

OBTRICT COUNCIL

Notice is hereby given that an ordinary meeting of the Horowhenua District Risk and Assurance Committee will be held on:

Date: Wednesday 15 May 2024

Time: 10:00 am

Meeting Room: Council Chambers Venue: 126-148 Oxford St

Levin

# Risk and Assurance Committee OPEN AGENDA

#### **MEMBERSHIP**

Chairperson
Deputy Chairperson
Members

Cr Sam Jennings
Cr Paul Olsen
Cr Alan Young
Cr Clint Grimstone
Cr Jonathan Procter
Mayor Bernie Wanden

Jenny Livschitz Independent Member Sarah Everton Independent Member

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Shannon Service Centre/Library, Plimmer Terrace, Shannon
and Te Takeretanga o Kura-hau-pō, Bath Street, Levin



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#### Karakia

Whakataka te hau ki te uru	Cease the winds from the west
Whakataka te hau ki te tonga	Cease the winds from the south
Kia mākinakina ki uta	Let the breeze blow over the land
Kia mātaratara ki tai	Let the breeze blow over the ocean
E hī ake ana te atakura	Let the red-tipped dawn come with a sharpened air.
He tio, he huka, he hau hū	A touch of frost, a promise of a glorious day.
Tīhei mauri ora!	

#### 1 Apologies

#### 2 Public Participation

Notification of a request to speak is required by 12 noon on the day before the meeting by phoning 06 366 0999 or emailing <a href="mailto:public.participation@horowhenua.govt.nz">public.participation@horowhenua.govt.nz</a>.

#### 3 Late Items

To consider, and if thought fit, to pass a resolution to permit the Council to consider any further items which do not appear on the Agenda of this meeting and/or the meeting to be held with the public excluded.

Such resolution is required to be made pursuant to Section 46A(7) of the Local Government Official Information and Meetings Act 1987, and the Chairperson must advise:

- (i) The reason why the item was not on the Agenda, and
- (ii) The reason why the discussion of this item cannot be delayed until a subsequent meeting.

#### 4 Declarations of Interest

Members are reminded of their obligation to declare any conflicts of interest they might have in respect of the items on this Agenda.

#### 5 Confirmation of Minutes

- 5<sub>1</sub> Meeting minutes Risk and Assurance Committee, 21 February 2024
- 5.2 Meeting minutes In Committee Meeting of Risk and Assurance Committee, 21 February 2024

#### Recommendations

That the meeting minutes Risk and Assurance Committee, 21 February 2024 be accepted as a true and correct record.

That the In Committee meeting minutes Risk and Assurance Committee, 21 February 2024 be accepted as a true and correct record.



File No.: 24/247

## 6.1 Treasury Update - March 2024

#### 1. Purpose

1.1 To update the committee on the Bancorp Treasury Reporting Dashboard for the March 2024 quarter.

#### 2. Recommendation

- 2.1 That Report 24/247 Treasury Update March 2024 be received.
- 2.2 That this matter or decision is recognised as not significant in terms of S76 of the Local Government Act.
- 2.3 That the Committee notes the Bancorp Treasury Reporting Dashboard for the March 2024 quarter.

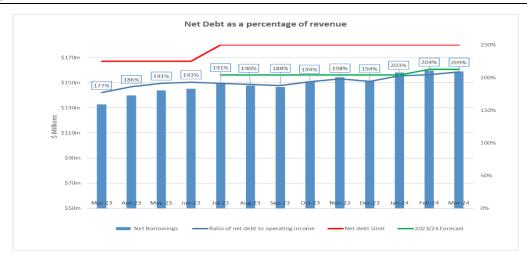
#### 3. Background and issues for Consideration

- 3.1 This quarterly Treasury Reporting Dashboard is produced by Council's treasury advisors, Bancorp Treasury Services Limited.
- 3.2 Council had \$185m of current external debt as at 31 March 2024, all sourced from the Local Government Funding Agency (LGFA). Currently fixed term debt is 51.4% of our total (\$95m) and floating debt is 48.6% (\$90m).
- 3.3 Council is in compliance with it's the debt profile targets set in its Treasury management policy:

Years	Minimum Fixed Rate Amount	Maximum Fixed Rate Amount	Amount	Compliant
0 - 2 years	40%	100%	51%	<b>\</b>
2 - 4 years	25%	80%	45%	<b>~</b>
5 -8 years	0%	60%	26%	<b>~</b>

- 3.4 Cost of funds as at 31 March 2024 was 4.71%, up from 4.49% in June 2023. This is expected to increase further in the near term as our March May 2024 debt maturity yield rates are low in comparison to the wider borrowings portfolio.
- 3.5 There is still significant risk of increasing interest rates, however Bancorp notes the market currently projects the first OCR cut to occur in August this year, the RBNZ however don't project rate cuts until Q1 2025. Officers continue to consult with Bancorp for all borrowing transactions to ensure we have their latest advice before proceeding.
- 3.6 Council's net debt to total operating revenue as at 31 March 2024 is 209%.





- 3.7 Officers are closely monitoring the net debt to operating income ratio, which is now forecast to be higher than the budgeted 196% due to the timing of significant capital grants and lower than budgeted asset sales. As part of setting the draft LTP a revised forecast of 213% for 2023/24 was agreed. It remains below the 250% limit.
- 3.8 The table below demonstrates the differences between the LTPA 2023/25 and the current borrowings forecast:

Category	Long term	Forecast	Movement	Comment
	Plan	2023/24	(\$000)	
	Amendment	(\$000)		
	2023/24			
	(\$000)			
Opening Balance 23/24	137,840	168,000	30,160	Lower asset sales
				and capital grants
Total Capital Expenditure	35,000	39,043	4,043	
Rates funded depreciation	(17,879)	(19,105)	1,226	
Unfunded depreciation	7,103	7,113	10	
Capital Grants	(9,033)	(9,915)	(882)	Additional grants
Development Contributions	(1,461)	(1,561)	(100)	
Asset sales	(9,531)	0	9,531	Reduced to zero
Dept funded operating costs	7,926	7,778	(148)	
Prefunding 2025	-	22,000	22,000	
2024 Borrowings maturities	-	(15,000)	(15,000)	Prefunded
Gross Borrowings	149,965	198,353	50,840	
Less				
Cash on hand at YE	(6,621)	(5,000)	1,621	
Borrower notes	(3,749)	(6,684)	(2,935)	
Term Deposits	0	(22,000)	(22,000)	2025 Prefunding
Net Borrowings	139,595	164,669	27,526	
Borrowings movement 23/24	12,125	30,353	18,483	
Net Debt %	196%	213%		

- 3.9 A total of \$11m of debt matured in March/April 2024 which was repaid using our prefunding that was held on Term Deposit. The remaining \$4m matures in May, and this was also prefunded and so the funds are currently on term deposit.
- 3.10 Prefunding for our 2025 debt maturities was completed on the 15<sup>th</sup> of April 2024. A total of \$22m was borrowed from the LGFA and placed on Term Deposit to match our 2025 maturities 15m in April and 7m in May 2025.

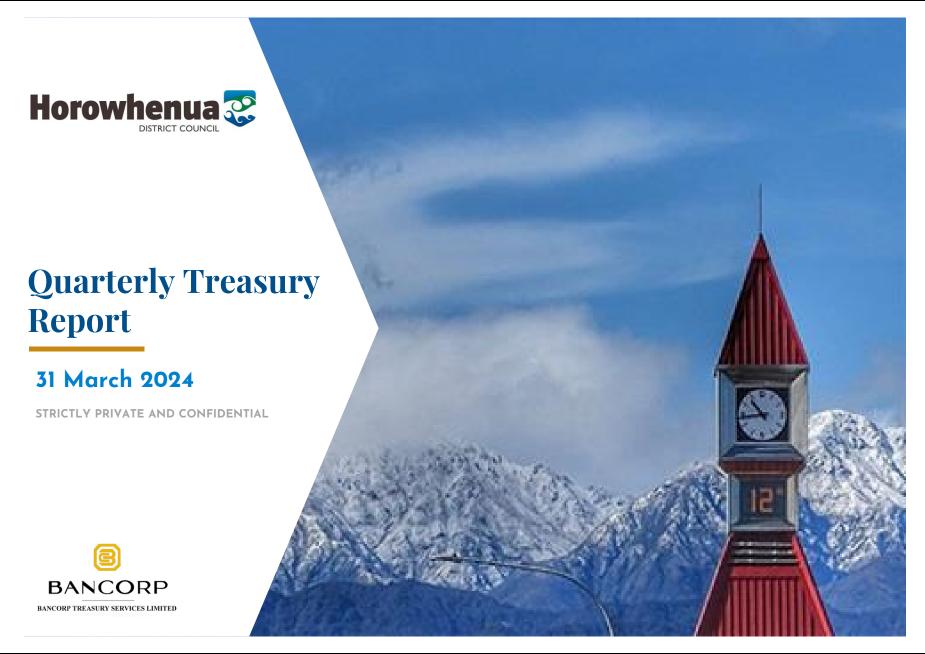


## 4. Attachments

No.	Title	Page
Α <u>Ū</u>	Horowhenua Treasury Report at 31 March 24	9

Author(s)	Daniel Minty Financial Services Manager	And the second
Approved by	Jacinta Straker  Group Manager Organisation Performance	Jein Dier
	Monique Davidson Chief Executive Officer	David Gn







## **Economic Commentary**

## 2

## Global (for the March 2024 quarter)

The first quarter of 2024 was another volatile one for the US bond market, with the 10-year treasury starting the year at 3.88% and closing at 4.32% which was back at the quarter's highs. Within the quarter, there was significant volatility with both sharp rallies and significant sell off in rates.

The February US Federal Open Market Committee ("FOMC") statement provided some positivity about interest rate cuts with the removal of the previous reference that "additional policy firming" may be required. The statement did however highlight that the timing of the easing cycle will be data-dependent stating that, "The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2.0%." Market pricing is assigning a 64% chance that the first cut will occur in June and a 100% chance that it will happen in July.

New York Fed member, John Williams, continued to push back against an aggressive cutting cycle given the stickiness of inflation stating, "at some point, I think it will be appropriate to pull back on restrictive monetary policy, likely later this year. But it's really about reading that data and looking for consistent signs that inflation is not only coming down but is moving towards that 2% longer-run goal."

One of the key questions for 2024, with the global GDP growth outlook deteriorating, was which country, or economic block, will contribute to global growth alongside the US, or if the US falters. At this stage, it appears highly unlikely that the Chinese economy will provide such stimulus given that the domestic economy appears to be in a deflationary spiral with CPI at -0.3% and PPIs at -2.7% for the last 12 months, with the ongoing monthly declines worse than those seen in the Asian Crisis in the late 1990s. While GDP printed at 5.2% for 2023, it was China's slowest annual pace of annual growth since the 1990s and many independent analysts argue that it was closer to zero given the ongoing plunge in property prices and construction levels. IMF President, Kristalina Georgieva, probably summed it up best at the meeting in Davos when she stated, "China needs structural reforms to continue to open up the economy, to balance their growth model more towards domestic consumption."

The increasing and worrying risk for both New Zealand and the global economy continues to be China. This was reinforced again last week, when the People's Bank of China ("PBOC") announced its biggest ever reduction in the benchmark mortgage rate, as authorities again tried to support the struggling property market and thus the broader economy. The 25bps cut to the five-year loan prime rate ("LPR") was the largest since the reference rate was introduced in 2019 and was more than what was expected. The LPR now stands at 3.95% from 4.20% previously, while the one-year LPR was left unchanged at 3.45%.

Australian inflation rose 3.4% in the January year, its lowest level since November 2021. The increase was led by insurance and financial services (8.2%), alcohol and tobacco (6.7%), food and non-alcoholic beverages (4.4%), and housing (4.6%).







## **Economic Commentary**

## New Zealand (for the March 2024 quarter)



	OCR	90 day	2 years	3 years	5 years	7 years	10 years
31 Dec 2023	5.50%	5.63%	4.64%	4.32%	4.09%	4.07%	4.14%
31 Mar 2024	5.50%	5.63%	4.85%	4.90%	4.38%	4.38%	4.46%
Change	0%	0%	+0.21%	+0.58%	+0.29%	+0.31%	+0.32%

The March 2024 quarter saw significant volatility, with the benchmark 5-year swap opening the year at 4.08%, reaching a high of 4.77% on 14 February before closing the quarter at 4.37%. At the shorter end of the yield curve the 2 year swap traded in a 4.64% to 5.27% range, finishing the quarter at 4.79%.

The year opened with significant optimism that significant rate cuts were on the near-term horizon, with this being a function of optimism of significant cuts from both the US Fed and the RBNZ, with at one point six 25 basis point rate cuts being built into market pricing of both the NZ and US markets.

The Reserve Bank of New Zealand ("RBNZ") seemed to want to temper these expectations with a speech from its Chief Economist Paul Conway on the 30<sup>th</sup> January saying that while the September GDP print was very weak and the June number was revised lower, its focus was on continuing capacity pressures, stronger than expected private demand, continuing strong net inward migration and that non-tradeable inflation was uncomfortably high at 5.9%. The message from this was that the RBNZ has a long way to get inflation back to the midpoint of 2.0%.

This statement was likely behind one of the strangest calls from a local bank for quite some time, with the ANZ coming out with a revised forecast of two consecutive OCR increases, which would have taken the rate from 5.50% to 6.00%, the market reaction was severe flipping from a 40% chance of a cut in May to the strong probability of an increase and pushing swap rates noticeably higher.

The RBNZ's Monetary Policy Committee ("MPC") torpedoed any hopes the ANZ had, maintaining the OCR at 5.50% with the MPC statement and the Q&A session taking a slightly 'dovish' stance. The RBNZ downgraded its 2024 CPI and unemployment forecasts and lowered its OCR forecasts slightly with the central bank projecting rate cuts to start in H1 2025 with the OCR falling to 3.00% by 2026. In the Q&A session, Governor Orr confirmed the committee had considered raising rates but decided to hold on to a "very strong consensus". This saw the local swaps curve immediately fall by 25bps to 30bps with the market projecting the first cut to occur in in August this year and for the OCR to be 4.00%-4.25% by July 2025. Recent data tends to favour the easing cycle starting sooner than the RBNZ is projecting, with unemployment up to 4.0% in Q4 and retail sales volumes contracting by 1.9% over the same period, despite surging immigration and higher retail pricing, while residential building consents are down 28% on an annual basis.

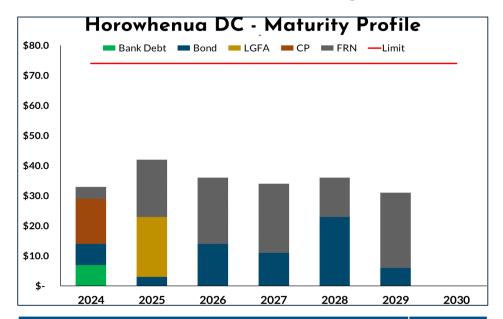
NZ economic data throughout the quarter has been almost universally poor, with the only exception being tourism-related data. When adjusting the poor economic data with the strong net migration, the per capita data reveals an even poorer economic picture. Adding to this theme are regular announcements of job losses occurring in both the private and public sectors. On the 21st of March, Q4 2023 GDP data officially confirmed NZ was in a recession with a 0.1% contraction in the December quarter.







# Liquidity and Funding



Policy Compliance	Compliant
Have all transactions been transacted in compliance with policy?	Yes
Is fixed interest rate cover within policy control limits?	Yes
Is the funding maturity profile within policy control limits?	Yes
Is liquidity within policy control limits?	Yes
Are counterparty exposures within policy control limits?	Yes

**Current Debt** 

\$185m

External Council Drawn Debt

Current LGFA Debt

\$185m

Funds Drawn from LGFA

Headroom = undrawn bank and LGFA facilities plus cash in bank and term deposits

\$49.38m

Liquidity Ratio (must be >110%)

126.69%

Definition: (Cash Reserves + Term Deposits + Lines of Credit + Drawn Debt)/Drawn Debt

Cost of Funds as of 31 March

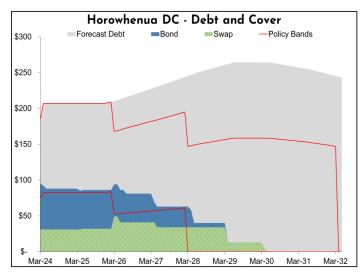
4.71%

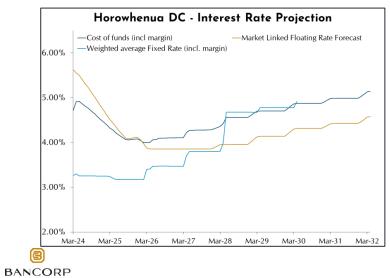






## Debt & Cover Profile





Current % of Debt Fixed	51.4%
Current % of Debt Floating	48.6%
Value of Fixed Rate (m)	\$95.0
Weighted Average Cost of Fixed Rate Instruments	3.06%
Value of Forward Starting Cover	\$29.0
Weighted Average Cost of Forward Starting Cover	3.95%
Value of Floating Rate (m)	\$90.0
Current Floating Rate	5.63%
Current Floating Rate (incl margin)	6.14%
All Up Weighted Average Cost of Funds Including Margin	4.71%
Total Facilities In Place	\$212.0

Policy Bands					
	Minimum	Maximum	Policy		
0 - 2 years	40%	100%	Compliant		
2 - 4 years	25%	80%	Compliant		
4 - 8 years	0%	60%	Compliant		

Horowhenua 🐯



# Horowhenua DC - Funding

## As at 31 March



Instrument	Maturity	Yield	Margin	Amount
LGFA FRB	15-Apr-24	2.52%	N/A	\$3,000,000
LGFA FRN	15-Apr-24	6.13%	0.49%	\$4,000,000
LGFA CP	26-Apr-24	5.80%	N/A	\$15,216,905
LGFA FRB	15-May-24	3.76%	N/A	\$4,000,000
LGFA FRB	15-Apr-25	4.20%	N/A	\$3,000,000
LGFA FRN	15-Apr-25	6.45%	0.81%	\$5,000,000
LGFA FRN	15-Apr-25	6.08%	0.44%	\$3,000,000
LGFA FRN	15-Apr-25	6.15%	0.51%	\$4,000,000
LGFA FRN	18-May-25	6.20%	0.49%	\$7,000,000
LGFA FRB	20-Mar-26	3.38%	N/A	\$9,000,000
LGFA FRN	15-Apr-26	6.20%	0.56%	\$4,000,000
LGFA FRN	15-Apr-26	6.14%	0.50%	\$4,000,000
LGFA FRN	15-Apr-26	6.14%	0.50%	\$6,000,000
LGFA FRN	15-Apr-26	6.03%	0.39%	\$8,000,000
LGFA FRB	15-Jul-26	3.37%	N/A	\$5,000,000
LGFA FRN	15-Apr-27	6.40%	0.76%	\$5,000,000
LGFA FRB	15-Apr-27	1.66%	N/A	\$5,000,000
LGFA FRB	15-Apr-27	2.12%	N/A	\$6,000,000
LGFA FRN	15-Apr-27	6.21%	0.57%	\$8,000,000
LGFA FRN	15-Apr-27	6.25%	0.61%	\$4,000,000
LGFA FRN	15-Apr-27	6.37%	0.69%	\$6,000,000
LGFA FRB	15-Apr-28	1.68%	N/A	\$5,000,000
LGFA FRB	15-May-28	2.11%	N/A	\$6,000,000
LGFA FRB	15-May-28	2.58%	N/A	\$12,000,000
LGFA FRN	15-May-28	6.45%	0.71%	\$3,000,000
LGFA FRN	15-May-28	6.52%	0.79%	\$10,000,000
LGFA FRN	20-Apr-29	6.26%	0.61%	\$5,000,000
LGFA FRN	20-Apr-29	6.41%	0.76%	\$6,000,000
LGFA FRN	20-Apr-29	6.46%	0.81%	\$4,000,000
LGFA FRN	20-Apr-29	6.35%	0.71%	\$10,000,000
LGFA FRB	20-Apr-29	5.17%	N/A	\$6,000,000







## LGFA Borrowing Rates

## As at 31 March

7

Listed below are the credit spreads and applicable interest rates as at the end of March for Commercial Paper ("CP"), Floating Rate Notes ("FRN") and Fixed Rate Bonds ("FRB"), at the Horowhenua District Council could source debt from the Local Government Funding Agency ("LGFA").

Maturity	Margin	FRN (or CP Rate)	FRB
3 month CP	0.15%	5.79%	N/A
6 month CP	0.20%	5.77%	N/A
April 2024	0.32%	5.96%	5.90%
April 2025	0.42%	6.06%	5.75%
April 2026	0.49%	6.13%	5.35%
April 2027	0.62%	6.26%	5.19%
May 2028	0.71%	6.35%	5.13%
April 2029	0.80%	6.44%	5.15%
May 2030	0.88%	6.52%	5.21%
May 2031	0.97%	6.61%	5.33%
April 2033	1.04%	6.68%	5.44%
May 2035	1.12%	6.76%	5.58%
April 2037	1.18%	6.82%	5.71%







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www.bancorp.co.nz



File No.: 24/239

## 7.1 Local Government Funding Authority Reporting

#### 1. Purpose

- 1.1 To update elected members on the following Local Government Funding Agency (LGFA) reporting:
  - 1. LGFA 2023-24 Half Year Report to 31 December 2023
  - 2. LGFA Draft 2024-27 Statement of Intent

#### 2. Recommendation

- 2.1 That Report 24/239 Local Government Funding Authority Reporting be received.
- 2.2 That this matter or decision is recognised as not significant in terms of S76 of the Local Government Act.
- 2.3 That the committee notes the LGFA 2023-24 Half Year Report to 31 December 2023
- 2.4 That the committee notes the LGFA Draft 2024-27 Statement of Intent

#### 3. Background / Previous Council Decisions

- 3.1 LGFA is enabled under the Local Government Borrowing Act 2011 and is a council-controlled organisation (CCO) for the purposes of the Local Government Act 2002. It is owned by the Government (20%) and 30 Local Authorities (80%). All of Horowhenua District Council's debt is held with the LGFA.
- 3.2 LGFA 2023-24 Half Year Report to 31 December 2023 sets out the LGFA's performance for the first six months of the year.
- 3.3 This Statement of Intent (SOI) sets out the nature and scope of the activities, objectives and performance targets for the New Zealand Local Government Funding Agency Limited (LGFA) for the three-year period 1 July 2024 to 30 June 2027. The SOI is prepared in accordance with section 64(1) of the Local Government Act 2002.

#### 4. Discussion

#### LGFA 2023-24 Half Year Report to 31 December 2023

The LGFA 2023-24 Half Year Report and cover Letter are attached (A & B)

LGFA reports positive results for the six months to 31 December 2023 including;

- record lending of \$2.63 billion over the six-month period
- two new CCOs were added as members bringing total members to 77
- further progress on sustainability via Climate Action and Green, Social and Sustainable Loans
- full year forecast in line with expectations;

#### LGFA Draft Statement of Intent 2024-2027



The LGFA Draft Statement of Intent 2024-2027 and cover letter are attached (C & D). Officers note the following points regarding the draft SOI 2024-27:

- Updated assumptions following the repeal of 3 Waters and the new Local Waters Done Well Programme. A business-as-usual approach to council and CCO borrowing is now assumed where there was uncertainty under 3 Waters.
- Profitability is forecast to remain strong with projections for Net Operating Gain of \$15.1 million, \$13.1 million, and \$10.1 million for the next three years. Financial forecasts are as follows:

LGFA's financial forecasts for the three years to 30 June 2027:

Comprehensive income \$m	Jun 25	Jun 26	Jun 27
Net Interest income	28.3	28.3	27.0
Other operating income	1.5	1.5	1.5
Total operating income	29.8	29.8	28.5
Approved Issuer Levy	4.2	5.8	7.2
Issuance & onlending costs	4.1	4.2	4.3
Operating overhead	6.3	6.6	6.9
Issuance and operating expenses	14.6	16.6	18.4
P&L	15.1	13.1	10.1
Financial position (nominals) \$m	Jun 25	Jun 26	Jun 27
Liquid assets portfolio	2,379	2,788	2,769
Loans to local government	22,086	24,456	26,053
Total Assets	24,465	27,244	28,823
Bonds on issue (ex Treasury stock)	22,332	25,017	26,486
Bills on issue	1,350	1,350	1,350
Borrower notes	508	573	623
Total Liabilities	24,190	26,940	28,459
Capital	25	25	25
Total Liabilities	19,308	20,509	21,577
Capital	25	25	25
Retained earnings	106	118	126
Dividend	(2)	(2)	(2)
Shareholder equity	130	141	149
Ratios	Jun 25	Jun 26	Jun 27
Liquid assets/funding liabilities	10.4%	10.9%	10.2%
Liquid assets / total assets	9.7%	10.2%	9.6%
Net interest margin	0.13%	0.12%	0.10%
Cost to income ratio	49.2%	55.9%	64.5%
Return on average assets	0.06%	0.05%	0.04%
Shareholder equity/total assets	0.5%	0.5%	0.5%
Shareholder equity + BN/total assets	2.6%	2.6%	2.7%
Asset growth	12.8%	11.4%	5.8%
Loan growth	11.3%	10.7%	6.5%
Return on equity	13.0%	10.1%	7.2%
Capital ratio	13.0%	13.1%	13.4%



- Borrowing forecasts to Councils have increased to \$22.08 billion in 2025 and to \$24.45 billion in 2026 (from \$20.03 billion and \$21.50 billion in the previous SOI). This is a reflection on the increased capital spending Council's are undertaking across the country.
- Performance targets remain similar to previous SOI's, focusing on sustainability and greenhouse gas (GHG) emission reporting, monitoring the credit quality of the sector, and assisting with the implementation of Local Water Done Well Programme.

#### 5. Attachments

No.	Title	Page
A₫	Cover Letter - LGFA Half Year Report to December 2023	20
B₫	LGFA Half Year Report to December 2023	23
C₫	Cover Letter Draft SOI 2024-27	41
D₫	LGFA Draft Statement of Intent - 2024-2027	43

Author(s)	Daniel Minty Financial Services Manager	And the second
Approved by	Jacinta Straker  Group Manager Organisation Performance	Jein Dier
	Monique Davidson Chief Executive Officer	David 600





28 February 2024

Dear LGFA Stakeholder

#### LGFA 2023-24 Half Year Report

The following is a link to our Half Year Report for the six-month period to December 2023.

LGFA Half Year Report – 31 December 2023

We are pleased to highlight a positive six-month period for LGFA including the following:

#### 1. Increased lending to council and CCO borrowers

At 31 December 2023, LGFA had a market value of loans outstanding of \$18.8 billion which followed record lending of \$2.63 billion over the six-month period. We added two new CCOs as members over the six months, bringing the number of members to 72 councils and 5 CCOs.

#### 2. A focus on sustainability.

We launched our Climate Action Loan (CAL) product for council and CCO members in December 2022 to incentivise borrowers through a lower loan margin if they have an approved greenhouse gas (GHG) emission reduction plan in place and are meeting their reduction targets. At December, CALs total \$1.2 billion across four councils.

Our Green, Social and Sustainable (GSS) loans provide a discounted borrowing margin to councils and CCOs for eligible projects. Over the six-month period we approved a further project as eligible for GSS lending, bringing the number of eligible projects to six across six councils.

We also published our first Annual Impact Review report for our NZX listed Sustainable Financing Bond. We are having ongoing dialogue with councils relating to GHG emission reporting and reduction and are currently preparing for our first report under Climate Related Disclosure requirements for the 2024 Annual Report.

#### 3. A financial position tracking to forecast.

Net Operating Profit for the six-month period was \$5.2 million, which is slightly below our SOI forecast due to higher costs from increased issuance, and the establishment and issuance under foreign currency programmes. However, we expect to meet the full year SOI forecast by June 2024. LGFA has assets of \$21.77 billion and Shareholder Equity of \$109.4 million as at 31 December 2023.

New Zealand Local Government Funding Agency Limited

Auckland Level 5, Walker Wayland Centre, 53 Fort Street
Wellington Level 8, City Chambers, 142 Featherston Street
PO Box 5704, Lambton Quay, Wellington 6145 | Phone +64 4 974 6530
Iafa.co.nz



#### 4. Working with our stakeholders.

We have been assisting Central and Local Government with the implementation of the water reform programme and with councils and CCO members on promoting sustainability.

A further highlight was LGFA being voted by market participants for an unprecedented five awards at the KangaNews Awards including New Zealand Debt Issuer of the Year award for the second consecutive year.

Our focus remains on adding value to the local government sector through:

- Providing cheaper loans.
- Enabling easier access to markets.
- Providing reliable financing.
- Underpinning confidence.
- Encouraging sustainability.
- Enhancing capital markets.
- · Being a centre of expertise.

To achieve the above, we require the support of all our stakeholders and thank you for your contribution and assistance over the past six months.

Please do not hesitate to contact me if you have any comments or questions.

Kind regards

Mark Butcher Chief Executive













# Message from the Chair and Chief Executive

He karere mai i te Toihau me te Tumuaki

#### Lending to the sector

LGFA was established in 2011 to provide long-dated borrowing, certainty of access to markets and to reduce the borrowing costs for the local government sector. The original 31 shareholders including the Crown remain as shareholders and our membership has grown to 77 council and 5 CCO's.

Over the six months, Infrastructure Holdings Limited and Whanganui District Council Holdings Limited joined as CCO members. We currently have 72 guarantors with West Coast Regional Council moving from nonguarantor to guarantor status during the past six months.

Lending to members over the six month period was a record \$2.63 billion of long-term loans to 56 members, with an average tenor of 5.2 years which was shorter than prior periods. Short-dated lending for terms less than 12 months continues to be supported by councils, with \$617 million outstanding to 36 members at December 2023.

Our estimated market share of total council borrowing of 89% was above our forecast and the long-term average. As at the end of December, outstanding loans totalled \$18.79 billion, as well as \$747 million of standby facilities.

#### Financial and Operational Performance

LGFA's total interest income for the six months of \$578.1 million was an 85% increase over the 2022 comparable period (\$312.9 million), while net operating profit of \$5.2 million was a 370% increase (\$1.1 million).

Although net operating profit was significantly higher than the comparable 2022 period, it was in line with historical outturns. The low comparable 2022 period outcome was negatively influenced by the rapid rise in interest rates, mismatches between the Bank Bill Reference Rate and the Official Cash Rate, combined with a planned increased holding of liquid assets.

Total operating income was above budget by \$152k, however expenses were \$428k above the SOI budget, with net operating profit \$277k below budget. Our higher expenses were due to increased legal and NZX costs arising from the record levels of member borrowing and associated bond issuance, as well as establishment costs for our Euro Commercial Paper programme, \$A bond issuance and higher Approved Issuer Levy (AIL) payments.

The financial strength of LGFA was affirmed by Fitch Ratings who maintained our domestic currency credit rating at AA+ in October 2023. Our AAA rating from S&P Global Ratings was affirmed in March 2023 and remains the same as the New Zealand Government.

#### Our borrowing activity

LGFA issued \$1.63 billion of NZD bonds over the past six months, with outstandings bonds totalling \$18.92 billion (including \$1.10 billion of treasury stock) across 11 maturities ranging between 2024 to 2037. The average term of our NZD bond issuance during the six months at 5.7 years was significantly longer than the prior year period.

#### For the six-months ended 31 December 2023

The six months to December 2023 presented a challenging period for bond issuance as markets remained volatile and an increased supply of high-grade bonds impacted sentiment. Over this period, council and council-controlled organisations (CCO) borrowing and LGFA bond issuance increased to record levels and, despite the difficult conditions, LGFA continued to deliver value to members and our investor base. Highlights over the period included our successful debut issuance in the Australian Dollar (A\$) bond market and LGFA receiving an unprecendented five awards in the annual KangaNews Awards, including New Zealand Issuer of the year for the second consecutive year.

#### LGFA Annual Council and CCO Borrowing (NZ\$ millions)



LGFA established an Australian Medium Term Note programme in 2017 to diversify our funding sources but had no reason to utilise the programme until 2023. Given our increased borrowing requirement we successfully debuted issue a A\$1 billion 5-year bond in August 2023 and followed up with an A\$650 million 7-year bond in November 2023.

LGFA has the largest amount of New Zealand dollar (NZD) bonds on issue after the New Zealand

Government and our individual bond tranches are amongst the largest and most liquid NZD debt instruments available for investors. Secondary market activity in our bonds continues to rise, assisting investors' access to our bonds throughout the year. Increased high grade bond supply from ourselves and the NZ Government has pushed LGFA spreads wider to swap, but we have outperformed on a spread to NZGBs The performance of LGFA bonds over the past six

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Message from the Chair and Chief Executive LGFA Half Year Report 2023 05



months has been mixed with the spread between LGFA bonds and New Zealand Government Bonds (NZGBs) narrower by between 3 bps (2033s) and 12 bps (2027s) but wider on a spread to swap between 3 bps (2035s) to 13 bps (2026s). Outright yields on LGFA bonds declined between 28 bps (2037s) and 55 bps (2027s) over the sixmonth period, but it was a volatile period with the 2037 yield trading a 146-bps range between 6.58% and 5.12% and closed on 31 December 2023 at the low of 5.12%.

#### KangaNews award winner

We are pleased to advise that LGFA scooped an unprecedented five awards at the 2023 KangaNews Awards with the awards being determined by market participant votes. We received awards for the New Zealand Issuer of the Year (for the second consecutive year), NZD Rates Bond Deal, NZ Sustainability Deal, NZ Offshore Deal, and NZ innovative Deal. We want to acknowledge the support from our stakeholders and those who voted for us.

## Our role in assisting Local and Central Government

The local government sector continues to face a period of change and uncertainty having to deal with climate-related events, rising cost pressures and managing their three waters assets during the reform process.

LGFA is assisting both Central Government and our council members under the previous government's Affordable Waters Programme and the new government's Local Water Done Well Programme.

LGFA continues to assist as required, the Ratepayer Assistance Scheme project managed by a group of councils with advice from Cameron Partners. If successful, the scheme could offer temporary financial relief to ratepayers via rates postponement.

LGFA is not contributing financially to this project but

#### New products and initiatives

We launched Green, Social and Sustainable (GSS) lending in October 2021 and Climate Action Loans

providing intellectual capital and assistance.

kanganews 1WARDS 2023 Issu

New Zealand Issuer of the Year for 2023

Thank you to our investors, intermediaries and market participants for their support.

(CALs) for council and CCOs in December 2022. Both lending products offer discounted loan margins to councils and CCOs.

As at December 2023, we have undertaken \$377.2 million of GSS Loans to six members and CALs of \$1.20 billion to four members

LGFA established a world first Sustainable Financing Bond (SFB) Framework in March 2023 and issued our first SFB under the Framework in April 2023. We subsequently issued a further \$500 million of the May 2030 SFB in October 2023. The SFBs are notionally backed by our GSS loans and CALs to councils and CCOs.

#### Increasing focus on sustainability

Sustainability plays an important part within the local government sector and at LGFA. We have undertaken several initiatives over the past year, including maintenance of CarbonZero certification from Toitū Envirocare, actively marketing our GSS loan product and establishing CALs and the launch of the SFB. We published our first Annual Impact Review Report and have been preparing for our first report under Climate Related Disclosure requirements for the 2024 Annual Report.

#### **Acknowledgments**

Our work cannot be implemented without the support of our staff, fellow directors, Shareholders Council, New Zealand Debt Management and Central Government, all whose efforts should be acknowledged.

Anthony Quirk who has been a director since 2017, retired from the Board in November 2023, and we would like to take this opportunity to thank Anthony for his invaluable contribution to LGFA over the past six years. Kumaren Perumal from Bay of Plenty Regional Council also stepped down as Chair of the Shareholders Council and we wish to acknowledge his contribution over the past two years.

Anita Furnis our inaugural Future Director also stepped down in December 2023 after an 18-month term and we appreciated her involvement and engagement that in ensures the success of the Future Director programme. We welcome David Rae to the board as an Independent Director, Kathryn Sharplin as the new Chair of the Shareholders Council and Sarah Matthews as the new Future Director.

We believe LGFA's future remains positive and look forward to working with all stakeholders in the next six months.

Turiobo

**Craig Stobo** Chair Mark Butcher Chief Executive

# How we add value to the local government sector

By working together with LGFA, member councils and Council-controlled organisations (CCO's) can access cheaper, easier, and more reliable funding.

At the same time, LGFA helps underpin confidence in the local government sector, helps councils and CCOs with their sustainability goals, boosts capital markets in New Zealand, and acts as a centre of expertise that the local government sector can draw on.

Cheaper loans. By borrowing collectively through LGFA, our members get cheaper funding than if they all borrowed individually. There are also major savings in upfront transaction costs.

Easier access to markets. LGFA deals with the complexities of accessing debt capital markets, which simplifies and streamlines the process of raising loans for our members. At the same time, we provide a wide range of financing options, including short-term loans and standby facilities, long-term loans up to 13 years, with either fixed or floating interest rates, and sustainable lending products.

Reliable financing. LGFA has a wider range of financing sources than most councils could access on their own. These include domestic retail and institutional investors, banks, and offshore investors. This makes financing more resilient and reliable, especially in times of stressed markets. LGFA has also provided a vital role by maintaining liquidity to members during difficult market conditions. LGFA has issued under our Australian dollar bond programme and has established a Euro Commercial Paper (ECP) programme to access foreign currency debt capital markets in order to diversify our financing sources.

Underpinning confidence. LGFA monitor and provide oversight for the local government sector, ensuring a higher degree of confidence in council finances. Our financial covenants help ensure prudent financial management by councils. We help maintain the support of investors and the confidence of the credit rating agencies by maintaining a credit rating that is equal to the New Zealand Government. It is important to maintain parity with the New Zealand Government credit rating to protect our operating model and manage borrowing costs.

Encouraging sustainability. LGFA provide Climate Action Loans and Green Social and Sustainable Loans to councils and CCOs to help them make progress on their sustainability goals. On the financing side, we issue Sustainable Financing Bonds to help broaden the 'sustainable bond' market in New Zealand. We are currently working with sustainability experts and councils to measure and report on our financed emissions for all our council borrowers in our upcoming 2024 Annual Report.

Enhancing capital markets. LGFA are the largest issue of NZ Dollar bonds after the New Zealand Government. Our bonds add to market liquidity and provide more options for investors, including retail investors, to support the local government sector. Our bonds act as a stable benchmark that is used for pricing other corporate bonds in the New Zealand market.

A centre of expertise. The LGFA team acts like a centralised Treasury for councils, providing a significant amount of experience and expertise in capital markets and debt raising.

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Message from the Chair and Chief Executive LGFA Half Year Report 2023  $\,$  07



# Performance against objectives

Ko ngā whakatutukinga ki ngā whāinga The statement of service performance provides a summary of LGFA's performance against the objectives and performance targets set out in the LGFA Statement of Intent 2023-26 (SOI)

#### 2023-24 Objectives and performance targets

LGFA objectives and performance targets for 2023-24 fall within the following five strategic priorities which encompass our shareholders' foundation objectives and guide the LGFA Board and management in determining our strategy:

- Governance, capability and business practice
- Optimising financing services for local government
- Environmental and social responsibility
- Effective management of loans
- Industry leadership and engagement

Our quarterly reports to shareholders provide more detail on our performance against objectives and performance targets. The reports for the two quarters' ended December 2023 are available on the LGFA website.

#### Governance, capability and business practice

LGFA is committed to demonstrating best practice corporate governance underpinned by sound business practice to ensure its long-term sustainability and success.

Objectives	Our performance to 31 December 2023
Demonstrate best practice corporate governance.	LGFA report annually on our compliance with the eight core principles underpinning the NZX Corporate Governance Best Practice Code.  The 2023 Annual Report is the most recent report with commentary on our compliance with the NZX Code.
Set and model high standards of ethical behaviour.	LGFA has adopted a formal Code of Ethics, incorporating its Conflicts of Interest and Code of Conduct policies, which sets out the standards and values that directors and employees are expected to follow.
Ensure products and services offered to participating borrowers are delivered in a cost-effective manner.	LGFA prepares annual operating budgets and monitors progress against these monthly. Our performance against our financial performance targets for the six months ended 31 December 2023 is summarised below under our performance targets.
Be a good employer by providing safe working conditions, training	LGFA is committed to being a good employer and we report our employment practices annually in our Annual Report.
and development and equal opportunities for staff.	The 2023 Annual Report is our most recent report outlining our health and safety and wellbeing practices and policies, including compliance with the Health and Safety at Work Act, diversity and inclusion and capability and development.

Performance targets	2023-2024 target	Our performance to 31 December 2023
Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times.	No breaches.	✓ No breaches.
Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.	LGFA credit ratings equivalent to NZ Sovereign.	Our ratings remain equivalent to the New Zealand Government for both S&P Global Ratings and Fitch Ratings.  Fitch Ratings affirmed our foreign and domestic currency ratings at AA+ with a Stable Outlook on 19 October 2023. S&P Global Ratings affirmed our domestic currency credit rating at
LGFA's total operating income for	> \$20.6 million.	AAA and our foreign currency rating at AA+ in March 2023.  \$10.6 million for six months to 31 December 2023.
the period to 31 December 2023.	\$25.5 Hillion.	Expect to exceed SOI by year end.
LGFA's total operating expenses for the period to 31 December 2023.	< \$10.0 million.	\$5.4 million for six months to 31 December 2023. Year-end operating expenses will exceed SOI due to higher Approved Issuer Levy than budgeted, as well as additional costs from (1) higher levels of issuance and onlending than budgeted; (2) legal and associated costs for inaugural foreign currency issuance, and (3) preparation for potential role in 'Local Water Done Well' and the proposed Ratepayer assistance programme.

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Performance against objectives LGFA Half Year Report 2023 09



#### Optimising financing services for local government

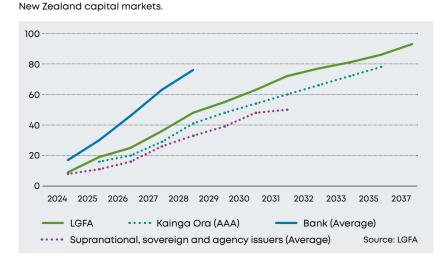
LGFA's primary objective is to optimise the terms and conditions of the debt funding it provides to participating borrowers. Amongst other things, LGFA will achieve this by delivering operational best practice and efficiency across our lending products and services.

#### **Objectives**

#### Provide interest cost savings relative to alternative sources of financing.

#### How we measure our performance

Comparison to other high-grade issuers - secondary market spread to swap (bps) LGFA's borrowing margins compare favourably to other high-grade issuers in the



#### Supranational, sovereign and agency issuers

Kainga Ora (AAA)
Asian Development Bank (AAA)
IADB (AAA)

KBN (AAA) Rentenbank (AAA) World Bank (AAA) Nordic Investment Bank (AAA)

International Finance Corp (AAA)

#### Banks ANZ (AA-)

ASB (AA-)

BNZ (AA-)

Westpac Bank (AA-)

Offer flexible short and long-term lending products that meet the borrowing requirements for borrowers. LGFA provides members with short term loans (less than one year), long term loans on either a floating or fixed rate basis (between one year and April 2037), Green Social and Sustainable Loans and standby facilities.

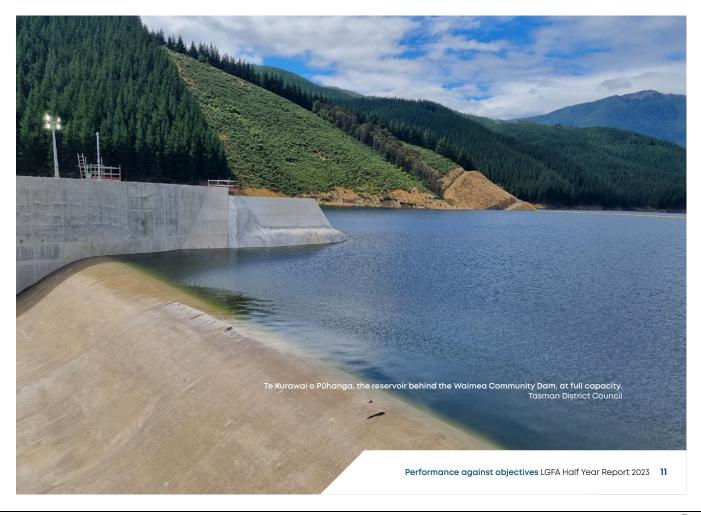
- Over the six months ended December 2023, our members borrowed \$2.656 billion in 222 long term loans across maturity dates ranging between 2024 and 2033.
- As at December 2023 there was \$617 million short-term loans outstanding to 36 members.
- As at December 2023, standby facilities totalled \$747 million across 16 members.

Deliver operational best practice and efficiency for lending services. Over the six months ended December 2023, LGFA operations staff successfully:

- settled 1,150 new trades with a gross value of \$14.3 billion,
- processed 7,454 cash flows with a gross value of \$21.9 billion, and
- rate set 5,733 existing trades.

Ensure certainty of access to debt markets, subject always to operating in accordance with sound business practice. There was strong activity in LGFA bonds in both the primary market (tender or syndicated issuance) and secondary market (between banks and investors). Over the six months ended December 2023, we issued NZ\$1.63 billion and A\$1.65 billion of primary bonds and secondary market turnover totalled \$6.25 billion.

Performance targets	2023-2024 target	Our performance to 31 December 2023
Share of aggregate long-term debt funding to the Local Government sector.	> 80%	✓ Met – 89% as at 31 December 2023
Total lending to Participating Borrowers.	> \$17,870 million	Met – \$18,789 million as at 31 December 2023
Conduct an annual survey of Participating Borrowers who borrow from LGFA as to the value added by LGFA to the borrowing activities.	> 85% satisfaction score	100% satisfaction score in August 2023 Stakeholder Survey.
Successfully refinance existing loans to councils and LGFA bond maturities as they fall due.	100%	<b>✓</b> Met
Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.	100%	<b>✓</b> Met



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Objectives



#### **Environmental and social responsibility**

LGFA recognises the risks inherent in climate change for councils and supports New Zealand's shift to a low-carbon economy. LGFA will prioritise social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so.

Our performance to 31 December 2023

Assist the local government sector in achieving their sustainability and climate change objectives.	Social and Sustained At 31 December 202 approved value of 31 On 1 December 202 a discounted loan is Greenhouse Gas Enreduction targets. Over the six months to Kapiti Coast Dist At 31 December 202 status: Total loans is	s to 31 December 2023, we approved a new Green, ability Loan (GSS loan) to Tauranga City Council.  3, we have approved six GSS loans with a combined \$572 million, of which \$377 million has been advanced.  2, we launched Climate Action Loans (CALs) which margin for members who have implemented a nission Reduction Plan and meet their emission  5 to 31 December 2023, we approved a CAL loan status rict Council.  3, we have approved four councils with a CAL loan ssued to CAL approved councils total \$1,221 million.
within LGFA.	by 30% by 2030, cor	npared with a 2018/19 base year. meet our reduction target for the 2023-24 year.
Performance targets	2023-2024 target	Our performance to 31 December 2023
Comply with the Health and Safety at Work Act 2015.	No breaches	No breaches.
Maintain Toitū Carbon Zero certification.	Carbon-zero certification maintained.	Toitū Net Carbon-zero recertification approved August 2023.
Meet reduction targets outlined in our carbon reduction management plan.	Reduction targets met.	✓ On track to meet target
Increase our GSS lending book.	Two new GSS loans undertaken. Three new borrowers enter into CALs	✓ On track to meet target
Ensure Annual Report is prepared in compliance with applicable GRI Standards.	100%	2023 Annual Report prepared to meet the requirements of the Global Reporting Initiative (GRI) Standards (core option).
Meet all mandatory climate	100%	✓ On track to meet target

#### **Effective management of loans**

LGFA will ensure its loan book remains at a high standard by ensuring it understands each participating borrower's financial position and managing assets within an appropriate risk management framework to ensure shareholder value is not compromised.

Objectives	Our performance to 31 December 2023
Proactively monitor and review each Participating Borrower's financial position, including its	Over the six months, we reviewed council agendas and management reports on an ongoing basis for all members on the LGFA borrower watch-list.
financial headroom under LGFA policies.	We have received compliance certificates for LGFA covenants from 78 (75 councils and 3 Council-controlled organisations) of our members with
Analyse finances at the Council group level where appropriate and report to shareholders.	debt outstanding at June 2023 and no council has requested that they be measured on a group basis.
Endeavour to meet each participating borrower annually, including meeting with elected officials as required, or if requested.	We met with 33 borrowers over the six months and are on target to meet with all members by 30 June 2024.

Performance targets	2023-2024 target	Our performance to 31 December 2023
Review each Participating Borrower's financial position.	100%	On target to meet by 30 June 2024.
Arrange to meet each Participating Borrower over a 15-month period, including meeting with elected officials as required, or if requested.	100%	On target to meet by 30 June 2024.

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### Industry leadership and engagement

LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market and will work with key central government and local government stakeholders on sector issues.

Objectives	Our performance to 31 December 2023
Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.	LGFA continues to assist as required, the Ratepayer Assistance Scheme project managed by a group of councils with advice from Cameron Partners. If successful, the scheme could offer temporary financial relief to ratepayers via rates postponement. LGFA is not contributing financially to this project but providing intellectual capital and assistance.
Assist the local government sector with significant matters such as the Affordable Water Reforms.	Throughout the early part of the six-month period, we have had meetings with Treasury and the National Transition Unit team at DIA and their advisers regarding Affordable Waters Reform and the establishment of a collective funding vehicle, similar to LGFA structure, for the Water Services Entities. Following the change in Government, we have met with the Minister of Local Government and Treasury and DIA staff, offering to help with the implementation of the 'Local Water Done Well' programme
Maintain productive relationships with central government representatives.	We met regularly with OAG, Department of Internal Affairs and Treasury over the six month period.
Support councils and CCOs in the development of reporting disclosures of the impacts of sector activity on climate change.	We continue to roll out the GSS and CALs to councils and CCOs and approved a new GSS loan project and on boarded a new council for CALs. The LGFA Head of Sustainability continues to meet with his counterparts at various councils.



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# Financial statements Nga taukī pūtea

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#### Statement of comprehensive income

For the six months ended 31 December 2023 in \$000s

	Note	Unaudited six months ended 31 December 2023	Unaudited six months ended 31 December 2022
Interest income		578,134	312,883
Interest expense		568,323	307,904
Net interest income	4	9,811	4,979
Other operating income	5	753	671
Total operating income		10,564	5,651
Operating expenses	6	5,355	4,542
Net operating profit		5,209	1,108
Total comprehensive income		5,209	1,108

These statements are to be read in conjunction with the notes to the financial statements.

Due to rounding, numbers presented in the financial statements and associated notes may not add up precisely to the reported totals.

The Board of Directors of the New Zealand Local Government Funding Agency Limited authorised these statements for issue on 28 February 2024.

### Statement of changes in equity

For the six months ended 31 December 2023 in \$000s

Note	Share capital	Retained earnings	Total equity
Equity as at 1 July 2022	25,000	79,560	104,560
Net operating profit		2,505	2,505
Total comprehensive income for the year		2,505	2,505
Transactions with owners		-	-
Dividend paid on 2 September 2022		(1,218)	(1,218)
Equity as at 1 July 2023	25,000	80,847	105,847
Net operating profit		5,209	5,209
Total comprehensive income for the year		5,209	5,209
Transactions with owners		-	-
Dividend paid on 1 September 2023		(1,713)	(1,713)
Unaudited closing balance as at 31 December 2023	25,000	84,343	109,343

Craig Stobo, Director Board Chair

Whoops

Linda Robertson, Director Chair, Audit and Risk Committee

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### Statement of financial position

As at 31 December 2023 in \$000s

	Note	Unaudited as at 31 December 2023	Audited as a 30 June 202
Assets			
Financial assets			
Receivables		1,086	49:
Cash and bank balances		359,688	226,22
Cash pledged as collateral		85,389	93,17
Marketable securities	,	1,613,984	1,127,87
Deposits		822,148	348,49
Derivatives in gain		101,535	63,84
Loans	8	18,788,758	16,313,56
Non-financial assets			
Prepayments	,	1,228	91
Other assets	9	26	5
Total assets		21,773,843	18,174,64
Equity			
Share capital	16	25,000	25,00
Retained earnings		79,135	80,84
Total comprehensive income for the period		5,209	
Total equity		109,343	105,84
Liabilities			
Financial liabilities			
Payables and provisions	10	29,850	6,13
Bills	11	856,894	782,63
Bond repurchases	12	129,987	130,04
Derivatives in loss		1,291,310	1,628,31
Bonds	13	18,924,712	15,160,43
Borrower notes	14	430,751	360,34
Non-financial liabilities			
Other liabilities	15	995	89
Total liabilities		21,664,499	18,068,79
Total equity and liabilities		21,773,843	18,174,64

### Statement of cash flows

For the six months ended 31 December 2023 in \$000s

	Note	Unaudited six months ended 31 December 2023	Unaudited six months ended 31 December 2022
Cash flows from operating activities			
Cash applied to loans	8	(2,407,840)	(1,639,024)
Interest paid on bonds issued		(243,566)	(228,725)
Interest paid on bills issued	,	(26,733)	(10,088)
Interest paid on borrower notes	,	(558)	(131)
Interest paid on bond repurchases	·	(5,303)	(1,738)
Interest received from loans	·	475,616	224,165
Interest received from cash & cash equivalents		12,273	2,396
Interest received from marketable securities		19,511	13,570
Interest received from deposits		16,943	5,897
Net interest on derivatives		(247,902)	2,276
Cash proceeds from provision of standby facilities		753	671
Payments to suppliers and employees		(6,011)	(5,317)
Net cash flows from operating activities	18	(2,412,818)	(1,636,047)
Cash flows from investing activities			
Purchase of marketable securities		(458,717)	206,657
(Purchase)/maturity of deposits	,	(458,062)	(462,937)
Net cash flows from investing activities		(916,778)	(256,280)
Cash flows from financing activities			
Cash proceeds from bonds issued	13	1,485,329	1,477,890
Cash proceeds (outflows) from bills issued		74,264	74,146
Cash proceeds (outflows) from bond repurchases		(168)	76,195
Cash proceeds from borrower notes		59,984	41,598
Dividends paid		(1,712)	(1,218)
Cash applied to derivatives		1,845,365	130,604
Net cash flows from financing activities		3,463,063	1,799,215
Net (decrease) / increase in cash		133,467	(93,112)
Cash, cash equivalents at beginning of year		226,222	158,033
Cash, cash equivalents at end of year		359,688	64,921

These statements are to be read in conjunction with the notes to the financial statements.

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#### Notes to the financial statements

#### 1. Reporting entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is controlled by participating local authorities and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating borrowers

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

These financial statements were authorised for issue by the Directors on 28 February 2024.

#### 2. Statement of compliance

The interim financial statements are for the six months ended 31 December 2023 and are to be read in conjunction with the annual report for the year ended 30 June 2023.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and in compliance with NZ IAS 34 Interim Financial Reporting.

#### 3. Basis of preparation

#### Measurement base

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities.

The financial statements are prepared on an accrual basis.

#### Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

#### Foreign currency conversions

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

#### Changes in accounting policies

There have no changes to accounting policies.

**Early adoption standards and interpretations**LGFA has not early adopted any standards.

#### Standards not yet adopted

LGFA does not consider any issued standards or interpretations not yet effective to have a significant impact on its financial statements.

#### **Financial instruments**

#### Financial assets

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents include cash on hand, bank accounts and deposits with an original maturity of no more than three months.

Cash provided by LGFA as security for financial arrangements remains a financial asset of LGFA and is recognised as cash pledged as collateral in the Statement of Financial Position, separate from cash and cash equivalents

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date, an expected credit loss assessment is performed for all financial assets and is calculated as either:

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset. or
- Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.

Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

#### Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

#### Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

#### Fair value hedge

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

#### Other assets

#### Property, plant and equipment

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

#### Intangible assets

Intangible assets comprise software and project costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight-line basis over the estimated useful life of the software (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

#### Other liabilities

#### Employee entitlements

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

#### Revenue

#### Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

#### Expenses

Expenses are recognised in the period to which they relate.

#### Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

#### Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

#### Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

#### Segment reporting

LGFA operates in one segment being funding of participating borrowers in New Zealand.

#### Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts. For example, the fair value of financial instruments depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and these estimates and underlying assumptions are reviewed on an ongoing basis. Where these judgements significantly affect the amounts recognised in the financial statements they are described in the following notes.

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## Revenue and expenditure

#### 4. Net interest income

in \$000s	Unaudited six months ended 31 December 2023	Unaudited six months ended 31 December 2022
Interest income		
Cash and cash equivalents	16,804	4,098
Marketable securities	33,313	18,342
Lease liability	-	16
Deposits	20,237	9,668
Derivatives	-	-
Loans	507,780	280,759
Fair value hedge ineffectiveness	-	-
Total interest income	578,134	312,883
Interest expense		
Bills	26,733	10,088
Bond repurchase transactions	5,415	1,949
Lease liability	17	-
Derivatives	227,217	66,245
Bonds	298,564	224,425
Borrower notes	10,377	5,196
Total interest expense	568,323	307,904
Net interest income	9,811	4,979

#### 5. Other operating income

As at 31 December 2023, LGFA had provided credit standby facilities totalling \$747 million (2022: \$662 million) to selected councils. As at balance date, there were no drawdowns outstanding under the facilities.

in \$000s		Unaudited six months ended 31 December 2022
Standby facilities fee income	753	671
Total other operating income	753	671

#### 6. Operating expenses

Issuance and on-lending expenses are those costs that are incurred as a necessary expense to facilitate the ongoing issuance of LGFA debt securities.

in \$000s	Unaudited six months ended 31 December 2023	Unaudited six months ended 31 December 2022
Issuance and on-lending expenses		
Approved issuer levy <sup>1</sup>	541	343
Rating agency fees	343	333
NZDMO facility fee	750	652
Legal fees – issuance	502	205
NZX	402	367
Trustee fees	56	55
Regulatory, registry, other fees	184	106
	2,779	2,062
Other operating expenses		
Information technology	360	341
Consultants	131	127
Directors fees	249	213
Insurance	49	47
Legal fees	23	156
Other expenses	204	230
Auditors' remuneration		
Statutory audit	60	55
Advisory services	-	-
Personnel	1,500	1,312
	2,577	2,481
Total operating expenses	5,355	4,542

The amount of Approved Issuer Levy is a function of the number of the offshore holders of certain LGFA bond maturities.

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#### 7. Hedge accounting

LGFA is exposed to interest rate risk from its borrowing, lending and investment activities and uses interest rate swaps and cross currency swaps to manage this risk. For hedge accounting purposes, LGFA has designated these swaps in fair value relationships to its fixed rate borrowings, loans and investments.

The following table shows the gain or loss on the hedging instrument and the hedged item attributable to the hedged risk for fair value hedge relationships.

in \$000s	Unaudited gain/(loss) for the six months ended 31 December 2023	Unaudited gain/(loss) for the six months ended 31 December 2022
Hedged items attributable to the hedged risk	(357,392)	329,876
Hedging instruments – interest rate swaps	357,392	(329,876)
Ineffectiveness recognised in profit or loss from fair value hedges	-	-

The gains or losses on the hedging instrument (interest rate swaps, cross currency swaps) and the hedged item (bonds, loans and investments) are mapped to the same fair value account. For this reason, the statement of comprehensive income will only report any ineffectiveness arising from the fair value hedge.

#### 8. Loans

in \$000s	Unaudited as at 31 December 2023		Audited as at 30 June 2023	
	Short-term loans 1	Loans	Short-term loans	Loans
Ashburton District Council	12,089	104,554	12,110	74,243
Auckland Council	-	3,631,775	-	3,225,659
Bay of Plenty Regional Council	57,991	176,577	57,428	161,353
Buller District Council	-	20,036	-	20,030
Canterbury Regional Council	5,013	77,336	10,116	65,272
Carterton District Council	-	20,552	-	17,523
Central Hawkes Bay District Council	-	38,324	4,072	38,314
Central Otago District Council	5,020	20,288	20,117	5,072
Christchurch City Council	-	2,331,650	-	2,200,409
Clutha District Council	11,583	88,191	7,554	62,905
Dunedin City Treasury	-	252,736	-	126,119
Far North District Council	10,079	92,000	-	91,984
Gisborne District Council	-	149,330	-	126,028
Gore District Council	8,554	44,478	8,556	41,915
Greater Wellington Regional Council	-	804,623	-	678,358
Grey District Council	3,971	26,801	3,990	26,799
Hamilton City Council	-	804,733	-	803,843
Hastings District Council	-	385,854	-	294,992

<sup>1.</sup> As at 31 December 2023, \$2,757 million of loans are due to mature within 12 months. This comprises all short-

in \$000s	Unaudited as at 31 December 20		3 Audited as at 30 June 2023		
	Short-term loans 1	Loans	Short-term loans	Loans	
Hauraki District Council	-	88,971	-	62,620	
Hawkes Bay Regional Council	25,193	74,856	25,313	55,262	
Horizons Regional Council	9,906	54,923	9,936	51,871	
Horowhenua District Council	23,218	159,390	15,175	151,192	
Hurunui District Council	9,060	49,571	8,092	38,435	
Hutt City Council	-	479,870	-	373,239	
Infrastructure Holdings Ltd	9,852	104,503	-	-	
Invercargill City Council	61,774	73,889	55,448	68,788	
Invercargill City Holdings Ltd	39,236	48,411	12,323	78,514	
Kaikoura District Council	-	7,365	-	5,346	
Kaipara District Council	-	44,572	-	44,545	
Kapiti Coast District Council	-	308,407	-	277,935	
Kawerau District Council	-	4,048	-	2,024	
Mackenzie District Council	3,007	11,205	3,001	8,086	
Manawatu District Council	15,241	79,598	15,136	79,502	
Marlborough District Council	14,694	184,017	21,241	131,594	
Masterton District Council	-	62,462	-	52,336	
Matamata-Piako District Council	-	52,637	-	45,520	
Napier City Council	-	10,095	-	10,014	
Nelson City Council	-	247,217	-	186,666	
New Plymouth District Council	20,136	237,018	10,114	221,668	
Northland Regional Council	-	18,578	-	18,565	
Opotiki District Council	-	11,584	-	9,557	
Otago Regional Council	49,336	109,419	46,665	104,177	
Otorohanga District Council	9,194	-	6,052	-	
Palmerston North City Council	-	273,375	-	214,483	
Porirua City Council	-	239,409	-	198,906	
Queenstown Lakes District Council	56,097	524,697	56,007	454,003	
Rangitikei District Council	-	31,238	-	31,207	
Rotorua District Council	1,889	391,976	1,889	351,358	
Ruapehu District Council	8,049	45,161	8,050	42,130	
Selwyn District Council		126,430	-	116,198	
South Taranaki District Council	3,072	117,496	-	117,428	
South Waikato District Council	-	44,474	_	44,457	

term loans and \$2,140 million of loans.

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in \$000s	Unaudited as at 31 December 2023		Audited as at 30 June 2023	
	Short-term loans 1	Loans	Short-term loans	Loans
Southland District Council	-	22,020	-	21,960
South Wairarapa District Council	-	29,174	-	29,148
Stratford District Council	-	34,885	2,030	31,858
Taranaki Regional Council	-	23,687	-	19,652
Tararua District Council	4,050	52,839	4,047	53,778
Tasman District Council	26,863	263,664	25,515	246,751
Taupo District Council	-	146,315	-	146,271
Tauranga City Council	-	930,197	-	823,933
Thames-Coromandel District Council	-	80,006	-	67,813
Timaru District Council	19,343	187,700	19,456	187,561
Upper Hutt City Council	-	182,803	-	113,212
Waikato District Council	-	156,572	9,975	111,225
Waikato Regional Council	-	30,298	5,120	25,276
Waimakariri District Council	-	182,028	-	181,960
Waimate District Council	-	3,541	-	3,540
Waipa District Council	51,618	200,515	20,010	207,374
Wairoa District Council	8,259	11,110	8,015	11,109
Waitaki District Council	8,852	52,501	8,978	33,280
Waitomo District Council	4,077	24,209	4,071	24,204
Wellington City Council	-	1,552,273	-	1,178,503
West Coast Regional Council	2,986	13,310	3,243	9,991
Western Bay Of Plenty District Council	-	86,106	-	80,992
Westland District Council	-	30,130	-	27,078
Westland Holdings Ltd	625	5,457	1,618	5,456
Whakatane District Council	-	145,172	-	114,768
Whanganui District Council	7,559	136,527	7,557	110,179
Whangarei District Council	9,921	228,466	9,927	228,151
Fair value hedge adjustment	-	(26,855)		(37,850)
	617,406	18,171,352	547,944	15,765,618

#### 9. Other assets

in \$000s	Unaudited as at 31 December 2023	Audited as at 30 June 2023
Right-of-use lease asset	26	58
Total other assets	26	58

### 10. Payables and provisions

in \$000s	Unaudited as at 31 December 2023	Audited as at 30 June 2023
Loans/purchases to be advanced	29,000	5,000
Trade creditors	323	804
Credit provision	320	123
Other provisions	204	205
Total receivables	29,847	6,132

#### 11. Bills

Unaudited as at 31 December 2023 in \$000s	Face value	Unamortised premium	Accrued interest	Total
12 January 2024	190,000	(266)	-	189,734
17 January 2024	75,000	(178)	-	74,822
1 February 2024	25,000	(120)	-	24,880
7 February 2024	50,000	(282)	-	49,718
16 February 2024	50,000	(336)	-	49,664
28 February 2024	50,000	(441)	-	49,559
8 March 2024	70,000	(700)	-	69,300
15 March 2024	95,000	(1,063)	-	93,937
21 March 2024	46,000	(555)	-	45,445
5 April 2024	25,000	(369)	-	24,631
10 April 2024	25,000	(385)	-	24,615
16 April 2024	15,000	(246)	-	14,754
8 May 2024	25,000	(486)	-	24,514
5 June 2024	25,000	(591)	-	24,409
19 July 2024	100,000	(3,088)	-	96,912
	866,000	(9,106)	-	856,894

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Audited as at 30 June 2023 in \$000s	Face value	Unamortised premium	Accrued interest	Total
7 July 2023	45,000	(32)	-	44,968
12 July 2023	100,000	(142)	-	99,858
19 July 2023	35,000	(87)	-	34,913
2 August 2023	25,000	(112)	-	24,888
11 August 2023	75,000	(442)	-	74,558
17 August 2023	20,000	(144)	-	19,856
8 September 2023	70,000	(713)	-	69,287
15 September 2023	55,000	(630)	-	54,370
22 September 2023	102,000	(1,277)	-	100,723
28 September 2023	40,000	(549)	-	39,451
11 October 2023	25,000	(381)	-	24,619
17 October 2023	5,000	(81)	-	4,919
8 November 2023	20,000	(397)	-	19,603
28 November 2023	50,000	(1,166)	-	48,834
6 December 2023	25,000	(609)	-	24,391
14 December 2023	50,000	(1,282)	-	48,718
20 December 2023	50,000	(1,325)	-	48,675
	792,000	(9,370)	-	782,630

## 12. Treasury stock and bond repurchases

Periodically, LGFA subscribes for LGFA bonds as part of its tender process and holds these bonds as treasury stock. LGFA bonds held by LGFA as treasury stock are derecognised at the time of issue and no liability is recognised in the statement of financial position. As at 31 December 2023, \$1,100 million of LFGA bonds had been subscribed as treasury stock.

LGFA makes these treasury stock bonds available to banks authorised as its tender counterparties to borrow under short-term repurchase transactions. The objective of the bond lending facility is to assist with improving secondary market liquidity in LGFA bonds. Bonds lent to counterparties are disclosed as a separate stock lending liability on the face of the statement of financial position.

in \$000s	Unaudited as at 31 December 2023	Audited as at 30 June 2023
15 April 2024	37,803	
15 April 2025	-	16,619
15 April 2026	-	1,920
15 April 2027	-	52,513
20 April 2029	3,412	19,437
15 May 2030	17,736	-
15 May 2031	37,957	3,287
14 April 2033	4,487	1,750
15 May 2035		34,518
15 April 2037	28,593	-
	129,987	130,043

#### 13. Bonds

Bonds on issue do not include \$1,100 million face value of issued LGFA bonds subscribed by LGFA and held as treasury stock. Refer Note 12: Treasury stock and bond repurchase transactions.

Unaudited as at 31 December 2023 in \$000s	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
NZD Fixed interest bonds					
15 April 2024	2,218,000	(801)	10,635		2,227,834
15 April 2025	2,719,000	(37,783)	15,935		2,697,152
15 April 2026	2,155,000	(45,072)	6,889		2,116,817
15 April 2027	2,211,000	54,970	21,204		2,287,174
15 May 2028	1,553,000	(70,223)	4,512		1,487,289
20 April 2029	1,882,000	(105,057)	5,631		1,782,574
15 May 2030	1,500,000	(44,075)	8,716		1,464,640
15 May 2031	1,245,000	(81,469)	3,617		1,167,148
14 April 2033	1,515,000	5,936	11,445		1,532,381
15 May 2035	450,000	(7,496)	1,743		444,248
15 April 2037	860,000	(53,559)	3,666		810,107
AUD Fixed interest bonds					
1 August 2028	1,077,426	(2,784)	21,054		1,095,696
28 November 2030	700,327	(2,598)	3,336		701,065
Fair value hedge adjustment				(889,414)	(889,414)
	20,085,754	(390,010)	118,382	(889,414)	18,924,712

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Audited as at 30 June 2023 in \$000s	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
NZD Fixed interest bonds					
15 April 2024	2,218,000	(2,151)	10,499		2,226,348
15 April 2025	2,409,000	(36,176)	13,937		2,386,761
15 April 2026	2,155,000	(54,361)	6,801		2,107,440
15 April 2027	2,011,000	68,977	19,039		2,099,016
15 May 2028	1,423,000	(60,216)	4,089		1,366,873
20 April 2029	1,722,000	(83,580)	5,081		1,643,501
15 May 2030	1,000,000	(17,002)	5,747		988,745
15 May 2031	1,120,000	(60,338)	3,218		1,062,880
14 April 2033	1,350,000	33,003	10,070		1,393,073
15 May 2035	450,000	(7,728)	1,724		443,997
15 April 2037	820,000	(41,281)	3,450		782,170
Fair value hedge adjustment				(1,340,372)	(1,340,372)
	16,678,000	(260,853)	83,656	(1,340,372)	15,160,432

## 14. Borrower notes

Borrower notes are subordinated debt instruments which are required to be held by each local authority that borrows from LGFA in an amount equal to a fixed percentage of the aggregate borrowings by that local authority. The fixed percentage is 2.5% for loans issued from 1 July 2020. Prior to this date, the fixed percentage was 1.6%.

LGFA may convert borrower notes into redeemable shares if it has made calls for all unpaid capital to be paid in full and the LGFA Board determines it is still at risk of imminent default.

## 15. Other liabilities

in \$000s	Unaudited as at 31 December 2023	Audited as at 30 June 2023
Lease liability		58
Accruals	995	838
Total receivables	995	896

## 16. Share capital

As at 31 December 2023, LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled. The 20 million of uncalled shares are held by the 30 council shareholders in proportion to the paid-up shares. The Minister of Finance and Minister for Local Government do not hold any uncalled shares.

All ordinary shares rank equally with one vote attached to each ordinary share. Ordinary shares have a face value of \$1 per share.

## 17. Shareholder information

The holdings outlined in this table include the 25 million of paid-up ordinary shares and 20 million of uncalled ordinary shares. The uncalled ordinary shares are held by the 30 council shareholders.

Registered holders of equity securities	As at 31 Decemb	er 2023	As at 30 June	2023
Minister of Finance and Minister for Local Government	5,000,000	11.1%	5,000,000	11.1%
Auckland Council	3,731,960	8.3%	3,731,960	8.3%
Christchurch City Council	3,731,960	8.3%	3,731,960	8.3%
Hamilton City Council	3,731,960	8.3%	3,731,960	8.3%
Bay of Plenty Regional Council	3,731,958	8.3%	3,731,958	8.3%
Greater Wellington Regional Council	3,731,958	8.3%	3,731,958	8.3%
Tasman District Council	3,731,958	8.3%	3,731,958	8.3%
Tauranga City Council	3,731,958	8.3%	3,731,958	8.3%
Wellington City Council	3,731,958	8.3%	3,731,958	8.3%
Western Bay of Plenty District Council	3,731,958	8.3%	3,731,958	8.3%
Whangarei District Council	1,492,784	3.3%	1,492,784	3.3%
Hastings District Council	746,392	1.7%	746,392	1.7%
Marlborough District Council	400,000	0.9%	400,000	0.9%
Selwyn District Council	373,196	0.8%	373,196	0.8%
Gisborne District Council	200,000	0.4%	200,000	0.4%
Hauraki District Council	200,000	0.4%	200,000	0.4%
Horowhenua District Council	200,000	0.4%	200,000	0.4%
Hutt City Council	200,000	0.4%	200,000	0.4%
Kapiti Coast District Council	200,000	0.4%	200,000	0.4%
Manawatu District Council	200,000	0.4%	200,000	0.4%
Masterton District Council	200,000	0.4%	200,000	0.4%
New Plymouth District Council	200,000	0.4%	200,000	0.4%
Otorohanga District Council	200,000	0.4%	200,000	0.4%
Palmerston North District Council	200,000	0.4%	200,000	0.4%
South Taranaki District Council	200,000	0.4%	200,000	0.4%
Taupo District Council	200,000	0.4%	200,000	0.4%
Thames-Coromandel District Council	200,000	0.4%	200,000	0.4%
Waimakariri District Council	200,000	0.4%	200,000	0.4%
Waipa District Council	200,000	0.4%	200,000	0.4%
Whakatane District Council	200,000	0.4%	200,000	0.4%
Whanganui District Council	200,000	0.4%	200,000	0.4%
	45,000,000	100%	45,000,000	100%

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## 18. Reconciliation of net profit to net cash flow from operating activities

in \$000s	Unaudited six months ended 31 December 2023	Unaudited six months ended 31 December 2022
Net profit/(loss) for the period	5,209	1,108
Cash applied to loans	(2,407,840)	(1,639,024)
Non-cash adjustments		
Amortisation and depreciation	(9,728)	2,643
Working capital movements		
Net change in trade debtors and receivables	(476)	(378)
Net change in prepayments	(309)	(298)
Net change in accruals	126	(98)
Net Cash From Operating Activities	(2,412,818)	(1,636,047)

## 19. Related parties

## Identity of related parties

LGFA is related to the local authorities set out in the Shareholder Information in note 17.

LGFA operates under an annual Statement of Intent that sets out the intentions and expectations for LGFA's operations and lending to participating borrowers.

Shareholding local authorities, and non-shareholder local authorities who borrow more than \$20 million, are required to enter into a guarantee when they join or participate in LGFA. The guarantee is in respect of the payment obligations of other guaranteeing local authorities to the LGFA (cross guarantee) and of the LGFA itself.

#### Related party transactions

LGFA was established for the purpose of raising funds from the market to lend to participating borrowers. The lending to individual councils is disclosed in note 5, and interest income recognised on this lending is shown in the statement of comprehensive income.

The purchase of LGFA borrower notes by participating borrowers. Refer note 14.

The Treasury (New Zealand Debt Management) provides LGFA with a committed credit facility and is LGFA's derivatives counterparty.

# **Directory**

# Rārangi tauwaea

Postal address

P.O. Box 5704, Lambton Quay Wellington 6145

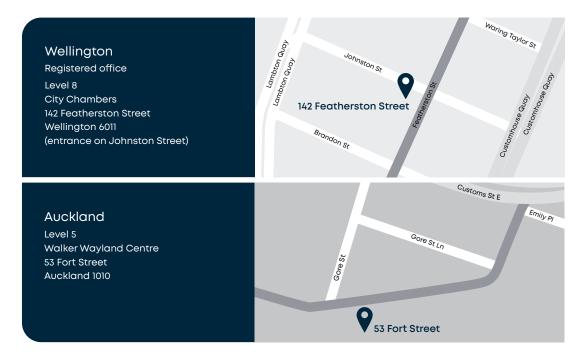
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Local Government Funding Authority Reporting







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28 February 2024

Dear Shareholder

#### Draft Statement of Intent 2024-2027

Please find attached a copy of our draft Statement of Intent (SOI) for 2024-2027.

LGFA continues to focus on delivering strong results for both our council borrowers and shareholders.

For our borrowing councils we seek to optimize funding terms and conditions by

- Achieving savings in borrowing costs
- Providing longer dated funding and
- · Providing certainty of access to markets

For our shareholders we are focused on

- Delivering a strong financial performance
- Monitoring asset quality
- · Enhancing our approach to treasury and risk management, and
- Ensuring we have the correct governance framework and capital structure in place.

For our guarantors we are focused on

Minimising the risk of a call upon the guarantee through actively monitoring and managing
the business risks faced by LGFA including operational, credit, liquidity, interest rate and
funding risk.

The following points regarding the draft SOI 2024-27 are worth noting:

- This draft SOI, including financial forecasts, assumes that there are no implications for LGFA
  from the Local Waters Done Well Programme. We are awaiting further information as the
  enabling legislation is introduced in June and December 2024 but will assume in the
  meantime a business-as-usual approach to council and CCO borrowing. The final SOI in June
  2024 will be updated from this draft to incorporate any future announcements and will
  include a statement if there have been any material changes to our forecast assumptions.
- Profitability is forecast to remain strong with projections for Net Operating Gain of \$15.1 million, \$13.1 million, and \$10.1 million for the next three years. However, we remain cautious in placing too much emphasis on the year two (2025-26) and three (2026-27) forecasts given we have \$7.1 billion of LGFA bonds and \$7.5 billion of council and CCO loans maturing over the three-year SOI forecast period. This is because assumptions regarding the amount and timing of refinancing and interest rates have a material impact on financial projections.

New Zealand Local Government Funding Agency Limited

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- We have increased our forecast for council loans (short and long term) outstanding as at June 2025 to \$22.08 billion and to \$24.45 billion as at June 2026 (from \$20.03 billion and \$21.50 billion in the previous SOI). This increase reflects a higher starting position as at 30 June 2024 and councils undertaking further capex and continued high utilisation of shortterm borrowing from LGFA.
- We are assuming gross bond issuance of \$5.25 billion (2024-25), \$5.04 billion (2025-26) and \$4.72 billion (2026-27) based on council gross lending of \$4.60 billion (2024-25), \$4.86 billion (2025-26) and \$5.08 billion (2026-27).
- Net interest income is expected to gradually reduce over the forecast period as the balance sheet grows from increased council lending but is offset by a larger holding of liquid assets and slightly lower forecast interest rates.
- We have assumed a modest narrowing in lending margins as more councils and CCOs take
  up our Climate Action Loan (CAL) product and we undertake more Green, Social and
  Sustainability (GSS) lending to councils and CCOs. Given the recent announcement from S&P
  Global Ratings regarding the lowering of the trend within the local government sector
  institutional framework, we have assumed no further improvement in the credit quality of
  the sector.
- Compared to the previous SOI, issuance and operating expenses, excluding Approved Issuer
  Levy are forecast to be approximately \$700k higher in the 2024-25 and \$600k in 2025-26
  financial years. This is due to forecast higher IT, HR and legal costs associated with increased
  foreign currency issuance, water reforms and increased staffing.
- The proposed SOI performance targets are similar to the previous SOI. The focus remains on sustainability, assisting councils with greenhouse gas (GHG) emission reporting, monitoring the credit quality of the sector, and assisting with the implementation of Local Water Done Well Programme.
- As noted above, there is some timing uncertainty within the SOI forecast relating to council
  loans and LGFA bonds outstanding as we need to project both the repayment amount and
  repayment timing of the council loans that are due to mature in April 2025, April 2026 and
  April 2027. Decisions made by our council members regarding early refinancing will have a
  phasing impact across all three years in the SOI forecast.

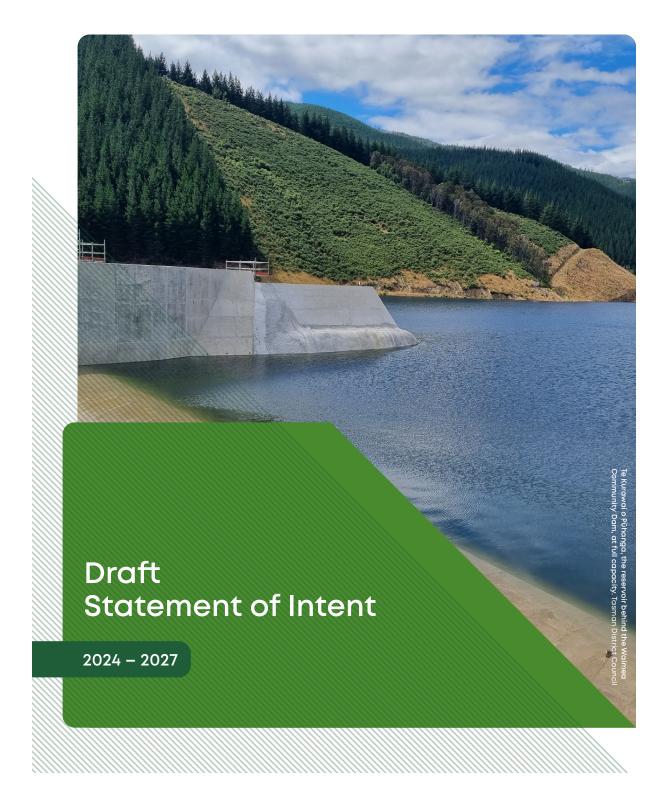
If you have any questions or wish to provide comments by 1 May 2024 then please feel free to contact myself or any member of the Shareholders Council. The LGFA board will consider any feedback received and provide a final version of the SOI to shareholders by 30 June 2024.

Yours sincerely

Mark Butcher Chief Executive









## 1. Introduction

This Statement of Intent (SOI) sets out the nature and scope of the activities, objectives and performance targets for the New Zealand Local Government Funding Agency Limited (LGFA) for the three-year period 1 July 2024 to 30 June 2027. LGFA is enabled under the Local Government Borrowing Act 2011 and is a council-controlled organisation (CCO) for the purposes of the Local Government Act 2002.

The SOI is prepared in accordance with section 64(1) of the Local Government Act 2002.

**Note:** This SOI, including financial forecasts, assumes that LGFA continues to lend to the water sector, either through councils as it does at present, or through any new structures under the Local Water Done Well reforms. We are awaiting further information relating to the establishment of the Water CCOs; how Water CCOs are intending to structure their borrowing; how the transition of revenue and debt will occur between our council members and Water CCOs, and the impact on future council borrowing intentions.

## 2. Nature and scope of activities

LGFA raises debt funding for the purpose of providing debt financing to New Zealand local authorities and CCOs (participating borrowers).

LGFA may raise debt funding domestically or offshore in either NZ dollars or foreign currency.

LGFA only lends to participating borrowers that have entered into required legal and operational arrangements and comply with the LGFA's lending policies.

In addition, LGFA may undertake any other activities considered by the LGFA Board to be reasonably related, incidental to, or in connection with that business.

## 3. Our purpose Ta tatou kaupapa

Benefiting local communities through delivering efficient financing for local government.

Ka whiwhi painga ngā hapori mā te whakarato pūtea tõtika ki ngā kaunihera.

## 4. Our values Ō mātau uara

We act with integrity  E pono ana mātau	We are customer focused E arotahi ana mātau ki te kiritaki	We strive for excellence E whakapau kaha mātau kia hiranga te mahi	We provide leadership He kaiārahi mātau	We are innovative He auaha mātau
We are honest, transparent and are committed to doing what is best for our customers and our company.	Our customers are our council borrowers, investors, and all other organisations that we deal with. We listen to them and act in their best interests to deliver results that make a positive difference.	We strive to excel by delivering financial products and services that are highly valued at least cost while seeking continuous improvement in everything we do.	We are here for our stakeholders in being strategically minded, providing resilience and executing our strategy. We embrace a highperformance culture and can be relied upon to deliver results.	To meet our ever- changing customer requirements, we will encourage innovation and provide a diverse range of financial products and services.



## 5. Foundation objectives

The Shareholders' Agreement is a foundation document and states that, in accordance with the Local Government Act, in carrying on its business the objectives of the Company will be to:

(a) achieve the objectives of the Shareholders (both commercial and non-commercial) as specified in the Statement of Intent. The Shareholders agree that the Company shall carry on its business with a view to making a profit sufficient to pay a dividend in accordance with the Dividend Policy, but that the primary objective of the Shareholders with respect to the Company is that it optimises the terms and conditions of the debt funding it provides to Participating Local Authorities;

(b) be a good employer;

(c) exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and

(d) conduct its affairs in accordance with sound business practice.

This Statement of Intent sets out the company's strategic priorities, together with associated objectives and performance targets, which align with the foundation objectives and have been agreed with shareholders.

## 6. Strategic priorities

The following five strategic priorities encompass the foundation objectives and guide the LGFA Board and management in determining our strategy, objectives and associated performance targets.

#### Governance, capability and business practice

LGFA is committed demonstrating best practice corporate governance underpinned by sound business practice to ensure its long-term sustainability and success.

## Optimising financing services for local government

LGFA's primary objective is to optimise the terms and conditions of the debt funding it provides to participating borrowers. Amongst other things, LGFA will achieve this by delivering operational best practice and efficiency across our lending products and services.

## **Environmental and social responsibility**

LGFA recognises the risks inherent in climate change for councils and supports New Zealand's shift to a low-carbon economy. LGFA will exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so.

## **Effective management of loans**

LGFA will ensure its loan book remains at a high standard by ensuring it understands each participating borrower's financial position and managing assets within an appropriate risk management framework to ensure shareholder value is not compromised.

## Industry leadership and engagement

LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market and will work with key central government and local government stakeholders on sector issues.

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## 7. Objectives and performance targets

This section sets out LGFA's objectives and performance targets for SOI 2024-2027.

The financial performance targets are focused on the 2024-2025 year and, as applicable, are based on the financial forecasts outlined in section 8.

## Governance, capability and business practice

Objectives	How we measure our performance
Demonstrate best practice corporate governance.	The Annual Report outlines our compliance with the eight core principles underpinning the NZX Corporate Governance Best Practice Code. The Shareholders' Council has requested a focus on succession planning for the Board.
Set and model high standards of ethical behaviour.	LGFA has adopted a Code of Ethics, incorporating its Conflicts of Interest and Code of Conduct policies, which sets out the standards and values that directors and employees are expected to follow.
Achieve the shareholder-agreed objectives and performance targets specified in this Statement of Intent.	LGFA reports performance against objectives quarterly to shareholders and in our Annual and Half Year Reports.
Ensure products and services offered to participating borrowers are delivered in a cost-effective manner.	LGFA prepares annual operating budgets and monitors progress against these monthly. Financial performance is reported quarterly to shareholders and in our Annual and Half Year Reports.
Be a good employer by providing safe working conditions, training and development and equal opportunities for staff	The Annual Report reports on our health and safety and wellbeing practices and policies, compliance with the Health and Safety at Work Act, diversity and inclusion and capability and development.

Performance targets	2024-2025 target
Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times.	No breaches.
Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.	LGFA credit ratings equivalent to NZ Sovereign.
Succession plans be put in place for the Board and staff and be reviewed annually.	Plan established and shared.
LGFA's total operating income for the year to 30 June 2025.	>\$29.8 million.
LGFA's total operating expenses for the year to 30 June 2025.	<\$15.6 million.

## Optimising financing services for local government

Objectives	How we measure our performance
Provide interest cost savings relative to alternative sources of financing.	Measure LGFA issuance spreads against other high-grade issuers in the New Zealand domestic capital markets.
Offer flexible short and long-term lending products that meet the borrowing requirements for borrowers.	Measure LGFA's share of overall council borrowing. Survey participating borrowers on an annual basis.
Deliver operational best practice and efficiency for lending services.	Monitor settlements errors for new trades and cashflows.  Survey participating borrowers on an annual basis.
Ensure certainty of access to debt markets, subject always to operating in accordance with sound business practice.	Maintain a vibrant primary and secondary market in LGFA bonds.  Monitor participation by investors at our tenders through bid- coverage ratios and successful issuance yield ranges.





Performance targets	2024-2025 target
Share of aggregate long-term debt funding to the Local Government sector.	> 80%
Total lending to Participating Borrowers.	> \$22,000 million.
Conduct an annual survey of Participating Borrowers who borrow from LGFA as to the value added by LGFA to the borrowing activities.	> 85% satisfaction score.
Successfully refinance existing loans to councils and LGFA bond maturities as they fall due.	100%
Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.	100%

## **Environmental and social responsibility**

Objectives	How we measure our performance
Develop our sustainability strategy to include the estimated financial impacts of climate change.	LGFA sustainability strategy incorporates an assessment of the estimated financial impacts of climate change.
Improve sustainability outcomes within LGFA.	LGFA is committed to reducing our carbon emissions and maintaining formalised processes to measure our greenhouse gas (GHG) emissions.

Performance targets	2024-2025 target
Comply with the Health and Safety at Work Act 2015	No breaches.
Maintain Toitū Carbon Zero certification	Carbon-zero certification maintained.
Meet reduction targets outlined in our carbon reduction management plan.	Reduction targets met.
Increase our GSS lending book and Climate Action Loans	Two new GSS loans undertaken.
	Three new borrowers enter into CALs.
Ensure Annual Report is prepared in compliance with applicable GRI Standards	100%
Meet all mandatory climate reporting standards	100%

## **Effective management of loans**

Objectives	How we measure our performance
Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies.	LGFA reviews all participating councils and CCOs financial statements on an annual basis and the agendas and management reports on an ongoing basis for all councils on the LGFA borrower watch-list.
Analyse finances at the Council group level where appropriate and report to shareholders.	Participating borrowers are required to complete annual compliance certificates by the end of November each year.
Endeavour to meet each participating borrower annually, including meeting with elected officials as required, or if requested.	Number of participating borrowers visited in a year.
Work with central government and local government to facilitate a sector-wide successful transition of debt under the Local Water Done Well Programme.	LGFA is an active participant in the Local Water Done Well Programme.





Performance targets	2024-2025 target
Review each Participating Borrower's financial position.	100%
Arrange to meet each Participating Borrower over a 15-month period, including meeting with elected officials as required, or if requested.	100%

## Industry leadership and engagement

Objectives	How we measure our performance		
Take a proactive role to enhance the financial strength and depth of the local government debt market and	Report on actions undertaken and progress made on sector issues.		
work with key central government and local government stakeholders on sector and individual council issues.	Identifying any legislative or Central Government policy changes that may impact LGFA and undertake formal or		
Assist the local government sector with significant	informal submissions.		
matters such as the Local Water Done Well Reforms and Future for Local Government	Assist the local government sector to understand any legislative or Central Government policy changes that may impact LGFA.  Report on the alignment of LGFA and councils climate		
Maintain productive relationships with central			
government representatives.			
Support councils and CCOs in the development of	and emissions reporting requirements		
reporting disclosures of the impacts of sector activity on climate change.	Report back in how we are helping smaller councils' understand future reporting requirements.		

## 8. Financial forecasts

LGFA's financial forecasts for the three years to 30 June 2027:

Comprehensive income \$m	Jun 25	Jun 26	Jun 27
Net Interest income	28.3	28.3	27.0
Other operating income	1.5	1.5	1.5
Total operating income	29.8	29.8	28.5
Approved Issuer Levy	4.2	5.8	7.2
Issuance & onlending costs	4.1	4.2	4.3
Operating overhead	6.3	6.6	6.9
Issuance and operating expenses	14.6	16.6	18.4
P&L	15.1	13.1	10.1
Financial position (nominals) \$m	Jun 25	Jun 26	Jun 27
Liquid assets portfolio	2,379	2,788	2,769
Loans to local government	22,086	24,456	26,053
Total Assets	24,465	27,244	28,823
Bonds on issue (ex Treasury stock)	22,332	25,017	26,486
Bills on issue	1,350	1,350	1,350
Borrower notes	508	573	623
Total Liabilities	24,190	26,940	28,459
Capital	25	25	25
Total Liabilities	19,308	20,509	21,577





Capital	25	25	25
Retained earnings	106	118	126
Dividend	(2)	(2)	(2)
Shareholder equity	130	141	149
Ratios	Jun 25	Jun 26	Jun 27
Liquid assets/funding liabilities	10.4%	10.9%	10.2%
Liquid assets / total assets	9.7%	10.2%	9.6%
Net interest margin	0.13%	0.12%	0.10%
Cost to income ratio	49.2%	55.9%	64.5%
Return on average assets	0.06%	0.05%	0.04%
Shareholder equity/total assets	0.5%	0.5%	0.5%
Shareholder equity + BN/total assets	2.6%	2.6%	2.7%
Asset growth	12.8%	11.4%	5.8%
Loan growth	11.3%	10.7%	6.5%
Return on equity	13.0%	10.1%	7.2%
Capital ratio	13.0%	13.1%	13.4%

The above forecasts assume a gross bond issuance programme of \$5.25 billion (FY25), \$5.04 billion (FY26) and \$4.72 billion (FY27) based upon term lending to councils of \$4.60 billion (FY25), \$4.86 billion (FY26) and \$5.08 billion (FY27).

Note there is a high level of uncertainty regarding the financial forecasts for both council borrowing and LGFA bond issuance due to the uncertainty relating to the impact on councils from the Local Water Done Well Reforms.

## 9. Dividend policy

LGFA primary objective is to maximise benefits to participating borrowers rather than shareholders. Consequently, it is intended to pay a limited dividend to shareholders.

The Board's policy is to pay a dividend that provides an annual rate of return to shareholders equal to LGFA fixed rate bond cost of funds plus 2% over the medium term.

At all times payment of any dividend will be discretionary and subject to the Board's legal obligations and views on appropriate capital structure.

## 10. Governance

#### Board

The Board is responsible for the strategic direction and control of LGFA's activities. The Board guides and monitors the business and affairs of LGFA, in accordance with the Companies Act 1993, the Local Government Act 2002, the Local Government Borrowing Act 2011, the Company's Constitution, the Shareholders' Agreement for LGFA and this SOI.

 $The \ Board \ comprises \ six \ directors \ with \ five \ being \ independent \ directors \ and \ one \ being \ a \ non-independent \ director.$ 

The Board's approach to governance is to adopt best practice with respect to:

- The operation of the Board.
- The performance of the Board.
- Managing the relationship with the Company's Chief Executive.
- Being accountable to all Shareholders.

All directors are required to comply with a formal Charter.

The Board will meet on a regular basis and no fewer than six times each year.

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#### Shareholders' Council

The Shareholders' Council is made up of between five and ten appointees of the Shareholders (including an appointee from the Crown). The role of the Shareholders' Council is to:

- Review the performance of LGFA and the Board, and report to Shareholders on that performance on a periodic basis.
- Make recommendations to Shareholders as to the appointment, removal, replacement and remuneration of directors.
- Make recommendations to Shareholders as to any changes to policies, or the SOI, requiring their approval.
- Ensure all Shareholders are fully informed on LGFA matters and to coordinate Shareholders on governance decisions.

## 11. Information to be provided to Shareholders

The Board aims to ensure that Shareholders are informed of all major developments affecting LGFA's state of affairs, while at the same time recognising both LGFA's obligations under NZX Listing Rules and that commercial sensitivity may preclude certain information from being made public.

#### **Annual Report**

The LGFA's balance date is 30 June.

By 30 September each year, the Company will produce an Annual Report complying with Sections 67, 68 and 69 of the Local Government Act 2002, the Companies Act 1993 and Financial Reporting Act 2013. The Annual Report will contain the information necessary to enable an informed assessment of the operations of the company.

#### **Half Yearly Report**

By 28 February each year, the Company will produce a Half Yearly Report complying with Section 66 of the Local Government Act 2002.

#### **Quarterly Report**

By 31 January, 30 April, 31 July, and 31 October each year, the Company will produce a Quarterly Report. The Quarterly Report will include the following information:

- Commentary on operations for the relevant quarter, including a summary of borrowing margins charged to Participating Borrower's (in credit rating bands).
- Comparison of LGFA's performance regarding the objectives and performance targets set out in the SOI, with an
  explanation of any material variances.
- Analysis of the weighted average maturity of LGFA bonds outstanding.
- In the December Quarterly Report only, commentary on the Net Debt/Total Revenue percentage for each Participating Local Authority that has borrowed from LGFA (as at the end of the preceding financial year).
- To the extent known by LGFA, details of all events of review in respect of any Participating Borrower that occurred during the relevant quarter (including steps taken, or proposed to be taken, by LGFA in relation thereto).
- Details of any lending to CCOs during the quarter and the amount of CCO loans outstanding.
- Commentary on sustainability initiatives.

#### **Statement of Intent**

By 1 March in each year the Company will deliver to the Shareholders its draft SOI for the following year.

Having considered any comments from the Shareholders received by 30 April, the Board will deliver the completed SOI to the Shareholders on or before 30 June each year.

#### **Shareholder Meetings**

The Board will hold an Annual General Meeting between 30 September and 30 November each year to present the Annual Report to all Shareholders.

The Company will hold a meeting with the Shareholders' Council approximately every six months – prior to the Annual General Meeting and after the Half Yearly Report has been submitted. Other meetings may be held by agreement between the Board and the Shareholders' Council.





## 12. Acquisition / divestment policy

LGFA will invest in securities in the ordinary course of business. It is expected that these securities will be debt securities. These investments will be governed by LGFA's approved lending and investment policies.

Any subscription, purchase or acquisition by LGFA of shares in a company or organisation will, if not within those investment policies, require Shareholder approval other than as concerns the formation of wholly-owned subsidiaries and the subscription of shares in such wholly-owned subsidiaries.

## 13. Activities for which compensation is sought from Shareholders

At the request of Shareholders, LGFA may (at its discretion) undertake activities that are not consistent with its normal commercial objectives. Specific financial arrangements will be entered into to meet the full cost of providing such activities.

Currently there are no activities for which compensation will be sought from Shareholders.

## 14. Commercial value of Shareholder's investment

LGFA will seek to maximise benefits to Participating Local Authorities as Borrowers rather than Shareholders.

Subject to the Board's views on the appropriate capital structure for LGFA, the Board's intention will be to pay a dividend that provides an annual rate of return to Principal Shareholders equal to LGFA fixed rate bond cost of funds plus 2.00% over the medium term.

As the Shareholders will have invested in the LGFA on the basis of this limited dividend, the Board considered that at establishment the commercial value of LGFA was equal to the face value of the Shareholders' paid up Principal Shares - \$25 million

In the absence of any subsequent share transfers to the observed share transfers on 30 November 2012, the Board considers the current commercial value of LGFA is at least equal to the face value of the Shareholders' paid up Principal Shares of \$25 million. This equates to a value per share of \$1.00.

## 15. Accounting policies

LGFA has adopted accounting policies that are in accordance with the New Zealand International Financial Reporting Standards and generally accepted accounting practice. A Statement of accounting policies is attached to this SOI.

#### **Statement of Accounting Policies**

#### 1. Reporting entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is controlled by participating local authorities and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

 $\label{thm:conditions} The \ primary \ objective \ of \ LGFA \ is \ to \ optimise \ the \ debt \ funding \ terms \ and \ conditions \ for \ participating \ borrowers.$ 

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

#### 2. Statement of compliance

LGFA is an FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA). These financial statements have been prepared in accordance with that Act and the Financial Reporting Act 2013. LGFA's bonds are quoted on the NZX Debt Market.

LGFA is a profit orientated entity as defined under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with NZ IFRS and other applicable Financial Reporting Standard, as appropriate for Tier 1 for-profit entities. The financial statements also comply with International Financial Reporting Standards (IFRS).





#### 3. Basis of preparation

#### Measurement base

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities.

The financial statements are prepared on an accrual basis.

#### Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

#### Foreign currency conversions

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

#### Changes in accounting policies

There have no changes to accounting policies.

#### Early adoption standards and interpretations

LGFA has not early adopted any standards.

#### Standards not vet adopted

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements.

#### Financial instruments

#### Financial assets

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents include cash on hand, bank accounts and deposits with an original maturity of no more than three months

Cash provided by LGFA as security for financial arrangements remains a financial asset of LGFA and is recognised as cash pledged as collateral in the Statement of Financial Position, separate from cash and cash equivalents.

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date, an expected credit loss assessment is performed for all financial assets and is calculated as either:

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset, or
- Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.

Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

#### Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

#### Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

#### Fair value hedge

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.





#### Other assets

#### Property, plant and equipment

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

#### Intanaible assets

Intangible assets comprise software and project costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight-line basis over the estimated useful life of the software (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

#### Other liabilities

#### **Employee entitlements**

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

#### Revenue

#### Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

#### Expenses

Expenses are recognised in the period to which they relate.

#### Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

#### Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

#### Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

#### Segment reporting

LGFA operates in one segment being funding of participating borrowers in New Zealand.

#### Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts. For example, the fair value of financial instruments depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and these estimates and underlying assumptions are reviewed on an ongoing basis. Where these judgements significantly affect the amounts recognised in the financial statements they are described in the following notes.





# 7.2 Continuous Improvement and Audit Actions Monitoring Report

File No.: 24/234

## 1. Purpose

1.1 To report to the Risk and Assurance Committee on progress of the action items from previous resolutions.

## 2. Recommendation

- 2.1 That Report 24/234 Continuous Improvement and Audit Actions Monitoring Report be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.
- 2.3 That the Risk & Assurance Committee notes the Risk & Assurance Committee resolution and actions monitoring report in Attachment A.

## 3. Background/Previous Council Decisions

- 3.1 This paper reports on actions generated from Committee resolutions, and any requests noted through the minutes, or requested through external and internal audit work and for actions accepted by the Chair.
- 3.2 Much like the Committee Work Programme, the Resolution Monitoring Report is a standing item, and reported through at each committee meeting.
- 3.3 The monitoring report includes actions that have been carried over from the Finance, Audit and Risk Committee from the previous Triennium.

## 4. Issues for Consideration

4.1 Below is a summary of the status of recommendations:

	Open recommendations at 1 July 2023	New	Recommendations completed	Recommendations completed and archived	Outstanding Recommendations
Audit Management Report 2022/23 Previous Recommendations	19	-	(10)	-	9
GST Compliance evaluation by PwC Recommendations – 17 February 2023	19	-	-	(12)	7
PAYE Compliance evaluation by PwC Recommendations – 11 May 2023	18	-	-	(17)	1
Total	56	-	(10)	(29)	17

4.2 So far, 10 out of 19 of the recommendations from the Audit Management letter for the year ended 30 June 2023 have been implemented and completed. These will be assessed and



tested by Audit NZ when they are on site for the 2023/24 Annual Report audit. All recommendations marked as urgent have been completed and awaiting review by Audit NZ.

4.3 The following items were archived from the monitoring report since the last meeting due to them being completed:

1/337	Health & Safety Report     Enhanced risk management reporting, over time, in response to the SafePlus comment "some risk controls were being monitored but effectiveness of controls were not being verified"	T Glavas	Complete	The effectiveness of the controls is being monitored through ongoing incident reporting and risk register.
1/392	Finance, Audit & Risk Committee Work Programme  Council's Risk Register – what should be added in terms of risk due to the proposed reforms – Local Government, RMA, and Three Waters to be considered. Also what was learned during the recent CouncilMARK process to be included.	A Huria	Complete	Risk improvement programme presented to Council and implementation programme underway. Future updates will be via Risk Status Reports.

- 4.4 Seven outstanding recommendations resulting from the GST Compliance evaluation by PwC are in progress. These are detailed in Attachment B.
- 4.5 17 out of 18 of the recommendations resulting from the PAYE Compliance evaluation by PwC have been implemented and completed. The one outstanding item relates to the review of policy regarding clothing/uniform which is underway and expected to be completed by December 2024. Clarification around PAYE treatment for clothing will be captured as part of the policy review. This is detailed in Attachment A.
- 4.6 PwC performed evaluation on Council's compliance with Fringe Benefit Tax (FBT) during February 2024. We expect to receive the draft report from PwC in May. Any recommendations from this will be added to the monitoring report for the next meeting.
- 4.7 Completed recommendations are archived and shown towards the end of the monitoring report in Attachment A.

## **Attachments**

No.	Title	Page
A₫	Risk & Assurance Committee monitoring report	58

## Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.



## **Signatories**

Author(s)	Pei Shan Gan Financial Controller	Salvali
Approved by	Jacinta Straker  Group Manager Organisation Performance	Jein Nier
	Monique Davidson Chief Executive Officer	David Gn





# Risk & Assurance Committee Actions Monitoring Report

Completed
In progress
Transfer
Off track/Not Started

## **Key from Audit**

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

D23/18110 Last update: 7-May-24



Audit Management Report 2022/23 Previous Recommendations					
Recommendation	Due date	Status	Officer Comment		
Urgent					
Difference between rates resolution and annual plan (new)		·			
Controls be strengthened over the review of public documents especially those incorporating Council decisions to avoid any ambiguity	30/6/2024		Completed.  We believe this is a one-off incident. We now have better processes in place for the peer review and ELT review of key reports including the Annual Report, Annual Plan and Long term plan documents. Regular communication across teams is also happening to ensure links to key documents to be updated are validated/checked.		
Information supporting land under roads (new)					
Ensure that there is complete information for all asset classes.	30/6/2024		Completed.  The listing of land under roads is available and ready for the next annual audit.		
Data reliability and quality assurance process over service pe	erformance re	eporting (nev	w)		
Enhance the data reliability and quality assurance process over service performance reporting.  Review the effectiveness of the current reporting systems to accurately capture the underlying data and to ensure the data is complete. Systems and processes should be formally documented.  Clearly communicate the requirements over data collection and submission from various business units, and provide regular training to all staff involved.	30/6/2024		Completed. Significant work has been undertaken for the SSPs related to 3 Waters to ensure data reliability and quality assurance.  3Waters – new QA process established in August 2023 and completed monthly since. Contractor feedback loop established in September 2023 to		



- Establish a system to check contractor times recorded, are accurate instead of relying solely on the time that the contractor/staff noted. This is important to ensure accurate monitoring of contractor performance against the District Council's key performance targets.
- Review DIA guidance to ensure that the data being captured and reported meets the mandatory reporting requirements. For example, DIA's 20 days processing time for building consent applications commences the next working day after the day on which a complete application is received, however, the Council has been recording the commencement date as the working day on which a complete application is received. This may lead to understatement of the Council's performance.
- Implement quality review processes on a regular basis to ensure data accuracy and adequate supporting information is available to support the reported result.

feedback on any data quality issues or opportunities for improvement on a monthly basis informed by the QA check process. Training completed with Customer Experience Team on October 2023. New CRM reporting developed, tested and refined throughout November and December 2023 and adopted for use from January 2024.

All SSP Reporting templates enhanced to reduce manual interventions, with inclusion of checks and balance formulas to identify any data quality issues.

Quality assurance has been underway for a number of months and will continue to happen to ensure data reliability and quality.

## Valuation of land and building and infrastructure assets

We experienced difficulties in both performing the revaluation and accounting for the movements in 2022. Auditors also noted a number of errors as part of their review mainly relating to disclosures and completeness of information provided to the independent valuers. A more focussed approach to this process is required going forward.

Auditors also recommended in 2021 that a process be implemented to ensure that all assets within an asset class are revalued.

### **30/6/2024** Completed.

A revaluation schedule was created for 2022/23 financial year to better show the status of asset revaluation by asset class. A full revaluation of Solid Waste assets was completed for the 2022/23 financial year. A reconciliation for asset classes subject to revaluation in 2023/24 will be performed as part of the next valuation prior to providing information to the valuers. Audit NZ will follow up on this matter as part of the 2023/24 audit.

#### **Necessary**

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Controliond		management	dotobooo	(man)
Centratised	asset	management	. uatabase	uiewi

Introduce a centralised asset management database

- Consolidate various asset management systems and explore practical options with the current system suppliers.
- Reduce the amount of manual journal posted at year end for the capitalisation and reconciliation process by performing monthly WIP reviews and fixed asset reconciliation.
- Strengthen the formal quality assurance review process to ensure the accuracy and completeness of data inputs.

#### 31/12/2024

Fixed Asset policy or something similar will be worked on with clear instructions on Asset disposals and asset additions. Reconciliation of Capital Expenditure and Asset additions are planned to be done on a monthly basis, with asset capitalisation undertaken as soon possible after the asset data has been added to the AMS and all project expenditure has been captured. Improvements identified and underway with the aim to be completed by the end of June 2024 aim to ensure that all assets are captured within a dedicated asset management system that will allow us to accurately identify WIP, and capitalise and depreciate assets at the correct rates. Improvements identified include:

IPS Project to implement IPS
 Asset Management System that
 will capture all 3 waters assets
 including land and buildings with
 all assets currently in GIS and
 spreadsheets being captured.
 New processes implemented to
 create individual project service
 contracts within IPS that match
 Authority Work Order Expenditure
 will allow reconciliation between

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		<ol> <li>Assets currently sitting in spreadsheets will be brought into the CVR. (Underway)</li> <li>Proposal to enable land data to be captured and valued at parcel level in the CVR will be investigated. This data is currently captured at valuation reference number which poses challenges when QV create new ones. (Underway)</li> <li>New processes to be created and established to accurately document asset additions and disposals through to the CVR to ensure accurate maintenance of CVR data. (Underway)</li> <li>The due date has been changed from 1/07/2024. Audit NZ will follow up on this matter as part of the 2023/24 audit.</li> </ol>
		1
Purchase order clearing account (new)		
Introduce processes to clear the Purchase order clearing account in a timely manner.  • Review all items within the PO clearing account to determine the appropriateness of balance recorded as a liability at year-end.  • Undertake relevant maintenance work to resolve the detected system issues.	30/6/2024	A full review of the PO clearing account is currently in progress, to be completed by year end.  A request has also been loaded with our system provider to confirm the PO clearing account has been configured



<ul> <li>Assess prepayments and accruals in detail to conclude on appropriateness of items comprising the year-end balance reported in financial statements.</li> </ul>		within expectations and to provide advice on the day to day management of the account. This is also expected to be completed by year end.
Record keeping and evidence of approvals (interim)		
Record keeping and insufficient evidence of approval were issues across all areas where Auditors performed sample testing, including fixed asset additions, timesheet and leave request, supplier, and employee Masterfile changes.  • Develop, implement, and enforce a standard review process which requires clear and sufficient evidence.  Auditors also recommended in 2020 that changes to the payroll Masterfile be regularly reviewed against the supporting documentation for appropriateness through the running and review of a Masterfile change report; and consideration be given to giving the reviewer "read-only" access to the payroll Masterfile to ensure the review is independent.	30/12/2024	In progress:  Leave approval – This refers to the Aquatics and facilities staff who currently apply for leave manually and not via Authority (automated). This has been broken into 3 phases:  1. All salaried staff based at our facilities are now entering leave (all types) through Authority.  2. Waged facilities staff, review of system access and cost to provide individual logins.  3. Waged Aquatics staff review of full digital platform set up, system access & if allocated admin time would be required.  Timesheet approval – This pertains to timesheets from our Aquatics Centres. Full approval process of how timesheets are approved and documented to commence. Currently payroll receives mainly via emails the timesheet summary and actual timesheets from the Aquatics Centre with no other documentation i.e. emails chain. Review into online



timesheets to commence as part of ERP review.

Due to budget constraints providing individual logins for aquatics staff is not cost effective. Additionally the ERP review has been put on hold. We are reviewing options through our existing systems (Authority) with a view to invest if there are appropriate modules available to improve processes. Alternatively any improvements will be delayed until budget is available to move to Cloud Services. New processes have been implemented with a new timesheet template helping to ensure accuracy and appropriate approvals. Individual leave applications will be filed along with the timesheets by pay period in a shared folder with access for Aquatics Management and Payroll.

#### Completed:

Council has stopped raising Standing Purchase Orders from 1 July 2023, with the only exception being for fleet and maintenance suppliers due to the reactive nature of this spending. With the use of SPOs in these circumstances, preapproval memos are prepared and signed off by the appropriate one-up delegated authority.

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		Supplier Masterfile Changes will be prepared and reviewed by the last working day of the month, going forward. Employee Masterfile Changes will be prepared by the end of each pay period and reviewed/approved within 5 working days of being prepared.  Audit NZ will follow up on this matter as part of the 2023/24 audit.
Robustness of month-end financial reporting process (intering process)	1)	
<ul> <li>Be clear on roles and responsibilities by embedding expectations and requirements for the application of monthend closing processes.</li> <li>Clearly communicate these expectations and data collection and submission to other business units and stakeholders.</li> <li>Implement processes to review fixed asset additions and capital projects WIP monthly to ensure timely capitalisation and better tracking of the financial impact of the key capital projects.</li> </ul>	30/6/2024	Completed.  Month end reconciliations will be prepared and reviewed by the last working day of the month, from now.  Audit NZ will follow up on this matter as part of the 2023/24 audit.
Maintenance of fixed assets WIP schedule /depreciation		
<ul> <li>Perform a full review of the Fixed Asset Register (FAR) to ensure valid data is contained in the module. Accounting policies should be reviewed to ensure depreciation rates are appropriate and detailed enough for assets which are commonly added to the schedule.</li> <li>Implement regular reconciliations between the Asset Management Systems, maintained by the asset managers, and the FAR, maintained by the finance team. The</li> </ul>	31/12/2024	Refer comments above under "Centralised asset management database (new)". This recommendation ties in closely with having a centralised asset management database.



reconciliations should be reviewed by an independent person and the review appropriately evidenced.

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Sensitive expenditure policies and procedures (interim)		
<ul> <li>Review its policies and procedures for sensitive expenditure and communicate these changes and expectations in respect of sensitive expenditure;</li> <li>Improve documentation in respect of sensitive expenditure justification and approval processes; and</li> <li>Enhance the monitoring and reporting of sensitive expenditure to improve visibility and maintain transparency.</li> </ul> Auditors also recommended in 2022 that sensitive expenditure should be approved on a one-up basis.	30/06/2023	Completed. Council's updated Travel Policy was adopted by the Executive Leadership Team (ELT) on 1 August 2023. Vehicle Management Policy was adopted by ELT on 22 August 2023. Council's Sensitive Expenditure Policy has been updated to further strengthen OAG's best practice guidelines. The policy was endorsed by ELT and adopted by the Council on 11 October 2023.  All staff workshop and training materials related to sensitive expenditure policies and procedures are being scheduled and prepared to be rolled out to all staff in 2024.  Finance is monitoring sensitive expenditure more regularly and will provide half yearly reporting to the Risk and Assurance Committee (RAC). Audit NZ will follow up on this matter as part of the 2023/24 audit.
Annual financial reporting process		
Implement audit recommendations to improve the audit process including improving the quality assurance review over the annual report.  The particular areas auditors would expect to see improving is:  Implementing a quality assurance review over the annual report before providing to audit, performed by a staff member not directly involved in collating the information. This should include a check that notes agree to the face of the accounts,	30/06/2023	Completed. Significant improvements were planned and implemented for the 2022/23 annual report (AR) to improve the document and the way that it is prepared to ensure bette quality assurance is achieved.



disclosures, variance explanations and statement of service performance information are complete.		<ul> <li>Key staff on the AR were meeting twice weekly to check in on progress.</li> <li>A detailed tasks schedule with responsibilities and due dates were circulated at the start of the AR process, with outstanding tasks being actively followed up on.</li> <li>Management guidance and direction were sought and received in a timely manner.</li> <li>Review process is built into the timetable by the finance team (peer review), the Financial Controller (Full document review), and ELT.</li> <li>Established robust relationship with our auditors and the use of regular catch up enabled outstanding issues to be addressed promptly.</li> <li>We delivered the 2023 full and summary Annual Report to our auditors as per agreed timetable and this was adopted by the Council on 25 October 2023.</li> <li>Audit NZ will follow up on this matter as part of the 2023/24 audit.</li> </ul>
Three water infrastructure assets valuation		
Areas of improvement identified by the external valuer (WSP) and us, should be addressed prior to the next valuation, being:  update of the GIS asset register to reflect the reassessed useful lives in the valuation worksheet;  componentisation of the treatment plants and pump stations;	31/12/2024	WSP noted that there have been improvements since the 2020/21 valuation specifically in respect of the componentisation of the treatment plants and pumps stations.



- water supply tanks are revalued in conjunction with treatment plants and pump stations;
- further investigation and tracking of Alliance costs as the true on-costs applied to capex projects could be higher than the currently applied value;
- investigate and reconcile the discrepancy between water and wastewater laterals and house connections; and
- investigate the impact of significant population growth on the remaining life where replacement date could be brought forward to achieve required capacity/standards.

A project is underway to move all 3 waters asset data from the GIS and spreadsheets to IPS Asset Management System.

- New processes implemented to create individual project service contracts within IPS that match Authority Work Order. As at 29 April 2024 new service contracts have been created in IPS to match all 3w Capital Work Orders.
- Expenditure will allow reconciliation between capital expenditure and asset data capture as the full capital expenditure cost will be capitalised against all new assets created as part of the project.
- Capitalisation and depreciation will be processed within IPS directly linked to the associated asset tables and rates. This will enable full export of all assets from a single source for future valuations and accurate reconciliation with Alliance transactions.
- All known 3w asset data including land and buildings have been captured within IPS as at 31 May 2024. Full 3w valuation has been brought forward to 30 June 2024.

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		Valuers have been provided an extract of the IPS data as at 30 May 2024 for valuation.  The due date has been changed from 31/12/2024. Audit NZ will assess this as part of the next revaluation.
Elevated network user accounts need management  Any elevated access account creation should have formalised approval by the IS manager and regular reviews of these accounts should be carried out.  Use of the generic Administrator account should be eliminated and the password stored away for use in an emergency.  Logging of any changes to privileged network accounts, and to usage of the Administrator account should be established and reviewed.	30/06/2024	E5 Microsoft Licensing and Privileged Identity Management is still being tested. In addition, a comprehensive IDAM (Identity and Access Management) and current environment review has been undertaken between January and April 2024 with recommendations and next steps being finalised.  The due date has been changed from 31/12/2023. Audit NZ will follow up on this matter as part of the 2023/24 audit.
Legislative compliance		
Look at mechanisms to actively monitor compliance with legislative requirements.	30/09/2024	Officers are looking at the ComplyWith Software which is a reporting tool for legislative requirement. There is currently no budget, however budget has been allocated in the LTP 24-41 for implementation in FY 24/25.



		A procurement plan has now been written and a project plan for implementation is underway, however waiting on the adoption of LTP before committing to the tool.
Three Waters Alliance arrangements		
The risk register could be improved by making the intended or expected impact of any risk treatment on the likelihood and/or consequence (the risk priority) clearer.	31/12/2023	Completed. The risk register is continuously updated to reflect a clear understanding of the potential impacts. Councils risk maturity continues to grow as the risk management processes become more integrated into the day to day operations
Performance reporting		
Take some time to rationalise and fully align performance measures and ensure they are being used consistently for reporting purposes.	30/06/2024	Completed.  The performance measures has been reviewed as part of the LTP 2024-44.  Audit NZ will engage with Council officers on this as part of the LTP process.
Organisational Business Continuity and IT Disaster Recovery	l .	
We recommend that the District Council continue to support and execute the overall BCP work programme underway to achieve BCP and DR plans that meet Council requirements, including confirming the risk tolerance and response to achieve mitigation required for the District Council's target risk level. Auditors noted during prior years	30/06/2024	A Cyber Security Audit has been completed with specific actions being worked through. The due date has been pushed out from 30/06/2023 to allow for further scoping work. Audit NZ will follow



Improve Network Login and Application Login Password Streng Improve its network and application password settings to meet	gth 30/06/2024	up on this matter as part of the 2023/24 audit.  The Business Continuity Planning Project is currently in progress, with an initial highlevel assessment already completed. A concise summary of findings and recommendations has been delivered to the Executive Leadership Team to guide the next steps. The upcoming phase entails crafting a document detailing the key actions and potential pathways forward, emphasising a practical approach.
current NZ Information Security Manual or other internationally recognised standards.		Password policies and processes for review and approval. These will be rolled out to Council by the end of this financial year. Audit NZ will follow up on this matter as part of the 2023/24 audit.
Beneficial		
Separate GL account for contract retentions account (new)		
Establish and maintain a separate GL account for all contract retentions held, and review them for reasonableness on a regular basis	30/06/2024	Completed.
pasis.		We have recently received confirmation from our system provider that there is currently no support available within the system to separate retentions into their own GL account when a payment is made.



Due to this system limitation a process has been established where withheld amounts for retentions are regularly reconciled and the monetary value held in a separate bank account. Note this separate bank account does have its own GL account to record movements in and out.

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## **Key from PricewaterhouseCoopers**

Priority	Explanation				
Urgent	High risk/immediate action required				
Necessary	Medium risk/attention recommended in the medium term				
Beneficial	Low risk/for your information only				
٧	Tax opportunity/action required				

Area of focus	Recommendation	Priority	<b>Due date</b>	Status	Officer Comment
GST Return Prep	aration				
GST Codes	We agree that in some instances, GST treatment can differ for items coded to a particular code, however there are many instances (e.g. rates penalties), where a default GST code should be used to ensure these are treated correctly for GST. Accordingly, we recommend Council review the default GST coding and ensure there is a default code where a particular GST treatment is certain or very common.	<b>V</b>	30/06/2024		Initial discussion with Council's system provider (Civica) to explore GST return capability in the system took place in May 2023.  Further exploration session with Civica is needed to investigate the possibility o configuring the GST return function in the system by making use of the GST codes setting. The due date has been changed from 31/12/2023 to allow time to work with Civica on configuration and testing.

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Rates				
Rates – Penalties	We recommend that Council amend the invoice format to include a total amount of GST in the row above the total due. We also recommend that there is a specific comment stating the rates penalties are exempt from GST.	Necessary	30/06/2024	This work will be completed as part of a review of our Rates and Water mailhouse provider. A preferred supplier was selected as part of the review in January 2024 and the project to implement new rates invoices has begun in earnest.  Implementation date is planned for instalment 1 of the 2024/25 rating year so as to not change the look and feel of the invoices during a rating year.
Rates – Remissions	We recommend that Council amend the tax invoice template to include a separate line to show the remission amount. Council should make clear that GST will only apply to the discounted rate where remissions have been applied.	Necessary	30/06/2024	This work will be completed as part of a review of our Rates and Water mailhouse provider. A preferred supplier was selected as part of the review in January 2024 and the project to implement new rates invoices has begun in earnest.  Implementation date is planned for instalment 1 of the 2024/25 rating year so as to not change the look and feel of the invoices during a rating year.



Property and Lan				
Property	We recommend that Council update the		31/12/2024	In Progress.
Purchases and	sales/disposals on property and land			Asset Management Policy
Disposals	policy and procedure documentation to			being drafted from scratch
	ensure the finance team is made aware			The intention is to include
	of potential transactions early and the			necessary processes in thi
	expected GST treatment is determined			policy to ensure the finance
	prior to the transaction being finalised.			team is made aware of
	We recommend that Council ensures that			potential transactions early
	the GST schedule within all Sale &			and the expected GST
	Purchase agreements are completed. In			treatment is determined pr
	the event that the GST treatment is ever			to the transaction being
	scrutinised by the other party or by Inland			finalised.
	Revenue, having this completed should			
	support the GST position taken by			Whilst more time is needed
	Council.			to work on the policy, as a
				interim measure, a process
				has been put in place with
				the relevant team
				responsible for
				sales/disposals on propert
				and land to include the
				Finance team in completin
				the GST schedule within the
				agreements, and generally
				with questions around GS
				treatment. The due date ha
				been changed from
				30/06/2024 while we work
				the policy.
				and p and y.
Grants				
Grants	We recommend that the finance team	Beneficial	31/12/2024	In Progress
	ensures it has oversight on all grants			Once grants that council w
	going both in and out of Council, to			pay has been decided on,



	ensure the GST treatments are correct.  We provide specific recommendations below in regard to individual grants and provide further information on the distinction between grants and donations at Appendix Four.			finance will be informed of who is receiving the grant that the information can be reviewed for correct GST treatment.  Grants are only handed ou selected time during the yes of the process hasn't been tested yet. The due date he been changed from 31/12/2023 to allow for the testing to be done for a full financial year.	so e ut a ear n as
Other SOLGM Agreement	We recommend that Council apply this methodology where applicable in relation to future purchases. We note that Inland Revenue are now very reluctant to accept similar GST apportionment agreements to that secured with SOLGM. As it significantly simplifies compliance, Council should take advantage of this option when it does apply.	V	30/06/2024	In Progress. The SOLGM agreement cannot be applied retrospectively. Process is being put in place to updat the process for sales/disposals on propert and land to allow for the review of SOLGM agreem where an assessment will undertaken for future property purchases. The due date has been changed from 31/03/2024.	ent be
WHT/GST	We recommend that Council incorporate controls within the accounts payable process to ensure withholding tax (WHT) is considered when paying suppliers,	Beneficial	30/06/2024	In progress. Council does not often engage with contractors th will be subject to WHT. Currently, there is no WHT	



particularly individuals and ad hoc suppliers.		issue as the contractors that Council has engaged with are generally companies. Councillors are also subject to WHT, and this is processed through payroll with WHT being deducted appropriately.  New Creditor Setup Form
		used by Council has been reviewed and updated in March 2023 to assess and capture WHT information before a new creditor is setup.
		Work continues to explore accounts payable module being able to handle WHT. The due date has been changed from 31/12/2023.



## **Key from PricewaterhouseCoopers**

Priority	Explanation
Urgent	High risk/immediate action required
Necessary	Low – Medium risk – action recommended
Beneficial	Low risk/for your information only

PAYE Complian  Area of focus	Recommendation	Priority	Due date	Status	Officer Comment
		Priority	Due date	Status	Officer Comment
Benefits and All	owances				
Clothing	As this is a relatively rare reimbursement, we recommend that Council fix this going forward. As plain black pants and other similar items are not distinctive work clothing, the reimbursement for the pants will need to be subject to PAYE.	Necessary	31/12/2024		In progress. Review policy regarding clothing/uniform and ensure is aligned with the Collective agreement. This process has started. Current process for Swazi jackets which are subsidised, employees pays their portion through AP or deduction from pay (no PAYE). Full review of facilities uniform to be completed by the end of the year including alignment across of other roles where a uniform is required. Reviewing a specific type of black pants so they can be deemed as distinctive work

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	subje A nev	ng and should not be ct to PAYE. v uniform is being tigated.
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### **Archived completed recommendations:**

Area of focus	e evaluation by PwC Recommendation  Recommendation			Otatus	066:
	110001111110111111111111111111111111111	Priority	Due date	Status	Officer Comment
GST Process/Proc					
GST Procedural Documentation	We recommend that Council updates the GST procedural documentation to provide support for the basis of the calculations being made. In the event of an Inland Revenue risk review or audit, one of the first things that Inland Revenue request is procedural documentation and Inland Revenue will have a high degree of confidence over tax compliance if a taxpayer can produce up-to-date, comprehensive procedural documentation.	Beneficial	31/12/2023		Completed. Procedural documentation was reviewed and tested by another Council officer, who was new to the process and completed a couple of GST returns purely based on the documentation, to ensure completeness of the documentation.  Further refinement to the documentation is built into the BAU GST process, and will be made as/when required.
GST Return Prepa	ration	•			
GST Return Preparation Process	We are of the view that Council's GST return process is broadly sound and in line with our expectations. Whilst a manual workaround has been created, we recommend that the underlying system settings are investigated to ensure these transactions are posted to the correct GST payable or receivable account. The manual workaround may correct this in most instances, however there can be legitimate reasons for	Necessary	30/06/2023		Completed. The recommended monthly adjustment is put in place from the March 2023 GST return to recognise GST on the Resource Consent deposit when a payment is received.  The underlying system settings will be explored as

D22/59985 Last update: 7-May-24



	negative postings (e.g. credit notes), which should not be transferred to the opposite GST account. We provide our further comments below in respect to individual aspects of the return for specific consideration, including an additional adjustment recommend for resource consent deposits.				part of the action under "GST codes" below.
Trend Analysis	To support the high-level analysis already undertaken by Council each month, the input and output GST accounts could be tracked in a separate workbook or system output, with larger variances above a defined threshold noted within. This could also be translated into a graph which can provide an effective high-level visualisation of movements in GST for Council.	1	31/12/2023		Completed
Rates					
Rates – General	For GST purposes, rates have a modified time of supply trigger, being the earlier of:  The date the instalment notice is issued;  the due date for payment required by the instalment notice; or  the date any payment is received. Council sets the rates for the year around July/August with four instalment dates which are invoiced as a "Tax Invoice/Credit Note/Debit Note" quarterly each year. For the GST return, Council's system defaults to return the full GST portion of the rates set for the year and	Beneficial	NA	For noting. No action required.	No action required.



Rates - Paid in Advance	will make an adjustment per month according to how much has been invoiced and how much has been paid in advance. No action required.  Technically, Council has no obligation to return GST on rates paid in advance of the rates being set. However, given the rarity of rates paid in advance and that Council's approach is conservative, we consider the risk minimal, and the current treatment is appropriate. No action required.	Beneficial	NA	For noting. No action required.	No action required.
Rates - Recent Invoice Error	We recommend that when Council reissues an amended invoice, that it shows a separate line for the full amount incorrectly charged as a credit, then have the correct amount shown as the amount due. For example:  Opening balance: \$1,200 Credit for prior invoice: (\$1,200) Correct Amount: \$1,000 Total Amount Due: \$1,000  We note that whilst there is a risk that a ratepayer may inadvertently claim GST on both invoices, the onus falls on the recipient to ensure GST is not over claimed in these instances.	Necessary	NA	For noting. No action required.	No action required.
Dog Licence Regist					
Time of Supply	We recommend that going forward, Council ensure any invoices dated the	Necessary	30/06/2023		Completed.



Dog Licensing – Invoices	1st of the month are not sent during the month earlier, to avoid triggering the time of supply for GST purposes.  We recommend that to rectify the issues noted going forward, Council amend the invoice template to read "Tax invoice when paid" as well as include a GST line on the document. This will ensure that the documentation issued reflect Council's current practice and simplifies the process.	Necessary	31/12/2023	Compliance team had been notified and this is built into the processing notes for future invoices.  Completed. Invoice template updated to include the wording "Tax invoice when paid" and a separate GST line. This was completed by 30 June 2023 to align with the Dog registration timing.
Dog Licensing Fees - Credit Notes	Consistent with the above recommendation, we recommend that Council amend the invoices for licensing to read "Tax Invoice When Paid". This would negate the requirement for Council to issue a credit note.	Necessary	31/12/2023	Completed. Invoice template updated to include the wording "Tax invoice when paid" and a separate GST line. This was completed by 30 June 2023 to align with the Dog registration timing.
Property and Land	   Transactions			
Residential Property	We recommend that Council confirm whether the tenants at Valvaleen Farm (66 Old Foxton Road) and the Salvation Army (24 Durham Street) have "quiet enjoyment" for residential purposes. Based on our discussions we understand this is likely. If confirmed as exempt from GST, we recommend that Council contact the leasee to notify them that Council will no longer charge GST on the rent. We understand the current contracts state 'plus GST'. We	Necessary	30/06/2023	Completed. Further guidance was sought from PwC on this, and tenants for the properties in question had been approached and notified of the need for change of GST treatment (GST exempt). Retrospective adjustments were made. Future billing have also been corrected.



	recommend this is amended to exclude GST on these contracts and any similar contracts entered into in future that have the same GST treatment. Council should confirm if these properties were ultimately purchased for taxable supply purposes, and if so, the SOLGM agreement (as discussed below) could apply, meaning that notional GST should be returned on the rent received. However, GST should not be charged to the tenant. If treated as exempt, Council should ensure GST is not claimed on any expenses incurred by Council in relation to the residential properties. Council should ensure appropriate training and controls are put in place to ensure those coding the expenses do not claim the GST.			Finance is proactively investigating expenses and questioning processes followed.
Consents and Cont Resource Consent Deposits - Time of Supply	Moving forward, we recommend that Council recognise GST on the deposit when a payment is received. Only the GST portion of the deposit need be accounted for in the GST return as the full cost of the resource consent is not yet known. We recommend that this is a monthly adjustment completed in the GST return workpaper similar to the rates in advance adjustment. Ideally, a report could be run monthly detailing resource consent debtors with a credit balance and the movement between months included within the GST return.	Necessary	31/12/2023	Completed. The recommended monthly adjustment is put in place from the March 2023 GST return to recognise GST on the Resource Consent deposit when a payment is received.



Other				
Staff Reimbursements/ Credit Cards	We recommend that Council ensures that managers who are responsible for approving invoices are given appropriate guidance on what to look out for from a GST perspective when undertaking this process, including a high-level understanding of GST claiming thresholds where no tax invoice provided. We also recommend that Council develop internal policy on any thresholds and limitations to staff reimbursements to minimise the number of personal claims going through and clarify the requirements for invoices/receipts required for expense claims. We note that GST invoicing requirements will be changing for taxable periods starting 1 April 2023 onwards. We provide more information on this at Appendix Two.	Beneficial	31/12/2023	Completed. Ongoing training on Purchase order (PO) and Accounts Payable (AP) were put in place to educate staff about processes around PO and invoice payments.  Information about GST requirements on tax invoice was made available on Council's intranet.  AP officer taken on more responsibility in educating staff about GST invoicing requirements.  Sensitive Expenditure Policy was reviewed and updated to include clearer processes and guidance for staff, with staff training to come, following Council adoption of the policy on 11 October 2023.



Area of focus	Recommendation	Priority	Due date	Status	Officer Comment
Overall					
Procedural Documentation	We recommend that Council continue with the review and completes the PAYE procedural documentation. Following this, Council should ensure the documentation is kept up to date with any changes in process.	Beneficial	31/12/2023		Completed. Council continues to review and complete the PAYE procedural documentation. Changes in procedure is updated when required. A Payroll Audit Report is run each pay cycle, which is updated with supporting documentation and signed off by the People & Capability Manager
Knowledge and awareness	We encourage the Council to ensure that the team members who are involved in the PAYE process have access to up-to-date training and materials to ensure that they stay up to date with current tax legislation and Inland Revenue practice. Furthermore, we recommend that Council run regular checks and tests on the payroll system to ensure automatic calculations are being done correctly.	Necessary	30/06/2023		Completed. Ongoing training has been implemented via CHH Learning and NZPPA to ensure legislative changes are actioned when required. Going forward we will implement a process where spot checks are completed on automatic processes to ensure accuracy.
Key person risk	We recommend that Council ensure that there are other suitable team members in place who can ensure that the payroll process could still be completed in the absence of the Payroll manager.	Necessary	30/06/2023		Completed. Payroll function is now included within the People and Capability team. Key person risk is mitigated by cover put in place where bot People and Capabilities



				Coordinators provide cover for each other in Payroll and Human Resources functions).
Potential future benefits	Tax advice should be considered prior to implementing any new benefits to employees.  We recommend ensuring any potential offers to staff are communicated between HR, payroll and finance teams to ensure that the correct tax treatment is understood before implementation and ultimately is applied, particularly if there are any non –taxable offerings.	Necessary	30/06/2023	Completed. This has been implemented to ensure the correct tax treatment is understood before implementation.
Payroll				
Fortnightly pay run	As the ad hoc payments are calculated separately from the regular fortnightly pay run, the payment is made at the same time as the regular fortnightly pay.  If the situation arises where the ad hoc pay runs give rise to an actual separate payment, this will trigger a pay day filing requirement for that payment. Council should ensure this is monitored and the pay day filling requirements are met.	Beneficial	31/12/2023	Completed. Ad hoc payments are filed within the same pay period to Inland Revenue. A reconciliation file is prepared for each pay run and reviewed by the People and Capabilities Manager. This is embedded into day-to-day process and closely monitored.
Final Pay – Ordinary Pay tax rate	We recommend that Council correct this calculation going forward by processing it through the payroll system. We understand that Council performs a manual calculation in attempt to avoid employees having a large refund or tax to	Urgent	30/06/2023	Completed. Based on the recommendation from PwC, Council have put in place a process to calculate tax according to the IRD



	pay when their individual tax return is assessed.  In our view, the risk for Council is significantly lower if the calculation is performed using Inland Revenue's expected methodology as Council could be responsible for amending their PAYE returns upon investigation if the current methodology is used.			guidelines from November 2023. Tax will be calculated via Council's payroll system and spreadsheet will be used as part of calculating the final pay gross figure. This allows for cross checking of manual calculation vs system generated number.
Final Pay – Lump sum payment	We recommend that Council correct this calculation going forward by processing it through the payroll system if it has the capability. Alternatively, Council could amend the manual calculation methodology. We understand that Council performs a manual calculation in attempt to avoid employees having a large refund or tax to pay when their individual tax return is assessed.	Urgent	30/06/2023	Completed. Based on the recommendation from PwC, Council have put in place a process to calculate tax according to the IRD guidelines from November 2023. Tax will be calculated via Council's payroll system and spreadsheet will be used as part of calculating the final pay gross figure. This allows for cross checking of manual calculation vs system generated number.
Backpay	Our sample testing of payslips indicated that the backpay component of a payslip was treated as ordinary pay rather than extra pay. Whilst we understand this was a unique instance, we recommend that in future, each instance of backpay is considered carefully to split out the actual backpay and the amount relating to the current period.	Beneficial	31/12/2023	Completed. All backpay components are processed and recorded separately to ordinary pay.



Contractors & Withholding tax (WHT)	We understand that Council does not often engage with contractors and will do so sparingly. Currently, there is no WHT issue as the contractors that Council has engaged with are companies. Councillors are also subject to WHT, and this is processed through payroll with WHT being deducted appropriately. No action required.	Beneficial	NA	For noting. No action required.	No action required.
Superannuation	1		1		
Superannuation	Council currently offers KiwiSaver and SuperEasy to employees. The interaction between superannuation schemes can be complex, however, as Council only contributes to KiwiSaver, this risk is mitigated. No action required.	Beneficial	NA	For noting. No action required.	No action required.
ESCT rates for new employees	Council relies on the payroll system to automatically calculate an employee's ESCT rate. Through our sample testing of payslips, we discovered that Council's payroll system, has been calculating ESCT rates for new employees incorrectly. Based on our testing, it appears that ESCT rates are determined based on their prior year earnings, regardless of when the employee started. This has resulted in ESCT rates being automatically set at 10.5% for new starters, resulting in an underpayment of ESCT by Council.	Urgent	30/06/2023		Completed. On 25 October 2022, we made a voluntary disclosure to the Inland Revenue in relation to the underpayment of Employer Superannuation Contribution tax (ESCT). On 7 December 2022, Inland Revenue accepted the disclosure and amended the amount of ESCT payable for the periods (31/03/20, 31/03/21 and 31/3/22) and Council paid the amount of \$25,705.67 including use-of-money interest (UOMI). No



Change in	We recommend that Council carry out a specific engagement to calculate the amount of ESCT underpaid over past four years and file a voluntary disclosure to Inland Revenue. Whilst this may result in a tax liability for Council, the alternative would be to amend employees Kiwisaver contributions which would be a very difficult process in addition to creating a high risk of disputes from employees. Calculating the shortfall will likely be difficult, as such Council should consider seeking external assistance and/or the use of data analytic tools.	Beneficial	NA	For noting. No	shortfall penalty was imposed. Going forward, ESCT rates check had been included into the checklist for Payroll end of year process.  No action required.
superannuation rate + contributions holiday	change their contribution rate, they advise payroll and fill out a form. For a contributions holiday (Savings suspension) employees must notify Inland Revenue who will then notify payroll. No action required.	Borronsia	NA	action required.	140 dodon required.
<b>Benefits and Allow</b>	ances				
Benefits and Allowances	We understand that Council currently provides very few allowances to employees. Councillors are provided with a mobile/telephone internet and mileage, and this is governed under the remuneration authority. No action required.	Beneficial	NA	For noting. No action required.	No action required.
Flu vaccinations	Flu vaccinations provided on site and paid for by Council will fall under the	Beneficial	31/12/2023		Completed.



	health and safety exemption under the FBT regime. Where an employee is reimbursed for obtaining their own vaccination, this is technically subject to PAYE regime where there is no mirroring health and safety exemption. As such, these reimbursements should be processed through the payroll system and subject to PAYE and other deductions (Kiwisaver, ACC levy, Student loan etc.) We recommend that in future when reimbursements are made for flu vaccinations, that these are grossed up and paid through the payroll system.			Most flu vaccinations are provided on-site. In the unlikely event of an employee seeking a reimbursement for obtaining their own vaccination, this will be submitted to our Health and Safety Lead for review and if approved, it will be flagged to Finance to be processed through the payroll system so the appropriate deductions are recorded.
Purchasing of goods on Council's account	The provision of loans to employees for low or nil interest will be subject to FBT. We recommend that Council review its procedures regarding this treatment of personal purchases going forward.	Necessary	31/12/2023	Completed. Council staff was able to purchase paints from Resene on Council's account to access commercial discounts. All such purchases are to be paid at the time of purchase by the staff member. Close monitoring is in place to ensure full payment i.e. no provision of loans to employees as such.  Staff private purchasing policy was reviewed and incorporated into the overarching Sensitive Expenditure policy. As part of



				the review of this policy, ELT has decided to remove ability of staff to purchase goods/services on Council's account. As such, this has been removed upon policy adoption on 11 October 2023.
Other	T.			
S 123 payments (hurt & humiliation payments)	As this is always a target area in Inland Revenue audits. We recommend that Council adopt a conservative approach to remediation payments and ensure there are documented procedures in place.	Beneficial	31/12/2023	Completed – no action was required. No S123 payments have been made. Agreed, a conservative approach is taken to all remediation payments.
Relocation payments	We recommend that Council continue to obtain receipts and ensure that any relocation payments made fall within Inland Revenue's determination 09/04, to ensure they can be paid tax-free.	Beneficial	31/12/2023	Completed. Any relocation payments are paid for by the individual and then reimbursed so will not incur tax. Criteria for these payments needs to be included in the new recruitment/talent policy when this is reviewed.



# 7.3 Health, Safety and Wellbeing Quarterly Report - May 2024

File No.: 24/273

### 1. Purpose

1.1 To provide the Committee with health, safety and wellbeing information and insights from the quarter from January – 31 March 2024, along with an update on the SafePlus Onsite Assessment conducted in November 2023.

### 2. Recommendation

- 2.1 That Report 24/273 Health, Safety and Wellbeing Quarterly Report May 2024 be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.

### 3. Discussion

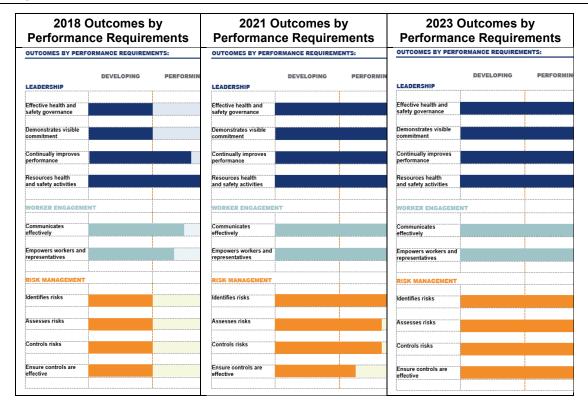
### Health, Safety and Wellbeing Dashboard

3.1 The Health, Safety and Wellbeing (HSW) Dashboard report gives a broad overview of lead and lag reporting across all of Council. It is designed to give Elected Members assurance that HSW is being managed for all staff through worker engagement, risk management and leadership. The variety of reporting captures multiple aspects of data available to Council and allows the story of HSW across the three month reporting period to be told. Any issues highlighted in the dashboard will be discussed as part of the presentation of the report.

### SafePlus Assessment

- 3.2 Horowhenua District Council (HDC) took part in a SafePlus Onsite Assessment in November 2023, receiving the report end of February 2024. The full report is attached to this cover information. The assessment aims to improve health, safety and wellbeing and help make sure that everyone gets home healthy and safe. It checks how well HDC has performed against the ten requirements, across three key elements: Leadership, Worker Engagement and Risk Management.
- 3.3 The result of the assessment confirmed the positive movement of all ten requirements, with seven of the ten moving from the Performing category to the Leading category. However, as three requirements are still in the Performing category, the HDC overall achievement continues to be in the Performing category.
- 3.4 The below graphs show the improvements from 2018 and 2021 to our latest assessment in November 2023.





- 3.5 The November 2023 SafePlus Assessment Report includes a number of key recommendations and actions (found on pages 9-10) for officers to review and put into practice. Given our recent adoption of an internal Health, Safety, and Wellbeing Action Plan (HSW), we have aligned and mapped these key recommendations with the actions specified in the plan to be delivered over the next 3 years.
- 3.6 The SafePlus report from 2021 also presented several recommendations. Below is an update on the progress made regarding those recommendations. As you will observe, the primary area needing more attention lies within the realm of HSW Risk Management. This is an area where heightened focus is warranted going forward.

2021 Recommendation	Evidence	Status
Develop a set of measures for the Senior Management Team (SMT) and the Finance Audit and Risk (FAR) to monitor and verify the effectiveness of risk controls. This will also assist Elected Council members and the CE meet some due diligence requirements.	The creation of the Dashboard Report presented to Risk and Assurance Committee.	Completed
Ensure any online tools related to health and safety have input from the HSA (HSL) so data can be captured in relation to the frequency of contractor's exposure to critical risks.	Enhanced relationships involve participation in contractors Health and Safety Committee Meetings, contractor meetings, including reporting in the Dashboard which encompasses Contractors data.	Completed
Explore ways to involve more staff in critical risk management. Two examples could be running staff focus groups when developing critical risk	During the critical risk review process, staff engage in sessions aimed at enhancing awareness. The review history indicates a rise	Completed



profiles and mitigations, and upskilling HSRs in risk management	in staff participation in risk reviews. Health and Safety Representatives (HSRs) attend these sessions and occasionally, when appropriate, facilitate them.	
Consider reviewing the top critical risks documented in the FAR report. The risks do not seem to align with the business risks.  Information on the risks should also cover how the controls are verified	More effort is required in this area, however we continue to collaborate with the Risk Function to align Health and Safety critical risks with business risks wherever feasible.	Ongoing
The risk register requires:  an additional column to detail how controls will be verified for effectiveness  each control to be assessed using the hierarchy of controls outlined in the HSWA  the correct HDC and external guidance is referred to in relation to specific risks	The HSW critical risk page now incorporates a Verification column.  Each page of the HSW risk register now features a Hierarchy of Controls, delineated in distinct columns.  Guidance on the HSW risk register has been revised and updated.	Completed
Work with the business units to identify which staff work alone, and in what circumstances, then develop their specific procedures based on the policy and best practice controls covered off by the Working Alone Policy. The plans would need to be developed in conjunction with staff and the relevant staff be trained on how to implement the plans	The development of the People Safety Monitoring Policy is currently underway, with the inclusion of supporting procedures.	Ongoing
Consider creating some measures for the SMT and FAR report around how many business units have staff who work alone, how many business units have procedures in place, and what training has taken place	Included in proposed changes to HSW Dashboard report following the completion of the People Safety Monitoring Policy.	Ongoing
Consider how HDC can embed a sustainable process to review health and safety on site practices of contractors	The Contractor Health and Safety Management Policy has been revised, along with staff training. Assistance is available to staff on the internal HSW portal.	Completed
Ensure there is consistency in health and safety processes across all contractual arrangements	Improvements have been implemented in the financial and procurement areas, including updated templates with consistent Health and Safety language and application across contracts.	Completed
Develop an overarching workplace mental health and wellbeing framework to dovetail into the soon to be developed wellbeing strategy.	An update to and creation of Workplace Wellbeing document, HSW Policy and HSW Internal Portal.	Completed



### 4. Next Steps

4.1 The recommendations identified in the SafePlus 2023 will be incorporated into the Risk and Assurance Actions Monitoring Report for ongoing tracking over the next 3 years.

### **Attachments**

No.	Title	Page
A₫	HDC RAC - Health Safety and Wellbeing Dashboard January - March 2024 - FINAL	99
B <u>↓</u>	Final Horowhenua SafePlus Assessment Report 28 and 29 November 2023 - RAC May 2024	109

### Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

### **Signatories**

Author(s)	Tanya Glavas Health & Safety Lead	Sce.
	Ashley Huria <b>Business Performance Manager</b>	Sthina
Annroved by	Jacinta Straker	

Approved by	Jacinta Straker  Group Manager Organisation Performance	Jein Dier
	Monique Davidson Chief Executive Officer	David 600



Health, Safety & Wellbeing – Quarterly Report January – March 2024 Risk and Assurance Committee Meeting 15 May 2024



ETY WORK	Developing	Performing	Leading
HDC			4.16
Benchmark		2.33	
HDC		3.33	
Benchmark		2.45	
HDC			4.08
Benchmark		2.18	

This index has been updated with the latest scoring as per our November SafePlus 2023 Assessment

Horowhenua District Council January -March 2024 2023/2024 Year



# HDC SAFETY INDEX



Internal Lead & Lag reports: HDC SAFETY INDEX

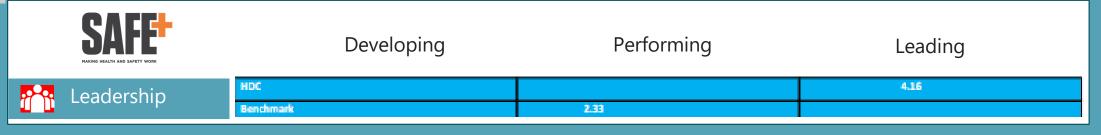


External SafePlus Assessment: SAFEPLUS INDEX

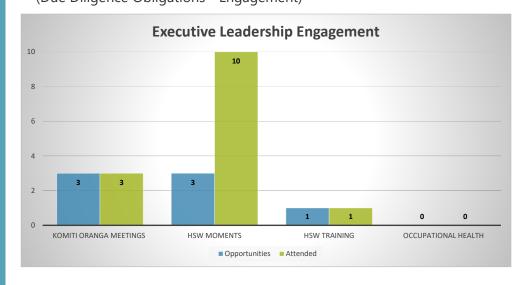


Central & Local Government: SAFEPLUS BENCHMARK INDEX





# Executive Leadership Engages With Health, Safety and Wellbeing (Due Diligence Obligations - Engagement)



We Review All Incidents
(All Incident are Reviewed
Within 2 Weeks)

Community Centres/Libraries

Aquatics

Aquatics

Incidents Reported Incidents Not Reviewed

Inciden

**Lines of Defence Activity** 

LEADERSHIP

Frontline staff)

Leadership
January - March
2024
2023/2024 Year



HDC SAFETY INDEX



SAFEPLUS INDEX



# The Komiti Oranga (Health and Safety Committee) actively engages in addressing the recommendations from the SafePlus Assessment, prioritising three key areas: Lone Worker, Wellbeing, and Risk Assessment.





CONTRACT MANAGERS

FRONTLINE STAFF

(Audits and inspections completed by Leadership, Contract managers, and





Developing

Performing

Leading

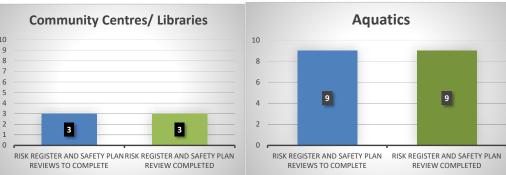


HDC	3.33	
Benchmark	2.45	

## We Ensure Our Critical Risk Management Controls Are Working

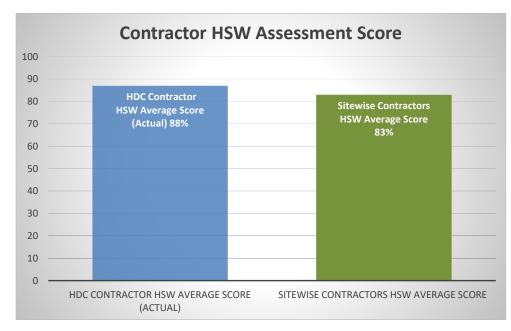
(Risk Register Reviews and Safety Plan Inspection Activity)





# We Ensure All Contractors Maintain a High Standard of Health, Safety and Wellbeing

(Our Contractors HSW Assessment Scores are Above Average in Sitewise)

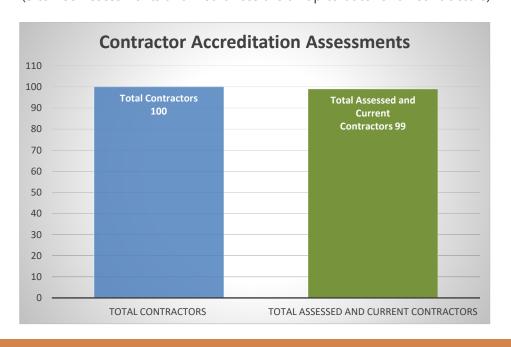


As a component of the Council's oversight of contractor health and safety, Officer's conducted a visit to Holben Reserve in March to assess the safety protocols implemented for the installation of a new footbridge.



# We Ensure All Contractor Accreditation Assessments are Up to Date

(Sitewise Assessments and Insurances are all up to date for all contractors)



# Risk Management

January - March 2024 2023/2024 Year



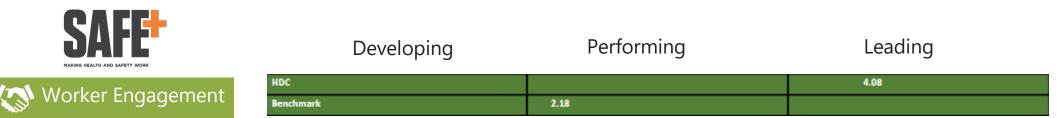
**HDC SAFETY INDEX** 



SAFEPLUS INDEX







# Rest of Council We Ensure All Incidents Are Reported (All Incidents are Reported in PeopleSafe) Community Centres/ Libraries Aquatics Aquatics Aquatics Aquatics

# Of the 52 Accident (Other Persons) incidents reported by Aquatics this quarter, the majority were low level, first aid or a check-in required situation involving young people. An ambulance was called twice, once for a child and once for an adult. Accident (Other Persons) Jan - March 2024 Accident (Other Persons) Jan - March 2024 Slips Trips Bumps Slips Trips Bumps Wet/Dry Rescue Other Under 15 yrs Over 15 yrs

**Breakdown of Aquatics Reporting** 

# We Ensure Our People Receive Essential Health and Safety Training

(PeopleSafe training records show all our peoples required health and safety training is current)



# We Ensure All new Starters Receive Essential Health, Safety and Wellbeing Information

(Health, Safety and Wellbeing Inductions completed for each new starter)

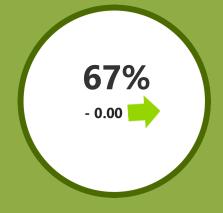


# Worker Engagement

January - March 2024 2023/2024 Year



### **HDC SAFETY INDEX**



SAFEPLUS INDEX

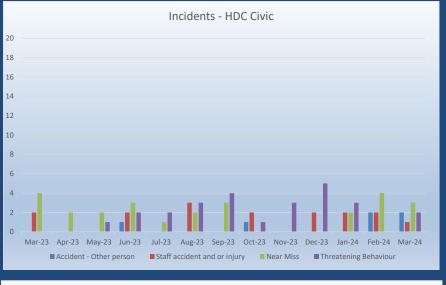


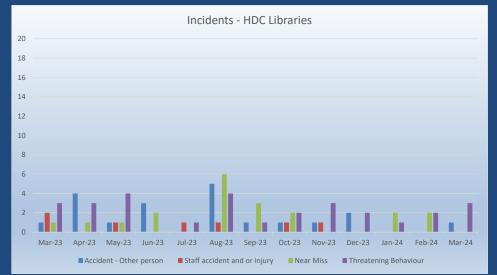
BENCHMARK INDEX

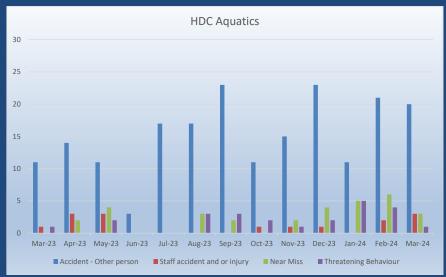


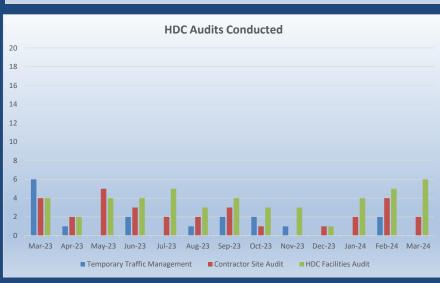
# HEALTH, SAFETY AND WELLBEING – 13 MONTH TRENDS as at 31 March 2024

Horowhenua District Council 2023/2024 Year





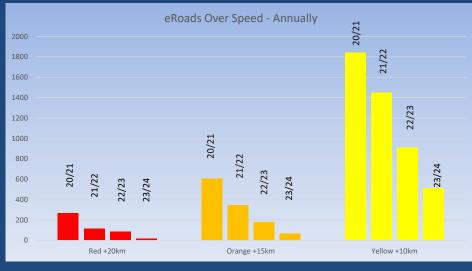








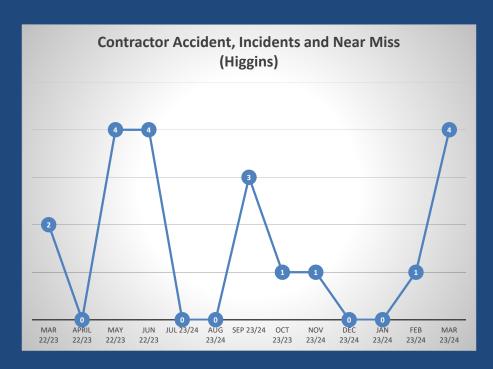


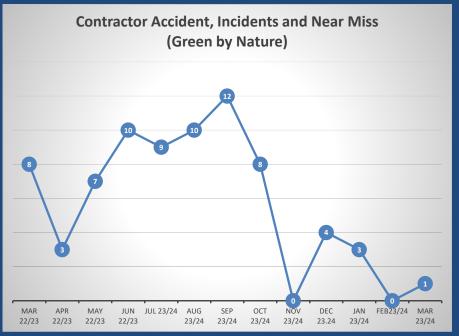


eRoads Driver Leaderboard									
Star Rating	January 2024	February 2024	March 2024						
****	64	62	67						
****	5	8	9						
***	10	4	5						
**	2	0	0						



# Contractor Health and Safety Reporting







Downers New Zealand	Sitewise Rating	All New Zealand	Civil Construction	Last Assessment 23/01/2024	Valid to 23/01/2025	Sitewise Score 100
Recreational Services Limited	Sitewise Rating	All New Zealand	Civil Construction	Last Assessment 09/01/2024	Valid to 09/01/2025	Sitewise Score 100
Higgins Group Holdings Limited	Sitewise Rating	All New Zealand	Civil Construction	Last Assessment 21/07/2023	Valid to 21/7/2024	Sitewise Score 100
Northland Waste (Low Cost Bins)	IMPAC Rating	All New Zealand	Waste Management	Last Assessment 18/03/2024	Valid to 18/03/2026	Successful Completion of PREQUAL



# Health & Safety – HDC Critical Risks

Education Piece - People Behaviour

Education Piece - Risk Management - Health and Safety at Work Act 2015 (Section 30 Management of Risks)

This education piece is to further explain how Council manages health and safety critical risks by breaking down each piece of information shown in the Health and Safety Significant Risk Register. Each critical risk has information related to it and resources available to support the management of the identified hazards and the associated risks.

From the Significant Risk/Hazard register, the following health and safety Critical Risks for Council have been identified:

- Contractors and sub-contractors
- People Behaviour detailed below
- Moving stock off the road
- Confined space dangers
- Driving/vehicle related incidents
- Lone Worker

### What do we know about this risk

Council operates a number of facilities with high numbers of staff in customer or public facing roles. Acts of aggression or violence can result in physical injury and conflict situations involving threats/intimidating behaviour or harassment and can cause psychological effects, including mental harm for staff.

Hazard	Risk	Likelihood	Consequence	Risk Score	Hierarchy of Control Action	Person Responsible	How often action is monitored	Detailed Control Action	Reference	Date identified	Last reviewed	Training	Health Monitoring	Final Risk Rating	Verification
People Behaviour	Abusive People / Physical injury or verbal abuse / Mental harm / Psychological harm	3. Likely	4. Major	Significant	Administrative - Change the way people work	All Staff	Annually	1. Staff to keep themselves safe at all times. Only approach a situation if safe to do so. 2. If situation is safe to approach, staff can use de-escalation techniques to reduce risk from person. 3. If situation cannot be approached then staff are to call the police and/or activate panic alarm 4. Staff to keep the other customers safe if possible and practical. 5. Staff debrief and an event, and EAP services are available for staff. 6. Cameras are active throughout the public areas of the HDC facilities. 7. Staff to follow cash handling standards at all times if applicable 8. Staff to complete Peoplesafe report after all incidents.	EAP Services Manager Support Team support Peoplesafe	6/18/2015	24/08/23	Staff training available for Personal safety, De-escalation techniques, Aggressive customer awareness, Lockdown	N/A	Significant	Peoplesafe reports are reviewed by Manager and H&S Lead. Training recorded in Peoplesafe.

# Health & Safety - HDC Critical Risks

Education Piece - People Behaviour

Causes: the following could lead to an event:	Potential Consequences/Impacts
<ul> <li>Regulatory interactions (delivery of negative information to customers or public)</li> <li>Denial of service or entry to a facility</li> <li>Poor service delivery (real or perceived)</li> <li>Workers encountering anti-social event</li> <li>Random unprovoked outburst from a customer or member of public due to their own personal situation</li> </ul>	<ul> <li>Physical harm causing injury or death</li> <li>Mental/Psychological harm</li> <li>Reputational damage</li> <li>Disruption/loss of services</li> <li>Property damage</li> <li>High turnover of staff</li> </ul>

**Detailed Control Action for People Behaviour**: The actions taken to eliminate or minimise the risks identified.

- 1. Staff to keep themselves safe at all times. Only approach a situation if safe to do so.
- 2. If situation is safe to approach, staff can use de-escalation techniques to reduce risk from person.
- 3. Duress alarm to be activated if available and safe to do so.
- 4. If situation cannot be approached then staff are to call the police if required.
- 5. Staff to keep the other customers safe if possible and practical.
- 6. Staff debrief after an event, and EAP services are available for staff.
- 7. Cameras are active throughout the public areas of the HDC facilities.
- 8. Staff to follow cash handling standards at all times if applicable
- 9. Staff to complete Peoplesafe report after all incidents.

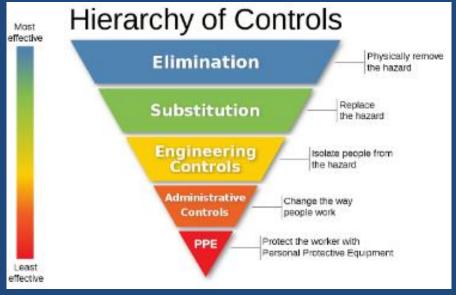


# Health & Safety – HDC Critical Risks

Education Piece – People Behaviour

- Hazard: A hazard is a situation that poses a level of threat to life, health, property, or environment.
- Risk: Is the chance or probability that a person will be harmed or experience an adverse health effect if exposed to a hazard.
- Likelihood: On a risk matrix represents the likelihood of the most likely consequence occurring in the event of a hazard
- Consequence: Consequence is the outcome of an event.
- <u>Risk Score</u>: Used during risk assessment to define the level of risk by considering the category of likelihood against the category of consequence severity. This is the score without any Control Actions in place to mitigate the risk.
- Hierarchy of Control Action: Use the hierarchy of controls to determine the most effective control measures to minimise those risks.
- <u>Person Responsible</u>: Job title or position of person/s responsible for contractor health and safety. Usually the Officer who is engaging the contractor for work and the Health and Safety Advisor who reviews and issues the pre-qualification approved status of contractors.
- How often action is monitored: Based on type of action and the schedule of the register review
- Reference: Supporting documents and Regulatory information
- Date Identified: the date the hazard was identified and added to the risk register
- <u>Last Reviewed</u>: the date the register was reviewed (Reviews are carried out by multiple groups including staff focus groups, Managers, H&S Committee members and staff who are exposed to the hazard)
- Training: Identifies specific training required e.g. working at heights, hot-works, confined spaces.
- Health Monitoring: Occupational health monitoring requirements e.g. Hepatitis A&B screening for landfill and waste water work
- <u>Final Risk Rating</u>: Where the hazard fits in the risk matrix after the elimination or minimisation of the risks, through the detailed control actions that have been implemented. Sometimes risks do not reduce, even with controls in place, due to elements like human behaviour.

RI	RISK MATRIX - SCORE									
	RISK HAZARD MANAGEMENT: Purpose - To further improve the method for systematically identifying, assessing and controlling hazards									
	in the workplace as re	quired by the Health	n & Safety at Work Act	2015						
		Consequence								
	Likelihood	1 - Very minor	2 - Minor	3 - Moderate	4 - Major	5 - Catastrophic				
	5 <u>- Almost</u> certain	Low	Moderate	Significant	Extreme	Extreme				
	4 - Very Likely	Low	Moderate	Significant	Significant	Extreme				
	3 -Likely	Low	Moderate	Significant	Significant	Extreme				
	2 - Unlikely	Low	Low	Moderate	Moderate	Moderate				
	1 - Extremely	Low	Low	Low	Low	Low				
	unlikely									











# Horowhenua District Council SafePlus Onsite Assessment and Advice Report



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## Introduction

SafePlus aims to help lift the performance of workplace health and safety in New Zealand businesses. It assesses how well a business is performing against good practice health and safety requirements and provides tailored advice and guidance on how to improve. SafePlus has been jointly developed, with industry, by WorkSafe New Zealand, the Accident Compensation Corporation (ACC) and the Ministry of Business, Innovation and Employment (MBIE), in collaboration with health and safety experts.

#### WHAT IT IS

SafePlus includes a framework of 10 performance requirements, which are organised under three key elements: Leadership, Worker Engagement, and Risk Management. Each performance requirement has four or five indicators, which explore how the business performs against the requirements in more detail. Each performance requirement also has a three-level maturity scale applied to it: Developing, Performing and Leading.

Continuous improvement underpins all the requirements. Performance is measured against each requirement.



#### **ASSESSMENT FOCUS**

The assessment approach is evaluative and behaviour-based with a focus on:

- people
- behaviours
- ° culture
- values
- attitudes
- ° systems
- practices.

For more on SafePlus, see: www.safeplus.nz

# HOROWHENUA DISTRICT COUNCIL ASSESSMENT

This SafePlus assessment was completed between 28 – 29 November 2023.

The Assessor visited the Horowhenua District Council Civic Building in Levin, and the Te Takeretanga o Kura-hau-pō (Library and Community Centre) and the Levin Aquatic Centre.

Visits were also arranged to contractors' depots and to a road site where contractors were undertaking work.

Interviews were conducted with Chief Executive, the Health & Safety Lead, Business Performance Manager, HDC Mayor, and Elected Councillors.

Focus groups were conducted with the following groups and staff:

- Komiti Oranga (HSW Committee)
- Executive Leadership Team
- Third Tier Activity Managers
- Te Takeretanga o Kura-hau-pō | Library and Community Centre
- · Levin Aquatic Centre Staff
- · Operations staff and office-based staff
- Three Waters (HDC) and The Horowhenua Alliance Contract Staff.
- · Regulatory and Compliance staff.

The assessor accompanied the HDC Roading Operations Team Leader to site visits, and interviews were arranged with the Higgins Health and Safety Manager and Higgins contract managers. A road works site was visited - the work was discussed with workers and observations took place.

The Health and Safety Lead arranged for a visit to the Levin Aquatic Centre to observe the workplace. A discussion took place with staff about their health and safety practices and management of difficult customers.



A focus group took place at the Te Takeretanga o Kura-hau-pō | Levin Community and Library Centre with staff working at the site. A brief observation took place.

The assessment included a Deep Dive assessment on how the following risks are being managed:

- Working alone and working in isolation
- PCBU/contractor activities
- Mental health and wellbeing with an emphasis on aggressive behaviours from the public, unacceptable behaviours, and workload.

#### **SCOPE OF THIS ASSESSMENT**

In scope

The scope of this assessment is limited to insights gained through SafePlus methodology in relation to:

- The Horowhenua District Council Civic Building in Levin, Te Takeretanga o Kura-hau-pō (Library and Community Centre) and the Levin Aquatic Centre.
- Stakeholders provided by the company for interviews: Horowhenua Alliance, Higgins

roading contractor, Higgins Health and Safety Manager.

- Deep Dive risks selected by the company:
  - Working alone and working in isolation
  - PCBU/contractor activities
  - Mental health and wellbeing with an emphasis on aggressive behaviours from the public, unacceptable behaviours, and workload.

#### Out of scope

This report reflects a slice in time at the above sites and should not be extrapolated beyond the scope noted above.

Out of scope are:

- Sites not visited
- Stakeholders not interviewed
- A full technical review of all documentation, work processes, deep dive risks and other risks.

Thank you to Horowhenua District Council workers for their time, effort, and engagement and for the manaakitanga that was shown.



# **Illustration of Performance**

Three levels of performance are used to determine your current health and safety strengths and areas for improvement – Developing, Performing and Leading. Performance is measured against each of the 10 performance requirements and the overall outcome is based on these results.

#### **OVERALL OUTCOME:**



#### **RECOMMENDED REASSESSMENT:**

It is recommended that Horowhenua District Council (HDC) develop an improvement plan based on the recommendations in this report. Progress against the plan should occur at least every six months.

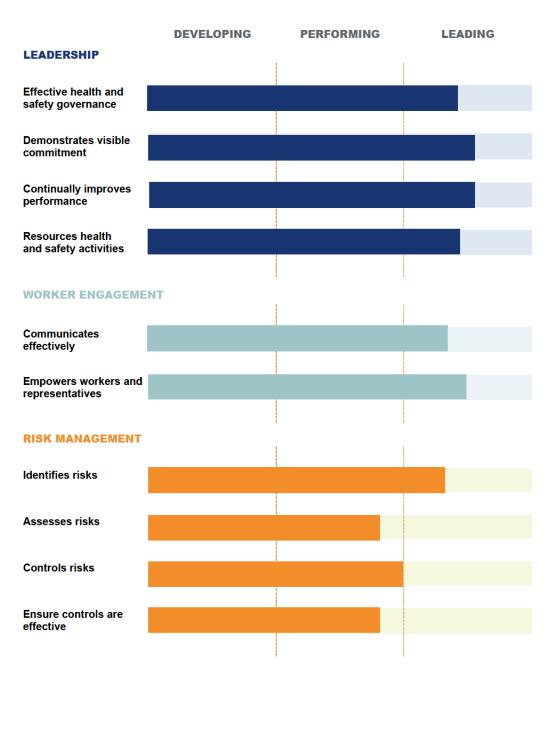
It is recommended that HDC has a re-assessment completed every two years to track its progress against the performance requirements.

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#### **OUTCOMES BY PERFORMANCE REQUIREMENTS:**





# **Executive Summary**

Horowhenua District Council (HDC) has made significant progress since the 2021 SafePlus assessment and now has seven criteria in leading. The new criteria that moved into leading are effective health and safety governance, visible commitment, continual improvement, resources health and safety activities, communicates effectively, empowers workers and representatives, and identifies risks.

HDC has met the full criteria for performing in all areas, except in risk management for assessing risks and ensuring controls are effective.

The Executive Leadership Team (ELT) and the Council recognised the value of health, safety and wellbeing (HSW) for their employees and contractors. They are visibly leading this commitment both within HDC and outwardly to the district's stakeholders and community.

The Chief Executive (CE) and ELT have made it clear staff health, safety and wellbeing is HDC's highest priority and have backed this up by providing quarterly wellbeing days, and a range of other wellbeing initiatives.

Staff were appreciative of the ELT's efforts and initiatives and understood the organisation was genuine in the work it was doing to improve health, safety and wellbeing in their workplace.

HDC has made considerable progress on their workplace health, safety and wellbeing, by engaging and empowering both leaders and staff to be actively involved in improvements and initiatives.

Many of the 2023 recommendations build on the solid work already completed and aim to assist HDC weave together an integrated health, safety, and wellbeing system where ELT can clearly articulate HDC's health, safety, and wellbeing (HSW) risk profile, supported by useful information and data to provide meaningful measurement and verification of risk controls.

By completing this next phase of improvements, HDC should confidently move into leading in all categories of the SafePlus Assessment.

#### **LEADERSHIP:**

Since 2021, HDC is now led by a new Chief Executive (CE)has and the organisation has undergone significant changes aimed at rebuilding trust, clarifying its purpose, and enhancing health, safety, and wellbeing (HSW). The CE initiated a quarterly wellbeing leave day, demonstrating a commitment to staff's welfare, which was positively received. The ELT and Council have shown alignment in their approach to HSW, with increased clarity on their roles which has contributed to reduced staff turnover. The ELT considers workforce management and staff wellbeing as HDC's the top HSW risk, emphasizing the importance of investing in people for high performance.

Visible commitment to HSW is evident through ELT's support for the Health and Safety Lead, leadership visits to sites, and regular safety moments fostering an environment of trust and fairness. Deep dives into specific risks, such as people behaviour, showcase HDC's dedication to addressing unsafe practices and situations. The ELT's proactive response to unacceptable behaviours, security reviews, and facility-specific improvements further highlights their commitment.

Continual improvement is emphasised through the planned revision of the HSW Strategic Charter and the Health and Safety Action Plan. HDC engages external stakeholders in Komiti Oranga (Health, Safety and Wellbeing Committee) meetings, demonstrating a collaborative approach. The focus on managing psychosocial risks, resilience, and wellbeing reflects a forward-looking strategy.

Although there's a lot of HSW activity taking place, to strengthen the HSW system, ELT should clearly



articulate and champion HDC's top 5 to 10 critical HSW risks. HDC should also have a systematic process to verify the effectiveness of HSW risk controls and methods to measure whether their approach to managing specific risks is decreasing the likelihood of potential harm occurring.

Resource allocation includes a corporate action plan, strategic focus on wellbeing, and robust onboarding processes for Elected members. The Council has enhanced its understanding of HSW responsibilities, with regular reporting and crossovers between organisational and community health and safety efforts. Strong relationships with key contractors are evident, with regular communication and site visits, contributing to effective procurement processes. The organisation's commitment to staff support is demonstrated through well-established return-to-work and rehabilitation processes.

#### **WORKER ENGAGEMENT:**

HDC effectively communicates HSW information through a range of channels, including a weekly staff email newsletter from the CE titled 'Monique's Weekly Words.' The organisation ensures visibility in various forums, such as all-of-staff team meetings, where the Health and Safety Lead (HSL) or Komiti Oranga (KO) address relevant topics. HSW is prominently featured at the front of the Organisational Performance Report presented to the full council, demonstrating the organisation's commitment. HDC is responsive to resolving disagreements and addressing issues, fostering a positive working environment.

Worker and Representative Engagement and Empowerment stand out as a key focus for HDC. Various channels, including Health and Safety Representatives (HSR) representation on KO, staff briefings, and safety walks, empower employees to actively participate in health, safety, and wellbeing matters. The use of the 'Ask your Team' survey reflects HDC's commitment to an inclusive and collaborative approach. While the Komiti Oranga Working Agreement outlines roles and responsibilities, there's room for improvement in the structure of worker participation arrangements and information flow to ELT.

KO plays a pivotal role in facilitating cooperation between HDC and workers, emphasising health, safety and wellbeing. KO growth and proactiveness is evidenced by initiatives like the '5 Ways of Wellbeing,' and demonstrate a positive shift in health and safety culture. The KO Working Agreement addresses HSR training requirements. All staff expressed confidence to stop work if deemed unsafe and felt certain HDC would support their decision. Continued emphasis on communication, participation, and training will contribute to the organisation's ongoing success in worker engagement.

#### **RISK MANAGEMENT:**

HDC uses a variety of methods to identify risks, including site inspections, reporting tools, contractor interactions, and regular hazard and risk register reviews. Despite these efforts, there is a need for a more systematic approach to continuously assess key HSW risks.

The risk assessment process at HDC utilises a risk matrix based on likelihood vs. consequence, with an Excel spreadsheet as a hazard and risk register and an online reporting tool that doesn't seem to apply the risk assessment methodology. However, there was ample evidence that issues raised were being resolved and staff were confident to report risks and incidents.

The HSW Portal gives a good description of each component of the HSW system, such as emergency management, risk management, contractor management, and injury and incident management. The HSW risk management process should also align to ISO 45001:2018 – Occupational health and safety management systems, and potentially ISO31001: Risk management – Guidelines, provides principles, a framework, and a process for managing risk.

Controls for identified hazards and risks are in place, with a hierarchy of controls applied. However, there is room for improvement in verifying the effectiveness of controls, especially through regular assessments and a dashboard presenting the top 5 to 10 critical risks. Strengthening the link between reported risks,

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investigations, and a comprehensive risk management framework is essential and will be difficult to achieve without an integrated approach to managing risks across the workplace.

While processes exist to check controls in certain areas, ensuring the effectiveness of controls systematically across all business units remains an area for development. Regular meetings and site checks with established contractors is working well. Further work could take place with contractors used intermittently to ensure there are methods to check their health and safety performance on site.

The current HSW dashboards and reports focus on meeting SafePlus Assessment criteria and other activities taking place. The dashboards would benefit from a focus on how the HSW system is functioning, and focusing on verifying controls that are in place across the organization. HDC business performance staff may benefit from additional business analyst expertise to develop measures that will assist the organisation with an evidence-based approach to improvement and effective HSW risk management.

#### **2023 SUMMARY OF KEY RECOMMENDATIONS**

To improve performance, Horowhenua District Council could:

- 1. ELT should establish a systematic process to identify and articulate the organisation's top 5 10 critical HSW risks. Clearly communicate these risks across all levels of the organisation to ensure a shared understanding and focused efforts in managing and mitigating these priority areas.
- 2. Introduce a comprehensive risk management dashboard that presents the top 10 critical risks, providing a snapshot view of HDC's risk profile. Regularly update and communicate the dashboard to key stakeholders, including ELT and Risk and Assurance Committee (RAC) to facilitate informed decision-making. HDC business performance staff may benefit from additional business analyst expertise to develop measures that will assist the organization with an evidence-based approach to improvement.
- Ensure the health, safety and wellbeing operating system aligns with the Health and Safety at Work Act 2015 and its regulations (HSWA) and international standards, such as ISO 45001:2018. Ensure that the documented HSW risk management process is integrated into the overall operating system.
- 4. Develop and implement a comprehensive framework for managing and mitigating psychosocial risks. This could include specific training programmes, resources for employees to manage stress and mental health, and protocols for addressing issues arising from social media interactions. Regularly evaluate the effectiveness of these measures and adjust strategies accordingly.
- 5. Develop and implement a system for systematically verifying the effectiveness of controls related to critical HSW risks. This should include regular assessments, audits, and performance reviews to ensure that controls are not only in place but also actively mitigating the identified risks.
- 6. Continue to foster a culture of active involvement and contribution from employees in HSW decision-making processes. Encourage Health and Safety Representatives (HSRs) and staff members to contribute to HSW initiatives, risk assessments, controls and reporting of events. This collaborative approach will lead to more effective HSW solutions and increase employee engagement.
- 7. Consider enhancing the Komiti Oranga Working Agreement by specifying the representation structure for different business groups and improving the information flow and recommendation presentation to the ELT. This refinement will strengthen the effectiveness of worker engagement and participation in health and safety matters.
- 8. Initiate a systematic and regular reassessment of key HSW risks across HDC, aligning with best practices and international standards. Develop a structured process for updating the hazard and risk register and integrate it with the online health and safety system, so it reflects the current organisational context and emerging issues.



- 9. Develop strategies to ensure best practice controls using hierarchy of controls are consistently in place for each identified risk in every business unit. Consider creating health and safety risk heat maps to visualize critical risks and their management across different units.
- Review the online health and safety system to ensure it is still fit for purpose for the effective management of risks and verification of controls.
- 11. Align supporting guidance for updated policies and policies under review to ensure processes and procedures are included. This could include:
  - · Lone Worker Policy
  - Volunteer Guide and Policy
  - Psychosocial Policy
  - Contractor Health and Safety Management Policy
  - Wellbeing Strategy.
- 12. Ask business units to undertake a review to capture all staff who work alone, including staff who work alone intermittently. This could also include travelling to community meetings for Elected Members and other staff.
- 13. As HDC use a range of contractors, a range of metrics could be used to reflect how the health and safety contractor management processes were operating. It is more useful to use the percentage of total number contractors completing inductions, or having completed onsite health and safety reviews, rather than the number undertaken. Reporting on the major contractors, and Downer Alliance in relation to risk management would also be useful.
- 14. Involve relevant operational staff in engagement processes to further streamline the health and safety practices of both Downer Alliance and HDC to increase role clarity about shared responsibilities.
- 15. ELT and mangers could front foot discussions with operational staff about workload and burnout.
- 16. As previously noted, wellbeing initiatives need to be linked back to identified psychosocial risks such as workload or unacceptable behaviours.

#### **STATUS OF 2021 RECOMMENDATIONS**

Good progress was made towards completing the 2021 recommendations, as we've acknowledged above in the Executive Summary. The key 2021 recommendations which will help HDC move fully into leading are:

- Understanding and being able to articulate the top HSW critical risks and have a measurement and
  verification approach to better understand whether controls are effective for these risks. While the
  organisation is making great progress with managing risks, it still has further work to create a
  systematic risk management framework with meaningful measures that can demonstrate it is
  meeting its due diligence requirements.
- Explore ways to involve more staff in critical risk management. An example could be running staff focus groups when developing critical risk profiles and mitigations for specific risks.
- Consider creating a health and safety document framework that fits HDC's current health, safety and safety requirements.
- Consider creating some measures for the ELT and RAC report around how many business units have staff who work alone, how many business units have procedures in place, and what training has taken place.



- Develop an overarching workplace mental health and wellbeing framework to dovetail into the soon to be developed wellbeing strategy. The framework should include:
  - Primary prevention: being intentional about creating an environment which removes some
    of the risk factors relating to increased workplace stress and other workplace factors that
    affect mental health and wellbeing.
  - Secondary prevention: ways to catch mental health issues at an early stage when they can be more straightforward to address.
  - Tertiary prevention: working with employees with psychological problems to ensure they
    have the right support and the impact on their life can be mitigated.

#### Full set of recommendations

The full set of recommendations can be found at the end of each section in the body of this report.



#### **AREAS FOR IMPROVEMENT:**







# Leadership

# Requirements

- 1. The business has effective governance and leadership in health and safety
- 2. Senior leaders visibly demonstrate their commitment to health and safety through their actions
- 3. The business strives to continually improve health and safety practice and performance
- 4. The business resources health and safety activities



#### WHAT WE FOUND:

#### 1. Governance

A new Chief Executive (CE) commenced in the role since the previous SafePlus Assessment in 2021. The CE said she was employed with a mandate for change, to rebuild trust and confidence, and be clear about HDC's purpose. The CE commenced an inclusive project to revise HDC's vision, values and strategic approach, and a one-page Health, Safety and Wellbeing Policy that reflects the use of a wellbeing wheel model.

A frequent comment through focus groups was the organisation looked nothing like it did 18 months ago. A change the CE pushed for was a quarterly Wellbeing leave Day. She shut the organisation for a day so staff could have a break. She said there'd been push back from some Elected members and the community, but believed it was the right thing to do. She said, 'If we want our organisation to be high performing, we must invest in people.'

The Wellbeing Day was viewed as a positive step by many focus group attendees and to some it demonstrated that HDC showed commitment to their staff. Several staff who were newer to HDC, said the wellbeing aspect, and the care shown to staff, was an appealing aspect of the workplace and continuing to work for HDC.

The CE and Executive Leadership Team (ELT) were aligned in their approach to health, safety and wellbeing, and this was commented on by staff. The ELT acknowledged it was in rebuild phase. On an away day they took a photo of them united as a team to signal the change of governance and leadership. The CE communicates with staff through the weekly newsletter called 'Monique's Weekly Words'. The newsletter includes HSW content and gives clear messaging on the senior leadership's view on health, safety and wellbeing.

The ELT said they were providing more clarity on roles and defining roles, which was helping with historic staff turnover. The relationship between HDC's leadership and the Elected Council was operating more effectively. Elected members were part of the Finance, Audit and Risk Committee (FAR), which had changed its name to Risk and Audit Committee (RAC) and received HSW reporting on a range of metrics. The ELT agreed the incoming CE was able to 'lift the bonnet up' so the HDC and the Governance (Council) were able to operate less in the grey by having better visibility of the organisation's activities.

The ELT believed their number one risk was workforce management which impacted on HDC staff wellbeing. This would allow them to perform well and effectively. They received monthly reports from the Health and Safety Lead.

Workplace health, safety and wellbeing (HSW) is part of the organisation performance report that is prepared for the Full Council meeting. HSW items included cross council site visits by ELT members, the SafePlus Assessment, worker engagement, and contractor risk management.

At all focus groups undertaken, senior leaders and staff were able to discuss workplace risks. Although work is carried out on identifying risks, there isn't a systematic approach to categorising risks that are reported, tracking which controls are being implemented and verifying effectiveness of controls across the organisation. HDC have a tool to collect HSW information, but the tool doesn't seem to have (or it hasn't been configured) analytics functionality to automatically collate and present information for the organisation to understand trends, see emerging risks and link incidents and events back to risk management.

A useful starting point for the ELT and the Komiti Oranga to agree on the top 10 critical HSW risks and begin categorising reported hazards, risks, and events to these categories. This will give a framework to managing the organisation's HSW risk profile in a systematic way, rather than a reactive way when events occur.

HDC does have an understanding of its critical risks, but it needs to be able to clearly communicate this



across the organisation through a meaningful measurement framework. We are concerned the new reporting dashboards will not deliver this for the organisation. Apart from contractor management, the other graphs presented are not linked back to the risk management framework and don't demonstrate how the HSW activities are verifying the effectiveness of controls.

HDC has increased its focus on mental health and wellbeing and behaviour based and psychosocial risks. It has launched a wellbeing framework to focus on eight aspects of wellbeing. It is noted, there doesn't appear to be any structures in place to measure the effectiveness of the programme and it would be useful to add this to the framework. Due to the way information is being presented, it is also difficult to know whether due diligence requirements are being met.

Other checks include a significant HSW risk register being updated on an annual basis, which has information about specific controls, and dashboards presented to ELT, Risk and Audit Committee (RAC) that collate information from contractor interactions, training and other workplace activities.

The RAC Committee participates and/or is presented with in-depth information about some risks and two examples were provided. The first example was a deep dive into health and safety in relation to footpaths, contractors, and members of the public. The second was a critical risk presentation on People Behaviour, which gave good context on where unacceptable occurred and under what circumstances. It reviewed current controls and made recommendations about further controls.

Senior Leaders were passionate about considering potential impacts on health and safety when making business decisions. A senior member of staff was assaulted in the HDC foyer, the security was reviewed and a new design for the foyer was approved to make it safer for staff.

The RAC is made up of six elected members and 2 independent members. The committee is provided with a quarterly Health and Safety Report. The HDC Health and Safety Lead attends meetings as a guest to clarify details of the report.

In the previous 2021 assessment, the FAR meeting minutes detailed the top five critical risks as:

- · Contractors and sub-contractors
- Working alone
- · Moving stock off the road
- Confined spaces
- Driving/vehicle related events.

During this assessment, there wasn't a similar set of critical risks documented. As already noted, it would be a useful step for HDC to document its top 5 to 10 critical HSW risks.

The dashboards provided to ELT, the Komiti Oranga and the Council show a range of metrics around contractor activities, number of Health and Safety Representatives (HSR), training undertaken and other HSW activities.

#### 2. Visible Commitment

Attendees at the focus group were complimentary about the ELT and their commitment to wellbeing and creating a safe working environment. Since the new CE was appointed, all participants agreed that HDC's focus and commitment to HSW had increased. A newer staff member said it was the most HSW focused organisation they'd ever worked in.

The Health and Safety Lead was well supported by the ELT, and by her direct manager who is the Business Performance Manager. She is well thought of by the staff, they appreciated her work and her support for assisting them getting issues resolved when they were raised.

The HDC Health & Safety Strategic Charter 2020 to 2023 is due to be revised based on the recommendations of the 2023 SafePlus Assessment. The Charter is supported by the Health and Safety Action Plan 2022 to 2023 which guides the HSW work programme.

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HSRs are invited to attend the ELT meetings. The ELT and Elected Members are invited to Health and Safety Moments every two months which include site visits or HSW subject discussions. Komiti Oranga meeting minutes recorded an ELT visit to the Aquatic Centre.

All staff present in focus groups and interviewed agreed HDC had an environment of trust and fairness. Everyone said they were comfortable about reporting an event or raising an issue. Job descriptions have clear expectations and accountabilities for health and safety and wellbeing in the workplace.

Komiti Oranga made changes to the process for nominating the H&S trophy at the All-of-staff meeting. Nominations could come from outside of the committee as well. At the April 2023 Komiti Oranga meetings, a staff member was nominated for the award for her continuous support of staff. Another suggestion for nomination was a staff member who often contributed to the H&S Space on SharePoint.

A way leaders showed commitment through safety moments. An example of this was when the CE did an aqua class at the Aquatic Centre to get a feel of what that was like. She was constantly looking for opportunities to walk in the shoes of workers to see what the risks were.

Another example of visible commitment was two HSRs attended a scheduled monthly team meeting with Aquatics Management. During the walk around they chatted with two swim school teachers who brought up some issues they were not aware of. They encouraged the staff members to fill in Incident forms.

Members of the Komiti Oranga said HDC had built trust by creating an alignment of who the incident and event reports went to. 'We worked to make sure it went to the right people so it would get responded to.'

Examples of the ELT addressing unsafe actions, practices and situations were withdrawing contractors from the Levin Lake area due to unacceptable behaviours from some members of that community. HDC was not prepared to put workers at risk until the community resolves the situation with its residents. At the pools, delegations have been changed so team leaders can get minor issues dealt with swiftly.

Deep dives were conducted on unacceptable behaviours and recommendations included safety improvements to customer experience area in the Civic Building, improving multi-agency communication for youth related incidents, ongoing de-escalation training, facility specific training (Aquatics and Libraries), and appropriate PPE.

The safety improvements in the Civic Building customer experience area have been approved and plans have been handed over to the contractor to complete work within the agreed timeframes.

#### 3. Continual Improvement

The HDC HSW Strategic Charter is up for review this year and findings and recommendations from this SafePlus Assessment will be used to develop the Strategy for 2024 onwards. This will align with the refreshed strategic direction for HDC.

The 2022 to 2023 Health and Safety Annual Plan outlines the objectives for the year. Dashboards and reports are provided for ELT and the RAC to track progress of initiatives, objectives and HSW activities.

As a way of improving shared duties and responsibilities with external organisations, the Horowhenua Alliance and other main contractor organisations were invited to attend HDC Komiti Oranga meetings. The HDC Health and Safety Lead (HSL) is also attending the HSW contractors' meeting.

An example of ongoing review processes was an email from WorkSafe was tabled at the Komiti Oranga about a bouncy castle incident where a Council was fined for not doing their due diligence on the operator resulting a major injury. This prompted HDC to work through processes to ensure operators are registered and reduce likelihood of incidents occurring.

Significant time and investment went into the 5 Ways of Wellbeing Week, which was organised by Komiti Oranga members. It was well received by staff and most focus groups raised it as an example of a positive initiative.

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The CE and ELT have been focusing on managing psychosocial risk, and the wellbeing and resilience of HSC staff. The ELT have been visible in backing this commitment by closing HDC for the day for an all-staff team building Organisation Breakaway Day. Staff are offered a wellbeing day once a quarter where they can use the day to enhance their wellbeing. One ELT member said he used his day to donate blood.

Managing psychosocial risk also meant managing negativity and misinformation in social media. Their aim was to build resilience in their community by not ignoring issues and pushing back with facts. There is an ELT roster to scan social media and deal with any emerging issues over the weekend when the usual comms staff are having a break. They also encourage Elected Members to reflect on live streaming videos.

HSW risk registers were reviewed at least annually by business groups and the Komiti Oranga checks to ensure the process takes place.

In the previous assessment, the FAR Committee, now the RAC Committee, received a quarterly health and safety report prepared by the Health and Safety Lead. The report covered the top five critical risks, which was requested by the Committee, and provided information about the management of these risks. This current report does not provide this information. We would recommend HDC provide information about the top 10 HSW critical risks to provide a due diligence framework around the effectiveness of managing these risks.

Members of Komiti Oranga are becoming increasingly involved in reviewing and evaluating the effectiveness of managing risks, and initiatives related to this. The Business Performance Manager said it had become a positive thing now, rather than being "voluntold". Now people are asking, how do I get involved? Some HSRs champion areas of interest such as mental health and lone working.

The roading team is using an online SharePoint form to complete health and safety assessments of contractors.

Training that took place included: advanced driver training, de-escalation and situational safety (OPSEC), and HSW Representative Training. The 2024 budget includes the above courses, along with psychological first aid courses, asbestos awareness, situational awareness specifically for the Aquatic Centre, 4 x 4 driver training, and child protection for local government.

#### 4. Resourcing

HDC have created a corporate action plan as some things were very critical to the business. A deliberate strategy was focusing on wellbeing to become a leading organisation to attract and retain staff. At a team level, HDC wanted to become a leader in HSW and organisationally wide, they wanted a road map of how they were going to do it.

Like many local government organisations, the RAC's engagement with workplace HSW had increased and Elected Members saw the value for HDC as an employer and as a council. HDC have developed a robust onboarding and induction process for Elected members, which emphasises their responsibilities and duties as Officers with regards to the Health and Safety at Work Act (HSWA). The Mayor said the RAC, and Council in general had lifted its understanding of responsibilities and understood the importance of HSW for HDC, and for keeping staff both well and safe.

A full council organisational performance report was presented in the meeting and had a section on workplace health, safety and wellbeing. There were definite crossovers with the community including a deep dive presentation about footpaths, which showed the HSW connections with contractors and the community.

Staff are comfortable using the PeopleSafe reporting tool and often referenced it during focus groups. Staff provided examples of incidents and how reports were followed up, including remedial actions. A serious harm incident reported to WorkSafe NZ was a staff member who had a heavy desk divider fall on him.

A serious incident occurred with a contractor on 11 September 2023 when an unattended truck with hot mix was parked on an incline at a roading repair site. It rolled back, hitting another unattended truck parked in



the middle of the road and collided into a fence and power pole. Fortunately, no injuries occurred. HDC and the contractor met to discuss what occurred and agree on mitigations to manage the risk.

HDC demonstrated strong relationships with key contractors. A site visit was arranged to the Higgins Depot. A discussion took place with the Higgins Regional Health and Safety Manager who took us to a roading upgrade in Shannon. A good working relationship was apparent between Higgins and HDC staff. The contractor had good systems and processes on site, and the Health and Safety Manager briefed us on how health and safety was managed in their organisation. Their critical risks were live traffic, vehicles, mobile plant, fall from heights, and overhead services.

The HSL is continuing to build relationships with contractor's health and safety staff, and other health and safety and wellbeing staff within the MW LASS group. HDC were taking up opportunities with other health and safety forums too.

Procurement processes were well established and in place in project work and infrastructure projects. Where there are established contracts for roading and asset maintenance, there are weekly meetings between HDC staff and the contractors to discuss health and safety, works completed and priority workflows.

HDC had robust return to work and rehabilitation processes for staff who had been off work due to injury or ill health. Multiple examples were provided during the interviews. One staff member said he appreciated the support given to him when his wife was unwell.

#### **2021 RECOMMENDATIONS:**

#### Ongoing

- Develop a set of measures for the SMT (ELT) and the FAR, now called RAC, to monitor and verify
  the effectiveness of risk controls. This will also assist Elected Council members and the CE meet
  some due diligence requirements.
- Ensure any online tools related to health and safety have input from the HSA (HSL) so data can be captured in relation to the frequency of contractor's exposure to critical risks.

#### Completed or no longer valid

- Consider adding threatening and abusive behaviours to the top critical risks reviewed by the FAR Committee.
- Build on what is already provided in the Health and Safety Quarterly Report by configuring the data to present it as a measurement framework that provides insight into:
  - health and safety activities
  - o critical risks and verifications
  - o progress on the annual plan
  - event reporting and related trends.
- Upskill key council staff so they are safety leaders with contractor management and HDC is a
  partner with all contractors, rather than defaulting to the larger contractor's health and safety
  systems.
- Clarify health and safety roles and responsibilities for council staff working in Alliance Group. This
  would include their obligations to council in terms of health and safety.



#### **2023 RECOMMENDATIONS:**

#### To improve performance, Horowhenua District Council could:

- ELT establish a systematic process to identify and articulate the organization's top 5 to 10 critical HSW risks. Clearly communicate these risks across all levels of the organisation to ensure a shared understanding and focused efforts in managing and mitigating these priority areas.
- Develop and implement a comprehensive framework for managing and mitigating psychosocial
  risks given the focus. This could include specific training programmes, resources for employees to
  manage stress and mental health, and protocols for addressing issues arising from social media
  interactions. Regularly evaluate the effectiveness of these measures and adjust strategies
  accordingly.
- 3. Develop and implement a system for systematically verifying the effectiveness of controls related to critical HSW risks. This should include regular assessments, audits, and performance reviews to ensure that controls are not only in place but also actively mitigating the identified risks.
- 4. Continue to foster a culture of active involvement and contribution from employees in HSW decision-making processes. Encourage Health and Safety Representatives (HSRs) and staff members to contribute to HSW initiatives, risk assessments, controls and reporting of events. This collaborative approach will lead to more effective HSW solutions and increase employee engagement.

#### **GUIDANCE AND ADVICE - LEADERSHIP:**

The guidance below will provide you with some improvement ideas.

#### **Business Leaders Forum**

BLHSF - leadership: http://www.zeroharm.org.nz/leadership/

BLHSF - health and safety leadership for Boards:

 ${\color{blue} \underline{http://www.zeroharm.org.nz/assets/docs/leadership/Safety-Leadership-for-boards-Kirstin-Ferguson-May-\underline{2015.pdf}}$ 

Business Leaders Health and Safety Forum: <a href="https://forum.org.nz/resources/safety-governance/">https://forum.org.nz/resources/safety-governance/</a>

Better Governance of Health and Safety project: Findings and Recommended Actions - <a href="https://www.forum.org.nz/assets/Full-report.pdf">https://www.forum.org.nz/assets/Full-report.pdf</a>

Upcoming 2024 CEO video series from Leaders Health and Safety forum - <a href="https://www.forum.org.nz/resources/2024-ceo-video-series/">https://www.forum.org.nz/resources/2024-ceo-video-series/</a>

#### WorkSafe NZ and MBIE

SafePlus – lead indicators. <a href="https://worksafe.govt.nz/managing-health-and-safety/businesses/safeplus/resources-guidance/">https://worksafe.govt.nz/managing-health-and-safety/businesses/safeplus/resources-guidance/</a>

 $\label{ligence-decomposition} Of ficers \ Due \ Diligence \ Handbook \ - \ \underline{https://www.healthandsafety.govt.nz/assets/Documents/Officers-Due-Diligence-Handbook.pdf}$ 

Updated/new guidance from HSE on Leading Health and Safey at Work -

 $\label{thm:linear} \mbox{Haumaru T\bar{a}ngata M\bar{a}ori Health and Safety framework - $\frac{https://www.healthandsafety.govt.nz/news-and-events/news/haumaru-tangata-maori-health-and-safety-framework/} \mbox{ } \mbox{$\frac{https://www.healthandsafety.govt.nz/news-and-events/news/haumaru-tangata-maori-health-and-safety-framework/} \mbox{ } \mbox{$\frac{https://www.healthandsafety.govt.nz/news-and-events/news-and-e$ 



Government Health and Safety Lead – Good Practice Guide for CEs and Officers - <a href="https://www.healthandsafety.govt.nz/a-z-topics/reports/good-practice-guides/health-and-safety-a-good-practice-guide-for-public-service-chief-executives-and-officers/">https://www.healthandsafety.govt.nz/a-z-topics/reports/good-practice-guides/health-and-safety-a-good-practice-guide-for-public-service-chief-executives-and-officers/</a>

#### **Overseas Regulators**

A Chief Executive Guide - <a href="https://www.worksafe.qld.gov.au/safety-leadership-at-work/safety-leadership-challenge/our-stories#bmd">https://www.worksafe.qld.gov.au/safety-leadership-at-work/safety-leadership-challenge/our-stories#bmd</a>

Updated guidance from WorkSafe Queensland on Safety Culture and leadership <a href="https://www.worksafe.qld.gov.au/safety-and-prevention/creating-safe-work/safety-capability-leadership-and-culture/culture-leadership-and-teamwork">https://www.worksafe.qld.gov.au/safety-and-prevention/creating-safe-work/safety-capability-leadership-and-culture-leadership-and-teamwork</a>

https://www.hse.gov.uk/leadership/ (this page has lots of additional resources and guidance for leaders)

Work related violence – a guide for employers from WorkSafe Victoria <a href="https://www.worksafe.vic.gov.au/resources/work-related-violence-guide-employers-pdf-version">https://www.worksafe.vic.gov.au/resources/work-related-violence-guide-employers-pdf-version</a>

#### Other

Institute of Directors article on Board beings catalysts for improve H&S outcomes (Oct 2023) <a href="https://www.iod.org.nz/news/articles/helping-boards-be-a-catalyst-for-better-health-and-safety-outcomes/#">https://www.iod.org.nz/news/articles/helping-boards-be-a-catalyst-for-better-health-and-safety-outcomes/#</a>

Safety Leadership in Construction: HSE Management - <a href="https://www.hse-network.com/safety-leadership-in-construction-hse-management-tips-for-managers/">https://www.hse-network.com/safety-leadership-in-construction-hse-management-tips-for-managers/</a>





# **Worker Engagement**

# Requirements

- The business communicates effectively
- 6. The business engages with, and empowers, workers and representatives

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#### WHAT WE FOUND:

#### 5. Communication

HDC communicates about health, safety and wellbeing with staff, and the community, through a range of channels. The CE introduced a weekly staff email newsletter entitled, 'Monique's Weekly Words'. The email covers a range of topics and always has a health, safety and wellbeing component. In one recent newsletter, information was provided on being Sun Smart, the upcoming SafePlus assessment and a reminder about reporting systems.

The Health, Safety and Wellbeing Portal is HDC's key source of information for systems and processes. The landing page has 12 tabs that link to the reporting system, SiteWise Login, key documents, HSW resources, EAP, a Wellbeing Resource, WorkSafe information, health and safety legislation, and key internal documents.

HDC staff were confident about finding information and policies on 'The Hub', HDC's intranet. At regular All-of-staff team meetings, health, safety and wellbeing is on the agenda with the HSL or Komiti Oranga presenting on a topic. An example was a presentation on tailgating into the building. This session was sparked by an assault on a senior member of staff when a member of the public gained access to the HDC Office through tailgating a staff member into the building. Another presentation was about reporting incidents and events and an update on the location of first aid kits. A presentation in July 2023 covered what 'other persons' in the workplace meant with regards to the HSWA, and what was required of HDC and their employees.

As previously mentioned, health, safety and wellbeing (HSW) is included as a section in the HDC Organisational Performance Report, which is presented at the full Council meeting.

The October 2023 report stated,

'Health and safety is so important we have put this at the front of the report. This is in addition to the detailed dashboard that the Risk and Assurance Committee receives. In each report we will provide updates on leadership, worker engagement and risk management.'

The report provided information on:

- A WorkSafe planned visit to the Levin Wastewater Plant, and outcomes from the inspection
- The HSL accompanying the Building Advisory Team during their site and client visits.
- The Horowhenua Alliance and HDC identified a gap in induction for the Recreational Service contractors who complete property maintenance at the Horowhenua Alliance Water and Wastewater Treatment Plants across the Rohe.

The Komiti Oranga meeting minutes were available to staff through The Hub. There were noticeboards with health and safety information in office areas at the Civic Building and other sites visited.

Focus group participants all agreed HDC were responsive in resolving disagreements or issues. Multiple examples were provided, including:

- Co-locating the Horowhenua Alliance staff with HDC staff to improve the working relationship.
   Alliance staff reported the relationship and information sharing was better.
- Incident with parked contractor truck rolling backwards on a roading job. Joint investigation and recommendations were implemented.
- Mentally unwell customer threatening suicide. Safety plan and process developed to guide staff around how to manage customers threatening suicide.
- Investigation into an incident with the decommissioned Foxton tram lines.



HDC Parks and Property staff and Roading Operations staff have built strong relationships with the contractors they regularly work with. They share information and learnings from incidents and events.

HDC have added value to community events and shared learnings by supporting community group and events with health and safety advice and support. The HSL supported the HDC team involved in the 2022 Taste Horowhenua event by developing health and safety plan and risk register. A briefing was held for participants and volunteers and included traffic management and health and safety. The HSL helped some businesses with their safety plans and risk registers.

HDC also ran some health and safety event planning workshops for the community. They created an event risk management plan that they provided at no cost to anyone wishing to run an event. The workshop took attendees through the plan and the key health and safety factors that needed to be included when running an event.

#### 6. Worker and Representative Engagement and Empowerment

As discussed in previous sections, opportunities for involvement in health and safety matters include:

- HSR representation on Komiti Oranga
- All staff briefings
- Team meetings and ELT involvement in team meetings
- Monique's Weekly Words (CE email newsletter)
- · ELT and Elected Council safety walks
- Active involvement of HSL to assist teams and business group manage their risks
- PeopleSafe Tool to raise issues and workflow processes in place to respond to submitted reports.

In 2022 and 2023 HDC undertook annual workplace culture surveys through 'Ask your Team'. Presentations took place in November 2023 to share the results of the survey. The survey results are used as part of a continuous improvement cycle. Komiti Oranga Working Agreement was signed off in November 2023 by the CE and the Chair of Komiti Oranga. The Agreement has a clear role description for Health and Safety Representatives (HSR) for a term of three years.

Komiti Organa meetings are held monthly include Health and Safety Representatives (HSR), a member of the Executive Leadership Team (ELT), Health and Safety Lead, Business Performance Manager and a Minute Taker. The Working Agreement does not cover the structure of the worker participation arrangements, for instance which business groups should be represented. It also does not cover the information flow and how recommendations from the meetings are presented to ELT for consideration. The HSL said a review of the Working Agreement was underway. The current methods for ELT receiving information from Komiti Oranga was through the ELT monitoring report, the Komiti Oranga minutes and HSR monthly reports.

HDC staff members can attend the Komiti Oranga meetings by letting the Chairperson or their HSR know of their intention to attend no later than one day before the scheduled meeting date.

Functions of Komiti Oranga (KO) are to:

- Facilitate co-operation between the Council and workers in instigating, developing, and carrying out
  measures designed to ensure workers' health, safety, and wellbeing at work;
- Aid in developing and releasing any standards, rules, policies, or procedures relating to health, safety and wellbeing that are to be followed or complied with at Council;
- To support making recommendations relating to workplace health, safety, and wellbeing;
- To perform any other functions that are:
  - o Agreed between the Council and KO;
  - o Driven by legislation or regulations
- Ensure all KO meeting agendas and minutes are available for all workers to access and that all



staff have the opportunity to attend meetings if they wish;

- Aid the Health and Safety Lead as required to;
  - Monitor the effectiveness of the Council's means of reporting, recording, and investigation of incidents/accidents/near misses:
  - Ensure appropriate support for the effective implementation of approved rehabilitation schemes;
  - o Review and make recommendations on all serious harm accidents;
  - o Assess accident and incident trends and reports; and
  - Assist to review and improve systems, procedures, and work practices to support injury prevention.

From reviewing the KO minutes, it was apparent the activities documented were in line with the functions of the KO as outlined in the Working Agreement.

Members in the KO focus group said the following:

- Talk around health and safety was changing as it was starting to be combined with work and not an
  add on.
- It was exciting how the KO had grown as a group and was getting more proactive
- More people were asking "How can I get involved?", rather than being "voluntold".
- · The group was more solution focused.
- The relationships with ELT were strengthened as they attended all meetings.
- Initiatives developed through KO 5 ways of wellbeing.
- HSR presentations in the New Year for the first day back were designed to remind everyone to ease in.

Members of Komiti Oranga staff members take an active role in promoting and leading HSW activites and engagement. The HSL keeps a tracking sheet of activities undertaken by each member. Examples of activities are:

- Komiti Oranga Wellbeing checkins with other staff members
- Attending the ELT meetings with the HSL
- Pink Shirt Day activities including designing pledge poster, attending webinar and morning tea
- Presented Proposed Amendments to H&S Working Agreement at August KO Meeting
- Promoted my everyday wellbeing during team meeting
- Continued development of wellbeing page on sharepoint.

One KO member had a special interest in mental health and wellbeing, and as previously covered in the report, she ran a 5 ways of wellbeing week where events and activities were organised everyday both in the Civic Centre, the Hub, and other HDC sites. Another staff member is leading the implementation of the lone worker process. and an Animal Control Officer has led and co designed the induction process for new animal control staff.

The Working Agreement covers the HSR training requirements under the HSWA Worker Engagement, Participation and Representation Regulations and the powers of a trained HSR under the legislation. Since the previous assessment four more HSRs have attended training.

All staff who took part in the assessment were confident to approach someone or stop work if they assessed it as unsafe. They were confident the HDC would back them on their decision.

#### **2021 RECOMMENDATIONS:**

#### Completed

 Consider further upskilling Health and Safety Representatives, especially around risk management Evidence was provided that some HSRs had completed HSR stage 2 training that covered risk assessment and incident investigation.

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#### **Ongoing**

Explore ways to involve more staff in critical risk management. An example could be running staff
focus groups when developing critical risk profiles and mitigations for specific risks.

#### **2023 RECOMMENDATIONS:**

To improve performance, Horowhenua District Council could:

 Enhance the Komiti Oranga Working Agreement by specifying the representation structure for different business groups and improving the information flow and recommendation presentation to the ELT. This refinement will strengthen the effectiveness of worker engagement and participation in health and safety matters.

#### **GUIDANCE AND ADVICE - WORKER ENGAGEMENT**

The guidance below will provide you with some improvement ideas.

Refreshed guidelines on Health and Safety Representatives and Health and Safety Committees - <a href="https://www.worksafe.govt.nz/about-us/news-and-media/refreshed-guidelines-on-health-and-safety-representatives-and-health-and-safety-committees/">https://www.worksafe.govt.nz/about-us/news-and-media/refreshed-guidelines-on-health-and-safety-representatives-and-health-and-safety-committees/</a>

WorkSafe NZ: Interpretive guidelines explaining requirements for Health and Safety Representatives and Committees

Refreshed guidance from NZISM - Worker representative guide - https://www.nzism.org/hsr-repcentral/

Resource created with Government Health and Safety Lead, H&S Rep of the Year finalists, as well as seeking expertise from the Private Sector, PSA and WorkSafe on HSR role clarity

https://www.healthandsafety.govt.nz/a-z-topics/reports/booklets-and-brochures/health-and-safety-representatives-role-clarity-resource-for-organisations/

Government Health and Safety Lead – HSR Hub (lots of resources, case studies) - https://www.healthandsafety.govt.nz/about-us-2/who-we-support/hsrhub/

HSE Consulting directly with employees: <a href="http://www.hse.gov.uk/involvement/facetoface.htm">http://www.hse.gov.uk/involvement/facetoface.htm</a>

HSE - HSG263 Involving your workforce in health and safety: http://www.hse.gov.uk/pubns/books/hsg263.htm

HSE - Strategies to promote safe behaviour as part of a health and safety management system: http://www.hse.gov.uk/research/crr\_pdf/2002/crr02430.pdf

HSE - Worker consultation and involvement: http://www.hse.gov.uk/managing/worker.htm

PCBU duties regarding worker participation:

https://worksafe.govt.nz/managing-health-and-safety/health-and-safety-representatives/employer-obligations/

Types of participation

Pg. 30 HSWA-introduction-to-health-and-safety-at-work-2015.pdf available from: https://worksafe.govt.nz/managing-health-and-safety/getting-started/introduction-hswa-special-guide/

Writing for health and safety:

https://worksafe.govt.nz/dmsdocument/2188-writing-for-health-and-safety-guidance-for-workplace-health-and-safety-writers

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# **Risk Management**

### Requirements

- 7. The business, with workers and their representatives, identifies work-related health risks and safety risks
- 8. The business, with workers and their representatives, assesses health and safety risks
- The business, with workers and their representatives, takes a proportionate approach to controlling health and safety risks
- 10. The business, with workers and their representatives, ensures controls are effective in managing health and safety risks



#### WHAT WE FOUND:

#### 1. Risk Identification

As with the previous assessment, HDC uses a variety of methods to identify risks. These include established methods and newer methods that were implemented in the past two years:

- Site inspections at work sites, eg Aquatic Centre, the Hub and Libraries
- Use of reporting tool
- Regular meetings with main contractors
- Review of a hazard and risk register for all key work areas
- · Deep dive reviews into specific risks
- · HSRs bringing issues to Komiti Oranga
- ELT following up on issues raised by Komiti Oranga and through other channels.
- Safety observations by the HSL, ELT and RAC.
- · Risks identified from legislation and critical events e.g., working alone, worker security, and driving
- · HSW discussed at team meetings and all-of-staff meetings.
- Feedback from the workplace culture survey.

Contractor management processes to identify risks include:

- · Contractor pre-qualification covers hazards and risks associated with the work
- Contractors provide site specific safety plans that cover identified risks and mitigations
- The use of inspections and site checks
- Traffic management audits
- Regular meetings with key contractors
- PCBU representatives attending each other's HSW meetings
- HDC staff attending the Horowhenua Alliance Health and Safety Committee meeting
- HDC attending the FENZ Hazardous Substance Co-ordination Committee.

The Komiti Oranga ran a health and safety week to promote a new Komiti Oranga website. Morning teas were held across HDC sites with promotions around various aspects of health, safety and wellbeing, such as, how to report hazards in PeopleSafe. Some key risks were focused on, such as mental health and wellbeing and resilience training sessions were available during the week.

Use of the PeopleSafe reporting tool for reporting and investigating incidents, events and risks now seems integrated into the health safety and wellbeing system. The tool was discussed in all the focus groups. The workflow process supporting the reporting processes appeared to work well and focus group attendees understood the processes and confirmed they were working efficiently.

#### 2. Risk Assessment

HDC use a risk matrix that uses likelihood vs consequence, which doesn't seem to be applied in the PeopleSafe tool. When risks and hazards are reported into PeopleSafe, they can be grouped to categories. What would be helpful is a process to display the grouped risks in a way that is simple to understand HDC's overall HSW risk profile. According to dashboards from the tool, there are 74 risks in the organisation, but this is 74 reported issues relating to hazards and risks, not 74 actual risks.

For its risk assessment process HDC use an Excel spreadsheet as a hazard and risk register, which is broken down into business units and areas. The risks were assessed with an initial risk rating and the residual risk after controls are applied.

Risks were both safety and health related, a mix of physical and psychosocial risks that detail controls related to the risk. The risk register had column entries for training and health monitoring, but the risk register still does not have a process to verify the effectiveness of the controls. The hazard and risk register provided was last reviewed in October 2023. New risks were added, along with updating additional controls for existing risks, refreshing supporting information, and including back to HDC policies.

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Significant work has occurred around wellbeing and mental health risk and psychosocial risk. There has also been some work completed on unacceptable behaviours from the public using a risk-based approach.

Evidence was provided showed some site visits occurred and risk assessments took place. An example was a proactive risk assessment at Coley Pond initiated after the fatality of a child in a storm water pond in Southland. The risk assessment aimed to establish a unified safety protocol for stormwater ponds, dams, and water bores within the Horowhenua District, particularly in newly developed residential areas and recreational zones. Recommendations included replacing current fencing with safety/security fencing and installing safety fencing around culverts and improving signage. They also agreed to communicate with schools and the community. Evidence was provided that a programme of work was underway to resolve potential access issues.

Although there is a lot of activity around the management of risks, it is unclear whether risk assessments take place on a systematic basis or just as issues emerged. The lack of clarity could be caused by the hazard and risk register not being integrated into the online health and safety system. It would be useful for the risk assessment processes to be embedded in the online tool and be included in the investigation process. There also didn't appear to be an ability to link reported risks back to a dashboard of critical risks where risk ratings can be regularly reassessed.

The Health, Safety and Wellbeing Manual has been superseded creating online versions of the systems and processes in the HSW Portal. The Portal gives a good description of each component of the HSW system, such as emergency management, risk management, contractor management, and injury and incident management. The HSW risk management process should also align to ISO 45001:2018 – Occupational health and safety management systems, and potentially ISO31001: Risk management – Guidelines, provides principles, a framework, and a process for managing risk.

#### 3. Risk Control

Controls were in place for all documented hazards and risks that were discussed in focus groups, observed during site visits and reviewed in documentation provided. The hierarchy of controls were applied in the risk register, but individual controls did not have the hierarchy of controls applied to them.

In the 2021 assessment, the Quarterly Health and Safety Report for the FAR Committee (now the RAC) documented the top five critical risks, which were: contractors; working alone; moving stock off the roads; confined spaces; and driving/vehicle related events. The current reporting process to RAC doesn't document this anymore. This was a useful measure to determine how risks are being managed. It would be useful for at least the top five, if not the top 10 risks to be presented in a dashboard for ease of assessing HDC's risk profile and reprioritising based on context and emerging issues.

Where appropriate, the risk documented in the risk register referred to guidance and standards, and other references were available in the HSW Policy, and other documentation. The HSW Policy references Mental Healthy Work (Corporate Mental Health Association Australia), Psychosocial hazard (WorkSafe NZ 2019), Wellbeing (Mental Health Foundation NZ) and Workplace Wellbeing (ILO).

Examples of referencing best practice guidance and codes of practice were the NZTA road code, the government Covid 19 guidance, WorkSafe NZ hazardous substances guidance, electrical safety musculoskeletal health, manual handling, and overlapping duties. Where there is internal guidance or SOPs, this is now referenced for the relevant risk and business unit.

Site visits and discussions with established contractors and HDC staff demonstrated they work closely together to manage their health and safety responsibilities. The roading contractor and parks and property contractors provided monthly reports to the HDC key contact and attend each other's meetings. Controls for shared responsibilities appear to be in place and are regularly checked at each site and in general.

HDC are now active users of the Site Wise prequalification process for their smaller contractors. The HSL

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has assisted smaller contractors with improving their HSW documentation and practices, so they meet the pre-qualification standards.

As already covered in the report, the Horowhenua Alliance and HDC have an improved working relationship. They attended each other's health, safety and wellbeing meetings, and they were now colocated with HDC staff, which made it easier to be in alignment.

Evidence was provided that HDC were working with other local councils, and organisations where there were shared risks, such as emergency management, and management of hazardous substances. HDC had also contributed health and safety resources and time to community events, and building capability in the community and volunteer organisations.

#### 4. Ensuring Risk Controls Are Effective

There are processes in place to check controls are being managed in some areas of the business such as the Aquatic Centre, Animal Control and Front of House, documents provided showed monthly checks were taking place in the three areas through monthly checks. The results of these checks were also discussed at team meetings and at Komiti Oranga.

Orientation and inductions also took place for contractors who were working on HDC sites. Information about requirements are available on HSW portal. Regular traffic management TMP audits were also taking place, along with regular meetings and site reviews with major contractors.

HDC has a comprehensive induction programme for new employees. Newer members of staff attending focus group meetings were complimentary about the induction programme.

The Komiti Oranga identified health risks related to several council operations where staff could be exposed to infectious diseases. Where this was identified as a risk for staff, they have added immunisations, especially for Hepatitis A and B. Staff vaccinations have been added to PeopleSafe.

Where there were established long term relationships with contractors who deliver services on behalf of HDC, there were regular meetings and site checks that cover health and safety. This has been strengthened by staff moving between the businesses, e.g., ex-Higgins staff gaining employment with HDC. There now seems less reliance on the contractor's health and safety review processes, rather than HDC developing and embedding its own processes. The HSL has worked to build relationships with the HSW advisory staff with key contractors.

As in the previous assessment it is still unclear whether contractor performance onsite is reviewed in a structured and systematic way. Evidence was provided to show contractors were SiteWise prequalified and were being inducted on site before they commenced work.

As in the previous assessment, for many health and safety risks, controls were checked they were in place. However, there was not a systematic way to ensure the effectiveness of controls were verified. Work sites and business units have identified their health and safety risks and the HSL could develop strategies to ensure best practice controls are in place for each risk in each business unit. HDC could also benefit from creating health and safety risk heat maps of which business units have which critical risks and which are at higher risk.

The HSC meeting minutes detailed many examples of controls being reviewed, and updated. Where the risk is deemed too high, services have been withdrawn as with Levin Lake area where staff were subjected to unacceptable behaviours.

Examples from the Komiti Oranga minutes included looking at solutions for bringing aggressive dogs into the pound for staff safety, considering gas monitoring at the landfill, workload solutions and strengthening controls for managing unacceptable and aggressive behaviours.

New SOPs that have been developed for the animal control area were an animal control basic processes

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for dog complaints, the euthanasia process, and dog pound protocols.

Numerous examples of HDC investigations were provided. A high-profile incident occurred with an assault on a senior member of staff in the Front of House Area of the Civic Building. This resulted in changes to security, along with entering the building, and a proposed redesign of the Front of House area.

After a desk divider fell on a staff member resulting in an injury, an investigation took place. From the findings, the following recommendations for improvement were made:

- · Risk assessment of work completed under desks
- Update health and safety risk register
- Training for teams on how to complete a pre-work risk assessment
- Develop an emergency incident plan to support situations where emergency services are unavailable in the district for an extended period.

Evidence was provided that an IT work procedure for working under desks was developed, along with an IT work risk assessment. An updated entry was included in the hazard and risk register.

The dashboards and reports now provided to ELT are useful in terms of how HDC is progressing with meeting SafePlus Assessment Criteria. What seems to have slipped away is a robust approach to risk management and the assessment of HDC's critical risks and whether they are being effectively managed. The current dashboards also do not give an indication of how well the HSW management system is functioning as a whole system. A more useful approach would be to ensure the HSW management system is aligned to the international standard ISO 40001: 2018 and report on the key parts of the operating system.

A risk to the organization with the current approach is some components of the operating system are not well integrated. The Health, Safety and Wellbeing Manual has been superseded creating online versions of the systems and processes in the HSW Portal. The Portal gives a good description of each component of the HSW system, such as emergency management, risk management, contractor management, and injury and incident management.

The PeopleSafe online tool does have risk management processes but it doesn't link back to a risk register so risks are categorized in risk groupings. All hazard/risk reports have a risk plan created for them, even if they are existing risks, and are shown in the dashboard. They are not categorized so it is difficult to quickly understand the types of risks that the workers face and the frequency, eg psychosocial risks, environmental risks.

Without the linkages to risk groupings, it will be difficult to understand the HDC's HSW risk profile and the organization will struggle to know whether controls and initiatives are effective and making any difference towards creating a safer workplace. This has implications when HDC needs to provide due diligence assurances to ensure it is meeting its Officer and PCBU requirements.

As the management of risks is fundamental to the operation of any health, safety and wellbeing system, it may be timely to review whether the current online health and safety system is still fit for purpose. A general observation, not specific to HDC, is how an online system is configured can enhance or constrain the effective management of health, safety, and wellbeing.

#### **2021 RECOMMENDATIONS:**

#### Ongoing

- Add a column in the risk register as to how the controls will be verified for effectiveness. Each
  control should then have a methodology as to how it can be verified. For example, staff inspecting
  roading sites should have completed certain training and their training should be documented. A
  process should be developed to easily verify all staff associated with this risk have the correct
  training, and any gaps highlighted.
- Consider reviewing the risk register to make sure the hierarchy of controls are correct for each individual control and the correct HDC and external guidance is referred for specific risks.

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 Consider creating a health and safety document framework that fits HDC's current health and safety requirements.

#### Completed or no longer valid

- Consider reviewing the five critical risks documented in the FAR report. The risks do not seem to
  align with the business risks. Information on the risks should also cover how the controls are
  verified. It would be also useful to provide information on which business units are affected by
  these risks and what is considered the level of risk.
- The FAR Committee delivery objectives were that critical risk action plans would be developed for
  every work group where critical risk or high probability risk has been identified. Review how this
  objective is tracking.
- Ensure any tools developed by the roading team, or other teams, to inspect or assess contractor's
  health and safety work and performance, are able to collect data that is useful for the business.
  Information such as the types of critical risks that contractors are exposed to or create in their work,
  and frequency would be useful for the HSA to collate as a potential lead indicators. This could
  inform the effectiveness of controls and how work is being performed safely.
- Consider a method of exception reporting to verify whether all relevant staff are now vaccinated.
- Consider strengthening HDC's health and safety contractor review processes as there is still a
  reliance on the contractor's assessment and inspection processes.
- Consider exploring the work programme concerns that were raised by a member of the Horowhenua Alliance.

#### 2023 RECOMMENDATIONS:

To improve performance, Horowhenua District Council could:

- Initiate a systematic and regular reassessment of key HSW risks across HDC, aligning with best practices and international standards. Develop a structured process for updating the hazard and risk register and integrate it with the online health and safety system, so it reflects the current organisational context and emerging issues.
- Ensure the health, safety and wellbeing operating system aligns with the Health and Safety at Work Act 2015 and its regulations (HSWA) and international standards, such as ISO 45001:2018. Ensure that the documented HSW risk management process is integrated into the overall operating system.
- Introduce a comprehensive risk management dashboard that presents the top 5 to 10 critical risks, providing a snapshot view of HDC's risk profile. Regularly update and communicate the dashboard to key stakeholders, including ELT and RAC to facilitate informed decision-making.
- 4. Develop strategies to ensure best practice controls using hierarchy of controls are consistently in place for each identified risk in every business unit. Consider creating health and safety risk heat maps to visualize critical risks and their management across different units.
- Review the online health and safety system to ensure it is still fit for purpose for the effective management of risks and verification of controls.

#### **GUIDANCE AND ADVICE - RISK MANAGEMENT:**

The guidance below may provide you with some improvement ideas.

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Government Health and Safety Lead on critical risk management - <a href="https://www.healthandsafety.govt.nz/a-z-topics/critical-risk-management/">https://www.healthandsafety.govt.nz/a-z-topics/critical-risk-management/</a>

 $Work Safe \ NZ-new \ guidance \ on \ managing \ risk \ at \ events- \ \underline{https://www.worksafe.govt.nz/topic-and-industry/event-management/managing-risks-at-events/}$ 

WorkSafe Tasmania – updated guidance 4 steps to manage risks includes checklists and forms <a href="https://worksafe.tas.gov.au/topics/Health-and-Safety/managing-safety/getting-your-safety-systems-right/4-steps-to-manage-hazards-and-risk">https://worksafe.tas.gov.au/topics/Health-and-Safety/managing-safety/getting-your-safety-systems-right/4-steps-to-manage-hazards-and-risk</a>

Umbrella: Psychosocial risk management and governance responsibilities - <a href="https://umbrella.org.nz/psychosocial-risk-management-and-governance-responsibilities/">https://umbrella.org.nz/psychosocial-risk-management-and-governance-responsibilities/</a>

Business Leaders Health and Safety Forum Risk toolkit for CEOs – guidance updated May 2023 <a href="https://www.forum.org.nz/resources/insert-resource-page-thirteen-2/">https://www.forum.org.nz/resources/insert-resource-page-thirteen-2/</a>

Health and Safety Executive UK steps needed to manage risk - <a href="https://www.hse.gov.uk/simple-health-safety/risk/steps-needed-to-manage-risk.htm">https://www.hse.gov.uk/simple-health-safety/risk/steps-needed-to-manage-risk.htm</a>

WorkSafe – industry specific information on health and safety risks: http://www.worksafe.govt.nz/worksafe/hswa/risks-by-industry

BLHSF – Identifying critical health and safety indicators <a href="http://www.zeroharm.org.nz/assets/docs/our-work/monitoring/Monitoring-what-matters.pdf">http://www.zeroharm.org.nz/assets/docs/our-work/monitoring/Monitoring-what-matters.pdf</a>

OHS Body of Knowledge – Detailed information on health and safety risk: <a href="http://www.ohsbok.org.au/wp-content/uploads/2013/12/31-Risk.pdf?x71776">http://www.ohsbok.org.au/wp-content/uploads/2013/12/31-Risk.pdf?x71776</a>

Great Place to Work - UK Guidance

http://www.greatplacetowork.co.uk/storage/Publications/wellbeing and culture final 011216.pdf





# **Dive Risks**

The assessment looked in depth at how Horowhenua District Council manages:

- Deep Dive Risk 1 Working Alone and working in isolation
- Deep Dive Risk 2 PCBU/Contractor Activities
- Deep Dive Risk 3 Mental Health and Wellbeing

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# **Deep Dive Risk 1: Working alone and working in isolation**

#### **KEY FINDINGS:**

HDC approved a Working Alone Policy in October 2020 and is continuing to use this as a framework for working alone and working in isolation. The policy acknowledges the diversity of work undertaken at HDC and tasks managers and workers to apply the working alone procedures that are most achievable, but which eliminates or minimises the greatest risk for that situation.

The policy acknowledged a "blanket" approach to Working Alone was not appropriate or realistic. The processes outlined in the policy were designed to provide options for the manager and worker to be adapted to the needs of the situation whilst eliminating or minimising as much risk as possible.

Minimum processes that need to be in place were a 'failure to check in procedure'. This is a procedure that determines clear steps for what will occur when a worker fails to check in with the Manager or designated contact as had been agreed. The Failure to Check in process must be communicated to all involved parties so there is clear awareness of personal responsibilities and the actions required to be undertaken should a worker fail to check in, and that the matter is appropriately escalated in a timely manner.

A failure to check in will result in a managerial investigation to determine why the agreed process parameters with the worker were not followed.

The policy also outlines working alone processes which can be adapted to suit the situation. These include:

- Buddy systems
- Check in system
- · Monitoring system that involves a contact centre or security
- Movement logs
- Cellphone location tracking
- SMS texting
- Radio transmitter handheld RTs
- Vehicle GPS systems
- Using the register of risky properties and people
- Body cameras for some front facing and enforcement staff.

Where there were after hours meetings, security staff were kept on and could walk HDC staff to their car. The buildings were also closed to the public.

The policy did not appear to have a means of ensuring all business units with staff working alone or in isolation had a documented plan in place.

Examples of procedures are:

- after hours meetings in the Civic Building have security staff available to kept on who can walk HDC staff and elected members to their vehicles. The buildings were also closed to the public.
- Systems available to check addresses for any flagged issues before going to a property.
- Animal control officers wearing body cameras for all external call outs.
- Public have to make appointments to visit the pound during opening hours.

The policy is silent on how it will measure whether teams have plans in place, and how controls will be verified for effectiveness. The HSL and Komiti Oranga may wish to consider having an easy-to-read matrix

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to establish which methods each team are using to assist with assessing whether the risk is being effectively managed. This could build on work already completed to understand activities and situations where teams may have to work alone or work in isolation.

In focus groups, staff discussed working alone processes which included: Eroads, updating your work calendar, buddy systems, if out of range with cell phones and have a check-in process. They were also able to have live video streams from I-pads.

They discussed having a buddy after hours and being able to use the Palmerston North contact centre.

Significant work is underway to redesign the reception area of the main Civic after an assault on a senior staff member. An access security review took place took place to limit the risk of anyone entering the Civic Building by tailgating a staff member using an access card outside of core business hours.

The following controls were in place for service desk staff: two staff available, camera systems, desks screens, a duress alarm. team procedures for working at the front desk, training for de-escalation, situational safety and armed robbery.

A member of Komiti Oranga is leading a project for implementing lone worker devices into the workforce. These are being trialled with the animal control initially.

At a focus group with animal control staff, they discussed when they might have to work alone. This was usually if they were on call as they generally worked in pairs. If the on-call situation was too much for them, they could call in their supervisor, use the bob in and bob out service with PNCC Contact Centre, and they could call the Police if the animal was heading towards the state highway.

They discussed trialling the Stay Safe app but weren't sure if was the right tool for them for after hours. They suggested they could call on Amour Guard who are contracted to respond to noise control issues.

The animal control team were updating their procedures for some core tasks such as barking complaints, wandering dogs, dog aggression, dog attack, owners collecting dog from the pound, and wandering stock and other animals. In 2023 they also updated their dog euthanasia process and pound protocols.

HDC did withdraw contractors from the Levin Lake area due to ongoing unacceptable behaviours from members of the public. HDC believed the risk was too high to the contractors and the area was isolated.

In a focus group with staff operating from the Te Takeretanga o Kura-hau-pō is Levin's Culture and Community Centre, they had some concerns about minimal staffing in the weekends. They did have duress alarms and were able to call police to have individuals removed. They could also trespass people as well. Other tools were security, training on dealing with difficult customers, and a siren and strobe light which allowed staff to look in the CCTV system to what's going on in the public areas. The consensus was the shared space allowed them to support each other with respect to unacceptable behaviours.

In a focus group with operations staff a concern for some staff was the use of two different working alone apps for different companies that could potentially create a risk during call outs. This could be explored in relation to shared health, safety responsibilities. However, the HSL was clear there was only one system HDC were trialling, and that was the Stay Safe App.

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#### 2021 RECOMMENDATIONS:

#### Ongoing

To improve performance, Horowhenua District Council could:

- Consider creating some measures for the ELT and RAC report around how many business units have staff who work alone, how many business units have procedures in place, and what training has taken place.
- Work with the business units to develop their specific procedures based on the policy and best
  practice controls covered off by the Working Alone Policy. The plans would need to be developed
  in conjunction with staff and the relevant staff be trained on how to implement the plans.

#### Completed

 Ensure a process is put in place so HDC know which staff may be expected to work alone or in isolation, and that they all have plans in place that conform to the Working Alone Policy.

#### **2023 RECOMMENDATIONS:**

- Ask business units to undertake a review to capture all staff who work alone, including staff who
  work alone intermittently. This could also include travelling to community meetings for Elected
  Members and other staff.
- Ensure the guidance outlines what the minimum requirements are for working alone and working in
  isolation that teams need to have in place. These requirements don't necessarily need to be in the
  policy, but if HDC is giving teams flexibility to use the tools available, staff need to know what tools
  are available to them and not have to search for the information.
- The policy should cover how HDC will measure whether the plans teams have in place are
  effective and meet minimum requirements.
- The HSL and Komiti Oranga may wish to consider having an easy-to-read matrix to establish which
  methods each team is using to assist with assessing whether the risk is being effectively managed.



# Deep Dive Risk 2: PCBU/Contractor Activities

#### **KEY FINDINGS:**

HDC's ELT updated and approved the Contractor Health and Safety Management Policy in January 2024 and is using this as a framework for PCBU and contractor activities. The Policy framework includes 'comprehensive procedures to ensure that all contractor's and sub-contractor's undertaking work for the Council are able to meet the management and compliance standards required to fully manage the level of risk of any Council work undertaken'.

The policy framework set standards to:

- select contractors based on their expertise, experience, competence and their work health and safety records;
- insist on a culture that demonstrates the contractor's commitment to safety;
- provide contractors with work health and safety information, instruction and training that is easy to
  understand and relevant to the workplace and work the contractors are required to perform; and
- maintain a register of approved contractors in SiteWise Contractor Prequalification database, who
  through due diligence have been assessed as being health and safety competent to carry out work
  or to tender for work at Council.

HDC has moved to using SiteWise as its contractor prequalification process. At the time of the previous assessment, the HSL oversaw the Health and Safety Contractor Register where contractors' details and pre-qualification information was collated. HDC use 98 contractors and report on the progress of SiteWise prequalification for contractors on the quarterly dashboard.

The HSL and other HDC staff members have worked with contractors to assist them meeting the requirements of the prequalification process.

The HSL have built good working relationships with other contractors' health and safety staff, such as Higgins and Recreational Services. They also reported they had good relationships with Police and other emergency services. They also participated in Emergency Management stakeholder meetings with FENZ, and provided health and safety support for community events.

As previously discussed, HDC have several long term contractors for key pieces of work and have established strong working relationships with these contractors and their staff members. A visit to Higgins yard and to a site in Shannon demonstrated the level of cooperation between the two organisations.

HDC operational staff had concerns about confined space entry, the age of some of HDC's infrastructure, and a discrepancy between the paperwork provided and what was happening onsite. All staff, both Horowhenua Alliance and HDC, who were required to do this work have entry permits confined space and working at heights. It may be useful to continue conversations with the staff with concerns to tease out the core issues to better problem solve solutions and create role clarity to define where responsibilities lie between organisations. Some positive things occurring were ongoing onsite assessments with 'fresh pairs of eyes', and the focus on mental health and wellbeing. They did note that there had been a step change in health and safety, and it was easier to get things done.

As with the previous assessment, number of ex contractor employees were now HDC employees, and ex-HDC employees had moved over to contractors. This was seen as a benefit as they were transferring their health and safety expertise and practices with them, which had improved health and safety overall.

There were regular established meetings between HDC contract managers and the companies who completed work on their behalf. During observations and interviews, it was clear the relationships were well

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established and the staff from each organisation worked well together and were clear about the health and safety expectations and practices.

Where there are established contractors from bigger companies, health and safety processes seemed to run smoothly. There were generally monthly catch-up meetings between the council contract manager and the contractor's representative. Where this was more intermittent use of a contractor company or the company was smaller, the health and safety processes to review health and safety performance onsite seems less defined. It could be useful to explore how smaller contractors are having health and safety performance onsite checked on a regular basis.

Health and safety practices continue to be embedded with community groups and volunteer activities, particularly within Parks and Properties. There was a Terms of Reference Agreement with each group that set out the responsibility of both parties including health and safety responsibilities. A staff member said there was pressure to get work done at a low cost and there were some things that couldn't be done by volunteers, even if they wanted to do it. An example was building a toilet block which required regulations.

Volunteers were used within the Community Hubs and there is an induction process in place. Health and safety procedures for volunteers require reviewing.

Evidence was provided that contractor inductions were taking place and being documented. The HSL provided evidence that regular site checks were completed.

Evidence was provided of an investigation of a parked truck rolling backwards at a roading site. The investigation was completed by the contractor in consultation with HDC. Findings were reported to the ELT. Reporting dashboards were created for RAC and ELT around management of contractors. The dashboards focussed on inductions, compliance to SiteWise,

As HDC use a range of contractors, other useful metrics would be percentage of total number contractors completing inductions, percentage of onsite health and safety reviews conducted for contractors and reporting on the major contractors in relation to risk management. Health and safety information about the Downer Alliance would be useful too.

Staff members who worked with the Downer Alliance said relationships had improved since they had collocated with HDC staff. A representative from Downer Alliance is also on the Komiti Oranga and agreed the Alliance participation was very useful. Other operational staff believed there was further work to do to streamline the health and safety practices of both organisations and the relationship still lacked role clarity about shared responsibilities.

#### 2021 RECOMMENDATIONS:

#### Completed

Undertake more work on upskilling managers on the HSWA requirements for overlapping duties.
 Evidence was provided that SiteWise presentations were delivered to managers in 2021 and 2022.

#### Ongoing

To improve performance, Horowhenua District Council could:

- Consider how HDC can embed a sustainable process to review health and safety on site practices
  of contractors.
- Ensure there is consistency in health and safety processes across all contractual arrangements.
- Refer to recommendations relating to contractor management in the risk management section.

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#### 2023 RECOMMENDATIONS:

- Review and update the Contractor Health and Safety Management Policy to ensure it is still fit for purpose and reflects HDC's contractor arrangements.
- Consider developing a volunteer guide or policy to assist HDC staff who work with community groups on projects.
- As HDC use a range of contractors, a range of metrics could be used to reflect how the health and safety contractor management processes were operating. It is more useful to use the percentage of total number contractors completing inductions, or having completed onsite health and safety reviews, rather than the number undertaken. Reporting on the major contractors, and Downer Alliance in relation to risk management would also be useful.
- Involve relevant operational staff in further engagement further to streamline the health and safety practices of both Downer Alliance and HDC to increase role clarity about shared responsibilities.

**GUIDANCE AND ADVICE: CONTRACTOR MANAGEMENT** 

The guidance below will provide you with some improvement ideas.

WorkSafe NZ – Overlapping duties - <a href="https://www.worksafe.govt.nz/managing-health-and-safety/getting-started/understanding-the-law/overlapping-duties/overlapping-duties-quick-guide/">https://www.worksafe.govt.nz/managing-health-and-safety/getting-started/understanding-the-law/overlapping-duties/overlapping-duties-quick-guide/</a>



# Deep Dive Risk 3: Mental Health and Wellbeing

#### **KEY FINDINGS:**

Since the 2021 assessment, HDC has prioritised the mental health and wellbeing of its staff. ELT is fully committed to a high engagement model where trust is reestablished with the workforce. Many examples of are already noted in this report. Staff were very complimentary about this approach.

A Workplace Wellbeing framework was developed and launched that focused on the eight aspects of wellbeing, one of those being occupational wellbeing. The framework is linked to the policy suite and other groups and roles within the workplace.

A range of initiatives have already been listed in this report, but the one that's made the most impact on staff is the quarterly wellbeing day. Staff have perceived this as a genuine expression of care by the ELT and Council.

As previously noted, wellbeing initiatives need to be linked back to identified psychosocial risks such as workload or unacceptable behaviours.

After an assault on a staff member, ELT and the Council issued a joint statement to unapologetically back their staff and stress it was not okay that HDC staff were being attacked.

HDC had noticed an increase in threatening behaviours across the front-line staff, including library staff, other frontline staff, and contractors working on rubbish removal and parks staff.

Every focus group discussed EAP service and there was good feedback. Resilience sessions and similar training had occurred during the last two years.

HDC had a range of policies that related to mental health and wellbeing. For example, The Dignity at Work Policy which outlined HDC's response to harassment and bullying in the workplace.

The Psychosocial Policy positioned psychological health as a health and safety issue and was managed in accordance with HDC's Workplace Psychosocial Health Guidelines. The Guidelines gave managers advice on how to support staff who may be experiencing mental health issues. A copy of the guidelines was provided and were the same guidelines as reviewed in in the 2021 assessment.

In operational areas staff reported high workloads and burnout that was exacerbated by staff turnover and recruiting new, inexperienced staff. It would be useful to raise discussions with operational staff about workload and burnout.

In 2022 and 2023, significant investment occurred in a range of training relating to mental health, deescalation, personal safety and resiliency training, OPSEC situational safety training, and advanced coping skills, Staff were also offered opportunities during the Mental Health Awareness Week in September 2023.

#### 2021 RECOMMENDATIONS:

#### Completed

Give managers more training on mental health and wellbeing, along with developing processes to
assist managers in identifying and dealing with any emerging issues with their staff or members of
the public. Some of the other councils are giving all their managers Mental Health 101 training or
Mental Health First Aid training.

#### Ongoing

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- Develop an overarching workplace mental health and wellbeing framework to dovetail into the soon to be developed wellbeing strategy. The framework should include:
  - Primary prevention: being intentional about creating an environment which removes some
    of the risk factors relating to increased workplace stress and other workplace factors that
    affect mental health and wellbeing.
  - Secondary prevention: ways to catch mental health issues at an early stage when they can be more straightforward to address
  - Tertiary prevention: working with employees with psychological problems to ensure they
    have the right support and the impact on their life can be mitigated.
- The framework should be specific about what its intended goals are and how the outcomes will be measured. This should also encompass any initiatives and activities that are launched.
- Build on the work already completed in the Psychosocial Policy to identify tools and resources
  available to workplaces to develop the mental health and wellbeing framework. Please refer to the
  Guidance and Advice: Mental Health and Wellbeing.

#### 2023 RECOMMENDATIONS:

To improve performance, Horowhenua District Council could:

- · ELT and mangers could front foot discussions with operational staff about workload and burnout.
- As previously noted, wellbeing initiatives need to be linked back to identified psychosocial risks such as workload or unacceptable behaviours.

#### **GUIDANCE AND ADVICE: MENTAL HEALTH AND WELLBEING**

The guidance below may provide you with some improvement ideas.

Business Leaders Health and Safety Forum: Mental Health and Wellbeing Resources <a href="https://forum.org.nz/resources/?category%5B%5D=7">https://forum.org.nz/resources/?category%5B%5D=7</a>

 $\label{lem:heads} \mbox{ Heads Up-Good practice Framework for Mental Health and Wellbeing in First Responder Organisations.} \\ \underline{\mbox{ https://www.headsup.org.au/docs/default-}}$ 

source/resources/323923 0416 bl1675 acc lr146142db5e846dcbbbd0ff0000c17e5d.pdf?sfvrsn=2

Mental Health Foundation - Our workplace mental wellbeing programmes, resources and campaigns help employers take an active approach to create flourishing workplaces. <a href="https://mentalhealth.org.nz/workplaces">https://mentalhealth.org.nz/workplaces</a>

NICE: National Institute for Health and Care Excellence - Workplace health: management practices: mental health at work. <a href="https://www.nice.org.uk/guidance/ng13/chapter/Recommendations#mental-wellbeing-at-work">https://www.nice.org.uk/guidance/ng13/chapter/Recommendations#mental-wellbeing-at-work</a>

Personnel Today - Occupational Health and Wellbeing: A Framework for Tackling Mental Health and Wellbeing at Work. https://www.personneltoday.com/hr/framework-tackling-mental-health-issues-work/

Wellplace NZ - Guidance on building a healthy workplace. https://wellplace.nz/

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## **Appendix A: Worker Summary**

Worker engagement is critical to good health and safety performance. This summary is designed to help businesses communicate with their workers about the results of their assessments. You may like to post this on your staff notice board, intranet, email out to your workers, or include it in your existing internal communication channels.

#### HOROWHENUA DISTRICT COUNCIL'S RECENT HEALTH AND SAFETY ASSESSMENT

Horowhenua District Council took part in a SafePlus Onsite Assessment in November 2023. The assessment aims to improve health and safety and help make sure that everyone gets home healthy and safe. It checks how well Horowhenua District Council has performed against the ten requirements that are important for good health and safety and provides advice on how to improve.

The Assessor visited the Horowhenua District Council Office in Levin, and the Library and Community Centre. Visits were also arranged to contractors' depots and to a road site where contractors were undertaking work. Interviews were conducted with Chief Executive, the Health & Safety Lead, Manager Business and Performance, Parks and Property Manager, HDC Mayor, and Elected Councillors.

Focus groups were conducted with the:

- Komiti Oranga (HSW Committee)
- Executive Leadership Team
- Third Tier Activity Managers
- Library and Community Centre
- Aquatic Centre Staff'
- Field staff and office-based staff
- Three Waters and Alliance Contract Staff.

The assessor accompanied the HDC Roading Operations Team Leader to site visits, and interviews were arranged with the Higgins Health and Safety Manager and Higgins contract managers. A road works site was visited - the work was discussed with workers and observations took place.

The Health and Safety Lead arranged for a visit to the Aquatic Centre to observe the workplace. A discussion took place with staff about their health and safety practices and management of difficult customers. A focus group took place at the Community and Library Centre with staff working at the site. A brief observation took place.

The assessment included a Deep Dive assessment on how the following risks are being managed:

- Working alone and working in isolation
- PCBU/contractor activities
- Mental health and wellbeing with an emphasis on aggressive behaviours from the public, unacceptable behaviours, and workload.

#### **HOW HOROWHENUA DISTRICT COUNCIL PERFORMED: HIGHLIGHTS**

#### **Senior Leader Commitment**

Horowhenua District Council (HDC), led by a new Chief Executive (CE), has undergone significant changes aimed at rebuilding trust, clarifying its purpose, and enhancing health, safety, and wellbeing (HSW). The CE initiated a quarterly wellbeing leave day, demonstrating a commitment to staff's welfare, which was positively received. The ELT and Council have shown alignment in their approach to HSW, with increased clarity on their roles which has contributed to reduced staff turnover. The ELT considers workforce management and staff wellbeing as HDC's the top HSW risk, emphasizing the importance of investing in people for high performance.

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Visible commitment to HSW is evident through ELT's support for the Health and Safety Lead, leadership visits to sites, and regular safety moments fostering an environment of trust and fairness. Deep dives into specific risks, such as people behaviour, showcase HDC's dedication to addressing unsafe practices and situations. The ELT's proactive response to unacceptable behaviours, security reviews, and facility-specific improvements further highlights their commitment.

Continual improvement is emphasised through the planned revision of the HSW Strategic Charter and the Health and Safety Action Plan. HDC engages external stakeholders in Komiti Oranga (Health, Safety and Wellbeing Committee) meetings, demonstrating a collaborative approach. The focus on managing psychosocial risks, resilience, and wellbeing reflects a forward-looking strategy.

Resource allocation includes a corporate action plan, strategic focus on wellbeing, and robust onboarding processes for Elected members. The Council has enhanced its understanding of HSW responsibilities, with regular reporting and crossovers between organisational and community health and safety efforts. Strong relationships with key contractors are evident, with regular communication and site visits, contributing to effective procurement processes. The organisation's commitment to staff support is demonstrated through well-established return-to-work and rehabilitation processes.

#### Worker Engagement

HDC effectively communicates HSW information through a range of channels, including a weekly staff email newsletter from the CE titled 'Monique's Weekly Words.' The organisation ensures visibility in various forums, such as all-of-staff team meetings, where the Health and Safety Lead (HSL) or Komiti Oranga (KO) address relevant topics. HSW is prominently featured at the front of the Organisational Performance Report presented to the full council, demonstrating the organisation's commitment. HDC is responsive to resolving disagreements and addressing issues, fostering a positive working environment.

Worker and Representative Engagement and Empowerment stand out as a key focus for HDC. Various channels, including Health and Safety Representatives (HSR) representation on KO, staff briefings, and safety walks, empower employees to actively participate in health, safety and wellbeing matters. The use of the 'Ask your Team' survey reflects HDC's commitment to an inclusive and collaborative approach. While the Komiti Oranga Working Agreement outlines roles and responsibilities, there's room for improvement in the structure of worker participation arrangements and information flow to ELT.

KO plays a pivotal role in facilitating cooperation between HDC and workers, emphasising health, safety and wellbeing. KO growth and proactiveness is evidenced by initiatives like the '5 Ways of Wellbeing,' and demonstrate a positive shift in health and safety culture. The KO Working Agreement addresses HSR training requirements. All staff expressed confidence to stop work if deemed unsafe and felt certain HDC would support their decision. Continued emphasis on communication, participation, and training will contribute to the organisation's ongoing success in worker engagement.

#### **Risk Management**

HDC uses a variety of methods to identify risks, including site inspections, reporting tools, contractor interactions, and regular hazard and risk register reviews. Despite these efforts, there is a need for a more systematic approach to continuously assess key HSW risks.

The risk assessment process at HDC utilises a risk matrix based on likelihood vs. consequence, with an Excel spreadsheet as a hazard and risk register and an online reporting tool that doesn't seem to apply the risk assessment methodology. However, there was ample evidence that issues raised were being resolved and staff were confident to report risks and incidents.

The HSW Portal gives a good description of each component of the HSW system, such as emergency management, risk management, contractor management, and injury and incident management. The HSW risk management process should also align to ISO 45001:2018 – Occupational health and safety management systems, and potentially ISO31001: Risk management – Guidelines, provides principles, a

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framework, and a process for managing risk.

Controls for identified hazards and risks are in place, with a hierarchy of controls applied. However, there is room for improvement in verifying the effectiveness of controls, especially through regular assessments and a dashboard presenting the top 5 to 10 critical risks. Strengthening the link between reported risks, investigations, and a comprehensive risk management framework is essential and will be difficult to achieve without an integrated approach to managing risks across the workplace.

While processes exist to check controls in certain areas, ensuring the effectiveness of controls systematically across all business units remains an area for development. Regular meetings and site checks with established contractors is working well. Further work could take place with contractors used intermittently to ensure there are methods to check their health and safety performance on site.

#### WHAT HOROWHENUA DISTRICT COUNCIL COULD FOCUS ON NEXT

#### Senior Leader Commitment

Develop and implement a comprehensive framework for managing and mitigating psychosocial risks given the focus. This could include specific training programmes, resources for employees to manage stress and mental health, and protocols for addressing issues arising from social media interactions. Regularly evaluate the effectiveness of these measures and adjust strategies accordingly.

Develop strategies to ensure best practice controls using hierarchy of controls are consistently in place for each identified risk in every business unit. Consider creating health and safety risk heat maps to visualize critical risks and their management across different units.

Although there's a lot of HSW activity taking place, to strengthen the HSW system, ELT should clearly articulate and champion HDC's top 5 to 10 critical HSW risks. HDC should also have a systematic process to verify the effectiveness of HSW risk controls and methods to measure whether their approach to managing specific risks is decreasing the likelihood of potential harm occurring.

Integrate risk management framework components, such as the online health and safety tool, the risk register, and methods to verify controls, and proof the framework is reducing the likelihood of harm occurring.

The focus on managing psychosocial risks, resilience, and wellbeing reflects a forward-looking strategy. However, there is a call for more clarity on critical HSW risks, and a systematic approach to verifying controls' effectiveness is lacking.

#### Worker Engagement

Enhance the Komiti Oranga Working Agreement by specifying the representation structure for different business groups and improving the information flow and recommendation presentation to the ELT. This refinement will strengthen the effectiveness of worker engagement and participation in health and safety matters.

#### **Risk Management**

Introduce a comprehensive risk management dashboard that presents the top 5 to 10 critical risks, providing a snapshot view of HDC's risk profile. Regularly update and communicate the dashboard to key stakeholders, including ELT and RAC to facilitate informed decision-making.

ELT should establish a systematic process to identify and articulate the organization's top 5 to 10 critical HSW risks. Clearly communicate these risks across all levels of the organisation to ensure a shared understanding and focused efforts in managing and mitigating these priority areas.

Develop and implement a system for systematically verifying the effectiveness of controls related to critical HSW risks. This should include regular assessments, audits, and performance reviews to ensure that

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controls are not only in place but also actively mitigating the identified risks.

Note: More detailed recommendations are available in the full report.

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## **Appendix B: Disclaimer**

The recommendations and guidance in this report are based on the onsite assessment completed in a limited time and across limited parts of your organisation. While all due care has been taken in completing this report, Working Wise Ltd takes no responsibility for any omissions or inaccuracies.

We have aimed to tailor our recommendations and suggested guidance to the information your organisation provided to us. However, given the educative focus of the initiative, our approach has been to include recommendations and references to guidance that we think will benefit your continual improvement (even if there is a chance you are already aware of such information and advice from other sources). Working Wise Ltd is not responsible for the availability, contents, or reliability of the linked websites. Please note that the content may change without notice.

Your organisation is responsible for ensuring it meets its health and safety obligations under relevant legislation.

Recommendations and guidance in this report are intended to help you to improve in relevant areas but are not a substitute for specific health and safety or legal advice.

## **Crown Disclaimer**

Assessors have been accredited by an independent accreditation body, to provide advice on improving health and safety performance, using the SafePlus tool. SafePlus was jointly developed by WorkSafe New Zealand, ACC and the Ministry of Business, Innovation and Employment (MBIE). However, assessors act independent of those organisations and are not their employees, partners, or agents. Therefore, WorkSafe, ACC and MBIE do not accept any liability for the accuracy or content of the advice provided by assessors or endorse their performance judgement of a particular business.

#### **CONTACT DETAILS**

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## 7.4 Risk and Assurance Committee Work Programme

File No.: 24/288

## 1. Purpose

1.1 The purpose of this report is to provide the Risk and Assurance Committee with an outline of a Draft Work Programme for 2024/25.

#### 2. Recommendation

- 2.1 That Report 24/288 Risk and Assurance Committee Work Programme be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.
- 2.3 That the Risk and Assurance Committee supports the proposed Finance, Audit and Risk Committee Work Programme for 2024/25.

#### **Issues for Consideration**

2.4 The Risk and Assurance Committee work programme is attached for consideration.

#### **Attachments**

No.	Title	Page
A₫	Risk & Assurance Committee work Programme for 2024/25	157

#### **Confirmation of statutory compliance**

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

## Signatories

Author(s)	Ashley Huria  Business Performance Manager	Murica
		Asol

## Risk and Assurance Committee 15 May 2024



Approved by	Jacinta Straker Group Manager Organisation Performance	Jein Dier
	Monique Davidson Chief Executive Officer	David En



### Risk and Assurance Committee Work Programme

	Q1	Q2	Q3	Q4
Internal Audit / Treasury	Independent Treasury Report (Bancorp)	Independent Treasury Report (Bancorp)	Independent Treasury Report (Bancorp)	Independent Treasury Report (Bancorp)
	Monitoring Report  • Audit NZ • PwC Tax for internal audit • Other internal audit  Sensitive expenditure report  Treasury Risk Management Presentation-Bancorp  Standard & Poor's Report	Monitoring Report  • Audit NZ • PwC Tax for internal audit - (PAYE) • Other internal audit  Legislative Compliance Report  2023/24 Annual Report • Draft Annual Report • Audit Management Letter	Monitoring Report  • Audit NZ • PwC Tax for internal audit • Other internal audit - (Fraud)  Sensitive expenditure report  Insurance Risk Management presentation AON  Cyber Security	Monitoring Report  • Audit NZ  • PwC Tax for internal audit  • Other internal audit  Legislative Compliance Report
	Elected Member conflict of interest  Climate Change work programme  Conflict of Interest	PwC Tax Governance Presentation  Procurement Strategy – Potential internal Audit and findings (Internal Audit update)		
Risk Management	Risk Register	Risk Register	Risk Register	Risk Register
	Review Emergency Management effectiveness within the organisation	Whistle-blower policy		
Health, Safety and	Major Projects - potential  Dashboard Report	Dashboard	Dashboard	Dashboard
Wellbeing	H,S&W Action Plan	H,S&W Action Plan	H,S&W Action Plan	H,S&W Action Plan
	Deep Dive	Deep Dive	Deep Dive	Deep Dive
	(lone worker)	(Confined spaces, sprays, poisons etc)	Break down of key H&S incidents	(HR context and people management)
Other areas to focus on	<ul> <li>What is happening nationally and poten</li> <li>Financial Strategy</li> <li>Policies impacting risk for Council</li> <li>Key decisions of Council</li> </ul>	tial impacts for HDC		

Risk and Assurance Committee Work Programme



# **Exclusion of the Public : Local Government Official Information and Meetings Act 1987**

The following motion is submitted for consideration:

That the public be excluded from the following part(s) of the proceedings of this meeting.

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

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

C1 Risk Management - Risk Register

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	s7(2)(e) - The withholding of the information is necessary to avoid prejudice to measures that prevent or mitigate material loss to members of the public.	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.

In Committee Page 159