loss of funding; Reputational risk; Uncompleted projects; Legal / compliance disputes; Extended timelines; and/or Requirement for additional FNDC funding.
2 Funding gaps	Projects are not fully funded, or funding agreements are not honoured or able to be honoured by the legal entities who sign the funding agreements with Government.	Council may need to find additional funding to complete projects or projects may be abandoned.	Council's reputational damage; Increased borrowing to fund; Funding re-allocated from planned work, so annual plan objectives are not met; Increase risk to Council of asset failures; and/or Council has white elephants on the books.
3 Impact on rates	Impact to long term rate payer funding requirements due to operational budget requirements / depreciation and upgrading of new assets.	There may be a need to increase rates to fund OPEX, depreciation and CAPEX requirements.	Additional costs to rate payers (as increased rates) impacting affordability across the district and negatively impacting current growth forecasts.
4 Disruptions	Disruption(s), out of our control (e.g. Drought / COVID-19), to agreed project timeline disrupted supply chains; shortages of required goods and services; and/or need to halt the project as we are unable to work.	We may not be able to deliver to, or renegotiate, the agreed milestones.	Failure to deliver the project as project milestones that are linked to the funding payments are not achieved; or Additional cost to rate payers to complete the project

Analysis was then undertaken by the Manager - Major & Recovery Projects, the externally funded project lead, to understand the consequence and probability of the risk occurring as assessed against the risk matrix. To provide further objectivity senior management provided an independent review of the identified risks and scores, concluding step three.

Step four we reached out to the organisation subject matter experts to identify treatments to either eliminate uncertainty, transfer uncertainty, modify exposure to the uncertainty; and/or control and manage the uncertainty. These experts included the Manager - Major & Recovery Projects and senior management.

Step five will require the ongoing efforts of the treatment owners to ensure that the treatments are deployed, and that the treatment response strategy is effective. It is recommended that regular risk progress reporting is put in place to keep the Programme Steering Group, the Strategic Leadership Team and the Assurance, Risk and Finance Committee informed.

For clarity: Project risk has been excluded as these will be appropriately identified and managed through project management methodology. An example of an appropriate project risk register is provided in Table 3. It is also worth noting that while we speak about externally funded projects as a bundle of projects this is not a cohesive programme or portfolio of work as the scope of work within the projects is wide and varied, both from the perspectives of what will be delivered and where they will be delivered.

DISCUSSION AND NEXT STEPS

These four risks are classified as organisational risks in the Operational/Financial category (whole of business view of FNDC performance including service delivery, risk, finance, environmental). Organisational risks may impact on Council achieving its vision, mission and community outcomes. Each of the risks has been assessed as medium impact and likely to occur.

A range of mitigations, treatments, have been developed to support the organisation to deliver the external funded projects with minimum impact on day to day Council business; and maximum positive impact for our local communities. These treatments have been selected as the most appropriate, balancing the efforts of each activity against the benefits derived.

The risk summary, including risk score and identified treatments:

#	Risk score	Because of	There is a chance that....	Leading to....	Treatments:
1	29	<p>The high level of complexity of the externally funded FNDC led projects:</p> <p>short timelines to complete CAPEX projects</p> <p>multiple funding pots</p> <p>multiple external parties/stakeholders involved</p> <p>different funding requirements</p> <p>different external parties can be leading the projects e.g. FNHL.</p> <p>Ref: IAMS045</p>	Projects may not proceed, may be delayed or not completed.	<p>Loss of funding;</p> <p>Reputational risk;</p> <p>Uncompleted projects;</p> <p>Legal / compliance disputes;</p> <p>Extended timelines; and/or</p> <p>Requirement for additional FNDC funding.</p>	<p>Central register capturing key governance and management information such as source of funding, conditions of funding, budget, then used to monitor and report spend against budget and funding milestones, reference Table 2 which provides an example of spend against budget with timetable for payments;</p> <p>Establish Programme Steering Group, with terms of reference (roles and responsibilities) supported by bespoke four tier governance structure for each of the externally funded projects, each with terms of reference. Reference Table 3;</p> <p>Utilise project management methodology with risk analysis. Reference Table 4;</p> <p>Appoint professionally qualified project managers;</p> <p>Develop and publish a procurement strategy as the guiding document. This will include, but is not limited to, market analysis, stakeholder expectations,</p>

#	Risk score	Because of	There is a chance that....	Leading to....	Treatments:
					<p>policy matters, assessment of delivery options to inform the design stage; supported by individual procurement plans;</p> <p>Hold contractor engagement/information workshop re externally funded projects;</p> <p>Set up a separate team to deliver the externally funded projects with the appointment of external professionals in the following roles: legal; procurement; communication, reporting and stakeholder engagement role; project (information systems) programme manager; Stella appointed - project and contract management;</p> <p>Consistent consultation plan and process for all projects, consultation costs have been built into the projects and an external engagement role appointed;</p> <p>Follow Council process and policies with the exception to Council approved amendments to FNDC process i.e. an increase to the CEO delegated authority to approve professional services for externally funded projects and an to increase CEO delegated authority to award the externally funded contracts. Reference Table 5.</p>
2 Funding gap	29	Projects are not fully funded, or funding agreements are not honoured or able to be honoured by the legal entities who sign the funding agreements with Government.	Council may need to find additional funding to complete projects or projects may be abandoned.	Council's reputational damage; Increased borrowing to fund; Funding re-allocated from planned work; so	<p>Review project funding commitments mid-September before further FNDC funds invested in developing the project;</p> <p>As the funding applicant understand Council's obligations to funding providers;</p>

#	Risk score	Because of	There is a chance that....	Leading to....	Treatments:
3 Impact on rates		Ref: IAMS046		annual plan objectives are not met; Increase risk to Council of asset failures; and/or Council has white elephants on the books.	Crown and elected member engagement strategy; Establish funding agreements with these legal entities (those leading these projects). FNDC has a funding agreement template for where Council extend funding to separate legal entities e.g. Sports Northland Contract. project.
	25	Impact to long term rate payer funding requirements due to operational budget requirements / depreciation and upgrading of new assets. Ref: IAMS047	There may be a need to increase rates to fund OPEX, depreciation and CAPEX requirements.	Additional costs to rate payers (as increased rates) impacting affordability across the district and negatively impacting current growth forecasts.	Model financial implications to understand future operational requirements/costs, which includes costs to fund any community entity via a grant to manage an asset, including depreciation and renewal costs and their impact on rates; Model the economic benefits to the ratepayers, their ability to earn greater income in the future from these projects (affordability metric); Internal appointment of dedicated financial accountant.
4 Disruptions	21	Disruption(s), out of our control (e.g. Drought / COVID-19), to agreed project timeline disrupted supply chains; shortages of required goods and services; and/or need to halt the project as we are unable to work. Ref: IAMS048	We may not be able to deliver to, or renegotiate, the agreed milestones.	Failure to deliver the project as project milestones that are linked to the funding payments are not achieved; or Additional cost to rate payers to complete the project.	Monitor external environment and modify project plans as required.; Follow H&S protocols.

Using the organisational risk impact and likelihood statements the inherent risks were assessed as follows:

	Financial Risk	Customer Risk	Reputational Risk	Compliance/ Legal Risk	Health and Safety Risk
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High Intolerable	-			1, 2, 3, 4												
Medium									1, 2				1, 2			
Low- none				4		1, 2, 3			3, 4	4			3	1, 2, 3, 4		
	Unlikely	Probable	Will Happen	Unlikely	Probable	Will Happen	Unlikely	Probable	Will Happen	Unlikely	Probable	Will Happen	Unlikely	Probable	Will Happen	

High - Intolerable Medium Low- none	Total Risk														
											1, 2, 3, 4				
	Unlikely					Probable					Will Happen				

The risks are recorded in the IAMs Risk Register where Treatment owners and progress is also recorded. Progress on treatments varies from complete, underway, in place or not started:

#	Progress	Responsible	Treatment
1 Complexity external funding	Not started	David Clamp	Central register capturing key governance and management information such as source of funding, conditions of funding, budget, then used to monitor and report spend against budget and funding milestones. Reference Table 2 which provides an example of spend against budget with timetable for payments.
	Underway	David Clamp	Establish Programme Steering Group, with terms of reference (roles and responsibilities) supported by bespoke four tier governance structure for each of the externally funded projects, each with terms of reference. Reference Table 3.
	In place	David Clamp	Utilise project management methodology with risk analysis. Reference Table 4.
	In place	David Clamp	Appoint professionally qualified project managers.
	Underway	David Clamp	Develop and publish a procurement strategy as the guiding document. This will include, but is not limited to, market analysis, stakeholder expectations, policy matters, assessment of delivery options to inform the design stage; supported by individual procurement plans.
	Underway	David Clamp	Hold contractor engagement/information workshop re externally funded projects.

#	Progress	Responsible	Treatment
	In place	David Clamp	Set up a separate team to deliver the externally funded projects with the appointment of external professionals in the following roles: legal; procurement; communication, reporting and stakeholder engagement role; project (information systems) programme manager; Stella appointed - project and contract management.
	tbc	David Clamp	Consistent consultation plan and process for all projects, consultation costs have been built into the projects and an external engagement role appointed.
	Completed	Shaun Clarke	Follow Council process and policies with the exception to Council approved amendments to FNDC process i.e. an increase to the CEO delegated authority to approve professional services for externally funded projects and an to increase CEO delegated authority to award the externally funded contracts. Reference Table 5.
2 Funding gaps	Underway	David Clamp	Review project funding commitments mid-September before further FNDC funds invested in developing the project.
	Underway	The Programme Steering Group	As the funding applicant understand Council's obligations to funding providers;
	Underway	CEO and Mayors Offices	Crown and elected member engagement strategy.
	Underway	The Programme Steering Group	Establish funding agreements with these legal entities (those leading these projects). FNDC has a funding agreement template for where Council extend funding to separate legal entities e.g. Sports Northland Contract. project.
3 Impact on rates	Underway	Janice Smith	Model financial implications to understand future Opex, depreciation and renewal costs and their impact on rates;
	Not started		Model the economic benefits to the ratepayers, their ability to earn greater income in the future from these projects (affordability metric);
	In place	David Clamp	Internal appointment of dedicated financial accountant.
4 Disruptions	Underway	David Clamp	Monitor external environment and modify project plans as required.
	In place	David Clamp	Follow H&S protocols.

Foot Notes:

- What is the benefit of the modelling treatment of both financial implications and economic benefits?
These models would help Council to:
 - Forecast economic activity in a way in which conclusions are logically related to assumptions;
 - Propose Council policy to modify future Council activity to manage affordability;
 - Present reasoned arguments to politically justify externally funded project decisions;
 - Plan and allocate resources.
- How will we assess current procurement and assessing supply chain risks?

One of the treatments is to develop and publish a procurement strategy as the guiding document. This will include, but is not limited to, market analysis, stakeholder expectations, policy matters, assessment of delivery options to inform the design stage; supported by individual procurement plans. It would be unusual if a procurement strategy did not assess current supply chain risk although any confidence in such an assessment, in the current COVID-19 pandemic situation, would be for the very short term view due to the rapidly changing environment we are now subject to.

3. What are the arrangements for strategic programme governance?

The CEO and Mayoral Offices are leading funding engagement with Government Officials.

Project progress reporting requirements, to Government, are structured into the funding agreements.

There is also a schedule of regular meetings and reporting up through the organisation:

- Regular (four-weekly cycle) reporting to the Programme Steering Group
- IAMs Monthly Report to the Infrastructure Committee
- Monthly report and presentation to the Strategic Leadership Team
- Monthly project steering group report

In addition, a number of treatments will impact strategic programme governance. One of the treatments is the deliberate forming of bespoke four tier governance structures for each externally funded project, with Terms of Reference. Each project working group includes Elected Members. This is to ensure that key stakeholders, as appropriate, are part of the governance model. Stakeholder engagement will be led by the dedicated communication, reporting and stakeholder engagement role for the externally funded projects.

It is also recommended that regular risk progress reporting is put in place to keep both the Strategic Leadership Team and the Assurance, Risk and Finance Committee informed.

4. This organisational risk assessment has focussed on uncertainty that matters, that is the achievement of the goals, as identified in the methodology as step one of the risk management process, that is the delivery of these external funded projects with minimum impact on day to day Council business; and maximum positive impact for our local communities. FNDC policies and process provide for management of day-to-day organisational risk e.g.:

- FNDC Policy provides for community engagement and governance arrangements for community-initiated projects.
- FNDC's policies and procedures would be applied to manage 'knock on effect on business as usual from staff being redeployed to externally funded programme or simply increased work volumes for other staff'.
- Where there is uncertainty round regulation and/or consenting, this will be managed as part of project risk.

Table 2: Example of spend against budget, timetable for payments.

Redevelopment of Strategic Roads in the Far North - Priority 1 Routes Required for Economic Development; grant value \$14,200,000			
Description	Payment criteria:	Estimated Value \$ (Exc. GST)	Invoice Date:
<i>Initial Payment</i>	Signature and agreement on funding arrangement and contracts. Investigation and design underway.	\$1,400,000	31/07/2020
<i>Quarterly payment 1: ECI procurement, Stage 1 Design and Enabling Works</i>	<ul style="list-style-type: none"> - ECI agreement in place - Stage 1 investigation and design complete - Enabling works underway - for example vegetation clearing, earthworks, widening and drainage. - Submission of costs to date 	\$1,500,000	30/09/2020
<i>Quarterly Payment 2: Stage 1 Construction</i>	<ul style="list-style-type: none"> - Stage 2 design underway - Stage 1 construction underway - MSQA reporting and monitoring paperwork - Submission of costs this quarter 	\$2,800,000	31/12/2020
<i>Quarterly Payment 3: Stage 2 Construction</i>	<ul style="list-style-type: none"> - Stage 2 design complete - Stage 2 construction underway - MSQA reporting and monitoring paperwork - Submission of costs this quarter 	\$2,800,000	31/03/2021
<i>Quarterly Payment 4: Stage 2 Construction</i>	<ul style="list-style-type: none"> - Stage 2 construction complete - MSQA reporting and monitoring paperwork - Submission of costs this quarter 	\$1,500,000	30/06/2021
<i>Quarterly Payment 5: Stage 3 Construction</i>	<ul style="list-style-type: none"> - Stage 3 construction underway - MSQA reporting and monitoring paperwork - Submission of costs this quarter 	\$1,600,000	30/09/2021
<i>Quarterly Payment 6: Handover and Close out</i>	<ul style="list-style-type: none"> - Final completion of surfacing and handover of project to NTA, FNDC and NZTA - MSQA reporting and monitoring paperwork - Submission of costs this quarter 	\$2,600,000	31/12/2021

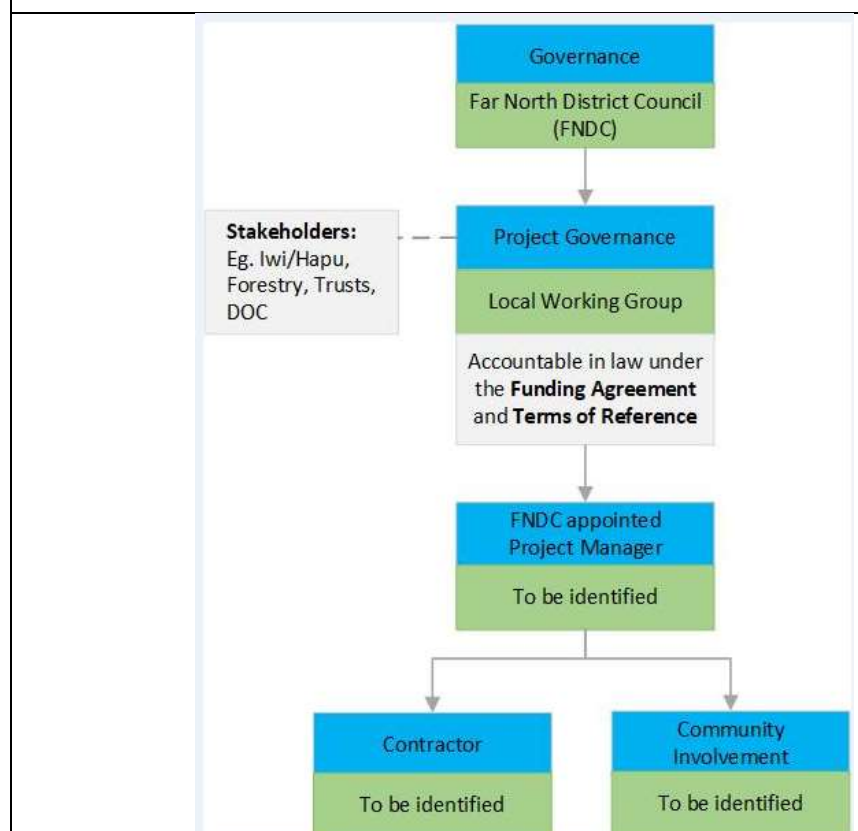

Table 3: Strawman of bespoke four tier governance structure

Table 4: Example of a Stella project risk register



STELLAR

PROJECT DELIVERY SPECIALISTS

BOI Sports Complex Risks

CONFIDENTIAL

IDENTIFY						
	What broader category does this risk fall under?	Which organisation bears this risk?	Who is the person responsible for ownership of this risk?	"There is a threat/opportunity that..."	What is the cause or trigger of the risk?	What is the impact to the project should the risk occur?
Risk ID	Category	Risk Bearer	Risk Owner	Risk Title	Cause	Consequence
1	Funding Security	FNDC	FNDC	Funding Commitment signoff		Outcome
2	Programme Definition	Unclear		Right level of agreement for milestones		Time
3	Market Capacity	Unclear		Market capacity to deliver		Time & Cost
4	Community Engagement	Unclear		Need for speed versus taking community with us		Outcome
5	Funding Security	Unclear		All this means nothing unless we've a signed agreement. Otherwise it's just a conversation		Outcome
6		Unclear		Impacts not only on IAMS. Impact unknown		
7	Stakeholder Leadership	Unclear		Funding agreements where we're not the leader		Outcome
8	Downstream Impact	Unclear		Ongoing operational cost which has to go into our budgets		Cost

Table 5: Resolution approving agile procurement

7.6 APPROVAL FOR AN AGILE PROCUREMENT STRATEGY AT THE 13/08/20 COUNCIL MEETING

Agenda item 6.6 document number A2925358, pages 175 - 230 refers.

RESOLUTION 2020/1

Moved: Mayor John Carter

Seconded: Deputy Mayor Ann Court

That Council:

- delegate, to the Chief Executive Officer, the authority to Direct Award Professional Services contracts up to a value of \$500,000 per contract for MBIE funded projects for a period of three years, effective 13 August 2020.
- delegate, to the Chief Executive Officer, the authority to award construction contracts for all MBIE funded projects for a period of three years, effective 13 August 2020.
- approve Agile Procurement Strategies for MBIE funded projects only, effective 13 August 2020.
- instruct the Chief Executive Officer to provide a quarterly information only report to the Council for MBIE funded procurement activity.
- review the efficiency and effectiveness of these strategies three years after approval.

In Favour: Mayor John Carter, Deputy Mayor Ann Court, Crs David Clendon, Dave Collard, Felicity Foy, Mate Radich, Kelly Stratford, Moko Tepania and John Vujcich

Against: Nil

Abstained: Cr Rachel Smith

CARRIED

FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

At this stage no additional budgetary provision has been identified for the treatment plans.

ATTACHMENTS

Nil

6 KARAKIA WHAKAMUTUNGA – CLOSING PRAYER

7 MEETING CLOSE