

Risk and Assurance Committee

NOTICE IS GIVEN

that the next meeting of the **Risk and Assurance Committee** will be held in **Council Chambers, Bay of Plenty Regional Council, Regional House, 1 Elizabeth Street, Tauranga** on:

Monday, 15 June 2020 commencing at 9.30 am

Fiona McTavish
Chief Executive
5 June 2020



Risk and Assurance Committee

Membership

Chairperson	Cr David Love
Deputy Chairperson	Bruce Robertson (Independent)
Members	Cr Bill Clark Cr Stuart Crosby Cr Andrew von Dadelszen Cr Te Taru White
Ex Officio	The Chairman is an ex-officio member of every committee (including standing, special, joint and subcommittees) of the Bay of Plenty Regional Council Toi Moana pursuant to section 41A(5) of the Local Government Act 2002.
Quorum	Three members, consisting of half the number of members
Meeting frequency	Quarterly

Purpose

Monitor the effectiveness of Council's funding and financial policies and frameworks to ensure the Council is managing its finances in an appropriate manner.

Monitor the effectiveness of Council's performance monitoring framework.

Ensure that Council is delivering on agreed outcomes.

Role

- Monitor the effectiveness of Council's funding and financial policies and Council's performance monitoring framework (financial and non-financial);
- Review Council's draft Annual Report prior to Council's adoption;
- Receive and review external audit letters and management reports;

- Approve and review the internal audit plan and review the annual programme report;
- Approve, review and monitor Council's risk framework and policy;
- Review the risk register;
- Monitor Council's legislative compliance and receive reporting on non-compliance matters as part of risk management reporting.

Power to Act

To make all decisions necessary to fulfil the role and scope of the committee subject to the limitations imposed.

Power to Recommend

To Council and/or any standing committee as it deems appropriate.

- The Risk and Assurance Committee is not delegated authority to:
- Develop, review or approve strategic policy and strategy.
- Develop, review or approve Council's Financial Strategy, funding and financial policies and non-financial operational policies and plans.

The Risk and Assurance Committee reports directly to the Regional Council.

Public Forum

1. A period of up to 15 minutes may be set aside near the beginning of the meeting to enable members of the public to make statements about any matter on the agenda of that meeting which is open to the public, but excluding any matter on which comment could prejudice any specified statutory process the council is required to follow.
2. The time allowed for each speaker will normally be up to 5 minutes but will be up to the discretion of the chair. A maximum of 3 public participants will be allowed per meeting.
3. No statements by public participants to the Council shall be allowed unless a written, electronic or oral application has been received by the Chief Executive (Governance Team) by 12.00 noon of the working day prior to the meeting and the Chair's approval has subsequently been obtained. The application shall include the following:
 - name of participant;
 - organisation represented (if any);
 - meeting at which they wish to participate; and matter on the agenda to be addressed.
4. Members of the meeting may put questions to any public participants, relevant to the matter being raised through the chair. Any questions must be asked and answered within the time period given to a public participant. The chair shall determine the number of questions.

Agenda

1	Apologies	
2	Public Forum	
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4	Confidential Business to be Transferred into the Open	
5	Declarations of Conflicts of Interests	
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	Report to follow under separate cover	
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Resolution to exclude the public

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

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

General Subject of Matter to be Considered	Reason for passing this resolution in relation to this matter	Grounds under Section 48(1) LGOIMA 1987 for passing this resolution
8.1 Public Excluded Risk and Assurance Committee Minutes - 13 February 2020	Please refer to the relevant clause in the meeting minutes	Good reason for withholding exists under Section 48(1)(a)
8.2 Key Risk Register Update - June 2020	To protect this information so it doesn't damage public interest	Good reason for withholding exists under Section 48(1)(a)

8.1 Public Excluded Risk and Assurance Committee Minutes - 13 February 2020

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8.2 Key Risk Register Update - June 2020

Report to follow under separate cover

9 Confidential Business to be Transferred into the Open

10 Readmit the Public

11 Consideration of Late Items

Previous Minutes

Minutes of the Risk and Assurance Committee Meeting held in Mauao Rooms, Bay of Plenty Regional Council Building, 87 First Avenue, Tauranga on Thursday, 13 February 2020 commencing at 9.30 a.m.

Present:

Chairman: D Love

Deputy Chairman: B Robertson

Councillors: W Clark, S Crosby, A von Dadelszen

Ex Officio: Chairman D Leeder

In Attendance: Councillors: T Iti, J Nees, S Rose, P Thompson, L Thurston, K Winters

Staff: Mat Taylor - General Manager, Corporate; Chris Ingle - General Manager, Integrated Catchments; Sarah Omundsen - General Manager, Regulatory Services; Namouta Poutasi - General Manager, Strategy & Science; Annabel Chappell - Te Tuara Manager; Steven Slack - Risk & Assurance Manager; Sumit Chopra - Security & Infrastructure Team Leader; Mark Le Comte - Programme Manager Corporate; Claire Gordon - Finance Support Team Leader; Jessica Easton - Commercial Manager; Bruce Crabbe - Rivers and Drainage Operations Manager; Brendon Love - Contractor Project Manager for Kopeopeo and Merinda Pansegrouw - Committee Advisor

External presenters: Anton Labuschagne - Audit Manager Audit New Zealand; Bineeta Nand - Partner, Risk Advisory KPMG; Murtaza Ali, Director Risk Advisory - KPMG

Apologies: T White

1 Apologies

Resolved

That the Risk and Assurance Committee:

- 1 Receives an apology from Cr T White tendered at the meeting.

Von Dadelszen/Clark
CARRIED

2 Public Forum

Nil

3 **Acceptance of Late Items**

Nil

4 **General Business**

1. Briefing - Ōpōtiki Harbour Transformation Update (Public Excluded)
2. Process: Interaction between Stakeholder Groups and Staff (Public Excluded)

5 **Declaration of conflicts of interest**

Cr Von Dadelszen - Item 8.3, Cyber Security Risk Management (Public Excluded section)

6 **Order of Business**

Members agreed to the following reordering of items:

Items 7.4 "Kopeopeo Canal Remediation Project – Update 24 – Close out" and 7.5 "Internal Audit Status Update" to be considered before item 7.3 "Final Audit Management Report for the year ending 30 June 2019" to accommodate the arrival of an external presenter.

7 **Previous Minutes: For Information**

7.1 **Audit and Risk Committee Minutes - 12 September 2019**

Resolved

That the Risk and Assurance Committee:

- 1 **Receives the Audit and Risk Committee Minutes of 12 September 2019**

Von Dadelszen/Robertson
CARRIED

8 **Reports**

8.1 **Committee Chairperson's Report**

General Manager, Corporate Mat Taylor updated members on the Audit and Risk Committee's activities from September 2017 to December 2019 and provided an overview of the work programme for 2020.

Members' Comment:

- Commended staff on the positive outcome of the New Zealand Transport Agency (NZTA) Bay of Plenty Regional Council Investment Audit Report, particularly with regard to the establishment of procedures to ensure value for money from investments in the region's bus services.

Resolved

That the Audit and Risk Committee:

- 1 **Receives the report, Committee Chairperson's Report;**
- 2 **Approves the Risk and Assurance Committee Work Programme**

**Von Dadelszen/Robertson
CARRIED**

8.2 **Presentation: KPMG - Risk and Assurance**

Refer Tabled Item 1, Objective ID A3482047

Risk & Assurance Manager Steven Slack introduced Partner Risk Advisory, Bineeta Nand and Director Risk Advisory Murtaza Ali from KPMG who provided an overview of current and emerging internal audit focus areas and common challenges within the local government sector (*Tabled item 1 - "Internal Audit Update" Objective ID A3482047*).

Presenters' Key Points:

Six focus areas for Risk and Assurance:

- Have an internal Audit cadence
- Know you Risk Appetite
- Linkage to Strategy and Risk
- Invest more into Monitoring
- Focus on Culture
- Challenge with Respect

Members' Comments:

- Emphasised that strategy/policy and risk were closely related - hence the shift from "audit and risk" to "risk and assurance"
- The value/contribution of having an internal audit function was enormous – enabled a better understanding of the organisation

Item for Staff Follow-up:

- To add to the Risk and Assurance work programme for 2020 a "Governance Review of the six key focus areas for Risk and Assurance in liaison with KPMG" to enable testing/tracking of progress of the risk maturity; supported by a follow-up report at a future meeting.

8.3 **Internal Audit Status Update**

Risk & Assurance Manager Steve Slack updated members on the internal audit activities as at 31 December 2019 which included the status of internal audit reviews and the status of the follow up of internal audit recommendations and management actions to 31 December 2019.

Members' Comments:

- Expressed support for the new Commercial Team established in December 2019 tasked to manage procurement and contracts as a response to the findings of an Internal Audit
- Congratulated the Transport Team for successfully rolling out the introduction of a trial of fare free bus transport for Tauranga school students at the beginning of the new school year.

Resolved

That the Risk and Assurance Committee:

- 1 Receives the report, Internal Audit Status Update.

Von Dadelszen/Robertson
CARRIED

8.4 Kopeopeo Canal Remediation Project - Update 24 - Close Out

Refer Agenda Item circulated under separate cover - Objective ID A3476880

General Manager, Integrated Catchments Chris Ingle, Contractor Project Manager for Kopeopeo Brendon Love and Rivers and Drainage Operations Manager Bruce Crabbe provided an overview of the Close out report for the Kopeopeo Canal Remediation Project (KCRP):

Key Points:

- Claim to Ministry for the Environment (MfE)
 - Noted that a separate request for additional MfE funding relating to the contract "Reset Agreement" made in March 2019 had been declined on the grounds that the fund was oversubscribed and available funding had been directed to other high risk sites
 - Applications for a next funding round closed at the end of March 2020
- Upstream contamination
 - Consent for the project required ongoing monitoring
 - Investigation into the Kopeopeo canal sediment west of SH30 had recommenced and a 4.4km reach of canal had been surveyed to determine the volume of sediment
 - A detailed site investigation was underway
 - High level options would be developed for presentation to Council by mid-2020

Item for Staff Follow-up:

- Noted that future funding was available for bioremediation (\$1.05 million from 2020/21 to 2028/29): staff to review if any additional balance sheet provisions would be required.

Resolved

That the Risk and Assurance Committee:

- 1 Receives the report, Kopeopeo Canal Remediation Project - Update 24. Close Out; and
- 2 Agrees that a second request for funding should be made to the Ministry for the Environment's Contaminated Sites Remediation Fund to bring their contribution up to 50% of expenditure eligible for MfE funding.

Love/Robertson
CARRIED

10:38 a.m. - The meeting **adjourned**.

10:59 a.m. - The meeting **reconvened**.

8.5 Final Audit Management Report for year ending 30 June 2019

External Auditor Anton Labuschagne from Audit New Zealand and Finance Support Team Leader Finance Claire Gordon presented the final Audit Management Report for the year ending 30 June 2019.

Item for Staff Follow-up:

- Names of the Trustees of the Debenture Trust Deed to be provided to Cr P Thompson.

Resolved

That the Risk and Assurance Committee:

- 1 Receives the report, Final Audit Management Report for year ending 30 June 2019; and**
- 2 Notes the recommendations and management actions set out in the report.**

**Crosby/Robertson
CARRIED**

8.6 Public Excluded Section

Resolved

Resolution to exclude the public

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For Information: Public Excluded Audit and Risk Committee Minutes - 12 September 2019	Please refer to the relevant clause in the meeting minutes	Good reason for withholding exists under Section 48(1)(a)
Key Risk Register Quarterly Update - October to December 2019	To protect this information so it doesn't damage public interest	Good reason for withholding exists under Section 48(1)(a)

Cyber Security Risk Management	To protect measures that may prevent or mitigate material loss	Good reason for withholding exists under Section 48(1)(a)
School Bus Services Risks	To carry out commercial activities	Good reason for withholding exists under Section 48(1)(a)
Briefing on Ōpōtiki Harbour Transformation Update	To carry out commercial and industrial negotiations	Good reason for withholding exists under Section 48(1)(a)
Process: Interaction between Stakeholder Groups and Staff	To protect personal privacy	Good reason for withholding exists under Section 48(1)(a)

Von Dodelszen/Clark
CARRIED

9. Confidential Business to be Transferred into the Open

Nil

Confirmed DATE

Cr David Love
Chairperson, Risk and Assurance Committee

The meeting closed at 1:05 p.m.

Reports



Receives Only – No Decisions

Report To: Risk and Assurance Committee
Meeting Date: 15 June 2020
Report From: Mat Taylor, General Manager, Corporate

Committee Chairperson's Report

Executive Summary

This report provides the Committee with an update on Risk and Assurance Committee Activities.

Recommendations

That the Risk and Assurance Committee:

1 Receives the report, Committee Chairperson's Report;

1 Performance Monitoring Report – Detailed Briefings for Councillors

The following detailed financial briefings have occurred so far for the 2019/20 financial year:

- for three months ending 30 September 2019, held on 10 December 2019,
- for six months ending 31 December 2019, held 13 February 2020,
- For the nine months ending 31 March 2020, held 23 April 2020.

2 Risk and Assurance Work Programme

Appendix 1 shows the Risk and Assurance work programme for 2020. This Work Programme sets out the planned and scheduled reporting to the Risk and Assurance Committee.

The appendix is categorised to identify the broad areas of responsibility for the Committee. Other items may be added by councillors and staff should this be required to respond to issues as they occur throughout the year.

3 Risk & Assurance Completed Work Programme

Appendix 2 shows the Risk and Assurance completed work programme for the period March 2019 to February 2020.

4 Council's Accountability Framework

4.1 Community Outcomes

This work directly contributes to all Community Outcomes in the council's Long Term Plan 2018-2028.

5 Budget Implications

5.1 Current Year Budget

This work is being undertaken within the current budget for the Governance Activity in Year 1 of the Long Term Plan 2018-2028.

5.2 Future Budget Implications

Future work is provided for in Council's Long Term Plan 2018-2028.

Mat Taylor
General Manager, Corporate

5 June 2020

APPENDIX 1

Risk and Assurance Work Programme June 2020 to December 2020

Risk & Assurance Committee Work Programme

June 2020 to December 2020

June 2020 15 June	September 2020 TBC	December 2020 TBC
<ul style="list-style-type: none"> External Audit Arrangements Letter for the Audit to 30 June 2020 External Audit Interim Management Report for the Year Ended 30 June 2020 		<ul style="list-style-type: none"> External Audit Management Report for the Year Ended 30 June 2020
<ul style="list-style-type: none"> Internal Audit Status Update Internal Audit Work Plan 	<ul style="list-style-type: none"> Internal Audit Status Update Internal Audit Annual Report 2019/20 and Review Update 	<ul style="list-style-type: none"> Internal Audit Progress Report
<ul style="list-style-type: none"> Key Risk Register – Quarterly Update 	<ul style="list-style-type: none"> Key Risk Register – Quarterly Update 	<ul style="list-style-type: none"> Key Risk Register – Quarterly Update
<ul style="list-style-type: none"> Chairperson’s Report (including Work Programme) Setting of Rates 2020/21 Treasury Strategy 	<ul style="list-style-type: none"> Chairperson’s Report (including Work Programme) Council Chairman’s Discretionary Fund – Annual Report Draft Annual Report Review 2019/20 Expenditure and Koha Report Local Government Official Information & Meetings Act 1987 – Annual Report for period 1 July 2019 – 30 June 2020 	<ul style="list-style-type: none"> Chairperson’s Report (including Programme)

External Audit	Internal Audit	Risk	Other
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APPENDIX 2

Risk and Assurance Completed Work Programme March 2019 to February 2020

***Audit & Risk Completed Work Programme
March 2019 to February 2020***

Meeting date	Report title	Purpose of report
7 March 2019 Committee Meeting	<ul style="list-style-type: none"> Update on Preparation for CouncilMARK Assessment 	To update the Committee on the progress to date in preparing for this assessment.
	<ul style="list-style-type: none"> 2018/19 External Audit Plan 	To receive the draft New Zealand Audit Plan for the audit of the BOPRC for the year ending 30 June 2019.
	<ul style="list-style-type: none"> Internal Audit Status Update 2018/19 	To update the Committee on the status of the internal audit recommendations and management actions to 31 December 2018.
	<ul style="list-style-type: none"> Bus Contract Procurement Review 	To update the Committee on the procurement and planning approach leading to the appointment of New Zealand Bus Tauranga Ltd to provide the Western Bay of Plenty public transport services.
	<ul style="list-style-type: none"> Key Risk Register Quarterly Update – January to March 2019 	To update the Committee of our risk related information for our most significant and high profile risks, including items that would have a current risk factor of major or catastrophic in relation to the ability of Council to meet key objectives.
	<ul style="list-style-type: none"> Kopeopeo Canal Remediation Project Update 21 	To provide an update on the Kopeopeo Canal Remediation Project, highlighting progress since the last report to the Audit and Risk Committee on 28 November 2018.

Meeting date	Report title	Purpose of report
12 June 2019 Committee Meeting	<ul style="list-style-type: none"> Internal Audit Status Update and Proposed Internal Audit Work Plan 2019/20 to 2021/22 	To update the Committee on the status of internal audit activities as at 30 April 2019.
	<ul style="list-style-type: none"> Review of Performance and Effectiveness of the Audit & Risk Committee 	To update the Committee on the results of the survey undertaken about the insight into the Regional Council's activities through our Audit & Risk Committee.
	<ul style="list-style-type: none"> Setting of Rates 2019/20 	To provide the draft Council Rates Resolution and requirements to ensure statutory compliance for the setting of Rates 2019/20
	<ul style="list-style-type: none"> Kopeopeo Canal Remediation Project Update 22 	To provide an update on the Kopeopeo Canal Remediation Project, highlighting progress since the last report to the Audit & Risk Committee on 12 June 2019.
	<ul style="list-style-type: none"> Key Risk Register Quarterly Update – April to June 2019 	To update the Committee of our risk related information for our most significant and high profile risks, including items that would have a current risk factor of major or catastrophic in relation to the ability of Council to meet key objectives.
	<ul style="list-style-type: none"> Treasury Strategy 	To provide an outline of the key treasury management decisions for 2019/20.
	<ul style="list-style-type: none"> Public Transport – NZ Bus Contracting Risks 	To provide details of what steps we have taken to mitigate each of these risks and how we will continue to strengthen Council's position and reduce the three most significant risks to Council at present.

Audit & Risk Completed Work Programme
March 2019 to February 2020

Meeting date	Report title	Purpose of report
12 September 2019 Committee Meeting	• Committee Chairperson's Report	Provides the Committee with an update on Risk and Assurance Committee Activities.
	• Interim Management Report for year ending 30 June 2019	To provide recommendations and prioritises them as urgent, necessary or beneficial
	• 2018/19 Draft Annual Report Review	To update the Committee on the draft financial and non-financial performance results of the Council for the year ended 30 June 2019.
	• Kopeopeo Canal Remediation – Project Update 23	To update the Committee on the Kopeopeo Canal Remediation Project since 12 June 2019 meeting.
	• Expenditure and Koha Report	To update the Committee about Council's supplier spend and details of the koha spend.
	• Chairperson's Discretionary Fund 2018/19	To update the Committee about financial assistance for events/activities to individuals that meet certain criteria for 2018/19.
	• Local Government Official Information & Meetings Act 1987 – Annual Report 1 July 2018 to 30 June 2019	To provide the Committee with information relating to the Local Government Official Information & Meetings Act 1987 requests for 2018/19.
	• Annual Report on Legal Services & Legislative Compliance	To update the Committee on Regional Council's legislative compliance during the year.
	• Internal Audit Status Update and Annual Report	To provide an update on the status of internal audit activities as at 31 July 2019.
	• Key Risk Register Quarterly Update – July to September 2019	Confidential Report to provide an update in relation to items that would have a high profile risk, including major or catastrophic risk factors to enable Council to meet their key objectives.
• Treasury Update Tuatahi 2019/20	Confidential Report to provide an update to the Committee on progress towards implementing the Treasury Strategy 2019/20 to provide the opportunity for the Committee to fulfil its risk management and oversight roles for Treasury Management.	

Meeting date	Report title	Purpose of report
13 February 2020 Committee Meeting	• Committee Chairperson's Report	Provides the Committee with an update on Risk and Assurance Committee Activities.
	• Cyber Security Risk Management	Confidential Report providing a high-level overview of the main ICT security risks the organisation faces, the mitigations in place, and our future initiatives.
	• Internal Audit Status Update	This report provides an update on the status of internal audit activities as at 31 December 2019
	• Key Risk Register Quarterly Update – October to December 2019	Confidential Report Key Risk Register provides risk related information for our most significant and high profile risks.
	• School Bus Services Risks	Confidential Report details what steps we have taken to mitigate each of these key

***Audit & Risk Completed Work Programme
March 2019 to February 2020***

		risks and what is being done to strengthen Council's position and reduce each risk.
	<ul style="list-style-type: none"> • Final Audit Management Report for year ending 30 June 2019 	The report provides recommendations and prioritises them as urgent, necessary or beneficial.
	<ul style="list-style-type: none"> • Kopeopeo Canal Remediation Project – Update 24 Close out 	This paper provides a final update on the Kopeopeo Canal Remediation Project (KCRP) to close out the project.



Receives Only – No Decisions

Report To: Risk and Assurance Committee

Meeting Date: 15 June 2020

Report From: Mat Taylor, General Manager, Corporate

2019/20 External Audit Plan

Executive Summary

The purpose of this report is for the Risk and Assurance Committee to receive the draft Audit New Zealand Audit Plan for the audit of Bay of Plenty Regional Council for the year ending 30 June 2020.

The draft Audit Plan is included in Appendix 1 to this report. Audit Director, Leon Pieterse, will attend the meeting to present the Audit Plan.

Recommendations

That the Risk and Assurance Committee:

- 1 Receives the report, 2019/20 External Audit Plan;**
- 2 Notes the draft Audit Plan for the audit of Bay of Plenty Regional Council for the year ending 30 June 2020.**

1 Introduction

In May 2020 Audit New Zealand released its draft Audit Plan for the year ending 30 June 2020 (Appendix 1).

The draft Audit Plan presents the audit arrangements and discusses the audit risks and issues, the audit process, reporting protocols and audit logistics.

Audit Director, Leon Pieterse, will attend the meeting to discuss the draft Audit Plan.

2 Audit risks and issues

Audit New Zealand has identified the following risks and issues which will be reviewed and tested during their audit:

- Revaluation of property, plant and equipment;

- Fair value assessment for property, plant and equipment;
- Valuation of the Put Option;
- Impact of COVID-19 on the annual report;
- Regional Infrastructure Fund;
- Consolidation of group financial statements; and
- The risk of management override of internal controls.

3 Council Group audit

Audit New Zealand's audit approach is to ensure they have sufficient information to give an opinion on the Council Group, which comprises the Quayside Group and Toi Moana Trust. The draft audit plan discusses the significant audit risks and other areas of focus relating to the audit of the Council Group as a whole.

4 Audit timing

The key dates relating to the 2019/20 external audit are listed below.

Date	Status	Description
14 April 2020	Complete	First interim began
4 May 2020	Complete	Second interim began
20 May 2020	Complete	Draft interim Report to Council report issued
8 July 2020		Management comments received on Report to the Council on the interim audit
5 August 2020		Draft financial statements and performance information available for audit
10 August 2020		Final audit begins
2 September 2020		Draft Annual Report available for audit, and consolidated accounts
14 September 2020		Verbal audit clearance given and Draft report to Council on the annual audit issued for management comments
25 September 2020		Audit opinion issues
28 September 2020		Final Report to Council comments received
5 October 2020		Final detailed Report to Council issued

During the audit, Council staff will provide Audit New Zealand with all relevant records and appropriate levels of assistance.

5 Budget Implications

This 2019/20 budget for the external audit is \$134,992. The estimated audit fees for the external audit are \$134,147 (2018/19 \$132,165) excluding disbursements.

6 Community Outcomes

This proposal/project directly contributes to the all Community Outcome in the Council's Long Term Plan 2018-2028.

Debbie Hyland
Finance & Transport Operations Manager

for General Manager, Corporate

5 June 2020

APPENDIX 1

Audit NZ - Draft Audit Plan 30 June 2020

Audit Plan

Bay of Plenty Regional Council

For the year ending 30 June 2020

Audit Plan

I am pleased to present our Audit Plan for the audit of Bay of Plenty Regional Council for the year ending 30 June 2020. The purpose of this Audit Plan is to discuss:

Audit risks and issues	2
Group audit	6
Our audit process.....	8
Reporting protocols	12
Audit logistics	13
Expectations.....	15

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

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

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

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

Yours sincerely



Leon Pieterse
Appointed Auditor

Audit risks and issues

Focus areas



Based on the planning work and discussions that we have completed to date, we set out in the table below our main areas of focus during the audit.

Area o audit focus	Our audit response
Revaluation of property, plant, and equipment	
<p>The Regional Council periodically revalue its infrastructure assets. PBE IPSAS 17, <i>Property, Plant and Equipment</i>, requires that valuations are conducted with sufficient regularity to ensure that the carrying amount does not differ materially from fair value. This year the Regional Council has revaluations scheduled for Flood Protection and Control, specifically Rivers and Drainage.</p> <p>Due to the nature and value of the revaluations any bias or errors in the inputs used or calculations performed could result in incorrect value for infrastructure assets.</p>	<p>We will:</p> <ul style="list-style-type: none"> • assess the relevant controls that management has put in place for the valuation; • obtain an understanding of the underlying data; • evaluate the qualifications, competence and expertise of the external valuer used; and • review the method of valuing the infrastructure assets and assess if the applicable method used is in line with the financial reporting framework, including the reasonableness of the assumptions used.
Fair value assessment for property, plant and equipment	
<p>PBE IPSAS 17, <i>Property, Plant and Equipment</i> requires valuations to be carried out with enough regularity to ensure that the carrying amount does not differ materially from fair value. The Regional Council needs to formally review whether a revaluation is needed for different asset classes this year.</p> <p>The Regional Council will need to complete a fair value assessment as at 30 June 2020 to confirm that its assets are not materially different to that which has been recorded in the general ledger.</p>	<p>We will review the Regional Council's assessment of whether there is any significant difference between the carrying amount and fair value of its assets not being revalued.</p> <p>We encourage the Regional Council to perform this early so that, if a revaluation is required, there is time to complete it without it impacting the annual report process.</p>

Area o audit focus	Our audit response
Valuation of the Put Option	
<p>The Regional Council revalue its put option every year at year-end. PBE IFRS 9 <i>Financial Instruments</i>, requires that financial instruments measured at fair value through profit and loss are measured at fair value at year end.</p> <p>Due to the nature and value of the valuation, any bias or errors in the inputs used or calculations performed could result in incorrect value for the put option.</p>	<p>We will:</p> <ul style="list-style-type: none"> • assess relevant controls that management has put in place for the valuation; • obtain an understanding of the underlying data; • evaluate the qualifications, competence and expertise of the external valuer used; and • review the method of valuing the put option and assess if the applicable method used is in line with the financial reporting framework, including the reasonableness of the assumptions used.
Impact of Covid-19 on your annual report	
<p>On 11 March 2020, the World Health Organization declared the outbreak of a coronavirus (Covid-19) a pandemic and two weeks later the New Zealand Government declared a State of National Emergency. From this the country was at Alert Level 4 and in lockdown. As a result, economic uncertainties have arisen which are likely to negatively affect our operations and services. The announcement that the Covid-19 virus is a global pandemic has had a significant impact on the majority of organisations and their people across the globe.</p>	<p>At this point in time, we have not yet been able to assess the impact of Covid-19 on your annual report. We plan to do this prior to the start of the final audit and we will communicate with the Regional Council if any audit risks or issues have been identified as a focus area.</p>

Area o audit focus	Our audit response
Regional Infrastructure Fund (RIF)	
<p>The Regional Council is funding a significant programme of regional projects through the RIF. Payments to this fund commenced during the 2016/17 period.</p> <p>The four projects the Regional Council has committed to are:</p> <ul style="list-style-type: none"> • the Tauranga Marine Precinct; • the Tauranga University Campus; • Scion Research Facility; and • Ōpōtiki Harbour Redevelopment. <p>The funding is subject to certain conditions being met.</p> <p>During the 2019/20 period the Tauranga Marine Precinct and Tauranga University Campus projects were finalised.</p>	<p>For payments made during the 2019/20 year we will consider whether planned controls were applied to ensure the funds are used for the purpose intended.</p> <p>We will confirm payments have been correctly accounted for and review any disclosures in the Annual Report relating to the RIF for appropriateness.</p>
Consolidation of group financial statements	
<p>Quayside Holdings Group and Toi Moana Trust are subsidiaries of the Regional Council. Adjustments may be required on consolidation to reflect differences in accounting policies between the Quayside Holdings Group, Toi Moana Trust and Bay of Plenty Regional Council Group.</p>	<p>We will obtain an understanding of the Regional Council group, its components, and their environments, including group-wide controls.</p> <p>For the Quayside Holdings Group, we will also ensure all relevant adjustments have been made on consolidation for differences in accounting policies between for-profit NZ IFRS and the public benefit entity IPSAS-based accounting standards.</p>
The risk of management override of internal controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • testing the appropriateness of selected journal entries; • reviewing accounting estimates for indications of bias; and • evaluating any unusual or one-off transactions, including those with related parties.

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

Fraud risk

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

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

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

Our responsibility

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

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

The Auditor-General has published useful information on fraud that can be found at oag.parliament.nz/reports/fraud-reports.

Group audit



The Group comprises:

- Bay of Plenty Regional Council;
- Quayside Group; and
- Toi Moana Fund.

The Quayside Group consists of:

- Quayside Holdings Limited (QHL);
- Quayside Properties Limited (QPL);
- Quayside Securities Limited (QSL);
- Quayside Securities Limited as Trustee for the Quayside Investment Trust (QIT);
- Quayside Securities Limited as Trustee for the Quayside Unit Trust (QUT); and
- Port of Tauranga Limited (POTL).

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

Significant component	Work to be performed
Quayside Group	<p>Quayside group will be audited by the same Appointed Auditor using the staff and resources of Audit New Zealand. Group instructions will be issued to the component auditor that will specify information we require.</p> <p>The areas of audit focus relevant to this component are:</p> <ul style="list-style-type: none"> • The fair value of property, plant and equipment; • The valuation of investments; and • Management override. <p>More information on these audit risks can be found in the Audit Risks and Issues section above.</p> <p>The audit work on this component will be a full financial statement and performance report audit.</p>

Significant component	Work to be performed
Toi Moana Trust	<p>The Toi Moana Trust will be audited by the same Appointed Auditor using the staff and resources of Audit New Zealand.</p> <p>Group instructions will be issued to the component auditor that will specify information we require.</p> <p>The areas of audit focus relevant to this component are:</p> <ul style="list-style-type: none"> • The valuation of investments; and • Management override. <p>More information on these audit risks can be found in the Audit Risks and Issues section above.</p> <p>The audit work on this component will be a full financial statement and performance report audit.</p>

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

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

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

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

Our audit process

Initial planning

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

Understand your business and environment

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

Assess audit risk

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

Evaluate internal controls

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

Finalise the audit approach

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

Gather audit evidence

During the final audit we audit the balances, disclosures, and other information included in the Bay of Plenty Regional Council’s financial statements and performance information.

Conclude and report

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

Enhancing year-end processes

The year-end financial statement close process and the preparation of the annual report requires a large number of resources to be committed to complete it effectively. This diverts the attention of your staff away from the current financial year and focuses them on past events. We want the audit process to run smoothly and we will work with management to achieve this through bringing forward the timing of audit procedures.

Bringing forward audit procedures

Substantive audit procedures are traditionally performed after the year-end. Where possible, we will aim to bring audit procedures earlier in the year. This will be focused on substantively testing sensitive expenditure, reviewing any revaluation and/or fair value assessment, GST and taxes, payroll, trading and other revenue and, where possible, substantively testing year-to-date transactions for operating expenditure. Completion of these tests earlier in the year should allow for more timely identification and resolution of errors.

If we can complete this work earlier in the year, we expect this to reduce the final audit onsite, as these hours will have been performed earlier in the year. This requires us to have the right information available during this visit to enable us to complete this work.

We will work with management to facilitate getting the information required at the right time. We will communicate with management if information is not available as agreed, including any impact on the year-end audit.

Materiality

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

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

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

Accounting standards also require the Council and management to consider materiality in preparing the financial statements. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on how to make materiality judgements from a financial statements preparer's perspective. Although this guidance is primarily aimed at for-profit entities, the same principles can be applied by public benefit entities.

Whether information is material is a matter of judgement. We consider the nature and size of each item judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Materiality will be lower for some items due to their sensitivity.

Misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements and performance information. During the audit, we will provide details of any such misstatements we identify to an appropriate level of management.

We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations from representatives of the Council that specify the reasons why the corrections will not be made.

Professional judgement and professional scepticism

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

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

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

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

How we consider compliance with laws and regulations

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

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

Wider public sector considerations

A public sector audit also examines whether:

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

Reporting protocols

Communication with management and the Council



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

Reports to the Council



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

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

Audit logistics

Our team



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

Our senior audit team members are:

Leon Pieterse	Appointed Auditor
Carl Wessels	Engagement Quality Reviewer
Anton Labuschagne	Audit Manager
Ben Coyle	Senior Auditor (In-Charge)
Jason Biggins	Tax Director

The Engagement Quality Reviewer (EQR) forms an important part of our internal quality assurance process to maintain and enhance the quality of your audit. The EQR is an experienced Audit Director who has sufficient and appropriate experience to objectively evaluate the judgements made by the audit team. They are independent from the day to day audit field work, and so can provide an independent challenge to the audit team on their judgements. The EQR will work with your Appointed Auditor and the audit team, but will not have direct contact with you.

Timetable



Our proposed timetable is:

First Interim audit visit begins	14 April 2020
Second interim audit visit begins	4 May 2020
Draft Report to the Council on the interim audit issued for management comments	20 May 2020
Management comments received on Report to the Council on the interim audit	8 July 2020
Draft financial statements available for audit	5 August 2020
Draft performance information available for audit	5 August 2020
Final audit begins	10 August 2020
Final Annual Report including, financial statements and performance information will all amendments agreed, available for audit	2 September 2020
Consolidated Accounts	2 September 2020
Verbal audit clearance given	14 September 2020
Draft Report to the Council on the annual audit issued for management comments	14 September 2020
Audit opinion issued	25 September 2020
Management report comments received on the Report to the Council on the annual audit	28 September 2020
Final detailed Report to the Council issued	5 October 2020

Expectations



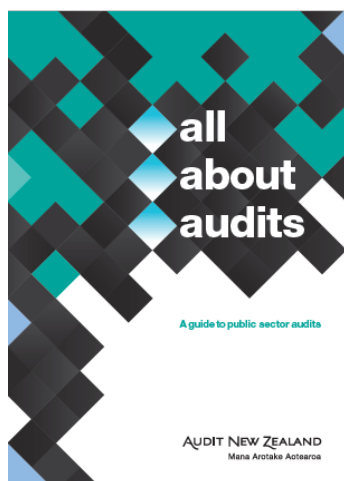
For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

Our respective responsibilities are set out in our audit engagement letter.

We expect that:

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

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



Health and safety



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

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

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

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

PO Box 621, Tauranga 3144
Phone: 04 496 3099

www.auditnz.parliament.nz





Receives Only – No Decisions

Report To: Risk and Assurance Committee

Meeting Date: 15 June 2020

Report From: Mat Taylor, General Manager, Corporate

Setting of Rates 2020/21

Executive Summary

This report provides the draft Council Rates Resolution, and its specific wording requirements to ensure continued statutory compliance for the setting of Rates 2020/21.

Simpson and Grierson have been engaged to perform a current review of statutory compliance for this year's rate assessment processes. Some of the advice is still on-going and may be discussed at the meeting.

Council is schedule to set rates on 25 June 2020. As a result of responding to COVID-19 there is a possibility that some Territorial Local Authorities, who collect regional rates on behalf of Council, may need to delay adoption of their Annual Plan or rates resolution into 2020/21. If any TLA needs to set or change the relevant rates dates or penalty percentage rates after Council sets rates, it is possible for Council to amend its rates resolution through a full Council meeting, as per section 24.6 of Council's standing orders and schedule 7, clause 30 (6) of the Act.

Recommendations

That the Risk and Assurance Committee:

- 1 Receives the report, Setting of rates 2020/21;**
- 2 Notes the draft rate setting information provided, and the process that will be followed at Council on 25 June 2020.**
- 3 Notes that the legal review of statutory compliance for this year's rate assessment and collection process is still on-going and an update will be provided at the meeting.**
- 4 Notes that setting of instalment and penalty dates may be required to change after adoption on 25 June 2020, due to alignment with territorial authorities.**

1 Rates Setting

1.1 Background

The Local Government Act 2002 (*the Act*) and more specifically the Local Government (Rating) Act 2002 (*the Rating Act*) sets out the process for setting rates for a property. This involves the preparation of four formal documents;

- i. Funding Impact Statement;
- ii. Rates Resolution;
- iii. Long Term Plan; and
- iv. Annual Plan

1.2 Funding Impact Statement

The Funding Impact Statement (FIS) is a detailed explanation to the community of what rates will be charged, how they will be calculated and what they will be used for. Ratepayers should be able to work out what they will pay from this document.

To prepare an Annual Plan (Schedule 10, part 2 Clause 20) and Long Term Plan (Schedule 10, part 1 Clause 5 and 15) in accordance with *the Act*, the plan must include a FIS for the year to which it relates. It must be in the prescribed form, and must identify:

- a) The sources of funding to be used by the local authority;
- b) The amount of funds expected to be produced from each source; and
- c) How the funds are to be applied

1.3 Rates Resolution

The Rates Resolution is a local authority's formal legal decision to impose specific rates on a community, and creates the obligation to pay. Each rate must be set in keeping with the relevant FIS and Long Term Plan.

The preparation of the Rates Resolution must be in accordance with section 23 of *the Rating Act*. The rates set in the resolution must;

- a) Relate to a financial year;
- b) Be set in accordance with the relevant provisions of the Council's LTP and FIS for that financial year.

1.4 Long Term Plan

The Long Term Plan (LTP) shows what the Council intends to do and how it will go about it for the next three years. It is finalised after consulting the community.

The detailed legal requirements on what is to be included in the LTP is set out in schedule 10, part 1 of the *Act*. This includes the FIS, a policy governing Council's financial strategy for the next three years and Council's revenue and financing

policy. This ensures prudent financial management by providing a guide for the Council to consider proposals for funding and expenditure against.

It also provides the basis for Council's funding mix, including the source of funds.

1.5 Annual Plan

The Annual Plan shows what the Council intends to do and how it will go about it for the next year.

The detailed legal requirements on what is to be included in the Annual Plan is set out in schedule 10, part 2 of the *Act*. This includes the FIS and rating database information. This ensures prudent financial management by providing a guide for the Council to consider proposals for funding and expenditure against.

2 Local Government Rate Setting Reviews

2.1 Audit New Zealand Review

Council has consistently complied with the rate assessment and setting requirements as established by the Act. Audit New Zealand reviewed in depth Council's Long Term Plan 2018-2028 rates resolution with no changes being required.

2.2 Legal Review

Simpson and Grierson have been engaged to perform a current review of statutory compliance for this year's rate assessment and collection processes. This review is still on-going and will be discussed at the meeting.

Management will ensure these recommendations from the review are included in the final resolution for 2020/21.

In order to ensure that the Council's rates documentation continues to be legally compliant it is considered prudent to conduct an annual review of the documents and ensure all relevant points are incorporated.

3 Draft Rates Setting 2020/21

3.1 Changes from 2019/20

There may be process changes in 2020/21 due to the potential delay in rates setting by the Territorial Local Authorities (TLAs), resulting in potential future rates dates changes to be adopted by Bay of Plenty Regional Council.

3.1.1 Instalment and penalty dates

Council's rates resolution 2020/21 must include the dates for each district's rates instalments, penalty assessments and penalty applications; and the penalty percentage rate. If the dates and penalty percentage do not match with the TLAs, there could be a technical issue with collection. Council has requested that each TLA provides these dates and penalty percentages by 11 June 2020.

Council is schedule to set rates on 25 June 2020. There is a possibility that some TLAs may need to delay adoption of their Annual Plan or rates resolution as a result of responding to COVID-19 into 2020/21.

If any TLA needs to set or change the relevant dates or penalty percentage rate after Council sets rates, it is possible for Council to amend its rates resolution through a full Council meeting, as per section 24.6 of Council's standing orders and schedule 7, clause 30 (6) of the Act.

Staff have been in touch with the TLAs in regards to changes in instalment and penalty dates. At the time of writing Council has received the following updates:

- Rotorua Lakes Council - their resolution will not be adopted until July 2020, therefore their usual penalty dates of 4 July and 5 July of the new financial year will be delayed.
- Kawerau District Council and Western Bay District Council - do not intend to amend their current penalty dates of 4 July and 5 July.

3.2 Draft Rates Resolution 2020/21

A draft Rates Resolution 2020/21 has been prepared and included as Appendix 1 to this report, and this includes the draft schedule for each 2020/21 rate.

4 Council's Accountability Framework

4.1 Community Outcomes

This work directly contributes to the Community Outcomes in the council's Long Term Plan 2018-2028.

4.2 Long Term Plan Alignment

This work is planned under the Finance Activity in the Long Term Plan 2018-2028.

Current Budget Implications

This work is being undertaken within the current budget for the Finance Activity in the Long Term Plan 2018-2028.

Future Budget Implications

Future work is provided for in Council's Annual Plan 2020/21.

Debbie Hyland
Finance & Transport Operations Manager

for General Manager, Corporate

5 June 2020

APPENDIX 1

Rates Resolution 2020/21 - Draft



Report To: Regional Council
Meeting Date: 25 June 2020
Report From: Mat Taylor, General Manager, Corporate

Setting of Rates 2020/21

Executive Summary

This report is to recommend the setting of rates, due dates for the payment of rates and penalties for 2020/21 in accordance with sections 23, 24, 57 and 58 of the Local Government (Rating) Act 2002.

The report sets out;

- The general and targeted rates Council will set for 2020/21, and
- The dates of instalments and penalties.
- The appointment of the local district and city councils to collect the rates assessed by Bay of Plenty Regional Council in accordance with section 53 of the Local Government (Rating) Act 2002.

Recommendations

That the Regional Council:

- 1 Receives the report, Setting of Rates 2020/21;**
- 2 Confirms that the rates for the financial year 1 July 2020 to 30 June 2021 are set and assessed in accordance with the Local Government (Rating) Act 2002.**
- 3 Confirms that the significance of the decision has been assessed as LOW, and under Section 79 of the Local Government Act 2002 (LGA) confirms the written record of the manner in which section 77 and section 78 matters have been addressed.**
- 4 Notes that, Council were not required to follow the special consultative procedure on the funding impact statement that was part of the Annual Plan 2020/21 process.**
- 5 Confirms that the amounts of the rate specified in the rate tables of the resolution, for the financial year commencing 1 July 2020 to 30 June 2021, includes the Council's Goods and Services Tax component.**

- 6 Sets a general rate based on land value, calculated as a rate in the dollar of the rateable land value of each rateable rating unit in the region. The rate in the dollar is different according to the location of the land within each district and city council as land values are equalised.

General Rates Land Value	\$13,970,836
Constituent Authority	Rates Expressed as cents per dollars of rateable land value
Kawerau	0.026865
Ōpōtiki	0.022891
Rotorua (Pt)	0.027465
Taupō (Pt)	0.022891
Tauranga	0.023938
Western Bay of Plenty	0.022891
Whakatāne	0.022891
Offshore Islands	0.147917

- 7 Sets a uniform annual general charge as a fixed amount per rating unit on all rateable land in the region.

Uniform Annual General Charge	\$18,881,340
Fixed amount per rating unit	\$144.09

- 8 Sets targeted rates for Kaituna Catchment Control Scheme. These rates are set differentially for all rateable land situated in the Kaituna Catchment Control Scheme within the Tauranga, Western Bay of Plenty and Rotorua constituent districts.

The two targeted rates are set as follows;

- (i) Where the land is situated and calculated using the area of land within the rating unit,
- (ii) Where the land is situated and calculated using the extent of provision of service to the rating unit.

Category	Rate per hectare \$	Site component \$	Revenue sought \$
A1P	208.68	208.68	413,575
A2P	166.94	187.81	25,096
A3P	125.21	166.94	21,269
A4P	83.47	146.07	23,118
A1	166.94	156.51	103,366
A2	135.64	135.64	48,562
A3	104.34	135.64	48,895
A4	73.04	135.64	29,103
A5	62.60	135.64	84,157
A6	52.17	114.77	20,146
A7	37.56	104.34	19,276
A8	25.04	0.00	2,768
A9	8.35	0.00	725
A10	4.17	0.00	692
A11	2.09	0.00	507
B1	25.04	62.60	21,499
B2	18.78	52.17	6,731
B3	10.43	41.74	19,534
B4	6.26	31.30	34,391
B5	4.17	31.30	57,261
C1	6.26	31.30	6,257
C2	3.65	31.30	104,649
C3	2.50	31.30	28,978
C4	2.09	0.00	4,369
C6R	1.25	0.00	1,337
C8	0.83	20.87	5,963
C5	2.50	20.87	108,321
C6	1.46	16.69	16,368
C7	0.83	62.60	2,310
C9	0.63	16.69	4,159
R01	41.74	83.47	21,526
R02	0.00	62.60	65,456
R03	31.30	26.08	636,379
TP1	20.87	31.30	92,133
Total			2,078,875

- 9 Sets a targeted rate for the Rangitāiki-Tarawera Rivers Scheme. The rate is set differentially for all rateable land situated in the Rangitāiki-Tarawera Rivers Scheme catchment within the Whakatāne, Kawerau, Rotorua and Taupō constituent districts.

The targeted rate is set as follows;

- (i) Where the land is situated and calculated using the area of land within the rating unit.

Category	Rate per hectare \$	Revenue sought \$
A1	145.56	1,171,498
A2	103.11	161,776
A3	78.85	144,174
A4	60.65	69,465
A5	51.55	354,809
A6	18.20	3,008
B1	90.98	192,520
B2	72.78	35,325
B3	54.59	38,736
B4	42.46	357,667
B5	30.33	48,609
B6	10.92	404
B7	8.49	1,526
C1	7.88	62,229
C2	5.46	282,289
C3	1.82	172,550
C4	1.21	76,060
C5	0.91	19,552
U1	4,639.76	185,902
U2	4,366.84	247,555
U3	788.46	19,781
U4	515.53	401,240
U5	363.90	37,063
Total		4,083,739

- 10 Sets targeted rates for Whakatāne-Tauranga Rivers Scheme. These rates are set differentially for all rateable land situated in the Whakatāne-Tauranga Rivers Scheme catchment within the Whakatāne constituent district.**

The two targeted rates are set as follows;

- (i) Where the land is situated and calculated using the area of land within the rating unit,
- (ii) Where the land is situated and calculated using the extent of provision of service to the rating unit.

Whakatane-Tauranga Rivers Scheme targeted rates			
Category	Rate per hectare \$	Site component \$	Revenue sought \$
A1	163.10	163.10	120,531
A2	138.01	138.01	54,815
A3	112.92	119.19	180,139
A4	94.10	106.64	290,490
A5	69.00	0.00	16,663
A6	50.19	87.82	21,809
A7	37.64	75.28	28,077
A8	25.09	69.00	61,058
A9	12.55	0.00	1,621
B1	56.46	0.00	125,033
B2	31.37	56.46	89,046
B3	25.09	37.64	48,378
B4	18.82	31.37	8,442
B5	2.51	0.00	1,134
C1	7.53	62.73	33,936
C2	5.02	25.09	49,801
C3	3.76	25.09	35,551
C4	2.51	6.27	5,898
C5	1.25	6.27	30,450
U1	564.58	169.37	453,279
U2	414.03	131.74	131,217
U3	219.56	87.82	204,939
U4	138.01	75.28	101,053
U5	12.55	0.00	9
Total			2,093,369

11 Sets targeted rates for the Waioeka-Otara Rivers Scheme. The rates are set differentially for all rateable land situated in the Waioeka-Otara Rivers Scheme catchment within the Ōpōtiki constituent district.

The two targeted rates are set as follows;

- (i) Where the land is situated and calculated using the area of land within the rating unit,**
- (ii) Where the land is situated and calculated using the extent of provision of service to the rating unit.**

Waioeka-Otara Rivers Scheme targeted rates			
Category	Rate per hectare \$	Site component \$	Revenue sought \$
A1A	421.53	486.38	25,076
A2	226.98	356.68	30,918
A2A	324.25	405.32	14,651
A3	194.55	291.83	146,765
A3A	259.40	356.68	7,448
A4	162.13	226.98	87,477
A4A	210.77	291.83	4,907
A5	145.91	226.98	67,325
A6	113.49	226.98	1,033
A7	97.28	226.98	11,722
A8	81.06	226.98	105,794
B1	64.85	0.00	17,489
B2	9.73	0.00	166
C1	16.21	194.55	48,278
C2	9.73	194.55	16,594
C3	6.49	162.13	15,957
C4	4.86	64.85	23,159
C5	3.24	64.85	3,599
C6	1.30	64.85	11,628
R	3.24	0.00	307
U1AC	1,945.52	1,426.72	55,417
U1AR	972.76	713.36	81,284
U1C	1,556.42	1,167.31	172,709
U1R	778.21	583.66	493,491
U2AC	1,426.72	1,037.61	18,009
U2AR	713.36	518.81	61,010
U2C	1,037.61	907.91	11,749
U2R	518.81	453.96	139,926
U3R	129.70	259.40	107,454
Total			1,781,340

12 Sets a targeted rate for the Rangitāiki Drainage Rating Area. The rate is set differentially for all rateable land situated in the defined Rangitāiki Drainage Rating Area situated on the Rangitāiki Plains within the Whakatāne constituent district.

The targeted rate is set as follows;

- (i) Where the land is situated and calculated using the area of land within the rating unit.**

Rangitaiki Drainage targeted rates		
Category	Rate per hectare \$	Revenue sought \$
A	65.69	508,132
B	59.12	65,723
C	55.18	79,613
D	47.95	292,787
E	39.41	107,576
F	29.56	73,076
G	22.33	83,400
H	16.42	1,830
I	7.88	6,065
U1	131.38	29,051
U2	65.69	4,004
Total		1,251,259

- 13 Sets a targeted rate for Passenger Transport. The rate is set differentially as an amount per rating unit on all rateable properties within the defined boundaries of Tauranga City, Urban Rotorua, Western Bay District and Whakatāne District. The passenger transport targeted rate is set as follows;**

(i) Where the rateable unit is situated.

Passenger Transport targeted rate		
Category	Rate per rating unit \$	Revenue sought \$
Tauranga City	195.18	11,406,566
Rotorua Urban	59.30	1,312,260
Western Bay District	17.49	398,367
Whakatāne District	13.99	210,578
Total		13,327,771

- 14 Sets a targeted rate for the Rotorua Lakes Programme. The rate is set differentially as an amount per rating unit on all rateable properties within the Rotorua constituent district. The Rotorua Lakes programme targeted rate is set as follows;**

(i) Area of land within the rating unit.

Rotorua Lakes Programme targeted rate		
Category - All Properties	Rate per rating unit \$	Revenue sought \$
0 - 1.9999ha	103.92	2,661,759
2 - 9.9999ha	220.44	156,336
10ha and over	722.32	551,220
Total		3,369,315

- 15 Sets a targeted rate for Rotorua Air Action Plan Implementation. The rate is set differentially as a fixed amount per rating unit on all rateable properties within the defined boundary of Urban Rotorua.**

The Council sets the Rotorua Air Action Plan Implementation targeted rate as follows;

(i) Where the rateable unit is situated.

Rotorua Air Action Plan Implementation targeted rate		
Category	Rate per rating unit \$	Revenue sought \$
Rotorua Urban	14.44	319,465

16 Sets a targeted rate for Civil Defence Emergency Management. The rate is set differentially as an amount per rating unit on all rateable properties within the Kawerau, Ōpōtiki, Rotorua, Tauranga, Western Bay of Plenty and Whakatāne constituent districts.

The Civil Defence Emergency Management targeted rate is set as follows;

(i) Where the rateable unit is situated.

Civili Defence Emergency Management targeted rate		
Category - All Properties	Rate per rating unit \$	Revenue sought \$
Kawerau	28.44	81,563
Ōpōtiki	27.15	134,902
Rotorua	27.07	733,203
Tauranga	25.18	1,471,570
Western Bay of Plenty	24.52	558,556
Whakatāne	28.30	426,150
Total		3,405,945

17 Sets a targeted rate for Rotorua Air Clean Heat Conversion. The rate is set differentially as an amount per rating unit within the defined boundary of Rotorua Air shed Area with liability to Council.

The Council sets the Rotorua Air Clean Heat Conversion targeted rate as follows;

(i) Where the rateable unit is situated, and calculated based on the extent of loans provided by Council under the Clean Heat Conversion scheme.

Rotorua Air Clean Heat Conversion targeted rates 2020/21

Category	Rate \$ per rating unit	Revenue sought Excl
CH001	680.00	48,280
CH002	660.00	17,820
CH003	640.00	21,120
CH004	620.00	17,980
CH005	600.00	16,800
CH006	580.00	10,440
CH007	560.00	8,960
CH008	540.00	13,500
CH009	520.00	3,120
CH010	500.00	3,000
CH011	480.00	3,840
CH1	460.00	133,860
CH2	455.00	19,565
CH3	450.00	18,900
CH4	445.00	8,455
CH5	440.00	21,560
CH6	435.00	13,920
CH7	430.00	19,780
CH8	425.01	11,900
CH9	420.00	10,920
CH10	415.00	12,865
CH11	410.00	8,200
CH12	405.00	8,100
CH13	400.00	7,600
CH14	395.00	15,405
CH15	390.00	11,310
CH16	385.00	15,015
CH17	379.99	3,800
CH18	375.00	8,250
CH19	370.00	8,510
CH20	365.00	5,840
CH21	360.00	6,480
CH22	355.01	2,840
CH23	350.00	4,900
CH24	345.00	8,970
CH25	340.00	4,420
CH26	335.00	5,025
CH27	330.00	9,240
CH28	325.00	12,350
CH29	320.00	4,480
CH30	315.00	4,095
CH31	310.01	4,340
CH32	305.00	1,830
CH33	300.00	4,500
CH34	295.00	5,310
CH35	290.00	6,090
CH36	285.00	3,135
CH37	280.00	4,200
CH38	275.00	4,400
CH39	270.00	8,640
CH40	265.00	1,590
CH41	260.00	3,380
CH42	255.00	3,060
CH43	250.00	3,000
CH44	245.00	3,210

CH44	245.00	2,940.00
CH45	240.01	2,400.05
CH46	235.00	2,585.03
CH47	230.00	2,300.00
CH48	225.00	17,999.80
Total		673,114.92

- 18 Sets targeted rates for the minor rivers and drainage scheme. The rates are set differentially for all rateable land situated in the defined communal pumped drainage and defined minor river and drainage schemes areas. The Council sets one targeted rate for each scheme as follows;

- (i) Where the land is situated and calculated using the area of land within the rating unit.

Waiotahi River District targeted rates		
Category	Rate per hectare \$	Revenue sought \$
A	109.20	11,860
B	87.36	14,205
C	65.52	12,526
D	36.40	1,851
E	21.84	1,658
F	10.92	2,061
Total		44,160

Huntress Creek Drainage District targeted rates		
Category	Rate per hectare \$	Revenue sought \$
A	82.20	17,316
B	63.02	5,000
C	41.10	2,983
D	27.40	1,460
E	19.18	628
F	8.22	2,743
Total		30,130

Waiotahi Drainage District targeted rates		
Category	Rate per hectare \$	Revenue sought \$
A	50.73	4,332
B	42.28	8,787
C	33.82	2,135
D	25.37	1,140
E	16.91	72
F	8.46	1,934
Total		18,400

Awaiti West Pumped Drainage Scheme targeted rate

Category	Rate per hectare \$	Revenue sought \$
A	406.08	5,117
B	186.80	27,495
C	81.22	16,028
D	40.61	1,961
Total		50,600

Omeheu Adjunct Communal Pumped Drainage Scheme targeted rates

Category	Rate per hectare \$	Revenue sought \$
A	86.32	887
B	64.74	5,189
C	47.48	2,644
D	25.90	2,262
E	12.95	702
F	4.32	101
URBAN	228.74	9,836
Total		21,620

Lawrence Communal Pumped Drainage Scheme rates

Category	Rate per hectare \$	Revenue sought \$
A	624.56	17,612
B	499.65	2,298
C	312.28	2,212
D	156.14	2,258
Total targeted rates		24,380

Murray's Communal Pumped Drainage Scheme rates

Category	Rate per hectare \$	Revenue sought \$
A	100.10	15,273
B	72.07	1,186
C	64.06	3,070
D	28.03	1,517
Total		21,045

19 Sets targeted rates uniformly for all rateable land situated in the defined drainage and defined minor river and drainage schemes areas.

The rates are set as follows;

(i) Where the land is situated and calculated using the land area of each scheme.

Minor Drainage Schemes targeted uniform rates		
Category	Rate per hectare \$	Revenue sought \$
Angle Road	50.11	11,500
Awakeri	18.94	5,405
Baird-Miller	37.60	5,175
Foubister	97.53	10,235
Gordon	195.24	19,205
Greigs Road	78.96	56,350
Halls	107.33	25,990
Riverslea Road	568.58	17,480
Kuhanui	69.31	5,750
Longview-Richlands	99.20	11,500
Martin	44.74	5,980
Massey	14.29	6,095
Mexted-Withy	19.84	5,520
Omeheu East	61.16	25,645
Pedersen - Topp	50.29	5,750
Platts	89.59	33,005
Reynolds	74.16	9,545
Robins Road	219.03	40,940
Travurzas	67.37	13,340
Wylds	115.10	21,620
Poplar Lane	220.85	12,420
Awaiti East	258.24	36,800
Total		385,250

20 Sets the following instalment due dates for all rates other than the Minor River and Drainage Scheme rates as set out below. The due dates for each territorial constituent area are for an equal amount of the rates.

(i) The respective instalment due dates are as follows;

Kawerau District	
Instalment One	04 September 2020
Instalment Two	20 November 2020
Instalment Three	26 February 2021
Instalment Four	21 May 2021
Ōpōtiki District	
Instalment One	21 August 2020
Instalment Two	20 November 2020
Instalment Three	26 February 2021
Instalment Four	21 May 2021
Rotorua District	
Instalment One	20 August 2020
Instalment Two	20 November 2020
Instalment Three	20 February 2021
Instalment Four	20 May 2021
Taupō District	
Instalment One	20 August 2020
Instalment Two	20 November 2020
Instalment Three	22 February 2021
Instalment Four	20 May 2021
Tauranga City District	
Instalment One	30 August 2020
Instalment Two	08 February 2021
Western Bay of Plenty District	
Instalment One	25 September 2020
Instalment Two	26 February 2021
Whakatāne District	
Instalment One	21 August 2020
Instalment Two	20 November 2020
Instalment Three	26 February 2021
Instalment Four	21 May 2021

21 Sets the following penalties regime for all rates other than the Minor River and Drainage Scheme rates;

- (i) Pursuant to sections 57 and 58(1)(a) of the Local Government (Rating) Act 2002, with respect to rates assessed in the 2020/21 year, a penalty of 10% for all areas other than the Kawerau District and 5% for the Kawerau District will be added to the amount of any instalment that has been assessed after 1 July 2020 and which is unpaid after the relevant due date set out in section 20. The penalty will be added on the respective instalment penalty date shown in (ii).

- (ii) The respective instalment penalty dates are as follows;

Kawerau District	
Instalment One	07 September 2020
Instalment Two	23 November 2020
Instalment Three	01 March 2021
Instalment Four	24 May 2021
Ōpōtiki District	
Instalment One	26 August 2020
Instalment Two	25 November 2020
Instalment Three	03 March 2021
Instalment Four	26 May 2021
Rotorua District	
Instalment One	21 August 2020
Instalment Two	21 November 2020
Instalment Three	21 February 2021
Instalment Four	21 May 2021
Taupō District	
Instalment One	27 August 2020
Instalment Two	27 November 2020
Instalment Three	01 March 2021
Instalment Four	27 May 2021
Tauranga City District	
Instalment One	05 September 2020
Instalment Two	05 March 2021
Western Bay of Plenty District	
Instalment One	23 October 2020
Instalment Two	26 March 2021
Whakatāne District	
Instalment One	24 August 2020
Instalment Two	23 November 2020
Instalment Three	01 March 2021
Instalment Four	24 May 2021

- (iii) Pursuant to sections 57 and 58(1)(b) of the Local Government (Rating) Act 2002, with respect to rates assessed before 1 July 2019, a penalty of 10% for all areas other than the Kawerau District and 5% for the Kawerau District will be added to any rates unpaid on 4 July 2020. The penalty will be added on the date shown below.

The respective additional penalty dates are as follows;

District	Penalty assessed date	Penalty application date
Kawerau District	4 July 2020	5 July 2020
Rotorua District	4 July 2020	5 July 2020
Taupō District	4 July 2020	5 July 2020
Tauranga City District	4 July 2020	5 July 2020
Western Bay of Plenty District	4 July 2020	5 July 2020
Whakatāne District	1 October 2020	2 October 2020

- (iv) Pursuant to sections 57 and 58(1)(c) of the Local Government (Rating) Act 2002, with respect to rates assessed in previous financial years, a further penalty of 10% for Rotorua District, Tauranga District and Western Bay of Plenty District, and 5% for the Kawerau District will be

added on any rates to which a penalty has been added under 21(iii) if the rates remain unpaid six months after the previous penalty was added.

The respective additional penalty dates are as follows;

District	Penalty application date
Kawerau District	7 January 2021
Rotorua District	8 January 2021
Tauranga City	5 January 2021
Western Bay of Plenty District	7 January 2021

- 22 Set that Minor River and Drainage Scheme rates shall be payable at the office of the Bay of Plenty Regional Council, Quay Street, P O Box 364, Whakatāne in one instalment on or by 20 January 2021.
- 23 Set the following penalties regime for the Minor River and Drainage Scheme rates:
- (i) Pursuant to sections 57 and 58(1)(a) of the Local Government (Rating) Act 2002, with respect to the Minor River and Drainage Scheme rates assessed in the 2020/21 year, a penalty of 10% will be added to the amount that remains unpaid after the date stated above, on 20 February 2021.
 - (ii) Pursuant to sections 57 and 58(1)(b) of the Local Government (Rating) Act 2002, with respect to Minor River and Drainage Scheme rates assessed before 1 July 2020, a penalty of 10% will be added on any rates that remain unpaid on 4 July 2020. The penalty will be added on 4 July 2020.
 - (iii) Pursuant to sections 57 and 58(1)(c) of the Local Government (Rating) Act 2002, with respect to Minor River and Drainage Scheme rates, a further penalty of 10% will be added on any rates to which a penalty has been added under (ii) if the rates remain unpaid six months after the previous penalty was added. The penalty will be added on 20 February 2021.
- 24 Pursuant to section 27(7) of the Local Government (Rating) Act 2002, the Council delegates' authority to the constituent district and city councils of the Bay of Plenty region to keep and maintain the rating information database for those areas on its behalf.
- 25 Appoints in accordance with section 53 of the Local Government (Rating) Act 2002 the constituent district and city councils of the Bay of Plenty region, i.e. Kawerau District Council, Ōpōtiki District Council, Rotorua District Council, Taupō District Council, Tauranga City Council, Western Bay of Plenty District Council, Whakatāne District Council, to collect the rates assessed by Bay of Plenty Regional Council, excluding Minor River and Drainage Scheme targeted rates.
- 26 Agrees that in respect of the Minor River and Drainage Scheme targeted rates which are collected directly by the Bay of Plenty Regional Council, where the total amount of rates payable, in

respect of any property is \$9.99 or less, pursuant to Section 54 of the Local Government (Rating) Act 2002, the rates payable in respect of the property will not be collected.

- 27 Confirms that the decision has a medium level of significance as determined by the Council's Significance and Engagement Policy. Council has identified and assessed different options and considered community views as part of making the decision, in proportion to the level of significance.

1 Introduction

The Information Document for the Annual Plan 2020/21 was made available to the public on 18 March 2020, with a closing date for submissions being 6 May 2020. Hearings of submissions and deliberations on all submissions received as part of the consultation process were held before Council in June 2019. Council considered all practical options available at the deliberations meeting for the consultation topic, and other issues rates; the rates to be set are a result of those decisions.

The rates set out in this paper are in accordance with the Annual Plan 2020/21 Revenue and Financing Policy and Funding Impact Statement, as required by section 23 of the Local Government (Rating) Act 2002.

A resolution is required to set the rates, due dates and penalties regime for the 2020/21 financial year.

2 Analysis of Options

Council participated in a comprehensive series of workshops and meetings as part of the development of the Annual Plan 2020/21. A number of options and scenarios were considered on different components of the Plan during the course of this process. Further options on a number of key matters were considered as part of the deliberations process.

3 Community Views

Community views were sought using the special consultative procedure prescribed in the Local Government Act 2002. The Bay of Plenty community has had the opportunity to be involved in the Annual Plan through the submissions and hearings process. Councillors have considered the community views and feedback during the deliberations process.

4 Budget Implications

4.1 Current Year Budget

This work is being undertaken within the current budget for the Finance and Corporate Planning Activity in the Long Term Plan 2018-2028

4.2 Future Budget Implications

Future implications have been included in the Annual Plan 2020/21.

5 Community Outcomes

This proposal directly contributes to all Community Outcomes in the council's Long Term Plan 2018-2028.

Debbie Hyland
Finance & Transport Operations Manager

for General Manager, Corporate

Authorised Date



Receives Only – No Decisions

Report To: Risk and Assurance Committee

Meeting Date: 15 June 2020

Report From: Mat Taylor, General Manager, Corporate

Treasury Strategy 2020-21

Executive Summary

This paper seeks the Risk and Assurance Committee's recommendation to Council for our treasury strategy updates for debt and investment. This paper outlines the key treasury management decisions for 2020/21 and staff have developed a 2020/21 treasury strategy based on 2019/20 plus these updates.

Council has borrowed \$191 million from the Local Government Funding Agency in 2018/19 and 2019/20. The proposed forecast for Annual Plan 2020/21 is to increase borrowings by \$40 million for pre-funding capital expenditure to \$231 million as at 30 June 2021. The proposed borrowing approach in 2020/21 seeks to achieve the record lowest borrowing rates available now.

The Toi Moana Trust (the Trust) was established at a level of \$45 million from cash reserves in the Long Term Plan 2018-2028 to achieve higher rates of return than achievable by Council. The Trust, as a CCO is required to have a Statement of Intent and an annual Statement of Investment Policy and Objectives.

This report presents the draft Statement of Intent and draft Statement of Investment Policy and Objectives 2020-21 for review. These two documents lay out the framework for all investments in the Trust to be made and ensures they align to Council's objectives

Recommendations

That the Risk and Assurance Committee:

- 1. Receives the report, Treasury Strategy 2020-21;**

Recommend that the Regional Council:

- i. Approves \$40 million of new borrowings from the Local Government Funding Agency to pre-fund 2021/22 and 2022/23 capital expenditure to reduce funding risk.**
- ii. Approves Council's Toi Moana Trust Statement of Intent 2020-21**

iii. Approves Council's Toi Moana Trust Statement of Investment and Objectives 2020-21

1 Borrowing - Pre-funding background

Council commenced borrowing in 2018/19 to fund its Long Term Plan 2018-2028 capital works programme. The capital budgets in the first three years of the Long Term Plan 2018-2028 were significantly higher than the long term average due to the flood recovery and the buildings upgrade projects.

As a result, Council's debt profile had shown a rapid rise in gross debt as it had pre-funded the first three years of its capital works programme. Borrowing that had been taken out had been placed on short term investments to obtain a net interest gain until needed for Council cash-flows. This treasury management approach had resulted in a low cost of capital in 2018/19 and 2019/20. It has subsequently moved to long term borrowing at rates between 1% and 2%.

With the record low borrowing rates currently being seen from the LGFA it is advantageous to continue this approach and pre-fund years four and five of the LTP 2018-2028 at the capital expenditure levels set out in the draft Annual Plan 2020/21.

1.1 Pre-funding of forecast capital expenditure 2021/22 and 2022/23

Council Treasury Policy enables it to pre-fund 12 months of capital expenditure, however, this may be extended with Council approval.

It is recommend that additional borrowings of \$40 million to pre-fund capital expenditure relating to 2021/22 and 2022/23. These funds will be invested to align to future cash flows and, based on current interest rates.

2 Toi Moana Trust - Background

The Toi Moana Trust (the Trust) was established at a level of \$45 million from Bay of Plenty Regional Council's cash reserves in the Long Term Plan 2018-2028.

The primary objectives are to provide optimised long term investment returns without the restraint of liquidity requirements. Council's secondary objective when investing the funds was to protect its capital value in the longer term.

The Trust was set up as a Portfolio Investment Entity (PIE) after submitting on the Taxation Bill to be included in schedule 29 of the Income Tax Act 2007, to be a listed investor. This meant that the Trust had to become an investment Council Controlled Organisation (CCO). As a CCO the Trust is required to have a Statement of Intent and Statement of Investment Policy and Objectives approved by Council.

Quayside acts as an Independent Fund Manager, as they bring the additional benefits through their greater understanding of Council's objectives. Both Quayside and Council have the objective of capital preservation in the long term and enable Council to budget a net 5% cash yield based on Quayside's Statement of Intent (7.5% less tax).

The premium rate of net 5% (especially in the current economic climate) means that Council accept a slightly higher risk profile than the usual conservative low risk of low-medium risk.

3 Draft Statement of Intent 2020/21

The Trust has been established as an investment Council Controlled Organisation (CCO). Council must set a Statement of Intent (SOI) incorporating the nature, scope, activities, and performance targets of the Trust. The SOI is an important part of telling the Trust's performance story and provides background for the Annual Report.

The Trust was established in the Long Term Plan 2018-2028 and at that time the policy objectives and performance targets were set.

These objectives and targets are now being set within the SOI and SIPO framework and will be monitored and reviewed each year by Council. It is therefore recommend that Council approve the following targets in the Trust SOI to 30 June 2021. See appendix 1.

SOI Performance Targets

Performance targets are effective for the year represented by this Statement of Intent. Target measures will therefore be assessed in full on or within 90 days after 30 June 2021. Council will receive monitoring reports of progress against performance targets during the year.

Ref	Objective	Measure
1.	Generate commercial returns across the Investment Portfolio.	Annual net cash flow return of 5%
2.	Capital preservation	Long term capital preservation over an initial period of seven years
3.	Investments must be in accordance with its Principles of Responsible Investment.	Investments must be screened from an ethical perspective and meet the following criteria. We must avoid investing in companies whose principal business activity is: <ul style="list-style-type: none"> • The manufacture and sale of armaments • The manufacture and sale of tobacco • The promotion of gambling.
4.	Investments must be in accordance with the Principles of Socially Responsible Investments.	As an Organisation with a focus on environmental factors, investments should be screened for their impact on the environmental, social and governance considerations.

Following Council discussion at 2 June meeting the fourth objective around socially responsible investments has been included in addition to the previous three.

Socially responsible investment, including environmental, social and governance considerations (ESG), will be taken into account in investment policies and procedures. Socially responsible investing does not require ruling out opportunities but it does require decision-makers to incorporate ESG information into investment and borrowing decisions to identify and consider activities known to be socially, culturally and environmentally detrimental.

ESG factors are numerous and continually changing. Environmental factors include climate change, greenhouse gas emissions, resource depletion, waste and pollution, deforestation. Social factors include working conditions, local communities, and conflict, health and safety and employee relations. Governance factors include pay, bribery and corruption, board diversity and structure, and tax strategy.

The Investment Manager will incorporate ESG information in its investment decision-making process to ensure that all relevant factors are accounted for when assessing risk and return. This change aligns the SOI with the Trust's SIPO.

Moving to a more direct and measurable focus on sustainability and 'green' investments does require some further lead in time, and further development of measurement criteria and the possible for the rate of return to be reviewed. Therefore, it is proposed to develop this further this year, along with the Quayside Statement of Intent, for the LTP 2021-2031.

4 Draft Statement of Investment Policy and Objectives 2020/21

The purpose of a Statement of Investment Policy and Objectives ('SIPO') is to describe Council's investment policy and investment objectives for the Toi Moana Trust.

This document that sets out the investment governance and management framework, philosophy, strategies and objectives of a managed investment scheme. It provides the policy framework for Council to effectively supervise, monitor and evaluate the management of the fund. Council must maintain a SIPO for the Trust.

The following proposed targets will be in the full SIPO, which will be presented to Council on 25 June 2020. See appendix 2.

Required rate of return

Careful consideration of cash flow requirements is essential to determine the required rate of return. To achieve the desired level of contributions to cash flow and liquidity needs, an assumed portfolio size of \$45 million; a return of 5.0% should be sufficient to meet Council's financial strategy.

Risk summary and selection of asset allocation

The table below summarises the Council's level of risk tolerance as measured by the three risk factors:

Risk Measure	Level of risk
Capacity to accept risk	Medium to high
Willingness to accept risk	Low
Required rate of return	High

Council's Toi Moana reserve liquidity and risk requirements are detailed below:

Reserve	Funds used for	Level of acceptable risk	Liquidity needs
Toi Moana reserve	Investment returns	Low	Low liquidity

Over the long term, the average rate of investment return is related to the level of risk and term of investments within the portfolio. The Toi Moana reserve requires low liquidity and therefore Council should receive a return premium because of the council's willingness to commit to investments for a longer fixed period than the other reserves.

Based on Councils required return, capacity and willingness to accept risk, it is recommended that a conservative portfolio is adopted which is suitable for a Medium level of risk.

5 Budget Implications

5.1 Current Year Budget

This work is being undertaken within the current budget for the Finance Activity in the Annual Plan 2019/20.

5.2 Future Budget Implications

Future work on this is provided for in Council's Long Term Plan 2018-2028

6 Community Outcomes

This item directly contributes to the all the Community Outcomes in the Council's Long Term Plan 2018-2028.

Andy Dixon
Treasury & Tax Specialist

for General Manager, Corporate

5 June 2020

APPENDIX 1

Draft Toi Moana Trust Statement Of Intent 2020-21

Statement of Intent

Toi Moana Trust

For the year to 30 June 2021

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Introduction

The Local Government Act 2002 section 64(1) requires all Council-Controlled Organisations to annually prepare a Statement of Intent. The content of a Statement of Intent must adhere to the Local Government Act 2002 schedule 8.

Toi Moana Trust (the Trust) is a Council Controlled Organisation (CCO), itself being a subsidiary of the Bay of Plenty Regional Council (Council). This Statement of Intent incorporates the nature, scope, activities, and performance targets of Toi Moana Trust.

Objectives of the Trust

The Toi Moana Trust was established with the primary objective of providing optimised long-term investment returns without the restraint of liquidity requirements to Council. Its secondary objective is to protect the capital value of its investment over the longer term.

Governance

Quayside Holdings Limited has been appointed to be manager ('the Manager') of the Trust. The role of the Manager commenced on 1 July 2019. Quayside Holdings Limited is the parent of Quayside Securities Limited. Toi Moana Trust is a Portfolio Investment Entity (PIE) under the Quayside Investment Trusts, Trust Deed. Quayside Securities Limited is a corporate trustee of the assets of Quayside Investment Trusts.

Council is responsible for annually assessing the performance of the investment portfolios to ensure performance is in line with the Council's required investment returns and within prescribed risk criteria.

Council's Audit and Risk Committee (or equivalent) is responsible for regularly reviewing the Investment Manager's reports and ensuring that all parties overseeing, advising and managing the Council's investments disclose any potential conflicts of interest.

The Manager is responsible for managing the investments in accordance with the guidelines and objectives in the Trust's SIPO.

All parties must have requisite skills and must apply their skills, knowledge and experience in the best interests of the Trust and, be committed to high quality governance, and assist the Toi Moana Trust to meet its objectives and the requirements of this Statement of Intent.

The Trust can, as required, and the manager utilise third party brokers for transactions and a third party custodial for asset custody.

Committees and Policies

Toi Moana Trust comes under the delegated authority policy of the Quayside Group.

Ratio of Shareholder Funds to Total Assets

Toi Moana Trust

Assets	\$45,000,000
Liabilities	(\$0)

The figures above are all reflective of 1 July 2019.

Accounting Policies

The financial statements are prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable financial reporting standards as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRS), the Companies Act 1993, the Local Government Act 2002 and is a Tier 2 reporting entity under the Financial Markets Conduct Act 2013. A full set of accounting policies are available on request.

Performance Targets

Performance targets are effective for the year represented by this Statement of Intent. Target measures will therefore be assessed in full on or within 90 days after 30 June 2021. The Group will

keep Council informed of progress against performance targets on a no surprises basis during the year.

Investment portfolio

	Objective	Measure
1.	Generate commercial returns across the Investment Portfolio.	Annual net cash flow return of 5%
2.	Capital preservation	Long term capital preservation over an initial period of seven years
3.	Investments must be in accordance with its Principles of Responsible Investment.	Investments must be screened from an ethical perspective and meet the following criteria. We must avoid investing in companies whose principal business activity is: <ul style="list-style-type: none"> • The manufacture and sale of armaments • The manufacture and sale of tobacco • The promotion of gambling.
4.	Investments must be in accordance with its Principles of Socially Responsible Investment.	As an Organisation with a focus on environmental factors investments should be screened for their impact on the environmental, social and governance considerations.

Governance

	Objective	Measure
1.	Keep Council informed on a no surprises basis, providing quality and timely information.	Quarterly reporting on investment fund performance. Timely advice and support as required. Matters of urgency are reported to Council at the earliest opportunity.
2.	Meet Shareholders distribution expectations as outlined in SOI or as otherwise agreed.	Distributions paid to agreed values.

Distribution to Unit Holders

Distributions to Council of 5%

Distributions to Council

Financial year	2020	2021	2022
Distribution	\$2,250,000	\$2,250,000	\$2,250,000

The timing and amounts of distributions are to be mutually agreed.

Reporting to Shareholders

Toi Moana Trust provides its unit holders with Interim and Annual Financials reports each year.

No Surprises

Toi Moana Trust operates on a “no surprises” basis with its unit holders Council. The Manager will look to advise unit holders early of any material departure from the Statement of Intent at the soonest practical opportunity.

Other Matters

There are no matters other than those set out above.

APPENDIX 2

Draft Statement of Investment Policy and Objectives 2020-21

Statement of Investment Policy and Objectives

Toi Moana Trust

For the year to 30 June 2021

Introduction

Purpose

The purpose of this Statement of Investment Policy and Objectives ('SIPO') is to describe Bay of Plenty Regional Council's (the Council) investment policy and investment objectives for its Toi Moana fund. It provides the policy framework for Council to effectively supervise, monitor and evaluate the management of the fund.

The Toi Moana fund was formed during the development of the Long Term Plan 2018-2028. It was recognised that the funds could be used for long term investment purposes to optimise returns to Council over the long run.

Effective date

This SIPO takes effect from 1 July 2020.

Review dates

The next review date for this SIPO is by 30 June 2021, or sooner if market conditions warrant it.

The review is to be endorsed by the Audit and Risk Committee (or equivalent) and then approved by the Council.

Scope

This SIPO relates to Council's Toi Moana fund.

Funds may be held in the following forms:

- 'Income' assets; incorporating cash, term deposits, long term, liquid fixed interest investments and commercial paper
- 'Growth' assets, incorporating equity investments, directly and via managed funds, and other approved growth assets

The total fund as at 1 July 2020 is \$45 million. Council expects the capital base to be maintained at \$45 million (the minimum targeted balance of the Toi Moana reserve). The agreed investment term is seven years.

In the Long Term Plan 2018-2028 Council has budgeted a net annual investment income from these funds of \$2.25 million from years one to five.

Investment management structure

The fund is to be managed by the Investment Manager selected by Council who can best achieve the objectives of this SIPO. As at 30 June 2020 the Investment Manager is Quayside Holdings Limited.

The Investment Manager is responsible for administering the Fund and selecting and managing its investments.

Objectives

Investment objectives

Councils overarching strategic goals for its Toi Moana Fund are:

- Council will maintain a long-term perspective to ensure assets are protected for future generations and over the long run will consider the impact of inflation
- Council will ensure that investment returns are optimised within the risk management parameters specified in its Treasury Policy and SIPO

Investment philosophy

As a responsible public authority, Council's philosophy is that all investments must be prudent and the associated risks and returns balanced against the key aim of capital preservation. Council's Treasury framework is supportive of its inter-generational responsibilities to ratepayers. The primary focus is capital protection, followed by an appropriate return and acceptable liquidity.

The Investment Manager of the Toi Moana fund is empowered to develop investment strategies that best fit the objectives and risk tolerance of the fund. In developing and amending investment strategies the Investment Manager must consider the investment objectives of the Toi Moana Fund and apply a responsible investment framework filter when considering investments as outlined below.

Investment performance objectives

The objectives of this fund are capital protection of the initial investment and a targeted cash yield is 5.0% per annum.

All returns are assessed in NZD.

Investment time horizon

The investment guidelines are based on an investment time frame of seven years. Interim fluctuations should be viewed with appropriate perspective.

Investment risk

The Investor, Council bears the investment risk, managing this risk is a key objective of the Investment Manager.

Socially responsible investments

Responsible investment, including environmental, social and governance considerations (ESG), is taken into account in the investment policies and procedures.

Responsible investing does not require ruling out opportunities but it does require decision-makers to incorporate ESG information into investment and borrowing decisions to identify and consider activities known to be socially, culturally and environmentally detrimental.

ESG factors are numerous and continually changing. Environmental factors include climate change, greenhouse gas emissions, resource depletion, waste and pollution, deforestation. Social factors include working conditions, local communities, conflict, health and safety and employee relations. Governance factors include executive pay, bribery and corruption, board diversity and structure, and tax strategy. The Investment Manager will incorporate ESG

information in its investment decision-making process to ensure that all relevant factors are accounted for when assessing risk and return.

Our manager must screen potential investments from an ethical perspective to ensure they meet the following criteria as an important part of our due diligence process. We will look to avoid investing in companies whose principal business activity is:

- the manufacture and sale of armaments
- the manufacture and sale of tobacco
- the promotion of gambling

Where an investment is made into a managed fund, exchange traded fund, or collective investment vehicle the exclusion test shall be applied against the fund and any constituents representing greater than 5% of that fund.

Policy setting and management

Council may approve/amend the policy parameters set in relation to investment activities. These changes will be minuted and incorporated into the SIPO and the dates of the changes noted. Changes will be made in consultation with the Investment Manager(s).

Allocation of responsibilities

Council and staff responsibilities are outlined in the Treasury policy and the Treasury Delegations manual. The Council may change Investment Managers from time to time as it sees fit at its sole discretion but notes the seven year investment horizon.

Investment managers

The investment manager will:

- Manage investments in accordance with the guidelines and objectives as outlined in the SIPO
- Ensure investment assets are appropriately diversified and conform with the council's time horizon and agreed risk/return profile
- Specify and advise on Strategic Asset Allocation and Tactical Asset Class Allocation
- Outline expected returns and risk, or volatility, within the selected strategies
- Define the procedure to be used for reporting, reviewing and possible modification of strategies from time to time

Risk tolerance

Council recognises that some risk must be assumed in order to achieve the long term investment objectives. Risk tolerance is affected by three factors:

- Capacity to accept risk,
- Willingness to accept risk, and
- Required rate of return

Capacity to accept risk

Council's capacity to accept risk is a function of its investment time horizon, prospective future contributions, current financial conditions, fund requirements and reserve facilities.

Time horizon: This SIPO has been prepared on the basis that Council is expected to exist in perpetuity. The investment time horizon of Council is therefore long term. This increases capacity to accept risk.

Financial capacity: Councils current financial condition and level of funding requirements imply reasonable capacity to tolerate short to medium term volatility in the value of its investment portfolios. This increases capacity to accept risk.

Based on the combination of time horizon and financial circumstances, Council's implied capacity to accept risk is assessed as Medium to High although its willingness to accept risk is lower.

Willingness to accept risk: Council is a risk averse entity. Where possible Council seeks to minimise volatility or risk. Notwithstanding this risk aversion, the Council acknowledge that investing solely in capital stable investments exposes the portfolio to the risk of inflation. This impacts the real value of investments. Council is willing to accept some risk in order to increase expected return in line with maintaining intergenerational equity.

Required rate of return

Careful consideration of cash flow requirements is essential to determine the required rate of return. To achieve the desired level of contributions to cash flow and liquidity needs, an assumed portfolio size of \$45 million; a return of 5.0% should be sufficient to meet Council's financial strategy.

Risk summary and selection of asset allocation

The table below summarises the Council's level of risk tolerance as measured by the three risk factors:

Risk Measure	Level of risk
Capacity to accept risk	Medium to high
Willingness to accept risk	Low
Required rate of return	High

Council's Toi Moana reserve liquidity and risk requirements are detailed below:

Reserve	Funds used for	Level of acceptable risk	Liquidity needs
Toi Moana reserve	Investment returns	Low	Low liquidity

Over the long term, the average rate of investment return is related to the level of risk and term of investments within the portfolio. The Toi Moana reserve requires low liquidity and therefore Council should receive a return premium because of the council's willingness to commit to investments for a longer fixed period than the other reserves.

Based on Councils required return, capacity and willingness to accept risk, it is recommended that a conservative portfolio is adopted which is suitable for a Medium level of risk.

Investment policy and implementation

General

In general terms when making decisions on investments the managers will have regard to the overall circumstances of the Portfolio and will comply with all applicable legislative requirements.

The investments will be managed with a view to ensuring sufficient liquidity to meet expected return requirements.

Investment risk will be limited by diversification both within and between asset classes as determined appropriate by the investment manager.

Asset class guidelines

The Toi Moana Fund may consist of a mixture of growth and income assets.

The Investment Manager is empowered to make investments in the following asset classes and assets:

- Cash – term deposits, cash on call, commercial paper
- NZ fixed interest – NZ Government, NZ Registered Banks, local authority and NZ State Owned Enterprise bonds, corporate bonds, fixed interest funds
- International fixed interest – via managed funds that are 100% hedged back into NZ Dollars
- Equities, either via managed funds or directly

Asset allocation

The Manager of the fund is empowered to develop asset allocations that best fit the objectives and risk tolerances of the fund.

Investment performance monitoring and reporting

The goals of performance monitoring are to:

- Assess the extent to which the investment objectives are being achieved
- Compare the performance against the performance of relevant market indices
- Allow the Audit and Risk Committee (or equivalent) to continually assess the ability of the Council to meet the Treasury objectives

Quarterly reporting on investment fund performance, may include but is not limited to the following:

- Current investments
- Cash flows received and paid during the period
- Performance of the portfolio under the investment mandate and agreed objectives

Materiality

Whether or not a breach of this SIPO is material is determined at the discretion of the Manager. In considering whether or not a breach is material, the Manager will give consideration to:

- The nature of the breach;
- The cause of the breach, including whether or not the breach is the result of sharp short-term market movements; and
- The size of the breach.

A breach of a range resulting from market movements, which is corrected within 5 business days, will not ordinarily be deemed material for limit break reporting purposes.

Monitoring Process

The Finance Team will monitor the investments for compliance on a quarterly basis, including reporting from the investment managers.

Resolution and Reporting

Where the Chief Financial Officer becomes aware of a breach, the relevant investment or underlying fund manager will be instructed to remedy the breach immediately.

Where the Chief Financial Officer determines that a material breach has occurred and that breach is not resolved within 5 business days, the Manager will immediately report the limit break to Council, otherwise the Chief Financial Officer will report the limit break to Council each quarter.

Taxation

The Fund is to reflect Council's status as an zero rated tax payer.

Withdrawals and reinvestments

Council relies on the investment income generated from the funds for cash flow requirements and the intent is to have investment income paid to the Council on the agreed dates, mutually agreed with the Investment Manager. This means that there are times when the Investment Manager will be able to reinvest investment income received, for example interest and dividends received and the term and nature of these reinvestments is at the discretion of the Investment Manager, subject to the Investment Income Payment dates as agreed.

Council is committed to maintaining the capital base of the Toi Moana fund and no funds are forecast to be withdrawn from this reserve within the agreed investment time frame.

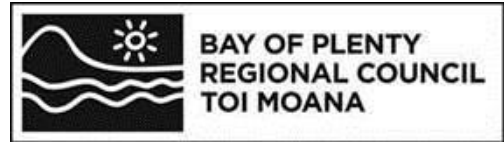
Liaison requirements

The Investment Manager is expected to be available for attendance at Council meetings at dates and times mutually agreed. It is expected that they will attend on a quarterly basis.

The Investment Manager must also be available for liaison with Council by telephone at any reasonable time.

Review

The Council will review this SIPO at least annually to determine whether the stated investment objectives are still relevant and it is feasible that they will be achieved. Short term changes in the financial markets should not require adjustments to the SIPO.



Receives Only – No Decisions

Report To: Risk and Assurance Committee

Meeting Date: 15 June 2020

Report From: Mat Taylor, General Manager, Corporate

Information Technology Risk Management

Executive Summary

The COVID-19 event has presented significant challenges for many Councils, with the need to continue to deliver essential and key services under a very different working environment.

The purpose of this report is to inform the Committee of the way in which Bay of Plenty Regional Council has leveraged its technology to enable our people to work effectively so that our essential and core services continue to be delivered throughout all Alert Levels of the COVID-19 event.

Recommendations

That the Risk and Assurance Committee:

- 1 Receives the report, Information Technology Risk Management;**

1 Background

The Te Tuarā Technology Team is the lead internal team that ensures the effective delivery of everyday ICT services for Bay of Plenty Regional Council. These services include the provision of equipment, core networks and licensing so people have the ability to use the internet, send emails, communicate through Skype and Zoom, and access systems and software.

ICT infrastructure is kept secure by adding layers of digital security and establishing the foundation for all ICT hardware including data centres and equipment used to develop, test, operate, monitor, manage and support ICT services.

The Bay of Plenty Regional Council also provides ICT support to Ōpōtiki District Council and Kawerau District Council through Service Level Agreements.

On 21 March 2020 New Zealand moved to Alert Level 3 under the COVID-19 four level alert system. This meant that people were asked to stay at home as much as possible, with the recommendation that people who could work from home should do so. Two days later New Zealand moved into Alert Level 4, closing businesses and

making working from home the only option unless people were deemed an essential services worker.

Many Bay of Plenty Regional Council functions are essential services, and staff were asked to work from home unless this was not possible. This meant that during Level 4 there were up to 50 people working in our offices across the region on average each day. The majority of the remainder of our staff were able to work from home successfully, with only a few unable to do so due to either the nature of their roles, or a lack of capability to work from home (for example, not having internet at home). The critical success factor in being able to continue delivering services for our customers and community throughout this event has been our technology systems and equipment which have enabled seamless remote working.

This report outlines how the organisation prepared for and responded to the event, and managed technology risks that could have impacted our service delivery during this time.

2 Preparing for COVID-19

A number of actions have been carried out to prepare for emergency response events in general, as well as the COVID-19 event in particular. Staff will review technology performance following each event, to capture lessons learnt and implement improvements.

2.1 Shared GIS Platform

Following a review of the response to the 2017 Eastern Bay Flood Event, our Geospatial Information Systems (GIS) Team has been working with other Councils across the Bay of Plenty to improve communication and information so that in future emergency response situations, the information being gathered would be more consistent and able to be shared across all of the Emergency Operation Centres (EOC) and the Group Emergency Coordination Centre (GECC).

These improvements have included:

- Establishment of a shared BOP Council Cloud GIS platform set up specifically for Civil Defence purposes. The platform includes specific logins for each EOC and the GECC.
- Collation and creation of 'ready to go' base data useful in emergencies stored in the cloud account – e.g. Hospitals, Rest Homes, Supermarkets, Schools, Census data.
- Ready to go online maps and applications.
- Establishment of a cross-Council GIS in Emergency Management working group that meets monthly.
- Implementation of a shared collaborative communication channel (Slack).

The success of this preparation work has been proven during the COVID-19 event, with the GECC and EOCs all benefiting from the new shared data platform and collaborative tools, resulting in consistent and real time information being available for each area of the region. This has enabled response teams to identify the location of a wide range of community needs such as concentrated areas of vulnerable people, low socio-economic demographics and iwi groups, as well as where essential community services were available.

External agencies such as our two regional District Health Boards and Police have also benefited from this information as we have provided them with access to areas within the shared platform.

2.2 Business Continuity Plans

Bay of Plenty Regional Council started preparing for the COVID-19 event when it began to escalate across the world at the beginning of 2020.

All activities within Council have a Business Continuity Plan (BCP) which encompasses planning and preparedness to ensure that our critical business functions will either:

- continue to operate despite serious incidents or disasters that might otherwise have interrupted them, or
- will be recovered to an operational state within as short a timeframe as possible.

In February 2020 each activity manager reviewed their BCP to ensure that it was up to date and covered the types of risks and challenges a pandemic scenario would generate.

2.3 Remote Working Test

As part of the BCP review process a *remote working* exercise was undertaken on 4 March 2020 when around 250 users across the region worked from home or other remote sites, so that we could see how well our technology systems performed with bulk users accessing them off-site. This test was necessary because although the organisation has the systems and tools to enable remote working, on a normal business day, the number of people working in this manner is usually less than 20. Our systems had never before been stress tested under a bulk remote access scenario.

As well as monitoring technology performance during the exercise from a system administration perspective, we carried out a post-event survey of the users' remote working experience so that any problems from either end were identified and could be resolved.

This scenario testing had the added advantage of getting people to think about what solutions other than just technology that they needed to put in place for themselves and their teams to enable them to work remotely before it became a reality. These actions put the organisation in an excellent position to have people set up quickly to work seamlessly and effectively from home when Alert Level 4 arrived.

The exercise was an overall success, with only a few minor issues occurring which helped us make improvements and mature in time for Alert Level 4, during which all but a handful of staff worked from home.

3 During the event

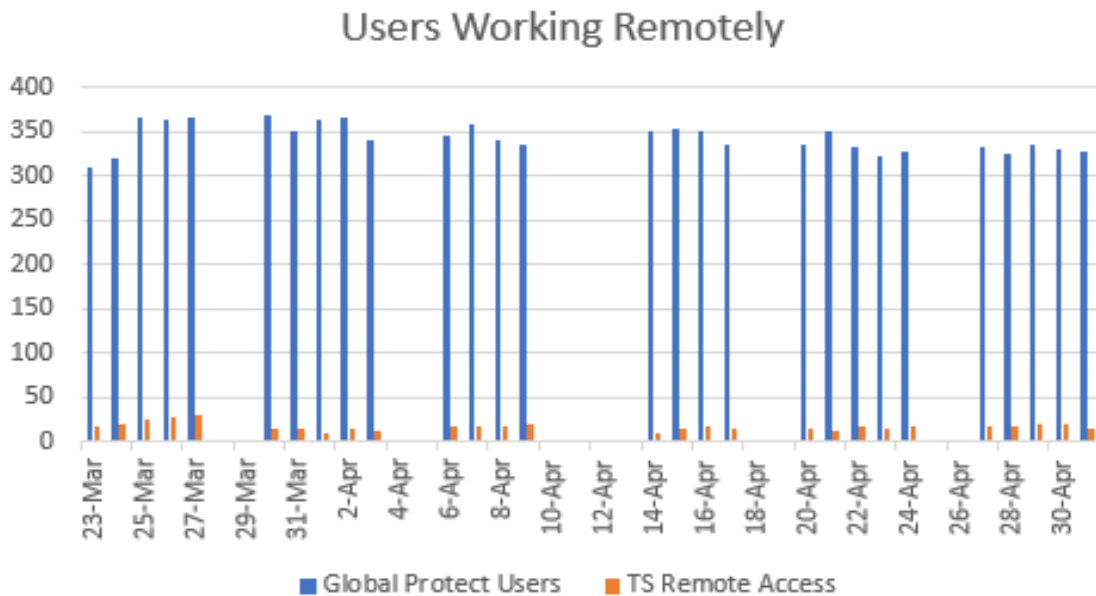
3.1 Remote Access Channels

There are three solutions in place for enabling people to access our systems remotely through secure channels. The majority of our users connect through a Virtual Private Network (VPN) called Global Protect, a second method is available through Terminal

Servers, with a third VPN option called Fortinet available as a last resort (as it is now old technology that has been kept as a back-up option).

During the COVID-19 event, users accessed our systems through Global Protect and Terminal Services with around 350 people seamlessly accessing our systems most working days.

Graph 1: Remote users accessing BOPRC systems during the period 23 March 2020 to 30 April 2020



3.2 Internet Performance

One of the challenges experienced at the beginning of Alert Level 4 was that at peak times the volume of traffic passing through Regional House created by users accessing systems, regularly hit our capped limit of 100Mbps. This meant that when the cap was reached, internet speed would slow down resulting in reduced system performance causing lower levels of productivity.

Although the cap was occasionally reached prior to this event, it only occurred intermittently (as shown by graph 2) and was not enough of a problem to have an impact on productivity.

Graph 2: Normal internet traffic through Regional House prior to Alert Level 4



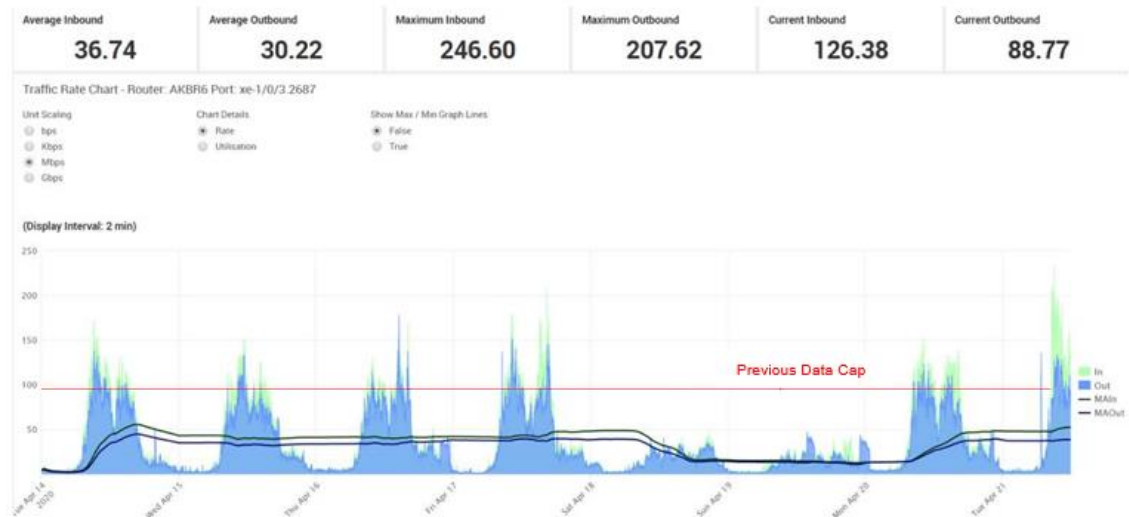
Graph 3: Internet traffic through Regional House during the first week of Alert Level 4 showing the cap of 100Mbps being regularly reached



Upgrading internet capacity usually takes a couple of months to achieve. Because Bay of Plenty Regional Council provides essential services, staff were able to work with Spark to progress an internet upgrade within two weeks of making the request.

During the week of 14 April to 21 April, after the internet upgrade, the usage peaked at 246.6 Mbps, with frequent peaks of traffic over 100Mbps. The data shown in the graph shows how much the upgrade has helped with congestion and speed. All activity shown over the previous data cap line would have significantly slowed our systems down had the capacity not been increased.

Graph 4: Internet traffic between 14th and 21st April after the internet upgrade



3.3 Virtual Meetings

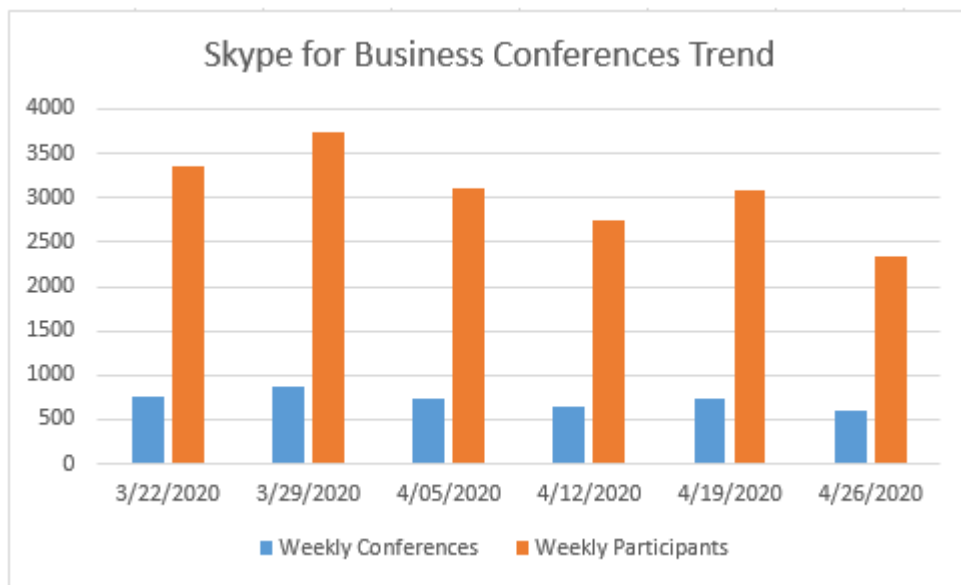
Virtual meeting solutions have become an integral part of our usual business practices as they allow teams to meet and collaborate virtually, irrespective of physical location. Bay of Plenty Regional Council uses four main systems: Video Conferencing, Skype for Business, Zoom and Microsoft Teams.

Having people primarily working from home meant that these virtual meeting tools were crucial in keeping people and teams connected, and facilitating collaboration both

across the organisation and with external parties. Video Conferencing was not used during the COVID-19 event because the VC units are located in our meeting rooms within the office. Use of the other three options increased significantly throughout the COVID-19 event.

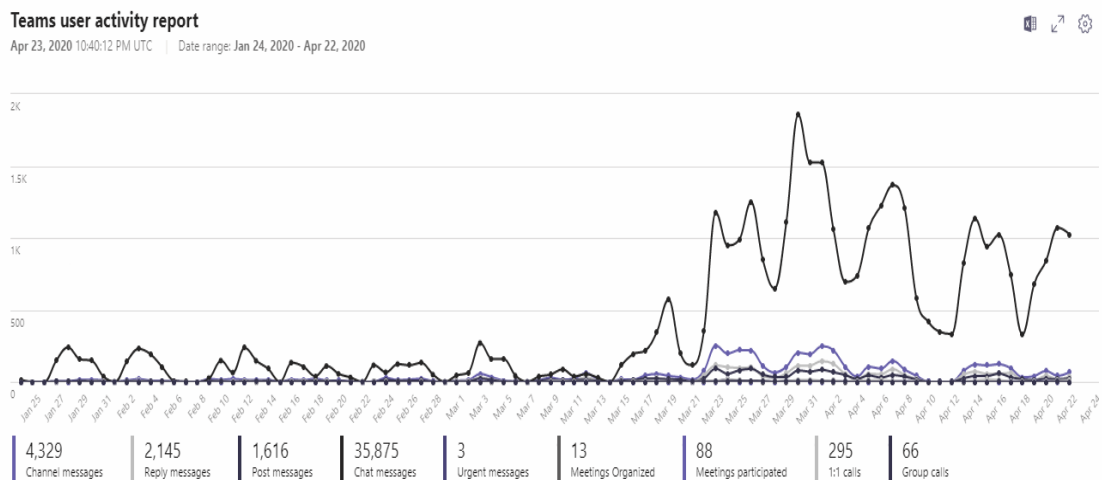
Skype for Business is our main collaboration and telephony tool internally, with Zoom previously being used less frequently, and usually for external meetings where other organisations did not have video conferencing facilities. Over a one month period during lockdown we used Skype for Business for 4,336 conference calls, with 18,381 participants.

Graph 5: Increased use of Skype for Business during Level 4



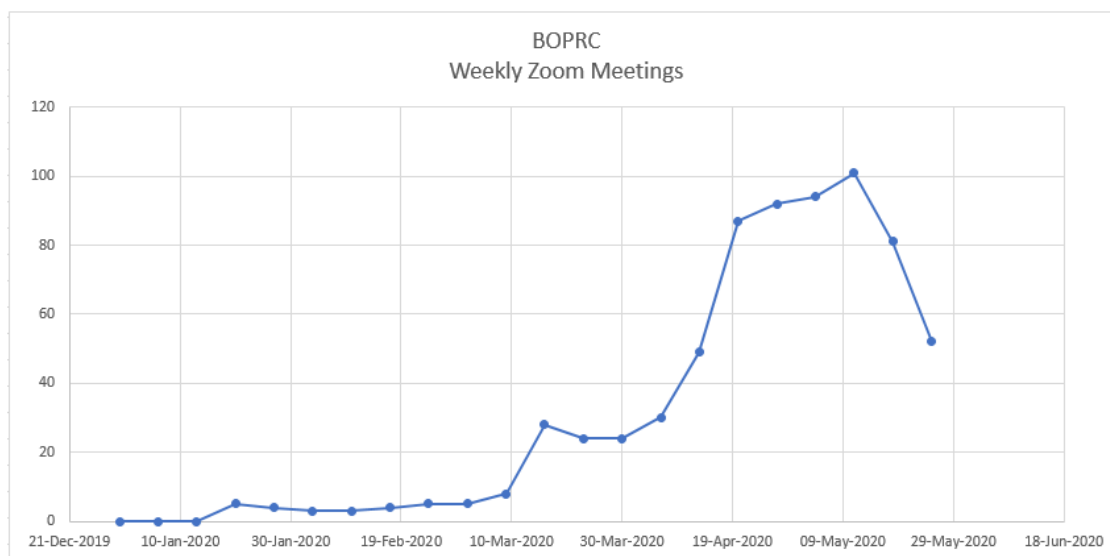
The use of Microsoft Teams internally also spiked during this period with over 35,875 chat messages and 4,329 channel messages being sent.

Graph 6: Microsoft Teams use increase during Level 4



Zoom emerged as the preferred virtual meeting technology for formal, external and large-scale meetings during this period. Because it was not our primary system, we needed to scale up our system capability quickly to meet additional demand.

Graph 7: Upward trend for Zoom meetings during Alert Level 4.



3.4 System Change Freeze

System stability has been an important factor in the success of people working effectively from remote locations throughout this event. To manage the risk of destabilising our systems, a change freeze was put in place for any upgrades or enhancement roll outs during the event. This means that some system improvement projects have taken longer than planned. None of the improvement that have been delayed are critical factors in delivering our essential services.

3.5 Cyber Security

COVID-19 has captured the world’s attention on an unprecedented scale and it has been reported that the influx in cyber threats increased by 330% globally during this period. Our email security provider has also reported that 80% of the overall threats are currently using COVID-19 as a theme in their attacks.

Robust cyber security is one of the foundations of our technology systems. Our remote working solutions have the same stringent security measures in place as our on premise infrastructure and systems, so that the channels to access our systems remain secure.

With a surge in malicious activity during these times, we have seen an upward trend of threats hitting our security systems. Our systems have successfully mitigated these threats and monitoring has been increased to analyse any changing trends to manage this risk. Apart from the continued weekly campaigns of phishing emails sent to staff, people were also made aware of the increase in cyber threats through our internal daily newsletter, and are being reminded to be vigilant in maintaining their security procedures.

Graph 8: Top incoming threats to our systems in the last month



4 Supporting Ōpōtiki District Council and Kawerau District Council

We have continued to provide ICT support services for Ōpōtiki District Council (ODC) and Kawerau District Council (KDC) during the event.

ODC and KDC are responsible for their own business continuity planning. Although BCP planning and testing is not part of our Service Level Agreements with these Councils, the Regional Council assisted them with testing as COVID-19 escalated, to mitigate the risks that these Councils faced.

We are now working with ODC and KDC to identify solutions to improve their resilience for the future.

5 Budget Implications

5.1 Current Year Budget

Additional internet capacity costs and new equipment to support people working from home have resulted in expenditure of approximately \$55,000 in the Corporate Services activity for the 2019/20 financial year.

5.2 Future Budget Implications

The cost of the extra internet capacity is \$37,000 per annum.

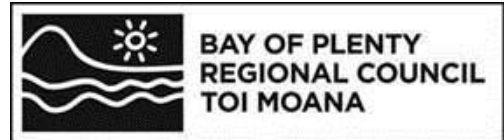
6 Community Outcomes

The provision of ICT services contributes to all Community Outcomes in the Council's Long Term Plan 2018-2028.

Annabel Chappell
Te Tuara Manager

for General Manager, Corporate

5 June 2020



Receives Only – No Decisions

Report To: Risk and Assurance Committee

Meeting Date: 15 June 2020

Report From: Mat Taylor, General Manager, Corporate

Internal Audit - Update

Executive Summary

This report provides an update on the status of internal audit activities as at 30 June 2020 and includes.

Recommendations

That the Risk and Assurance Committee:

- 1 Receives the report, Internal Audit - Update;**

1 Introduction and Context

This report provides the quarterly update on internal audit activity undertaken by internal audit staff and external internal audit specialists, KPMG, as part of Bay of Plenty Regional Council's co-sourced internal audit approach.

2 Internal Audit Work Plan

With the impact of COVID-19 the internal audit work plan has not progressed from the previous quarter as the team has been heavily involved in both the GECC and the COVID-19 Response Team.

The current audit work plan is now being reviewed, updated, and progressed and includes the following audits:

- Budgeting and Monitoring
- Conflict of interest management
- Accela Invoicing
- Gravel Extraction Process

- Health and Safety – Critical Risk Identification
- Policy Framework
- Fixed asset security and records
- ICT security
- Hapu / Iwi Identification in RMA Process

We have recruited our new Principal Internal Auditor, Aaron Huggins, who commenced on Monday 8th June from Grant Thornton where he was a Senior Manager in the Operational Advisory department responsible for delivering internal audit and risk management services.

Aaron brings a wealth of experience and has commenced progressing audits on the existing 2019/20 plan, and will be engaged in will be assisting in the development of the 2020/21 Annual Internal Audit Plan and three year internal audit plan with the Leadership Team, to present to the next meeting of the Risk and Assurance Committee.

3 Budget Implications

3.1 Current Year Budget

This work is planned under the Governance Services activity in the Long Term Plan and Annual Plan 2019/20.

Current Budget Implications

This work is being undertaken within the current budget for the Internal Audit Activity in the Annual Plan 2019/20 or Year 2 of the Long Term Plan 2018-28.

Future Budget Implications

Future work on Internal Audit activities is provided for in Council's Long Term Plan 2018-28. The Long Term Plan 2018-28 contains budget for delivery of the co-sourced Internal Audit Work Plan.

This includes staff resources and provision for external resource for specialist reviews.

4 Community Outcomes

This work directly contributes to the Regional Collaboration & Leadership Community Outcome in the Council's Long Term Plan 2018-2028.

Steven Slack
Risk & Assurance Manager

for General Manager, Corporate

5 June 2020



Receives Only – No Decisions

Report To: Risk and Assurance Committee
Meeting Date: 15 June 2020
Report From: Mat Taylor, General Manager, Corporate

Risk Management - COVID-19

Executive Summary

As the world reacted to COVID-19, BOPRC applied its risk management methodology to ensure that we were able to continue delivering for our community.

This report provides an overview of the Council's COVID-19 response.

Recommendations

That the Risk and Assurance Committee:

- 1 Receives the report, Risk Management - COVID-19;**

1 Background

Council's risk framework defines *risk* as "the threat that an event or action will adversely affect an organisation's ability to achieve its objectives or to successfully execute its strategies".

The risk of COVID-19 was recognised early by the Leadership Team and utilised its risk management approach to assess and manage the risks to help it deliver its goals and prevent an event becoming a crisis.

This risk management approach ensured that throughout the changing COVID-19 levels the Council continued not just to operate, but to help to lead the local government response to COVID-19, as it was proactively managing the risks rather than reactively managing the crisis.

2 COVID-19 Response – Pre Lockdown

In early February the Leadership Team recognised that whilst we currently had no COVID-19 cases in New Zealand there was a risk that COVID-19 would come to New Zealand and that this may impact our way of working, with the most likely scenario being that workplaces would be closed.

To understand how this could impact BOPRC's service delivery we stress tested this scenario by running a half day exercise on the morning of 4th March where the office was 'closed' and office based staff requested to work from home for the following purposes:

- 1) To stress test our IT systems to ensure they can operate and perform well if large numbers of people are working remotely.
- 2) To help gain a better understanding of your teams requirements in operating in this type of scenario.
- 3) To gain an understanding of the impacts on service delivery for your team if staff were required to self-quarantine.

Additionally, teams were asked to review their Business Continuity Plans and update them again to reflect the lessons learned in the exercise.

By doing this proactively, teams and the organisation had confidence that we could continue to operate in this scenario when the lockdown was initiated. It also gave the technology teams time to deal with teething issues, and allowed all teams to understand their requirements and how they would operate. It also generated positive press coverage for the council, with a number of other organisations following our lead in the lead up to the lockdown.

BAY OF PLENTY TIMES

Coronavirus: Bay of Plenty Regional Council staff work from home to test response

4 Mar, 2020 8:00am 3 minutes to read



Bay of Plenty Regional Council worker Stephanie Macdonald working remotely from home for the drill. Photo / George Novak

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About 200 staff in Bay of Plenty Regional Council offices are working from home today to test how the organisation would respond if COVID-19 (coronavirus) hit the region.

General manager of corporate Mat Taylor said the team was running an internal exercise to "test a scenario" where the majority of the office-based staff would work from home or offsite.

He said the current situation with COVID-19 had influenced their decision to hold the test now rather than later in the year.

Taylor said it was an opportunity for them to test their Business Continuity Plans and ensure systems could cope if a situation arose where staff were unable to come into the office.

3 COVID-19 Response – Lockdown

On 23rd March the Prime Minister announced that NZ was moving to COVID-19 Alert Level Four from 11:59pm on Wednesday 25 March with a complete lockdown apart from essential services.

A COVID-19 Response Staff Team was activated, following the PM's announcement on 23rd March. Many other organisations went into crisis management mode to understand how they would continue operating working from home - this risk had been identified early and mitigated BOPRC was able to transition immediately into what Level Four meant for the organisation, the risks in operating at that level, and the mitigations that were required.

This enabled BOPRC to develop a definitive list of what 'Essential Services' for a regional council under Level 4, consisted of:

Essential Services

- Natural hazard event monitoring, response and recovery (including 24/7 flood monitoring programme)
- Flood and drought management, flood protection and land drainage
- Incident/pollution response including related enforcement
- Compliance monitoring programmes for high risk activities as they relate to human health
- Sampling and analysing water quality for safe human activities including drinking water
- Ensuring maritime navigational safety
- Public transport (for essential travel)
- Biosecurity incursion response and eradication
-

This list became the official government guidance on what were the Regional Council essential services that were issued the next evening, once again illustrating BOPRC's leadership on issues. There were many other areas during the lockdown where BOPRC was at the forefront of establishing the guidance for all Regional Councils.

The Leadership Team were able to focus on how staffing the Group Emergency Management Centre would impact on service delivery and prioritise non-essential services into those that could continue remotely to provide continued services to the community and those that could be deferred.

Additionally as the focus of the COVID-19 Response Team wasn't on how we would work, but on what the risks would be to staff operating under Level 4 and how to mitigate these.

Examples of Health and Safety Guidelines:

Controls to keep our staff safe in the field and the office at each level, were tailored where necessary for individual team requirements.

Contact Tracing:

It was recognised early on that Contact Tracing would be critical to both contain any outbreaks and to protect our reputation through having information to supply the Ministry of Health should the need arise, for essential services staff and contractors, with a manual process developed that was then converted into an online and mobile app by our in-house IT Development Team for Level 2, developed while working from home.

These initiatives were shared with other councils and importantly communicated to the organisation prior to each level change by the Chief Executive, discussions with each staff member individually by managers and through multiple communications channels, so that staff were aware in advance, how we were keeping them safe and mitigating the risks of COVID-19.

Managing risks rather than reacting to the events allowed for smooth transitions through the levels enabling staff to focus on new initiatives during the lockdown, such as 'Zoom' council meetings and livestreaming meetings.

4 Summary

Effective risk management ensured that throughout the changing COVID-19 levels the Council continued maintain service levels to our community and work with partners to lead the local government response to COVID-19.

5 Community Outcomes

This item directly contributes to the Safe and Resilient Communities Community Outcome in the Council's Long Term Plan 2018-2028.

Steven Slack
Risk & Assurance Manager

for General Manager, Corporate

5 June 2020

