



Mackenzie

DISTRICT COUNCIL

Notice is given of an Audit and Risk Committee Meeting to be held on:

Date: Tuesday, 21 June 2022

Time: 9.30am

Location: Council Chambers

Fairlie

AGENDA

Audit and Risk Committee Meeting

21 June 2022

Note: This meeting will be digitally recorded by the minute-taker .

Audit and Risk Committee Membership:

Bruce Mincham (Chair)
James Leslie
Stuart Barwood
Anne Munro
Graham Smith
Emily Bradbury
Murray Cox
Matt Murphy

The purpose of local government:

(1) The purpose of local government is—

- (a) to enable democratic local decision-making and action by, and on behalf of, communities; and
- (b) to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.

(2) In this Act, good-quality, in relation to local infrastructure, local public services, and performance of regulatory functions, means infrastructure, services, and performance that are—

- (a) efficient; and
- (b) effective; and
- (c) appropriate to present and anticipated future circumstances.

(Local Government Act 2002)

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- 1 OPENING AND KARAKIA**
- 2 APOLOGIES**
- 3 DECLARATIONS OF INTEREST**
- 4 VISITORS**

5 REPORTS

5.1 MINUTES OF AUDIT AND RISK COMMITTEE MEETING - 5 APRIL 2022

Author: Arlene Goss, Governance Advisor

Authoriser:

Attachments: 1. Minutes of Audit and Risk Committee Meeting - 5 April 2022

RECOMMENDATION

1. That the Minutes of the Audit and Risk Committee Meeting held on Tuesday 5 April 2022 be received and confirmed as an accurate record of the meeting.



Mackenzie

DISTRICT COUNCIL

Unconfirmed MINUTES

Audit and Risk Committee Meeting

5 April 2022

**MINUTES OF MACKENZIE DISTRICT COUNCIL
AUDIT AND RISK COMMITTEE MEETING
HELD ON ZOOM
ON TUESDAY, 5 APRIL 2022 AT 1.30PM**

PRESENT: Mr Bruce Mincham, Deputy James Leslie, Cr Stuart Barwood, Cr Anne Munro, Mayor Graham Smith, Cr Emily Bradbury, Cr Murray Cox, Cr Matt Murphy

IN ATTENDANCE: Angela Oosthuizen (Chief Executive), David Adamson (Acting General Manager Operations), Paul Numan (General Manager Corporate), Alexis Gray (General Manager People and Culture), Arlene Goss (Governance Advisor), Sandy Hogg (Finance Manager), Joni Johnson (Engineering Manager), Keiller Macduff (Timaru Herald).

1 OPENING

The chairman opened the meeting.

2 APOLOGIES

There were no apologies.

3 DECLARATIONS OF INTEREST

There were no declarations of interest.

4 VISITORS

Chris Genet from Audit New Zealand attended the meeting on Zoom.

5 REPORTS

5.1 MINUTES OF AUDIT AND RISK COMMITTEE MEETING - 14 DECEMBER 2021

COMMITTEE RESOLUTION AUD/2022/62

Moved: Mayor Graham Smith

Seconded: Cr Anne Munro

1. That the Minutes of the Audit and Risk Committee Meeting held on Tuesday 14 December 2021 be received and confirmed as an accurate record of the meeting.

CARRIED

5.2 REVIEW OF THE COUNCIL ANNUAL REPORT 2020/21 FOR COUNCIL ADOPTION

The purpose of this report was to inform the Audit and Risk Committee that the Council plans to adopt the 2020/21 Annual Report in accordance with section 98 of the Local Government Act 2002.

The Draft Annual Report was presented to the Audit and Risk Committee for review - with a staff recommendation that the Audit and Risk Committee then recommend to Council that they adopt the Annual Report.

Paul Numan introduced the draft Annual Report, which was still under review with changes to be made. He spoke about challenges faced in writing the report, including audit staff and council staff availability. He thanked the team for working very hard and compiling this in two months.

Mr Numan then outlined the contents of the report and noted Council achieved 77% of its non-financial performance targets.

The chief executive spoke about challenges faced by the council, including Covid in the community and central government changes. These are mentioned in the report.

The Mayor said it was consistent with achievement in previous years. Regarding the financial surplus before tax, this was less than previous years.

The chairman has reviewed the draft and sent some changes to staff. He suggested that staff be careful how they present some issues in the annual report, such as the Twizel kiosk and security system at the events centre, that didn't work. The chief executive said there was a project looking at the risks at the Twizel Events Centre with work ongoing.

Cr Munro asked if the non-financial targets were realistic, and if yes, how would council improve this in future? The chief executive said council could do better in the areas of water supplies and roading. She took the comment on board.

Cr Barwood would like to see the annual report feed into performance measures more closely.

Chris Genet from Audit New Zealand said he believed this was on track for adoption at the Council meeting next Tuesday. He acknowledged an improved process this time.

The audit opinion included a qualification related to a water testing performance measure, related to bacteria testing, due to results not being able to be obtained. The data base is no longer available to all councils, although Mr Genet said it was available on a pay basis.

The audit opinion also mentioned the issue of Three Waters Reform. This was a sector-wide precedent. Also property valuation of investment property – the market is volatile at the time of the report.

The chairman asked if there would be any changes to the numbers in the financial statements. Nothing major.

The chairman asked if there was a plan in place for the current year's Annual Report as we were close to June, 2022. There was a plan currently with the chief executive and early work was underway.

Were the staff resources available? A corporate planner has been employed. Looking to recruit a financial accountant. The chief executive said it was difficult to find an accountant and the current contractor may need to be retained further, if one could not be recruited. The chairman asked for this to happen earlier.

COMMITTEE RESOLUTION AUD/2022/63

Moved: Cr Anne Munro

Seconded: Mayor Graham Smith

1. That the Audit and Risk Committee receives this draft report and attachment.

CARRIED

COMMITTEE RESOLUTION AUD/2022/64

Moved: Mr Bruce Mincham

Seconded: Cr Stuart Barwood

2. That the Audit and Risk Committee reviews the 20/21 Draft Annual Report.

CARRIED

COMMITTEE RESOLUTION AUD/2022/65

Moved: Mr Bruce Mincham

Seconded: Mayor Graham Smith

3. That the Audit and Risk Committee recommends to Council that it adopts the 20/21 Draft Annual Report, subject to the known changes that have been requested to Audit New Zealand.

CARRIED

5.3 ANNUAL PLAN 2022-2023 PROCESS AND PROPOSED TIMETABLE

Sandy Hogg updated the committee on the proposed timetable. Council was not going out for consultation on the annual plan. She would be speaking to the community boards next week and hoped to have the draft annual plan adopted by Council on May 2, and final in June.

The chief executive thanked Sandy Hogg for her work at weekends in order to meet the statutory deadlines.

6 PUBLIC EXCLUDED**RESOLUTION TO EXCLUDE THE PUBLIC****COMMITTEE RESOLUTION AUD/2022/66**

Moved: Cr Anne Munro

Seconded: Cr Stuart Barwood

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

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under

section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
6.1 - Long Term Plan 2021-2031 Audit Fee Recovery	s7(2)(i) - the withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) s7(2)(f)(i) - the withholding of the information is necessary to allow free and frank expression of opinions by or between or to members or officers or employees of any local authority	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
6.2 - Risk Management Report	s7(2)(c)(ii) - the withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
6.3 - Minutes of Public Excluded Audit and Risk Committee Meeting - 14 December 2021	s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

CARRIED

COMMITTEE RESOLUTION AUD/2022/67

Moved: Mayor Graham Smith

Seconded: Deputy James Leslie

That the Audit and Risk Committee moves out of closed meeting into open meeting.

CARRIED

The Meeting closed at 3.08pm.

The minutes of this meeting were confirmed at the Audit and Risk Committee Meeting held on 21 June 2022.

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CHAIRPERSON

5.2 REVIEW OF THE COUNCIL ANNUAL PLAN 2022/23 FOR COUNCIL ADOPTION

Author: Paul Numan, General Manager Corporate Services

Authoriser: Paul Numan, General Manager Corporate Services

Attachments: 1. Annual Plan 2022-23 FINAL [↓](#) 

Council Role:

- ☒ **Advocacy** When Council or Committee advocates on its own behalf or on behalf of its community to another level of government/body/agency.
- ☒ **Executive** The substantial direction setting and oversight role of the Council or Committee e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
- ☐ **Legislative** Includes adopting District Plans and plan changes, bylaws and policies.
- ☐ **Review** When Council or Committee reviews decisions made by officers.
- ☐ **Quasi-judicial** When Council determines an application/matter that directly affects a person's rights and interests. The judicial character arises from the obligation to abide by the principles of natural justice, e.g. resource consent or planning applications or objections, consents or other permits/licences (e.g. under Health Act, Dog Control Act) and other decisions that may be appealable to the Court including the Environment Court.
- ☐ **Not applicable** (Not applicable to Community Boards).

PURPOSE OF REPORT

The purpose of this report is to inform the Audit and Risk Committee that the Council plans to adopt the 2022-2023 Annual Plan pursuant to section 95(1) of the Local Government Act 2002 on 28 June 2022.

The Annual Plan is now presented to the Audit and Risk Committee for review - with a staff recommendation that the Audit and Risk Committee then recommend to Council that they adopt the Annual Plan.

STAFF RECOMMENDATIONS

1. That the Audit and Risk Committee receives this report and attachment.
2. That the Audit and Risk Committee reviews the 22/23 Annual Plan.
3. That the Audit and Risk Committee recommends to Council that it adopts the 22/23 Annual Plan at the Council meeting on 28 June 2022.
4. That the Council agrees that the Chief Executive be delegated authority to make minor editorial changes to the Annual Plan 2022-2023 document ahead of the Annual Plan being provided to the Council for adoption.

EXECUTIVE SUMMARY

The Long-Term Plan 2021-2031 (LTP) was adopted by Council on 14 December 2021. This lays out Council's strategic intent and direction for the 10 years from 2021-2031. The Plan brings together information about how the Council will work towards its strategic direction including community outcomes and wellbeing through the provision of its activities. It is the blueprint for the delivery of our services over the next ten years.

Extensive consultation is not required for the draft Annual Plan 2022-2023 (DAP) as it aligns with the direction set in the LTP. Council has previously agreed to providing information to the Community on the DAP.

The second year of the Long-Term Plan 2021-2031 forecast 17.3% rates increase. The Council has resolved to reduce the rates increase to 17%. This lower-than-forecast rate increase is due to the Council looking at its proposed work programmes and prioritising work in order to still meet its obligations to the community as a responsible manager as well as to maintain infrastructure services to a level that the community expects.

Council's 2022/23 Operating Revenue is \$26.9 million compared to \$26.7 million in the corresponding LTP forecast. The variance of \$228,000 is primarily driven by increases in the Roding subsidy from Waka Kotahi (NZTA) of \$270,000.

Operating Expenditure has also increased to \$24.5 million from the LTP forecast of \$23.6 million. This change reflects increased Personnel Costs of \$357,000 and Other Expenses of \$732,000 to ensure Council has the capacity to deliver our core services and upgrades on schedule; offset by decreases in Finance Costs and Depreciation/Amortisation expenses \$53,000 due to the timing and re-budgeting of capital projects and loan drawdowns.

The result is a net Operating Surplus of \$2.4 million compared to the LTP forecast of \$3.1 million.

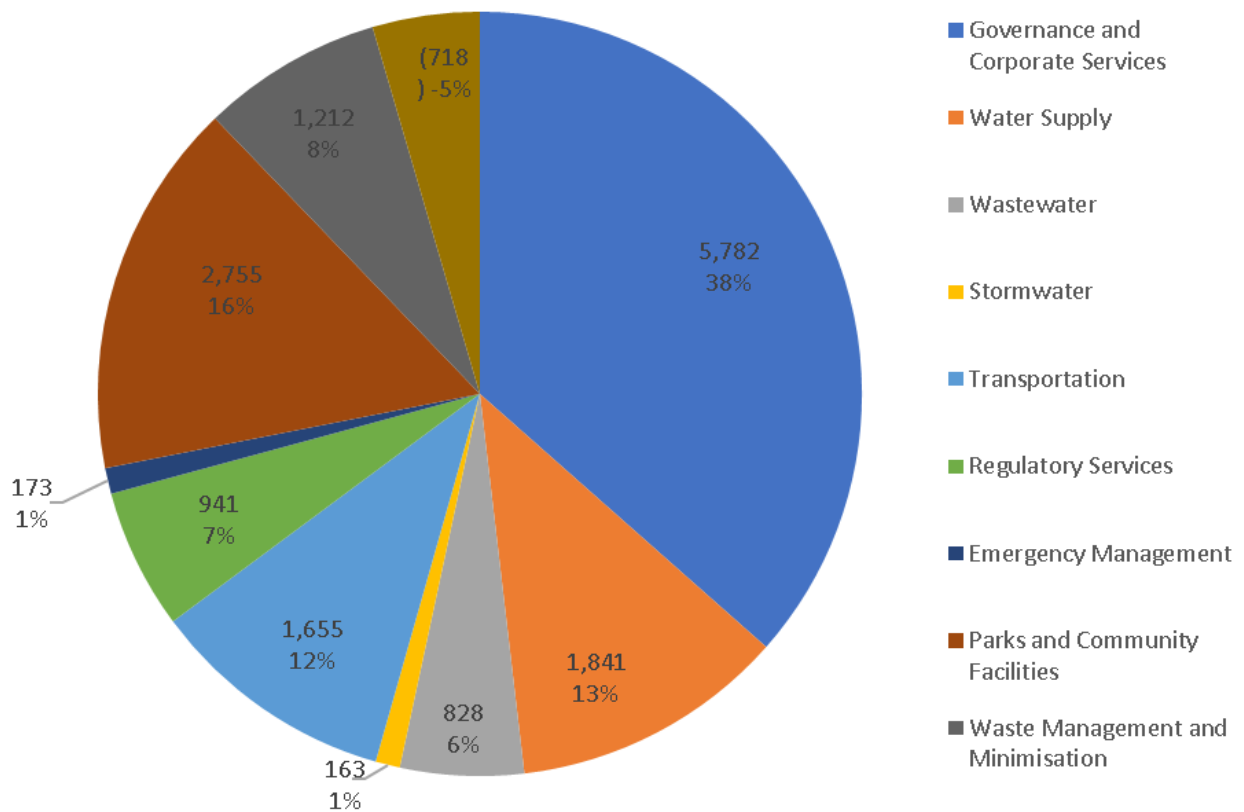
Council's Financial Position is budgeted to remain strong at the end of the financial year. Net Assets are forecast at \$316.3 million which is \$108,000 lower than LTP projections. The re-scheduling of capital projects has driven the main variances which are lower balances for Cash and Short-term Investment \$4.7 million; offset by increased Property, Plant & Equipment \$2.7 million, and reduced Borrowings \$2.7 million.

On the 17th May 2022 the Council formally adopted the draft Annual Plan 2022/23 and also delegated authority to the Chief Executive to make minor editorial changes ahead of the Annual Plan being provided to the Community for information.

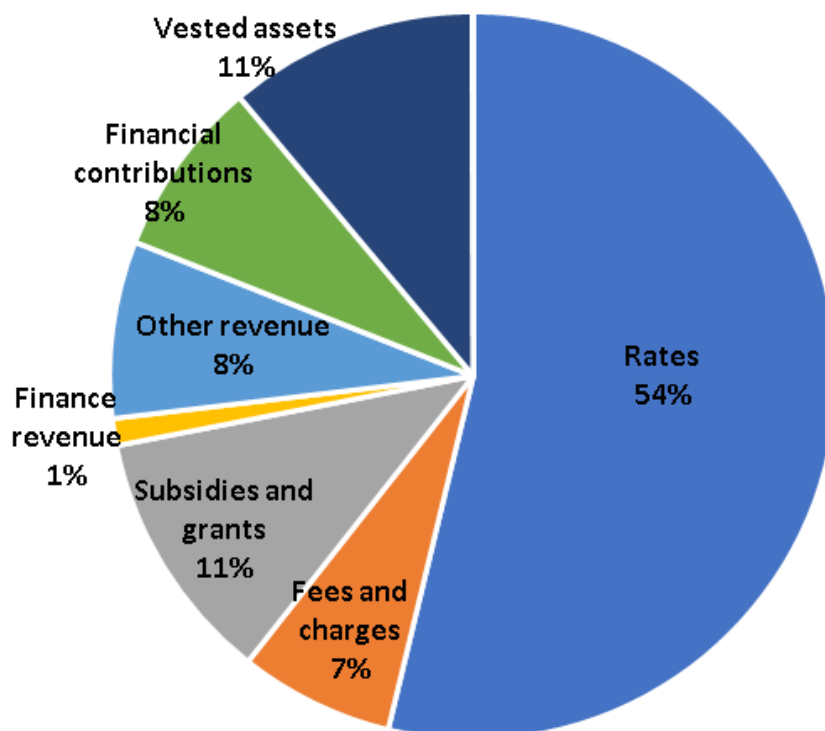
Since the Council meeting on 17 May the following changes have been made;

- Page 65 – Prospective statement of movements in equity.
- Page 66 – Prospective statement of financial position.
- Equity was incorrectly showing in the draft report – this has now been corrected and balanced.
- Page 80 – Allandale water fixed charge. Allandale water rate factor updated as draft report had used higher divisors – rate in the dollar has increased to reflect this change.

Page 81 – Downlands water supply. Rates in the dollar changed from draft as a result of factors being confirmed from Timaru District Council. These have been updated and included in the attached version of the Annual Plan.

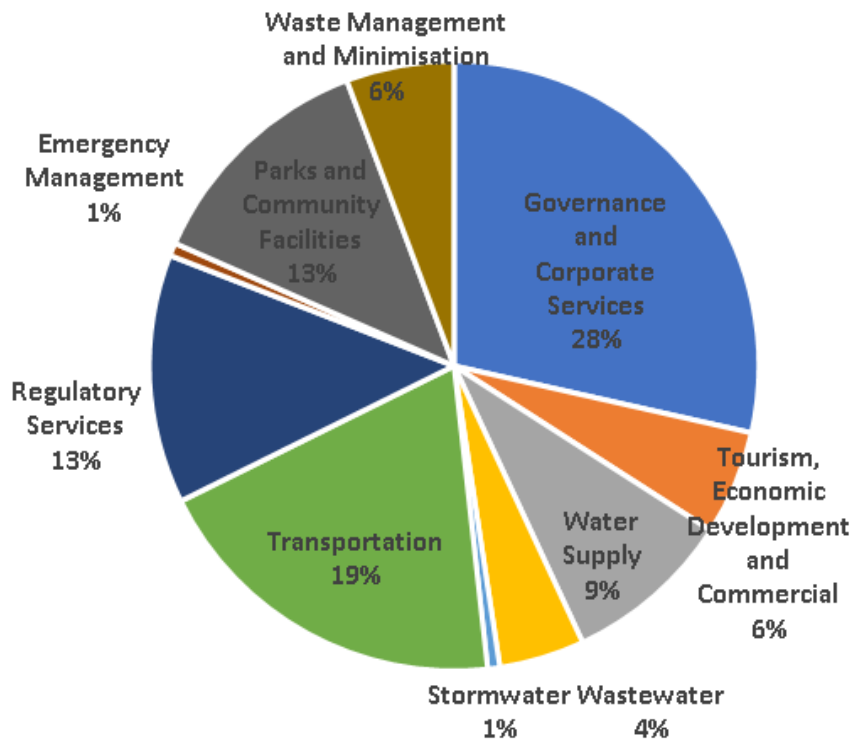
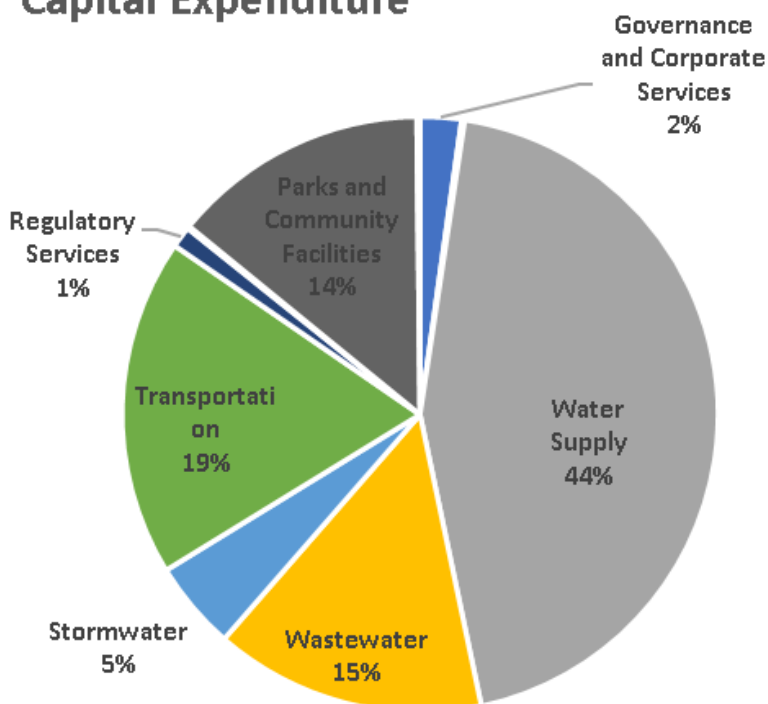
Share of Rates**Where does Council's money come from?**

Expenditure is paid for from a mix of rates, fees, interest and dividends on Council's investments, and external sources such as financial assistance from government agencies. The graph shows where the money will come from in 2022/23.



What does council spend money on?

The following graphs show what the Council will be spending during the year – both operating expenditure for the day to day running of services and facilities as well as capital expenditure to improve services and facilities.

Operating Expenditure**Capital Expenditure**

OVERVIEW**High level Plan for the Draft Annual Plan 2022-23**

Dates		Process	Status
1 November 2021	29 November 2021	LTP model transferred to Magiq Performance and Budget model for 2022-2023 initialised in Magiq	Complete
10 November 2021		Draft Annual Plan Timetable to Executive	
30 November 2021	24 December 2021	Budget Training and Budget Templates available for managers and draft budgets completed	Complete
14 January 2022		Budgets to Executive for review	Complete
20 January 2022		Executive meeting to review draft budgets	
24 January 2022	28 January 2022	Budget collation, indicative rates and variance analysis (significant or material) Pre-engagement with Community Boards for potential community projects, Albury Water Supply and Downlands Water Supply for draft budgets	Complete
8 February 2022		Council Workshop - draft budgets	Complete
9 February 2022	25 February 2022	Required changes to budgets made and final draft rates modelling with variance analysis	Complete
15 March 2022		Council Workshop – revised budgets and confirmation of rates impacts and variances from LTP Year 2	Complete
15 March 2022	14 April 2022	Draft Annual Plan preparation	Complete
11 April 2022		Twizel Community Board – budgets presented (info only)	Complete
13 April 2022		Tekapo Community Board – budgets presented (info only)	Complete
14 April 2022		Fairlie Community Board – budgets presented (info only)	Complete
19 April 2022		Draft Annual Plan – workshop on information excluding financials	Complete
15 March 2022	28 April 2022	Preparation of final financials including rating definitions, sample rates etc.	Complete
19 April 2022	28 April 2022	Annual Plan Preparation post Council workshop	Complete
19 April 2022	28 April 2022	CE and Mayor introduction to Annual Plan prepared	Complete
17 May 2022		Draft Annual Plan – adoption by Council	Adopted
18 May 2022	8 June 2022	Information to Community with annual plan summary	Complete
18 May 2022	8 June 2022	QA Review of Annual Plan	Complete
8 June 2022		Circulate final draft Annual Plan to Councillors	Complete
15 June 2022	19 June 2022	Prepare media release, website, Facebook, adverts in Accessible/Update/Tekapo Scene	Complete
21 June 2022		Annual Plan for review by Audit and Risk	Today
28 June 2022		Council meeting – adopt Annual Plan, Rates resolution	
28 June 2022		Circulate AP, website, media release	
30 June 2022		Send to Statutory parties	

Funding our Future - why Rates have to increase?

1. Adequately fund the required levels of service in township maintenance to meet community and visitor expectations
2. Tackle a capital and operational maintenance programme that includes road safety improvements, maintains accreditation for building control, maintains council property to required building standards and to ensure we meet legislative requirements for services such as management of swimming pools and animal control
3. Resource appropriately so we can deliver key projects with short timelines set by Central Government
4. Fund compliance requirements for the Fairlie Council Building and the Twizel Events Centre to ensure we provide safe and resilient facilities for our residents to use
5. Begin a complete review of the Mackenzie District Plan
6. Address additional Central Government requirements, particularly new Drinking Water Standards requiring higher service levels in terms of treatment
7. Increased associated costs (depreciation and interest payments) for increased capital expenditure

The 2022-2023 Budget process

When budget holders first entered their 2022-2023 budgets prior to Executive review the rates increase was initially indicated to be significantly higher over the 2021-2022 year and above the Year 2 LTP.

Budget holders were asked to re-look at their budgets and with Executive input the increase was reduced which was presented to the first council workshop.

From that workshop further reductions have been made that now has the draft rates increase at 17%.

The rates increase is in line with the Year 2 LTP – a small savings of 0.3%

With reductions made by budget holders and the Executive no level of service in any Council activity has been reduced.

2022-2023 Major Projects**Three Waters**

Water Supplies Reticulation \$1,621,000 - Includes the installation of universal water metering of connected properties to urban water supplies. Includes renewals – refurbishment, replacement of pipes and facilities equipment.

Water Supplies Treatment new \$4,919,000 - Includes the Fairlie Water Treatment Plant upgrade and storage.

Sewer Reticulation \$258,750 - Includes renewals – refurbishment, replacement of pipes and facilities equipment.

Sewer Treatment new \$517,500 - Disposal of effluent for the Tekapo Treatment Plant – investigate, consider resolution options, updating resource consents and implement and construct option.

Sewer Inlet Screens \$600,000 - Installation of inlet screens in Fairlie, Tekapo and Twizel.

Stormwater Reticulation \$414,000 - Includes renewals – refurbishment, replacement of stormwater assets

Parks and Community Facilities

District Wide Projects \$200,000 - Includes the implementation of Trail Strategy actions

Tekapo Township Development Plan \$205,000 - Implementation of the development plan.

Tekapo Playground Upgrades \$330,000 - Strategy projects including the upgrade of the Lakeside Drive playground and the design phase of the Tekapo Domain playground.

Lake Ruataniwha \$666,250 - Upgrade of the Lake Ruataniwha reserve.

Twizel Community Centre – Buildings \$257,000 - Improvements including – upgrading of the kitchen, recladding of the gym, replacement of the sprung hall floor and construction of additional storage areas.

Public Toilets \$274,000 - Includes the upgrade of A2O Trail toilets in Jollies carpark and the relocation of Pattersons Pond toilets.

Fairlie Swimming Pool Renewals \$177,000 - Includes the renewal and upgrade to the filtration and treatment system, accessible ramps and steps, fire exit door and chemical storage shed.

Regulatory Services

District Plan Review \$768,750 - To meet the cost of the District Plan Review.

Affordability of Rates

Affordability of rates is a key consideration of Council. The proposed rates rise equates to the following average increases per week per household:

Type	Actual 2021/22	New Capital Value	Proposed 2022/23	Rates Change	Rates Change Weekly
Fairlie - Mid Value Section	1,297.50	140,000	1,502.38	204.88	3.94
Fairlie - Low Value House	1,893.34	205,000	2,203.41	310.07	5.96
Fairlie - Mid Value House	2,308.05	350,000	2,683.34	375.29	7.22
Fairlie - High Value House	3,108.87	630,000	3,610.09	501.22	9.64
Fairlie - Commercial Mid Value	3,270.17	530,000	3,796.01	525.84	10.11
Fairlie - Commercial High Value	5,379.40	1,130,000	6,253.87	874.47	16.82
Fairlie - Accommodation Mid Value	2,327.48	290,000	2,659.45	331.97	6.38
Fairlie - Accommodation High Value	3,946.13	750,000	4,459.09	512.96	9.86
Fairlie - Secondary Mid Value	2,311.70	315,000	2,704.01	392.31	7.54
Fairlie - Secondary High Value	3,699.11	750,000	4,332.30	633.19	12.18
Tekapo - Mid Value Section	1,734.25	500,000	1,969.61	235.36	4.53
Tekapo - Low Value House	2,144.19	500,000	2,455.50	311.31	5.99
Tekapo - Mid Value House	2,640.53	860,000	3,022.77	382.24	7.35
Tekapo - High Value House	5,453.16	2,900,000	6,237.33	784.17	15.08
Tekapo - Commercial Mid Value	8,389.18	3,360,000	9,705.20	1,316.02	25.31
Tekapo - Commercial High Value	18,783.10	8,470,000	21,176.94	2,993.84	46.04
Tekapo - Accommodation Mid Value	3,186.67	850,000	3,519.08	332.41	6.39
Tekapo - Accommodation High Value	18,712.15	8,470,000	20,116.87	1,404.72	27.01
Tekapo - Secondary Mid Value	2,735.89	750,000	3,174.47	438.58	8.43
Tekapo - Secondary High Value	3,760.75	1,350,000	4,379.96	619.21	11.91
Twizel - Mid Value Section	1,314.76	265,000	1,505.43	190.67	3.67
Twizel - Low Value House	1,880.16	365,000	2,168.92	288.76	5.55
Twizel - Mid Value House	2,090.03	500,000	2,408.69	318.66	6.13
Twizel - High Value House	3,333.71	1,300,000	3,829.53	495.82	9.54

Twizel - Commercial Mid Value	3,644.73	1,010,000	4,208.95	564.22	10.85
Twizel - Commercial Mid Value	9,191.59	3,520,000	10,641.24	1,449.65	27.88
Twizel - Accommodation Mid Value	2,972.73	750,000	3,304.52	331.79	6.38
Twizel - Accommodation High Value	20,812.20	8,810,000	22,475.02	1,662.82	31.98
Twizel - Secondary Mid Value	2,725.70	750,000	3,177.74	452.04	8.69
Twizel - Secondary High Value	3,761.88	1,350,000	4,392.92	631.04	12.14
Rural - Low Value Township Section	369.28	50,000	414.33	45.05	0.87
Rural - Low Value Township House	800.55	175,000	932.27	131.72	2.53
Rural - Lifestyle Low Value	1,055.63	660,000	1,210.76	155.13	2.98
Rural - Lifestyle Mid Value	1,100.64	700,000	1,262.99	162.35	3.12
Rural - Lifestyle High Value	1,359.43	930,000	1,563.28	203.85	3.92
Farm Low Value – Sheep and Beef	1,370.69	940,000	1,576.34	205.65	3.95
Farm Mid Value – Sheep and Beef	5,179.42	4,325,000	5,995.90	816.48	15.70
Farm Mid Value - Dairy	9,629.50	8,280,000	11,159.66	1,530.16	29.43
Farm High Value – Cropping	16,628.12	14,500,000	19,280.67	2,652.55	51.01
Farm High Value – Sheep and Beef	21,466.39	18,800,000	24,894.88	3,428.49	65.93
Rural - Secondary Mid Value	1,403.92	750,000	1,653.31	249.39	4.80
Rural - Secondary High Value	2,203.92	1,300,000	2,609.76	405.84	7.80

Annual Plan Disclosure Statement

What is the purpose of this statement?

The purpose of this statement is to disclose the Council's planned financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

The Council is required to include this statement in its annual plan in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations) Section 101.

Refer to the regulations for more information, including definitions of some of the terms used in this statement.

Benchmark	Benchmark Quantified Limit	Planned	Met
Rates affordability benchmark	Total rates increase will be less than 9.00% plus inflation (LGCI)	17%	No
Debt affordability benchmark	Net debt to total revenue will not exceed 1.75	1.30	Yes
Balanced budget benchmark	100%	89%	No
Essential services benchmark	100%	268%	Yes
Debt servicing benchmark	10%	1%	Yes

1. Rates affordability benchmark

The Council meets the rates affordability benchmark if its planned rates increases equal or are less than its quantified limit on rates increases.

2. Debt affordability benchmark

The Council meets the debt affordability benchmark if its planned borrowing is within its quantified limit on borrowing.

3. Balanced budget benchmark

The Council meets the balanced budget benchmark if its planned revenue (excluding development contributions, vested assets, financial contributions, gains on derivative financial instruments, and revaluations of property, plant or equipment) equals or is greater

than its operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant or equipment).

4. Essential services benchmark

The Council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.

5. Debt servicing benchmark

The council meets the debt servicing benchmark if its planned borrowing costs equals or is less than 10% of its planned revenue (excluding development contributions, vested assets, financial contributions, gains on derivative financial instruments, and revaluations of property, plant or equipment).

SIGNIFICANCE OF DECISION

The Annual Plan is, in itself, of high significance as this contains the Council's budget for 2022/23, including its forecast financial, capital programme, operational plans and rates.

Extensive consultation is not required, as this DAP aligns with the direction set in the LTP. Council has previously agreed to providing the Community with information on the DAP.

While formal engagement is not required, it is still important for Council to communicate with residents about the progress being made on the LTP and the work planned for the year ahead.

Post adoption of the draft annual plan on 17 May 2022 - communication with the community was undertaken with the distribution of an Annual Plan Summary document on the Council website and key sites around the District. Elected members and Community Board members were also provided with copies.

CONSIDERATIONS

Legal

The most relevant legislation includes the Local Government Act 2002, Local Government (Rating) Act 2002 and the Rating Valuations Act 1998. The documents referenced in this report have been prepared to meet the legislative requirements.

Under Section 95(2A) of the Local Government Act 2002, if the proposed Annual Plan does not include significant or material differences from the content of the LTP for the financial year to which the proposed Annual Plan relates then Councils can choose not to formally consult.

Council's Significance and Engagement Policy:

- sets out the general approach Council will take to determine the significance of proposals and decisions relating to issues, assets or other matters; and
- provides clarity about how and when communities can expect to be engaged in decisions about different matters depending on the degree of significance Council and its communities attach to those matters.

This policy explains Council's approach to determining the significance or materiality of a decision and lists the thresholds, criteria and procedures that Council and its community will use in the assessment.

A decision about budgets, assets and other matters is significant if it will mean a material departure from existing policy. A difference or variation is material if it could, itself or in combination with

other differences, influence the decisions or assessments of those reading or responding to the engagement document.

Decisions made affecting the Annual Plan are not considered a material departure from our Long Term Plan 2021-2031.

Next Steps

The updated Annual Plan is attached as Appendix 1. The Annual Plan material is undergoing its final stages of review. If there are any late changes required to the documents as a result of this review by Audit and Risk, officers recommend that authority is delegated to Chief Executive to make minor editorial changes prior to the Annual Plan being provided to the Council for adoption on 28 June 2022.

CONCLUSION

The Audit and Risk Committee is asked to review the Annual Plan 2022/23 and to recommend to Council that they can adopt the Annual Plan at their 28 June 2022 Council meeting.

Annual Plan 2022/23



Mackenzie
DISTRICT COUNCIL

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Message from the Mayor and Chief Executive: Leading the change for future generations

At Mackenzie our team has focused on serving our community the very best we can. This Annual Plan sets out the projects and our direction for the next year. We have our sights focussed on the future and this year we plan to kick off the review of our District Plan and the implementation phase of Te Manahuna Ki Uta. These two projects are focussed on the long term and giving effect to some of the strategy we have developed for our reserves, trails and facilities.

We continue to balance our small ratepayer base against the ever increasing costs of meeting increasing government regulations and standards and an ongoing push to protect our natural environment for our locals, visitors and treaty partners.

In this plan we continue to strike a balance that ensures we can appropriately invest in and fund resilient infrastructure and deliver fit for purpose services, all while ensuring we make sure the district remains a place we are proud to call home.

In the LTP we said it was a time for change and we needed to fund our services, compliance requirements and meet new standards at higher levels than we have done previously. This year we continue to do this. We need to continue this to ensure our council can continue to function in a sustainable manner and provide the infrastructure and services our community needs.

For many in our community the past two years have been difficult; especially so for our tourist operators and accommodation providers with the borders remaining closed. As we move further into 2022, and hopefully with the first wave of Omicron is behind us, we will continue to be challenged with a slow tourism recovery, high inflation levels and supply chain logistics delays. We signalled a rates increase of 17% in the LTP and this is exactly where the rates increases have landed despite the increased inflation.

Central government is continuing to drive a wide reform agenda that includes changes to both the delivery of water services and the ownership of water infrastructure assets,

significant changes to the Resource Management Act (RMA), and a review of the future for Local Government. Keeping abreast of what this means and providing information and submissions on all of this adds to MDC's workload, which in turn means additional costs.

The significant projects were confirmed in the LTP last year; and this year we will commence or continue leadership of these workstreams and improvements for our communities:

- Delivery the Te Manahuna Ki Uta Destination Management Plan and commencing the next phase of this project
- Commencing a review of the District Plan Review and starting to give effect to the Spatial Plans
- Continuing to improve the condition of our Twizel event Centre and the Fairlie Civic office
- We continue to improve pool filtration/treatment of the Strathconan swimming pool and provide accessibility ramp upgrades and pool inflatables for the Twizel Pool
- Upgrading the Fairlie Water Treatment Plant and storage
- Completing the design work for the Tekapo Treatment Plant
- Installation of inlet screens in Fairlie, Tekapo and Twizel to ensure longevity of the desludging work in our oxidation ponds
- Upgrading the Tekapo Domain and Lakeside Drive Playground
- Installation of Twizel water meters to better understand water consumption for water conservation
- Lake Ruataniwha Reserve Management Plan and undertaking upgrades to achieve the community vision

MDC is committed to investing in our community and making decisions that ensure the Mackenzie District continues to be a unique and special place to live, work and play.

Today's choices will help us create tomorrow's Mackenzie. This investment modernises our infrastructure and helps create thriving vibrant places in a unique natural environment with unparalleled vistas and night skies.



Graham Smith
Mayor



Angela Oosthuizen
Chief Executive

Your Council

Your Councillors also represent you on a number of joint committees and regional forums to ensure that Mackenzie has a voice in decisions which affect our district. You can find out more about how they represent you at www.mackenzie.govt.nz.



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Deputy Mayor
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Murray Cox
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Committees of Council

Audit and Risk Committee

Chair: Bruce Micham (appointed member)

Chief Executive Review Committee

Chair: James Leslie

Commercial and Economic Development Committee

Chair: Murray Cox

Engineering and Service Committee

Chair: Stuart Barwood

Planning and Regulations Committee

Chair: Anne Munro

Strategy Committee

Chair: James Leslie

Photo credit: Match Sumaya / Unsplash



Your Community Boards

The Mackenzie District has three community boards:

- Twizel – elected by the electors of the Twizel township
- Takapō/Tekapo – elected by the electors of the former Tekapo ward
- Fairlie – elected by the electors of the Fairlie community board boundary



TWIZEL

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FAIRLIE

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(Acting Chair)

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Council Executive Team at 28 June 2022

Chief Executive Officer

Angela Oosthuizen

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General Manager - Operations

David Adamson

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**General Manager -
Corporate Services**

Vacant

**Manager -
People and Culture**

Alexis Gray

alexis.gray@mackenzie.govt.nz

**Manager -
Information and Engagement**

Chris Clarke

chris.clarke@mackenzie.govt.nz

Our Strategic Vision

MDC has developed the following strategic vision and outcomes to chart the course and set our direction for the future.

This vision has been developed alongside the community and will help MDC focus our efforts to ensure everything we do remains focussed on improving our communities, our environment and our way of life.

Vision

To empower our communities and treasure our environment

Mission

Strengthening our communities

Guiding Values

Be fair to everyone

Strive for a better future

Dare to be different

Act with respect and trust

Protect our peace and serenity

Our Community Outcomes

A TREASURED ENVIRONMENT

We recognise that our outstanding environment plays a vital role in sustaining our district.

We manage our environment and natural resources sustainably to ensure they can be enjoyed now and by future generations.

We have sustainable, efficient and well-planned infrastructure, services and community facilities.

RESILIENT, SUCCESSFUL COMMUNITIES

Our communities have access to facilities and networks which enable people to enjoy positive, healthy lifestyles.

Our communities are engaged, connected and are given the opportunity to influence local outcomes and decisions.

Our communities have a 'sense of place' that makes people proud to live here.

Our communities are resilient and provide for inter-generational wellbeing through networks that care for all ages.

STRONG AND INNOVATIVE ECONOMY

We value the role that our District's environmental, social and cultural assets play in supporting economic development.

We are a welcoming, enabling and business friendly district that encourages creative local economic development.

We recognise and manage the effects of economic growth and actively support our communities and environment while striving for prosperity.

EMBRACE HERITAGE AND DIVERSITY

We embrace our partnership with ngā rūnanga and support mana whenua traditions and relationships with their ancestral lands, waterways, wāhi tapu and other taonga.

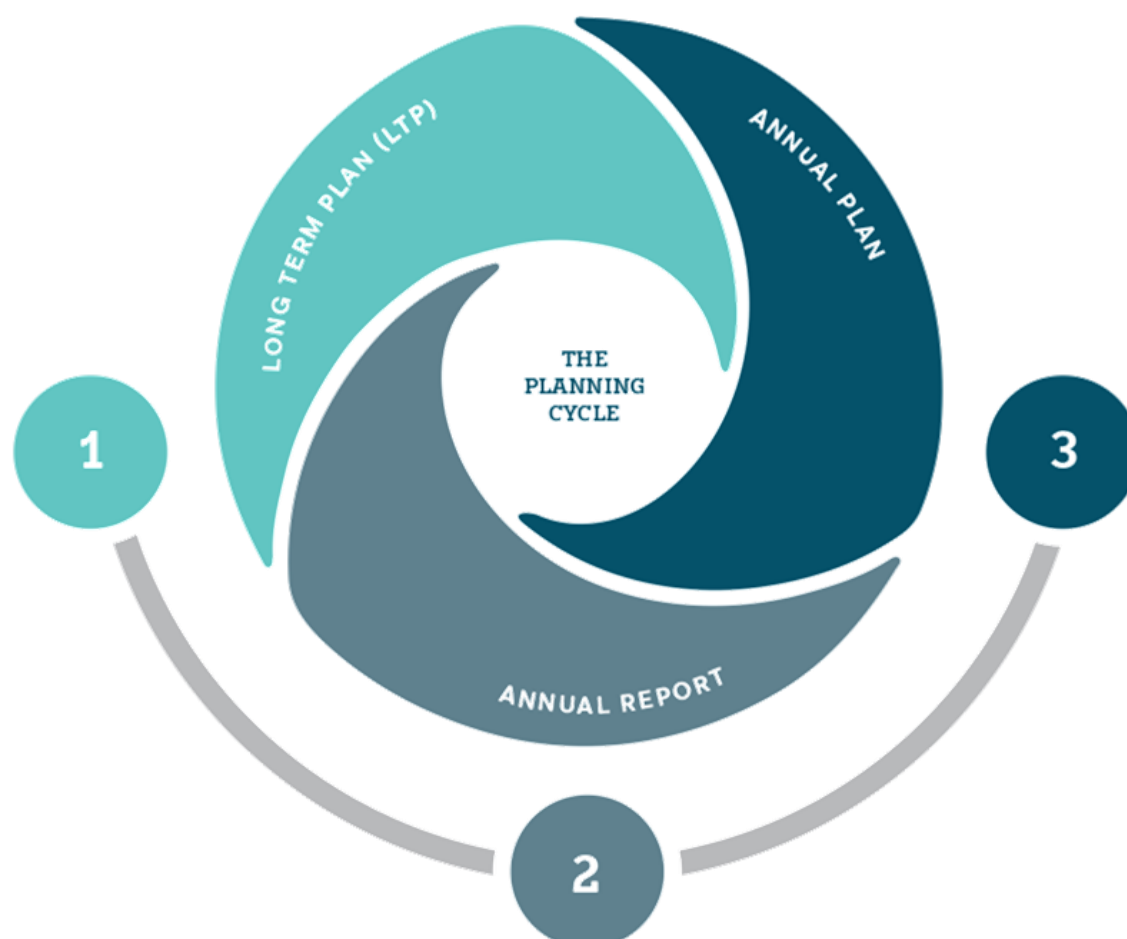
We are proud of and celebrate the heritage and diversity of our District and our people.

We respect each other and what we contribute to the District through our traditions and culture.

Our communities are given the opportunity to celebrate and explore their heritage, identity and creativity.

Our Planning Process

Council's planning process centres on three key documents:



1

Long Term Plan (LTP)

The Long Term Plan, prepared every three years, is a strategic planning document which forecasts Council's budgets and project priorities over its ten year life.

2

Annual Plan

The Annual Plan is produced in the years when we do not produce a Long Term Plan. The Annual Plan updates the work programme and budget in detail for the year the plan covers.

3

Annual Report

The Annual Report is prepared every year to report on how the Council performed against its targeted budget and work programme for the year and to report any variations.

Guide to the Annual Plan 2022/23

In the years when we do not produce a long-term plan, an annual plan is prepared to detail the work programme and expenditure for the coming year. The annual plan provides up to date budgets and information on specific areas of work Council plans to undertake for the next financial year.

The Annual Plan highlights any variations for the coming year from what was proposed in the Long Term Plan 2021-2031. Where there are significant variations, reasons are provided as well as the financial impact of these changes.

The financial year beginning 1 July 2022 is the second year of Mackenzie District Council's Long Term Plan 2021-2031. The Long Term Plan sets out the Council's ten-year budget and work programme and is updated, in consultation with the community, every three years.

Annual work programme and budget

For each activity you will find information about projects to be delivered in the coming year, any changes to the level of services detailed in the Long Term Plan 2021-2031 and what the service will cost. A financial summary is provided for each group of activities that compares the budget forecast in the Long Term Plan 2021-2031 with the budget for 2022/23.

This Annual Plan does not contain any significant variations from Year 2 of the Long Term Plan 2021-2031. As a result, we are not required to consult on the Annual Plan itself in accordance with section 95(2A) of the Local Government Act 2002. Instead, we have informed the community of the key work that they can expect to see us complete throughout the 2022/23 year.

The format of this Annual Plan follows the same order as the LTP 2021-2031 to make it easy to relate the two documents.

This document is the formal and public statement of the Council's intentions in relation to the matters covered by the Annual Plan 2022/23 in accordance with section 96 of the Local Government Act (2002).

The document sets out the following:



- A summary of how the Annual Plan 2022/23 varies from the Long Term Plan 2021-2031. The summary reflects our rates for 2022/23, noting that the total rates are lower than those forecast for this year in the Long Term Plan 2021-2031;



- The specific impacts of the COVID-19 global pandemic on the Council's income for the year;



- A summary of how the Council plans to prudently manage its revenues, expenses, assets, liabilities and finances; and



- The budget for 2022/23 and rates details for the year.

If you are interested in more information about Mackenzie District Council's community outcomes, groups of activities and levels of service, including the Council's policies for carrying out its work, please refer to the Long Term Plan 2021-2031. Copies of the document are available on the Council's website at www.mackenzie.govt.nz (type Long Term Plan into the search function). Copies of the Long Term Plan are also available in the community libraries at Fairlie and Twizel and from the Council's offices in Fairlie or Twizel.

Our Activities at a Glance

Council's activities and work programmes come out of the priorities identified during the development of Asset Management Plans (AMPs) and the 30 Year Infrastructure Strategy. These documents are reviewed every three years in line with the Long Term Plan. Council's activities have been grouped into the following:



Governance and Corporate Services

Governance
Chief Executive Office
Customer Services
Corporate Services (IT, Finance)



Three Waters

Water supplies
Wastewater
Stormwater



Transportation

Roading
Footpaths
Streetlighting
Cycleways and walkways, including Alps to Ocean



Regulatory Services

Resource Management and District Planning
Building Control
Animal Control
Environmental Health



Emergency Management

Civil Defence and Emergency Management



Parks and Community Facilities

Parks and swimming pools
Community Centres and Halls
Libraries
Pensioner Housing
Cemeteries
Public Toilets



Waste Management and Minimisation

Kerbside collection, including organics
Resource Recovery Parks and Hardfill Sites
Waste minimisation



Tourism, Economic Development and Commercial Activities

Investments, including Forestry
Pukaki Airport
Real estate
Economic Development
District promotion



Photo credit: Leopold Maitre / Unsplash

Annual Plan 2022/23: How it differs from the Long Term Plan

The Council is not proposing to vary its work programme, significantly, from that proposed in the Long Term Plan 2021-2031. However, there are some variations to the budget for 2022/23.

At the time this Annual Plan was prepared, the impact of the pandemic on the global and local economy was still playing out. The effects on the Council's budgets reflected in this Annual Plan are, therefore, anticipated, not certain. However, in the face of this uncertainty, the Council has acted prudently to reduce its expenditure in anticipation of lower income in order to maintain its levels of service.

Photo credit: Nareeta Martin / Unsplash



What's changed

Rates increase

The second year of the Long Term Plan 2021-2031 forecast a 17.3% rates increase. Initially, with the impact of inflation, the 2022/23 rates increase rose drastically above 17.3%, however the Council resolved to marginally reduce the rates increase to 17%. This lower-than-forecast rate increase was achieved by reviewing Council's proposed work programmes and prioritising work in order to still meet its obligations to the community as a responsible manager; as well as maintaining infrastructure services to a level that the community expects.

This equates to an increase in rates of \$375.29 per annum for a house with a capital value of \$350,000 in Fairlie and an increase of \$816.48 per annum for a sheep and beef farm with a capital value of \$4,325,000. Details of sample rates across the entire region are available on pages 86 and 87 of this document.

Operating Expenditure

Council is forecasting an increase of \$909,000 above the LTP. The major factors to this are increased personnel costs and maintenance contract costs, as a result of COVID-19 demand and supply issues and inflation costs.

Capital Expenditure

Council is forecasting an additional \$2,548,000 of projects from the LTP, which are either re-budgeted from the 2021/22 year (Twizel water meters, Strathconan swimming pool filtration and treatment) or have been identified as priority requirements (wastewater inlet screens, district wide projects, Tekapo township projects, public toilets, Strathconan swimming pool accessibility and chemical storage shed)



Activities

The following activities have identified differences for the 2022/23 year from those matters set out in the Long Term Plan 2021-2031, as follows:



Governance and Corporate Services

Increased costs in payments to staff and suppliers of \$245,000. This has been funded from an increased general rate requirement and overhead recoveries.



Water Supply

Increased capital costs of \$1,000,000 as a result of the re-budgeting of the Twizel water meter installation project from 2021/22, funded from borrowing and reserves.



Wastewater

Decreased costs of \$222,000 from payments to staff and suppliers in relation to consultancy projects, resulting in decrease rate requirements. Increased capital costs for new inlet screens for the three treatment plants and funded from reserves.



Transportation

Increased costs in payments to staff and suppliers of \$427,000 as a result of transport activity management plan work and increased roading contract maintenance costs. This has been funded from an increased general rate requirement and subsidies and grants.



Regulatory Services

Decreased costs in payments to staff and suppliers of \$277,000 in regards the contracting out of building inspection and health licensing functions and the reduction of government funding towards responsible camping. This has been met from reduced general rate requirement and subsidies and grants.

Reduced project costs of \$360,000 for a new animal pound which was being funded from borrowings and reserves.



Parks and Community Services

Increased capital costs of \$925,000 due to the re-budgeting of the Strathconan swimming pool filtration and treatment renewal and upgrade, additional projects added due to community feedback and asset reviewing for district wide projects, Tekapo township and public toilets. The additional costs have been funded from a mix of borrowings and reserves.



Tourism, Economic Development and Commercial

Increased costs of \$333,000 in payment to staff and suppliers due to additional operational costs at Pukaki Airport, forestry plantations, commercial rental properties and finalisation of the Te Manahuna Ki Uta Mackenzie project. The increased costs are funded via reserves and general rate requirement.



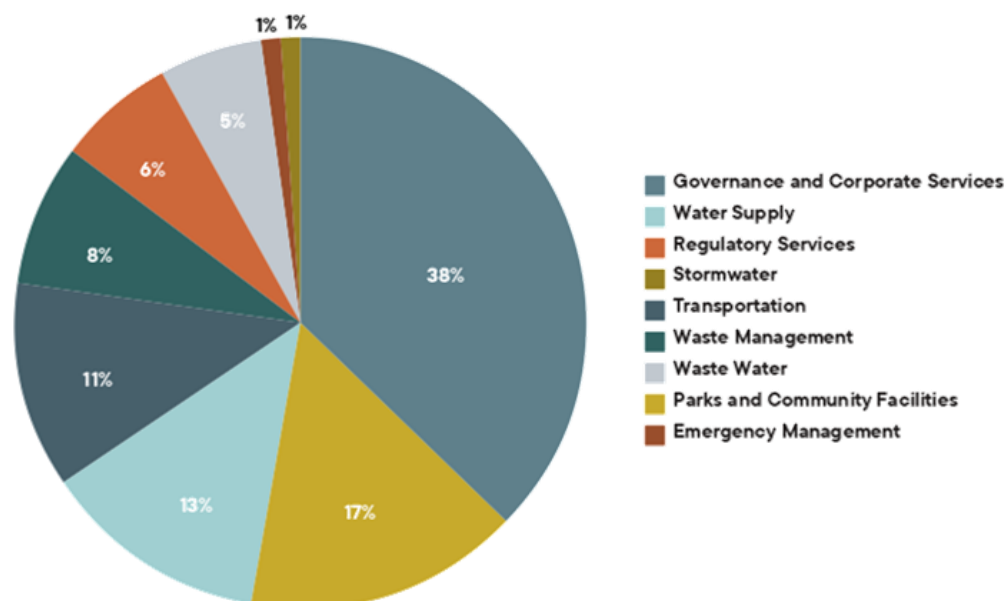
Photo credit: Liam Hans / Unsplash

Overall Rate Summary 2022/23

(GST exclusive)

LTP 2021-22 \$000	Activity	Annual Plan 2022/23 (\$000)	Change from 2021/22	LTP 2022/23 (\$000)
5,381	Governance and Corporate Services	5,782	7.5%	5,757
1,461	Water Supply	1,841	26.0%	1,870
879	Wastewater	828	-5.8%	1,052
107	Stormwater	163	52.3%	172
1,105	Transportation	1,655	49.8%	1,426
1,054	Regulatory Services	941	-10.7%	1,350
74	Emergency Management	173	133.8%	83
2,391	Parks and Community Facilities	2,522	5.5%	2,529
991	Waste Management and Minimisation	1,212	22.3%	1,183
(1,143)	Tourism, Economic Development and Commercial Activities	(718)	37.2%	(990)
12,300	Total Rates	14,399	17.0%	14,432

Share of Rates

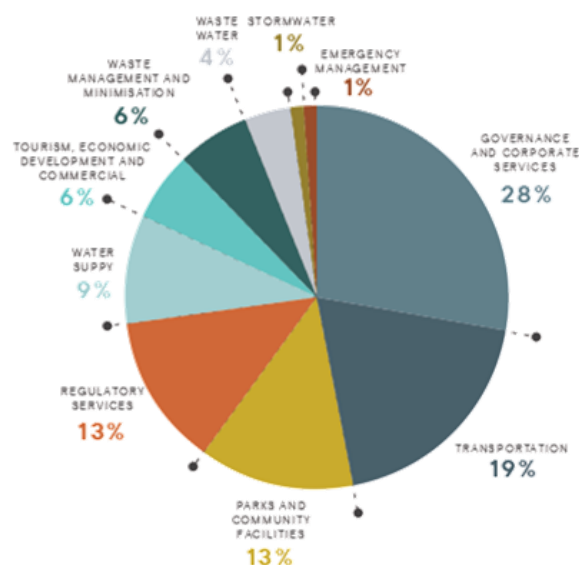


How your Rates are Spent

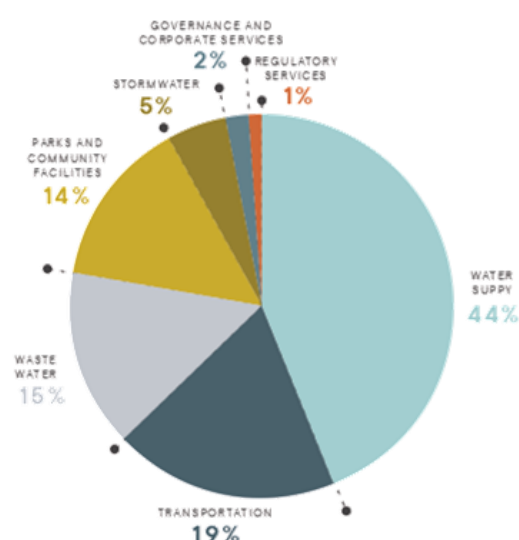
What does council spend money on?

The following graphs show what the Council will be spending during the year – both operating expenditure for the day to day running of services and facilities as well as capital expenditure to improve services and facilities.

Operating Expenditure

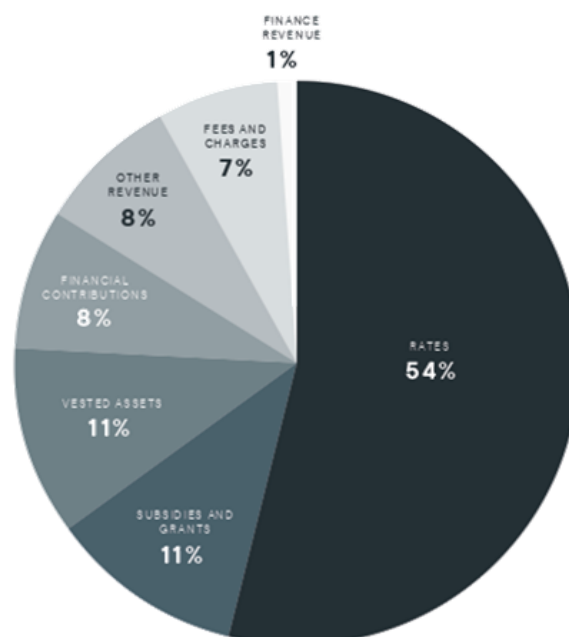


Capital Expenditure



Where does Council's money come from?

Expenditure is paid for from a mix of rates, fees, interest and dividends on Council's investments, and external sources such as financial assistance from government agencies. The graph shows where the money will come from in 2022/23.



Funding of Council Activities

Council's Revenue and Financing Policy sets out how we fund activities and can be found in the Long Term Plan 2021-2031. (Volume 2, page 313). The policy is based on the principle that those who benefit from an activity or service of Council should if practicable pay for that service.

We use a mix of revenue sources to meet operating and capital expenditure, including:

- User charges, grants, sponsorship, subsidies and other income, general rates or targeted rates (based on either capital value or uniform annual charge basis), reserve funds, investment income, proceeds from the sale of assets and lump sum contributions, and internal and external borrowing.

A summary of all Council activities under the Revenue and Financing Policy is shown in the following tables.

OPERATING	User Charges	Grants Subsidies & Others	Investment Income	Financial Contributions / Development Contributions	Reserve Funds	Borrowing	Targeted Rates	General Rates
Governance	●						●	●
Three waters	●	●					●	
Transportation	●	●					●	
Regulatory Services	●	●				●		●
Parks and Open Spaces		●					●	●
Tourism & Economic Development		●	●				●	●
Commercial Activities	●		●					
Emergency Management		● Event-based						●
Waste Management and Minimisation	●	●					●	●

CAPITAL	User Charges	Grants Subsidies & Others	Investment Income	Financial Contributions / Development Contributions	Reserve Funds	Borrowing	Targeted Rates	General Rates
Governance							●	
Three waters		●		●	●	●	●	
Transportation		●		●	●	●		
Regulatory Services		●			●	●		
Parks and Open spaces		●			●	●		
Tourism & Economic Development					●	●		
Commercial Activities					●	●		
Emergency Management						●		
Waste Management and Minimisation					●	●		

Photo credit: Graham Holtshausen / Unsplash



Governance and Corporate Services

This activity supports and guides all activities carried out by the Mackenzie District Council. Its services enable Council to function and provide stable, transparent, effective, efficient and accountable local governance to the district.

This activity includes:

Governance

District Council
Community Boards
Elections

Corporate Services

Chief Executive Office, including Human Resources and Health and Safety
Customer Services
Governance Support
Finance
Corporate Planning
Information Technology
Communications

What we do

Governance

Our governance portfolio is the foundation of everything that we do as a Council. The governing body of Council is responsible and democratically accountable for decision making of the Mackenzie District Council. The District Council includes a Mayor, elected at large, and six Councillors, elected by way of two wards: Pukaki and Opuha (3 elected from each ward). In addition, local community boards are democratically elected in each of our three main towns: Twizel, Takapō/Tekapo and Fairlie.

In addition to full Council meetings held at a minimum of six weekly, Mackenzie District Council operate six standing committees: Audit and Risk Committee, Chief Executive Performance Committee, Commercial and Economic Development Committee, Engineering and Services Committee, Planning and Regulations Committee, Strategy Committee. Council is also represented on a number of joint committees at a regional level.

The governance function of Council includes the management of triennial local body elections for the Mayor, ward Councillors and Community Board members, and any required by-elections. All election functions carried out by Mackenzie District Council are in accordance with the Local Electoral Act 2001.

Corporate Services

Our corporate services activities support the functioning of Council through administration and managerial support. These activities incorporate the Chief Executive Office, Customer Services, Finance, Information and Engagement (including IT, Communications and Governance Support), and Corporate Planning. These activities support the governance function of Council as well as all the other services that Council manage on behalf of our community.

Our performance measures

What you can expect from us	What we will measure	Targets: 2022/23
Council Prepare key accountability documents in accordance with good practice.	The annual report is prepared within statutory timeframes and with an unmodified audit opinion.	The annual report is prepared within statutory timeframes and with an unmodified audit opinion.
	The annual plan is prepared within statutory timeframes.	The annual plan is prepared within statutory timeframes.
Council Represent and govern the district on behalf of the community	The percentage of residents across the district who say they are satisfied with the performance of the councillors and Mayor in the annual ratepayer survey.	≥ 60%
Council Build strong iwi relationships and encourage Maori to contribute to the decision-making process	Number of face-to-face meetings held each year between council representatives and ngā Papatipu Rūnanga, or Te Rūnanga o Ngāi Tahu.	≥ 2
Council Provide opportunities for the community to engage with elected members	Number of public forums held each year with communities and groups.	≥ 40
Customer Services Customer expectations for service response meet customer demand and are delivered in a timely manner	Council provides a centralised service point (via face to face, phone and e-mail) for all customers.	Two to three service centres operating Monday to Friday 8:30am to 5pm providing first point of contact customer service via face to face, phone and e-mail. Number of service centres, and hours operated to be informed by performance statistics, population growth, demand and customer feedback.
Customer Services Customer expectations of the quality of the service received at the first point of contact	Council meets customer satisfaction levels at the first point of contact.	At least 85% of customers are satisfied or very satisfied by the quality of the centralised customer service received at the first point of contact. Measured by annual customer satisfaction survey and quality monitoring.
Finance Reporting	Provide financial reports to Council meetings to enable timely decisions to be made.	Financial reports included in Council meeting agendas for every meeting.
Finance Revenue collection and management	Collect rates revenue for Council and manage funds to ensure availability for Council requirements.	Issue rates invoices by no later than twenty calendar days prior to invoice due date every quarter.
		Ensure collection procedures followed to maximise prompt payments.
		Quarterly debtors reports provided to Council.
Finance Payments management	Ensure that staff and suppliers are paid on a timely basis to ensure continuity of Council operations	Process payroll fortnightly and creditors payments no later than the 20th of the following month - to ensure timely payment.

Major projects 2022/23

Hardware replacement: This includes the installation of new wireless access points in community facilities, replacement of digital equipment for staff, installation of team headsets, installation of safety cameras.

Projects: Update aerial imagery for geospatial platforms, GoGet services migration and SIMPLi integrations, automating processes to improve efficiency of online services and reduce wasted time.

Software and software development: website development, App development linked to all platforms and Council ERP system upgrade to Cloud solution. The upgrade to the Cloud is important as it will provide the foundation for future software projects and improvements in reporting.

Photo credit: Tonia Kraakman / Unsplash



Capital projects 2022/23

\$000	2022/23 Year 2 LTP	2022/23 Annual Plan
Total capital works	131	295
Communications projects	11	18
Network infrastructure	38	77
Computer software	0	8
Laserfiche upgrade to cloud	0	25
Public wifi – Fairlie and Tekapo village centres	0	25
Trailer – mobile unit / office	0	60
Vehicle replacement	82	82

Governance and Corporate Services - Funding Impact Statement for 2022/23

\$000	Long Term Plan Budget 2021/2022	Long Term Plan Forecast 2022/23	Annual Plan Budget 2022/23
Sources of Operating Funding			
General rates, uniform annual general charges, rates penalties	4,282	4,777	4,875
Targeted rates	34	34	35
Subsidies and grants for operating purposes	-	-	-
Fees and charges	167	172	61
Internal charges and overheads recovered	836	894	937
Local authorities fuel tax, fines, infringement fees, and other receipts	374	383	735
Total Operating Funding	5,693	6,260	6,643
Applications of Operating Funding			
Payments to staff and suppliers	6,160	6,526	6,754
Finance costs	4	18	2
Internal charges and overheads applied	(758)	(612)	(390)
Other operating funding applications	-	-	-
Total Applications of Operating Funding	5,406	5,932	6,366
Surplus (Deficit) if Operating Funding	287	328	277
Sources of Capital Funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	1,037	(15)	(6)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total Sources of Capital Funding	1,037	(15)	(6)
Applications of Capital Funding			
Capital expenditure			
- to meet additional demand		-	-
- to improve the level of service	116	11	134
- to replace existing assets	1,170	173	242
Increase (decrease) in reserves	39	129	(105)
Increase (decrease) in investment	-	-	-
Total Applications of Capital Funding	1,325	313	271
Surplus (Deficit) of Capital Funding	(287)	(328)	(277)
FUNDING BALANCE	-	-	-



Three Waters

Safe and sufficient drinking water, and the appropriate collection and treatment of wastewater and stormwater are essential for the health and well-being of our communities.

This activity includes:

Water Supply

Urban drinking water supply
Rural stock water supply

Wastewater

Wastewater collection, treatment and disposal

Stormwater

Collection, treatment and disposal of urban stormwater

What we do

Our three waters activities are core functions of Council under the Local Government Act 2002.

Water supply

Council maintains and manages the treatment and distribution of water with community water supplies in the townships of Twizel (including Pukaki Airport), Tekapo, Fairlie and Burkes Pass and runs rural scheme at Allandale. Council also manages two public stock water race systems within the district being Ashwick Opuha and School Road.

Management of the Albury water supply is undertaken by the Albury Rural Water Supply Society Inc. under a formal agreement with the Council. Management of a small, piped stock water scheme, Kimbell Rural, is carried out by consumers.

Wastewater

Council is responsible for the management of wastewater (sewage) collection, treatment and disposal services for its urban communities. Wastewater services are provided to support the development of the district and to protect the physical environment and the health of our communities.

There are community wastewater systems in the townships of Twizel, Tekapo, Fairlie and Burkes Pass. In each case, effluent is collected and treated by way of an oxidation pond system and then discharged to ground.

Stormwater

The stormwater network provides drainage away from the road corridor and homes to minimise the incidence of flooding.

Council manages stormwater networks in Twizel, Tekapo and Fairlie. Each of these schemes are subject to consent conditions imposed by Environment Canterbury Regional Council (ECAN). Our networks discharge to ground or to water after flowing through some form of treatment such as a swale or larger vegetated treatment area.

The stormwater network does not include the drainage control assets consisting of kerb and channel, surface water channels, catch pits, soak pits, side drains, and culverts less than 3.4m² cross sectional area. These are included in roading assets.

Our performance measures

What you can expect from us	What we will measure	Targets: 2022/23
Water supply		
Provide safe drinking water.	Compliance with Drinking Water Standards (part 4) – Bacterial Compliance*	≥ 95%
	Compliance with Drinking Water Standards (part 5) – Protozoal Compliance*	2 of 5 supplies compliant
Maintain excellent water supply network services.	The percentage of real water loss from the networked reticulation system*	≤ 25%
Maintain excellent customer services	The median response times to attend a call-out in response to a fault or unplanned interruption to the network reticulation system:*	
	a) attendance for urgent call- outs	≤ 2h
	b) resolution of urgent call-outs	≤ 12h
	c) attendance for non-urgent call-outs	≤ 72h
	d) resolution of non-urgent call- outs	≤ 120h
	The total number of complaints received about any of the following:*	
	a) drinking water clarity b) drinking water taste c) drinking water odour d) drinking water pressure or flow e) continuity of supply f) MDC response to any of the above	≤ 5 per 1,000 connected properties
	The percentage of ratepayers satisfied with the water supply service	≥ 80%
Provide demand management of water supply services	Average consumption of drinking water per day per resident with the district*	≤ 1.2m3

*This measures the water quality of Tekapo, Twizel, Fairlie, Allendale and Albury water supplies. It is expected that Twizel and Tekapo will be compliant by 2022/22 and Fairlie will be compliant by 2024/25. There is the potential for Allendale to be compliant within this LTP period if it is found that it is feasible to connect it to Fairlie. Albury will not be compliant. Council is currently working on understanding the status of the Albury Rural water supply.

* Mandatory Performance Measure

Attendance time: from the time that the Council receives notification to the time that the service personnel reach the site.

Resolution time: from the time that the Council receives notification to the time that service personnel confirm resolution of the fault or interruption

What you can expect from us	What we will measure	Targets: 2022/23
Wastewater		
Maintain excellent sewer network services	The number of dry weather sewerage overflows from Council's sewerage system, expressed per 1,000 sewerage connections to that sewerage system*	≤ 2 per 1,000 connected properties
Wastewater is discharged in a safe manner	Compliance with the Council's resource consents for discharge from its sewerage system measured by the number of:	
	a) Data within the annual compliance reports	Compliant
	b) The number of abatement notices	Nil
	c) The number of infringement notices	Nil
	d) The number of enforcement orders	Nil
	e) The number of convictions	Nil
Maintain excellent customer services	Where the Council attends to sewerage overflows resulting from a blockage or other fault in the Council's sewerage system, the following median response times measured:*	
	a) attendance time	≤ 1h
	b) resolution time	≤ 4h
	The total number of complaints received about any of the following:*	
	a) sewage odour b) sewerage system faults c) sewerage system blockages, and d) MDC response to issues with its wastewater system.	≤ 50 per 1,000 connected properties
	Satisfaction with wastewater treatment and disposal service.	≥ 85%
What you can expect from us	What we will measure	Targets: 2022/23
Stormwater		
Maintain excellent network services	The number of flooding events in the Mackenzie district*	≤ 2
	For each flooding event, the number of habitable floors affected*	≤ 2 per 1,000 connected properties
Stormwater services managed according to required environmental standards	Compliance with the Council's resource consents for discharge from its stormwater system, measured by the number of:*	
	a) abatement notices	Nil
	b) infringement notices	Nil
	c) enforcement orders	Nil
	d) convictions	Nil
Maintain excellent customer services	The median response time to attend a flooding event*	≤ 2h
	The total number of complaints received about the performance of the stormwater system*	≤ 5 per 1,000 connected properties
	The percentage of ratepayers satisfied with the stormwater service	≥ 80%

Major projects 2022/23

Water supply

- **Water Metering:** Commence the installation of electronic water metering of properties connected to urban water supplies, beginning in Twizel to monitor consumption and improve water conservation.
- **Fairlie water supply upgrade:** Complete the design and tender stage of the upgrade of Fairlie's water supply to meet New Zealand Drinking Water Standards within the 2022/23 year. The full project outlined in the 2021-2031 LTP involves the construction of a new plant capable of managing the current source water quality fluctuations. The upgrade also involves the construction of two new supply reservoirs. This project is scheduled for completion by June 2024.
- **Water Safety Plans:** During 2022/23 Council will begin delivering on the projects identified within the recently completed water safety plans. This will involve a range of initiatives including backflow prevention, catchment controls, quality control on sampling regimes, and equipment upgrades.

Wastewater

- **Lake Tekapo/Takapō upgrades – Wastewater treatment plant:** An upgrade of the wastewater treatment plant is required to cater for growth in tourism and include the Station Bay subdivision. This is likely to include the establishment of a new treatment plant, a new discharge site, additional storage and pump replacements. Community Consultation on options will be followed by final site selection and design.
- **Pipe replacement programme:** Recent CCTV investigations to detect leaks have confirmed priorities for our ongoing pipe replacement programme.
- **Compliance with Discharge Consents:** Work at all Wastewater Treatment Plants is ongoing with new inlet works programmed for Twizel, Fairlie and Tekapo. This will help to ensure compliance with Resource Consents as well as slow down the build-up of inert materials in the bottom of the recently desludged sewage treatment ponds.

Stormwater

- **Stormwater reticulation upgrade:** The design and construction of upgraded reticulation for Alloway Street in Fairlie

Capital projects 2022/23

Water supply

\$000	2022/23 Year 2 LTP	2022/23 Annual Plan
Total capital works	5,699	6,875
Urban water – service connections – new	104	104
Urban water – reticulations	621	621
Urban water – Twizel water meter installation	0	1,000
Urban water – treatment – new	4,919	4,919
Urban water – backflow	0	50
Urban water – source water protection	0	25
Urban water – water safety plans upgrades	0	10
Downlands water – reticulation	25	118
Downlands water – renewals	30	28

Wastewater

\$000	2022/23 Year 2 LTP	2022/23 Annual Plan
Total capital works	777	1,427
Treatment - new	518	518
Sewer reticulation – new	259	259
Inlet screens – Fairlie, Tekapo, Twizel	0	600
Aerator – Tekapo wastewater treatment plant	0	50

Stormwater

\$000	2022/23 Year 2 LTP	2022/23 Annual Plan
Total capital works	414	414
Reticulation	414	414

Photo credit: Sebastien Goldberg / Unsplash



Water Supply - Funding Impact Statement for 2022/23

\$000	Long Term Plan Budget 2021/2022	Long Term Plan Forecast 2022/23	Annual Plan Budget 2022/23
Sources of Operating Funding			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	1,461	1,870	1,841
Subsidies and grants for operating purposes	535	-	-
Fees and charges	120	124	124
Internal charges and overheads recovered	5	5	5
Local authorities fuel tax, fines, infringement fees, and other receipts	26	32	1
Total Operating Funding	2,147	2,031	1,965
Applications of Operating Funding			
Payments to staff and suppliers	1,344	866	923
Finance costs	39	169	104
Internal charges and overheads applied	49	54	54
Other operating funding applications	-	-	-
Total Applications of Operating Funding	1,432	1,089	1,081
Surplus (Deficit) if Operating Funding	715	942	884
Sources of Capital Funding			
Subsidies and grants for capital expenditure	498	-	-
Development and financial contributions	707	1,028	1,028
Increase (decrease) in debt	8,424	3,763	4,705
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total Sources of Capital Funding	9,629	4,791	5,733
Applications of Capital Funding			
Capital expenditure			
- to meet additional demand	174	25	1,000
- to improve the level of service	11,418	5,540	5,751
- to replace existing assets	292	134	128
Increase (decrease) in reserves	(1,539)	34	(262)
Increase (decrease) in investment	-	-	-
Total Applications of Capital Funding	10,345	5,733	6,617
Surplus (Deficit) of Capital Funding	(715)	(942)	(884)
FUNDING BALANCE	-	-	-

Wastewater - Funding Impact Statement for 2022/23

\$000	Long Term Plan Budget 2021/2022	Long Term Plan Forecast 2022/23	Annual Plan Budget 2022/23
Sources of Operating Funding			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	879	1,052	828
Subsidies and grants for operating purposes	1,661	-	-
Fees and charges	-	-	-
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	20	21	21
Total Operating Funding	2,560	1,073	849
Applications of Operating Funding			
Payments to staff and suppliers	2,060	816	594
Finance costs	-	1	-
Internal charges and overheads applied	28	30	30
Other operating funding applications	-	-	-
Total Applications of Operating Funding	2,088	847	624
Surplus (Deficit) if Operating Funding	472	226	225
Sources of Capital Funding			
Subsidies and grants for capital expenditure	1,519	-	-
Development and financial contributions	559	650	650
Increase (decrease) in debt	(10)	290	(10)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total Sources of Capital Funding	2,068	940	640
Applications of Capital Funding			
Capital expenditure			
- to meet additional demand	1,303	518	-
- to improve the level of service	1,116	259	1,426
- to replace existing assets	-	-	-
Increase (decrease) in reserves	122	389	(561)
Increase (decrease) in investment	-	-	-
Total Applications of Capital Funding	2,541	1,166	865
Surplus (Deficit) of Capital Funding	(472)	(226)	(225)
FUNDING BALANCE	-	-	-

Stormwater - Funding Impact Statement for 2022/23

\$000	Long Term Plan Budget 2021/2022	Long Term Plan Forecast 2022/23	Annual Plan Budget 2022/23
Sources of Operating Funding			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	107	172	163
Subsidies and grants for operating purposes	15	-	-
Fees and charges	-	-	-
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
Total Operating Funding	122	172	163
Applications of Operating Funding			
Payments to staff and suppliers	55	92	95
Finance costs	-	-	-
Internal charges and overheads applied	4	4	4
Other operating funding applications	-	-	-
Total Applications of Operating Funding	59	96	99
Surplus (Deficit) if Operating Funding	63	76	64
Sources of Capital Funding			
Subsidies and grants for capital expenditure	60	-	-
Development and financial contributions	157	182	182
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total Sources of Capital Funding	217	182	182
Applications of Capital Funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	410	414	414
- to replace existing assets	-	-	-
Increase (decrease) in reserves	(129)	(156)	(169)
Increase (decrease) in investment	-	-	-
Total Applications of Capital Funding	281	258	245
Surplus (Deficit) of Capital Funding	(63)	(76)	(64)
FUNDING BALANCE	-	-	-



Transportation

This activity includes:

Local road network (excluding State Highways and Aoraki Mt Cook)

Bridges

Streetlighting

Signage

Road safety

Parking

Footpaths

Cycleways, including Alps 2 Ocean Cycleway

What we do

Our transportation activity supports the provision of our district's roading network, which is vital infrastructure for our community, underpinning our district's economic wellbeing and supporting significant activities such as farming, tourism and development. Our roading network links areas, connects people with each other and essential services, underpins our district's iconic tourism economy, enables businesses to access resources and markets, and provides people with social, cultural, recreational and employment opportunities.

The transportation activity is concerned with provision of the land transport network and associated assets and services throughout the district. It delivers both asset (such as roads, signs, and infrastructure) and non-asset functions (such as temporary traffic management and road safety initiatives).

Council currently manages over 730km of roads (71% unsealed), 97 bridges, 69km of footpath, drainage facilities (e.g. soak pits, culverts), signs, carparks, kerb and channel, 1251 street lights, cycleways (including the Alps 2 Ocean Trail), and road marking. Overall management of the assets is provided by the Council, with operational work carried out by contractors.

Passive transport (walking and cycling) is a key part of our transportation activity. We provide many cycleways and walkways throughout the district. These range from footpaths and cycleways in the road corridor, to cycleways that are off-road, such as the Alps 2 Ocean Trail.

The Alps to Ocean cycle trail is 312km long beginning in the Southern Alps at Aoraki Mt Cook National Park, descending 780m through the Mackenzie basin down the Waitaki Valley to Oamaru with multiple access points and options to begin or end the ride or to ride only local sections. The route has been carefully selected to avoid major river crossings and utilises existing dam and bridge structures. The route utilises a combination of on road low volume roads and off-road shared use paths.

Photo credit: Aston Yao / Unsplash

Our performance measures

What you can expect from us	What we will measure	Targets: 2022/23
Provide safe, smooth, quality sealed roads to reduce travel times and vehicle wear.	The average quality of ride on a sealed local road network, measured by smooth travel exposure:*	
	a) rural roads	≥ 90%
	b) urban roads	≥ 75%
	The percentage of the sealed local road network that is resurfaced*	≥ 4%
	The percentage of the unsealed road network renewed using wearing course and stabilisation techniques	≥ 2%
	The percentage of road users are satisfied with the roading network	≥ 85%
Provide a safe and efficient roading network.	The change from the previous year in number of fatalities and serious crashes on the local road network, expressed as a number*	0 (0 change equates to ≤2 fatality and serious injury crashes)
	The number of death and serious injuries recorded for the financial year on local roads under control of the Mackenzie District Council.	< 1 (In line with the Road to Zero vision)
	The number of reported crashes on local roads under control of the Mackenzie District Council.	≤ 10
	The percentage of customer service requests relating to roads and footpaths to which Council responds within ten working days.*	≥ 75%
Maintain footpaths in good condition, fit for purpose.	The percentage of footpaths that are at or above the 'average condition rating'.* Condition rating will be undertaken at not less than 5 years frequency.	≥ 75%

*Mandatory Performance Measure

Major projects 2022/23

- **Low Cost, Low Risk Projects:** This includes safety focused projects like site benching, seal widening, traction seals, speed management, travel management demand measures, kerb and channel improvements and intersection improvements.
- **Unseal road metalling:** Road metalling will continue particularly on high risk and high trafficked road like Lilybank and Braemar Road. An investigation will be undertaken in 2021/22 to assess the viability of seal extensions along these roads.
- **Upgrading of footpaths in the major urban centres:** Footpaths will be upgraded in all major towns in response to the increasing focus on active modes of travel and reducing carbon emissions
- **Ongoing sealed road resurfacing upgrades:** Resurfacing of sealed roads is programmed to respond to the need to improve the condition of sealed roads across the district.
- **Alps to Ocean upgrades.** Council has made provision to upgrade the Alps to Ocean cycle trail. It will use this provision to make more of the trail off road, improve safety and increase the attractiveness of the ride. Council provision, a carry forward from 2021/22, will be used when it can leverage at least the equivalent funding from other identities such as Waka Kotahi.

Capital projects 2022/23

\$000	2022/23 Year 2 LTP	2022/23 Annual Plan
Total capital works	2,368	2,371
Plant and equipment	12	12
Unsealed road metalling	722	722
Sealed road resurfacing	516	516
Drainage renewals	93	93
Sealed road pavement rehabilitations	134	134
Structures component replacements – cattle stops	31	31
Bridge and structures – renewals	54	54
Environmental renewals	25	25
Footpath renewals	217	217
Streetlight LED upgrades	12	12
Low-cost-low-risk improvements	464	464
Traffic services renewals	88	91

Transportation - Funding Impact Statement for 2022/23

\$000	Long Term Plan Budget 2021/2022	Long Term Plan Forecast 2022/23	Annual Plan Budget 2022/23
Sources of Operating Funding			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	1,105	1,426	1,655
Subsidies and grants for operating purposes	943	970	1,120
Fees and charges	-	-	-
Internal charges and overheads recovered	-	-	36
Local authorities fuel tax, fines, infringement fees, and other receipts	95	98	97
Total Operating Funding	2,143	2,494	2,908
Applications of Operating Funding			
Payments to staff and suppliers	1,854	1,896	2,323
Finance costs	9	37	24
Internal charges and overheads applied	35	36	30
Other operating funding applications	-	-	-
Total Applications of Operating Funding	1,898	1,969	2,377
Surplus (Deficit) if Operating Funding	245	525	531
Sources of Capital Funding			
Subsidies and grants for capital expenditure	1,826	1,188	1,229
Development and financial contributions	-	-	-
Increase (decrease) in debt	2,030	656	(70)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total Sources of Capital Funding	3,856	1,844	1,159
Applications of Capital Funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	1,792	476	476
- to replace existing assets	2,310	1,893	1,894
Increase (decrease) in reserves	-	-	(680)
Increase (decrease) in investment	-	-	-
Total Applications of Capital Funding	4,102	2,369	1,690
Surplus (Deficit) of Capital Funding	(245)	(525)	(531)
FUNDING BALANCE	-	-	-



Regulatory Services

This activity includes:

Resource management (the planning department)

Building control services

Animal control services

Public health and liquor licensing services

It is important for the Council to undertake these activities in order to maintain a safe and healthy environment for the community.

What we do

The planning department is responsible for administering the Council's functions under the Resource Management Act 1991. The key planning document is the District Plan, which sets out the issues facing the district and then manages the effects of those issues by setting objectives, policies and rules to achieve the purpose of the Resource Management Act. The purpose of the Resource Management Act is to enable sustainable management of the district's natural and physical resources.

Other resource management functions of the planning department include:

- Resource consents processing
- Processing plan changes
- Monitoring and enforcement of resource consents and activities permitted by the District Plan
- Review of the District Plan

The planning department is also responsible for regulatory policy and bylaw development and monitoring, including bylaw and policy development in relation to the Health Act 1956, Dog Control Act 1996, Sale and Supply of Alcohol 2012 and Freedom Camping Act 2011.

The Council is also an accredited Building Consent Authority. Council's building control department is responsible for administering the Council's functions under the Building Act 2004. This involves processing building consent applications, monitoring the construction of buildings, and issuing code compliance certificates upon the completion of building work. The building control team also undertake TA building services which includes:

- Building Warrant of Fitness
- Certificates of acceptance
- Pool fencing compliance
- Earthquake prone buildings compliance
- Dangerous and insanitary buildings
- Notices to fix
- Land information memorandum

The Council has responsibilities under the Food Act 2014 to ensure that premises which prepare and sell food meet hygiene regulations and are inspected. The Council also has other responsibilities under the Sale and Supply of Alcohol Act 2012.

Our performance measures

What you can expect from us	What we will measure	Targets: 2022/23
To efficiently manage environmental issues within the District.	The percentage of those surveyed satisfied that the Council are adequately managing resource management issues in the District.	≥80%
To provide a customer focused service for processing resource consents while achieving our obligations under the Resource Management Act 1991.	The percentage of non-notified consents which are processed within the 20 working day statutory timeframe.	≥98% compliance.
	The percentage of resource consent applicants who are satisfied with the quality of the service they receive.	≥50%
To provide a customer focused building control service that achieves our obligations under the Building Act 2004.	The percentage of building consents granted within the 20 working day statutory timeframe from the date of acceptance.	100% compliance.
	The percentage of applicants for building consents who are satisfied with the quality of the service they receive.	≥70%
	Building Consent Authority status is maintained.	Building Consent Authority status is maintained.
	The percentage of Code of Compliance Certificates issued within the 20 working day statutory timeframe from the date of acceptance.	100% compliance
LIMS	The percentage of LIMS which are processed within the 10 working day statutory timeframe.	≥85% compliance.
To provide a safe environment for dogs and the public to co-exist.	The percentage of those surveyed who believe the Council is adequately managing dog control issues in the District.	≥80%
To issue annual Building Warrant of Fitness Certificates that ensure public safety and confidence.	The percentage of Building Warrant of Fitness Certificates audited on an annual basis.	20%
To maintain an up-to-date register of earthquake prone buildings in Mackenzie District.	The % of earthquake prone building assessments received prior to 28 March 2023	92.5%
	The % of outstanding assessments issued with a follow up notice by 31 May 2023	100%

Major projects 2022/23

District Plan Review: Council will continue its rolling review of the District plan with 4 stages scheduled for public consultation during the year as follows.

- Initial chapters including Takata Whenua and Strategic Direction
- Enabling the Spatial Plans – all relevant urban zones (capture visitor accommodation)
- Rural zone provisions and subdivision (including rural lifestyle/rural residential, and some precincts)
- East Mackenzie landscape (including landscape overlays/precincts)

It is proposed to work through the plan which, once complete, will achieve a fully replaced district plan in the National Planning Standard format.

Capital projects 2022/23

\$000	2022/23 Year 2 LTP	2022/23 Annual Plan
Total capital works	410	50
Animal control	410	50



Photo credit: Naseem Buras / Unsplash

Regulatory Services - Funding Impact Statement for 2022/23

\$000	Long Term Plan Budget 2021/2022	Long Term Plan Forecast 2022/23	Annual Plan Budget 2022/23
Sources of Operating Funding			
General rates, uniform annual general charges, rates penalties	834	1,114	788
Targeted rates	-	-	-
Subsidies and grants for operating purposes	300	308	100
Fees and charges	1,328	1,405	1,460
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	(20)	(21)	(3)
Total Operating Funding	2,442	2,806	2,345
Applications of Operating Funding			
Payments to staff and suppliers	3,827	3,419	3,142
Finance costs	6	28	59
Internal charges and overheads applied	(10)	(17)	(29)
Other operating funding applications	-	-	-
Total Applications of Operating Funding	3,823	3,430	3,172
Surplus (Deficit) if Operating Funding	(1,381)	(624)	(827)
Sources of Capital Funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	250	256	250
Increase (decrease) in debt	1,406	1,034	620
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total Sources of Capital Funding	1,656	1,290	870
Applications of Capital Funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	50	410	50
- to replace existing assets	-	-	-
Increase (decrease) in reserves	226	256	(7)
Increase (decrease) in investment	-	-	-
Total Applications of Capital Funding	276	666	43
Surplus (Deficit) of Capital Funding	1,381	624	827
FUNDING BALANCE	-	-	-



Emergency Management

This activity is delivered by the recognised process of comprehensive emergency management which utilises the 4 R's: Reduction, Readiness, Response and Recovery. While all these activities are equally important, our communities and governance often measure success by our response activities.

Our vision for CDEM is "that individuals, whanau and businesses understand our hazards and can identify opportunities to respond and recover from the impacts of that hazard".

What we do

The Mackenzie District Council is a member of the Canterbury Civil Defence Emergency Management (CDEM) Group established under the Civil Defence Emergency Management Act 2002 (CDEM Act). CDEM Group member Councils work together to identify Canterbury's hazards so that communities can understand them and informed decisions can be made about acceptable levels of risk. Arrangements for managing emergencies in a coordinated, multi-agency manner are specified in the Canterbury CDEM group plan. The Mackenzie District Council works with our communities and partner agencies to ensure that we plan for all potential events that could impact on this district. The way we do this is by comprehensive emergency management aligned with the 4 R's: Reduction, Readiness, Response, and Recovery. There are a number of key components of our CDEM activity:

- Duty Officer: Council needs to maintain a CDEM Duty Officer to monitor alerting systems and to be available to respond at short notice.
- Emergency Operations Centre: Council is required to identify a location for the Emergency Operations Centre (EOC) which will be suitably equipped to allow council to monitor or coordinate the response to an emergency event.
- Operational activities: Emergency management is required to maintain operational readiness, to respond to events within the district, or to deploy to other CDEM or partner agency responses within New Zealand.
- CDEM Equipment: We maintain CDEM equipment to enable a timely response and ensure that staff are trained to operate this equipment.
- Response Planning: A number of planning activities are completed to ensure operational readiness.
- Public Education: Communities are educated and informed via numerous methods to help them understand the hazard scape of our district and how they can be more prepared for an emergency.
- Community Response Teams: Volunteer teams need ongoing support in the form of training, PPE and other opportunities that develop over time.
- An 88 KVA portable generator was purchased to ensure our Civil Defence Centres (CDC), or any other essential buildings or assets can be powered.
- Working with our Partner Agencies: we work on creating, fostering, maintaining and building on relationships locally, regionally and nationally.

Our performance measures

What you can expect from us	What we will measure	Targets: 2022/23
Increase community awareness and understanding of CDEM	That the community understand the risks within the district.	≥80%
Increase community readiness	Community resilience plans/ or response plans are created and reviewed in collaboration with the target community.	1 new plan 1 reviewed plan
	Presentations to community groups or interested parties on CDEM (topics include resilience, response, lessons learnt, community preparedness)	5
	That individuals or whanau feel they are prepared for an emergency.	≥80%
	Continue to recruit and train volunteer CDEM Community Response Team members – training sessions	15
The organisation is prepared to respond to an emergency	That council has 24/7 CDEM duty officer to monitor warning systems and be available to partner agencies	100%
	That council staff are trained to a minimum of "EOC 2"	75%
	An EOC exercise is conducted annually	1
	That an alternative communication system is maintained and tested	48
The organisation will engage with community in risk reduction activities	The organisation participates in risk reduction planning, modelling, or engaging scientific research	3
Increase community awareness and understanding of CDEM	Specific risk/ hazard presentations or Public education campaign, new learnings or studies undertaken	1

Photo credit: Sebastien Goldberg / Unsplash



Major projects 2022/23

Upgrade of key emergency equipment: Canterbury CDEM Group has funded the roll-out and use of an EOC software package (D4H) across all Canterbury councils. D4H enables shared situational awareness across the entire region, and familiarity with EOC systems enabling sharing of staff resource across Canterbury. CDEM own 11 laptops for the exclusive use during emergencies within the EOC or for deployment to another EOC. Our replacement programme will see the replacement of two laptops each year, with each laptop having a five-year working life. Council will also purchase another three R/Ts, one per year (starting from 2023/24)

Dedicated CDEM vehicle: A dedicated vehicle allows CDEM to maintain a profile in the community and to carry equipment to aid a response. This includes the fit-out of a VHF radio with all the appropriate emergency channels.

Equipping of an alternative EOC: Recommended best practise is that an alternate EOC is identified in case the preferred location is unavailable due to damage or suitability. Once an alternative has been identified work to operationalise the building will include the fitting of a generator plug to the building and investigating any other pre-emptive work that is complimentary to the building owner.

Upgrading and maintenance checks of district base radio sets: There are 14 base radio sets and aerials strategically placed throughout the Mackenzie Basin. Two yearly maintenance checks are required by a Telecommunications technician to check for any faults or channel upgrades. There will be two monthly radio calls completed at each site.

Capital projects 2022/23

\$000	2022/23 Year 2 LTP	2022/23 Annual Plan
Total capital works	24	23
VHF R/T replacement	6	5
Alternate EOC kit out including generator plug	18	18



Photo credit: Jade Grey / Unsplash

Emergency Management - Funding Impact Statement for 2022/23

\$000	Long Term Plan Budget 2021/2022	Long Term Plan Forecast 2022/23	Annual Plan Budget 2022/23
Sources of Operating Funding			
General rates, uniform annual general charges, rates penalties	59	69	145
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
Total Operating Funding	59	69	145
Applications of Operating Funding			
Payments to staff and suppliers	46	53	149
Finance costs	-	-	-
Internal charges and overheads applied	6	8	(12)
Other operating funding applications	-	-	-
Total Applications of Operating Funding	52	61	137
Surplus (Deficit) if Operating Funding	7	8	8
Sources of Capital Funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	22	16	(1)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total Sources of Capital Funding	22	16	(1)
Applications of Capital Funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	30	24	23
Increase (decrease) in reserves	-	-	(16)
Increase (decrease) in investment	-	-	-
Total Applications of Capital Funding	30	24	7
Surplus (Deficit) of Capital Funding	(7)	(8)	(8)
FUNDING BALANCE	-	-	-



Parks and Community Facilities

Mackenzie District Council provides public facilities, parks and reserves to meet the current and future needs of the community in a way that is sustainable in the long-term and complies with regulatory requirements.

What we do

Specifically, the Parks and Community Facilities activities include the provision, management and future planning of the following assets and services:

- Parks and Open Spaces
- Swimming Pools
- Public Toilets
- Trees
- Community and Recreation Centres
- Civic and other "not for profit" buildings
- Cemeteries
- Streetscapes
- Trails
- Community Housing
- Playgrounds
- Responsible camping assets
- Funding applications for co-funded tourist assets

Council also provides a range of services including pensioner housing, grants to the Resource Centres in Fairlie and Twizel, administers and distributes grants from Sport New Zealand and Creative New Zealand and supports the medical centres in Fairlie and Twizel.



Photo credit: Eyrie Photography/ Unsplash

Our performance measures

What you can expect from us	What we will measure	Targets: 2022/23
Township services and amenities are provided and maintained to an acceptable level	Average customer satisfaction rating for township services and amenities.*	≥84%
Parks and Community Facilities are operated effectively, efficiently, safely and meet the needs of the users.	Average customer satisfaction rating for Parks and Community Facilities.*	≥90%
	Benchmarking of parks and open spaces operation and maintenance costs as measured by Yardstick	Within 15% of peer group median cost per hectare
	Monthly performance assessment of parks and public toilets operations and maintenance standards	≥90%
	Recreation Aotearoa Pool Safe Accreditation	Maintain Pool Safe accreditation
	Average customer satisfaction rating for Swimming Pool Facilities.*	≥85%
	No serious harm accidents on our playgrounds, parks, or facilities	Zero reported serious harm incidents
A commitment to improve Parks and Public Amenities over time.	Parks and public amenities management as measured by Yardstick** Best Practice score	Annual satisfaction increase of 10%

*Note that customer satisfaction is measure once a year by a Ratepayers Opinion Survey. This survey includes questions on customer satisfaction with cemeteries, libraries, community halls and buildings, town centres, parks, swimming pools and public toilets. The measure in the above table refers to the total combined average level of satisfaction across all towns and facilities.

** Yardstick is a national benchmarking tool used to measure current park management performance and drive future improvements.

Major projects 2022/23

Twizel community centre: Council plans to make improvements to the Twizel Community Centre, including the upgrading to current Building warrant of Fitness Standard including fire ratings, ventilation and water tightness. As funding allows, we will address issues such as the kitchen upgrades, cladding and structural upgrading. These works will be progressed over years 2 and 3 of the LTP.

Mackenzie Community Centre: The Fairlie Community Board has an improvement programme identified for upgrades to the Mackenzie Community Centre which includes modernisation of the kitchen and toilet facilities, and hall improvements to make the facility usable for a wider range of events. A budget of \$144,000 has been provided for this work which was planned to be spread over years 1 -3 of the LTP.

Lake Tekapo Domain: Work is underway to develop a master plan for the Tekapo waterfront that incorporates the upgrading and extension of walkways, facilities and proposed development to ensure that upcoming projects and existing amenities work together. This planning work together with the completion of the lakefront park will continue during 2022/23.

Capital projects 2022/23

\$000	2022/23 Year 2 LTP	2022/23 Annual Plan
Total capital works	1,485	2,438
Tekapo township – implementation of development plan	205	205
Tekapo township – signage upgrade	0	40
Tekapo township – Lakeside Drive playground	0	300
Tekapo township – Domain playground design phase	0	30
Twizel township – implementation of development plan	77	77
Twizel township – community assets, signage upgrade	0	50
Twizel township – Lake Ruataniwha project	666	666
Cemeteries – land improvements	16	16
District general – district wide projects	1	200
Fairlie township – signage upgrade	0	30
Mackenzie community centre – building upgrade	10	0
Mackenzie community centre – furniture and fittings	10	0
Pensioner housing – Fairlie – renewals	8	8
Public toilets – building renewals	154	154
Public toilets – A2O trail Jollies carpark	0	100
Public toilets – A2O trail Tekapo-Pukaki relocation	0	20
Strathconan swimming pool -plant and equipment	7	2
Strathconan swimming pool – filtration and treatment renewal / upgrade	0	130
Strathconan swimming pool – accessibility and fire exit door	0	15
Strathconan swimming pool – chemical storage shed	0	30
Tekapo community centre – furniture and fittings	5	5
Twizel community centre – building upgrade	257	257
Twizel community centre – furniture and fittings	10	10
Twizel swimming pool - inflatables	0	5
Twizel swimming pool – plant and equipment	5	5
Fairlie administration building – building renovations	51	51
Fairlie administration building – furniture and fittings	0	30
Twizel administration building – furniture and fittings	2	2

Parks and Community Facilities - Funding Impact Statement for 2022/23

\$000	Long Term Plan Budget 2021/2022	Long Term Plan Forecast 2022/23	Annual Plan Budget 2022/23
Sources of Operating Funding			
General rates, uniform annual general charges, rates penalties	662	636	685
Targeted rates	1,554	1,759	1,704
Subsidies and grants for operating purposes	104	27	1
Fees and charges	110	118	101
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	274	281	311
Total Operating Funding	2,704	2,821	2,802
Applications of Operating Funding			
Payments to staff and suppliers	2,501	2,540	2,681
Finance costs	8	35	8
Internal charges and overheads applied	(104)	(57)	(56)
Other operating funding applications	-	-	-
Total Applications of Operating Funding	2,405	2,518	2,633
Surplus (Deficit) if Operating Funding	299	303	169
Sources of Capital Funding			
Subsidies and grants for capital expenditure	1,595	586	586
Development and financial contributions	12	12	12
Increase (decrease) in debt	1,892	652	536
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total Sources of Capital Funding	3,499	1,250	1,134
Applications of Capital Funding			
Capital expenditure			
- to meet additional demand	-	-	282
- to improve the level of service	1,247	948	1,583
- to replace existing assets	2,925	483	491
Increase (decrease) in reserves	(373)	122	(1,053)
Increase (decrease) in investment	-	-	-
Total Applications of Capital Funding	3,799	1,553	1,303
Surplus (Deficit) of Capital Funding	(299)	(303)	(169)
FUNDING BALANCE	-	-	-



Waste Management and Minimisation

This activity includes all the work Council does in managing and minimizing rubbish and recycling in the Mackenzie District. The Waste Minimisation Act 2008 state that all authorities (councils) must promote effective and efficient forms of waste management and minimization. Waste minimization includes all the actions we can take to divert waste from landfills. This includes reducing the waste we generate and also reusing, recycling and recovering the value of our waste.

What we do

Mackenzie has made solid steps towards minimising waste and setting in place strong services which enable our communities to manage their waste in an appropriate manner. Waste management and minimisation activities include:

- Kerbside collection: Council provides a four bin service to our main urban areas including Albury, Fairlie, Kimbell, Burkes Pass, Tekapo and Twizel. Other rural properties located along the collection route between the townships can voluntarily opt into the service, provided the collection truck has a safe place to stop. A kerbside organics service was introduced in March 2022, with food and garden waste transported to the Redruth composting facility in Timaru.
- Resource recovery parks: Resource Recovery Parks (RRPs) and Hardfill sites are located in Twizel, Tekapo and Fairlie, with the operation of these contracted to EnviroWaste. Waste can be dropped off at our RRP's by the public and commercial collectors. All three parks accept residual waste, green / garden waste, recyclables including mixed recycling, electronic items, glass and metal, domestic quantities of waste oil, paint and hazardous substances, batteries, LPG cylinders and tyres. Glass is currently processed at a site in Twizel where it is crushed and used in roading materials. There are no other recycling or reprocessing plants within the district, with all other recycling being transported out of the district for processing.
- Landfill Disposal: There are no Class 1 landfills within the district. Under our current contract, waste is sent to Redruth Landfill in Timaru.

Our performance measures

What you can expect from us	What we will measure	Targets: 2022/23
Engage the community to achieve waste reduction	The percentage of solid waste from the district resource recovery diverted from landfills.	55% or above
	The amount of household kerbside waste to landfill.	110kg per person per annum
	Average customer satisfaction rating for kerbside waste collections.	80% or above
	Average customer satisfaction rating for Resource Recovery Parks.	80% or above
Waste is handled hygienically	Compliance with resource consent conditions.	100%

Major projects 2022/23

Resource consent: There are three clean fill sites in the district, located in Tekapo, Fairlie and Twizel. The resource consents for these sites expired in November 2019, with a new application being lodged with Environment Canterbury in early 2019. The sites are able to continue operating while the application is being processed.

Photo credit: Timo Volz / Unsplash



Capital projects 2022/23

\$000	2022/23 Year 2 LTP	2022/23 Annual Plan
Total capital works	7	27
Resource consent	0	20
Plant and equipment	7	7

Waste Management and Minimisation - Funding Impact Statement for 2022/23

\$000	Long Term Plan Budget 2021/2022	Long Term Plan Forecast 2022/23	Annual Plan Budget 2022/23
Sources of Operating Funding			
General rates, uniform annual general charges, rates penalties	196	244	249
Targeted rates	744	887	915
Subsidies and grants for operating purposes	-	-	-
Fees and charges	182	195	194
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	29	35	35
Total Operating Funding	1,151	1,361	1,393
Applications of Operating Funding			
Payments to staff and suppliers	1,147	1,351	1,381
Finance costs	-	1	1
Internal charges and overheads applied	(18)	(14)	(10)
Other operating funding applications	-	-	-
Total Applications of Operating Funding	1,129	1,338	1,372
Surplus (Deficit) if Operating Funding	22	23	21
Sources of Capital Funding			
Subsidies and grants for capital expenditure	-	-	-
-Development and financial contributions	-	-	-
Increase (decrease) in debt	78	(4)	(3)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total Sources of Capital Funding	78	(4)	(3)
Applications of Capital Funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	129	7	27
Increase (decrease) in reserves	(28)	12	(9)
Increase (decrease) in investment	-	-	-
Total Applications of Capital Funding	101	19	18
Surplus (Deficit) of Capital Funding	(22)	(23)	(21)
FUNDING BALANCE	-	-	-



Photo credit: Timo Volz / Unsplash



Tourism, Economic Development and Commercial Activity

This activity includes the promotion of tourism within the district, enhancing economic development and managing the Council's commercial investments.

What we do

The Council's tourism and economic development activity consists of:

- Promotion of the Mackenzie District as a tourist destination;
- Alps 2 Ocean cycle trail tourism business and operations (in conjunction with the Waitaki District Council);
- Economic development services including business support, training and events; promotion of education opportunities; website and visitor/attraction promotion.

The Council's commercial activities are:

- Cash & equity investments;
- Forestry investments;
- Real estate;
- Rental properties;
- Pukaki Airport.

Photo credit: Sebastien Goldberg / Unsplash



Our performance measures

What you can expect from us	What we will measure	Targets: 2022/23
Economic development is fostered for the district as a whole	Percentage of ratepayers satisfied with the Council's tourism promotion and economic development	≥80%
Number of Council initiated projects as identified in the Economic Strategy 2021/25	At least one project per FY initiated by Council	1 or more
Pukaki Airport is well maintained	User satisfaction with facility	≥ 80%
Forestry returns maximised	Financial net surplus per predicted cashflows from LTP or annual report	\$604,000
Investments –Council's investments are managed wisely in accordance with community expectations	Council's cash investment portfolio independently reviewed each quarter, and performance of investments against the Bancorp Ltd benchmark portfolio	Council's cash investment portfolio independently reviewed each quarter, and performance of investments against the Bancorp Ltd benchmark portfolio

Major projects 2022/23

Te Manahuna Ki Uta: Destination Mackenzie Project: Te Manahuna Ki Uta/Destination Mackenzie is a multi-agency strategic planning process for the Mackenzie District led by Mackenzie District Council. Co-design with our Treaty Partner is a crucial element of the project, and all work will be informed by Mana Whenua values and aspirations. After the release of the final Destination Management Plan in July 2022, Council intends to tick off phase 2 of this project. The DMP will set a vision for Te Manahuna and a direction for tourism going forward. Phase 2 will explore the priority projects identified in the DMP, seek to identify funding opportunities and undertake feasibility studies where required.

Alps 2 Ocean Cycle Trail: Council will continue to allocate \$50,000 per annum to the maintenance of the trail, as well as an additional \$50,000 in marketing and promotional costs which is presently provided through a contract with Tourism Waitaki. Council plans to contribute a further \$50,000 per annum to a capital reserve to fund the Hayman Road improvement works.

Economic Development support: Support for businesses and enterprises will need to be ongoing during the post Covid19 economic reset conditions.

Promotion of the Mackenzie District as a tourist destination: Council plans to continue its promotion of the Mackenzie District as a tourism destination at its present level over the period of the LTP

Pukaki Airport (Land admin and operations): Council will continue to own and maintain Pukaki Airport as a district airport. The growth of Pukaki Airport will depend on economic factors such as a rebound in visitor growth, but also the ability to attract aviation technology or a limited number of commercial flights. A Pukaki Airport Master Plan is being developed to provide the methods to achieve this.

Capital projects 2022/23

\$000	2022/23 Year 2 LTP	2022/23 Annual Plan
Total capital works	46	30
Pukaki airport - land - administration and operating	25	0
Pukaki airport - carparking upgrade	0	30
Tourism and economic development - computer equipment	21	0

Tourism, Economic Development and Commercial - Funding Impact Statement for 2022/23

\$000	Long Term Plan Budget 2021/2022	Long Term Plan Forecast 2022/23	Annual Plan Budget 2022/23
Sources of Operating Funding			
General rates, uniform annual general charges, rates penalties	46	46	118
Targeted rates	401	413	464
Subsidies and grants for operating purposes	461	-	-
Fees and charges	-	-	-
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	2,132	1,102	1,073
Total Operating Funding	3,040	1,561	1,655
Applications of Operating Funding			
Payments to staff and suppliers	1,329	713	1,305
Finance costs	9	37	17
Internal charges and overheads applied	1,608	1,468	1,321
Other operating funding applications	-	-	-
Total Applications of Operating Funding	2,946	2,218	2,643
Surplus (Deficit) if Operating Funding	94	(657)	(988)
Sources of Capital Funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	2,200	(92)	536
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total Sources of Capital Funding	2,200	(92)	536
Applications of Capital Funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	137	46	30
Increase (decrease) in reserves	1,512	(787)	(482)
Increase (decrease) in investment	646	(8)	-
Total Applications of Capital Funding	2,295	(749)	(452)
Surplus (Deficit) of Capital Funding	(94)	657	988
FUNDING BALANCE	-	-	-

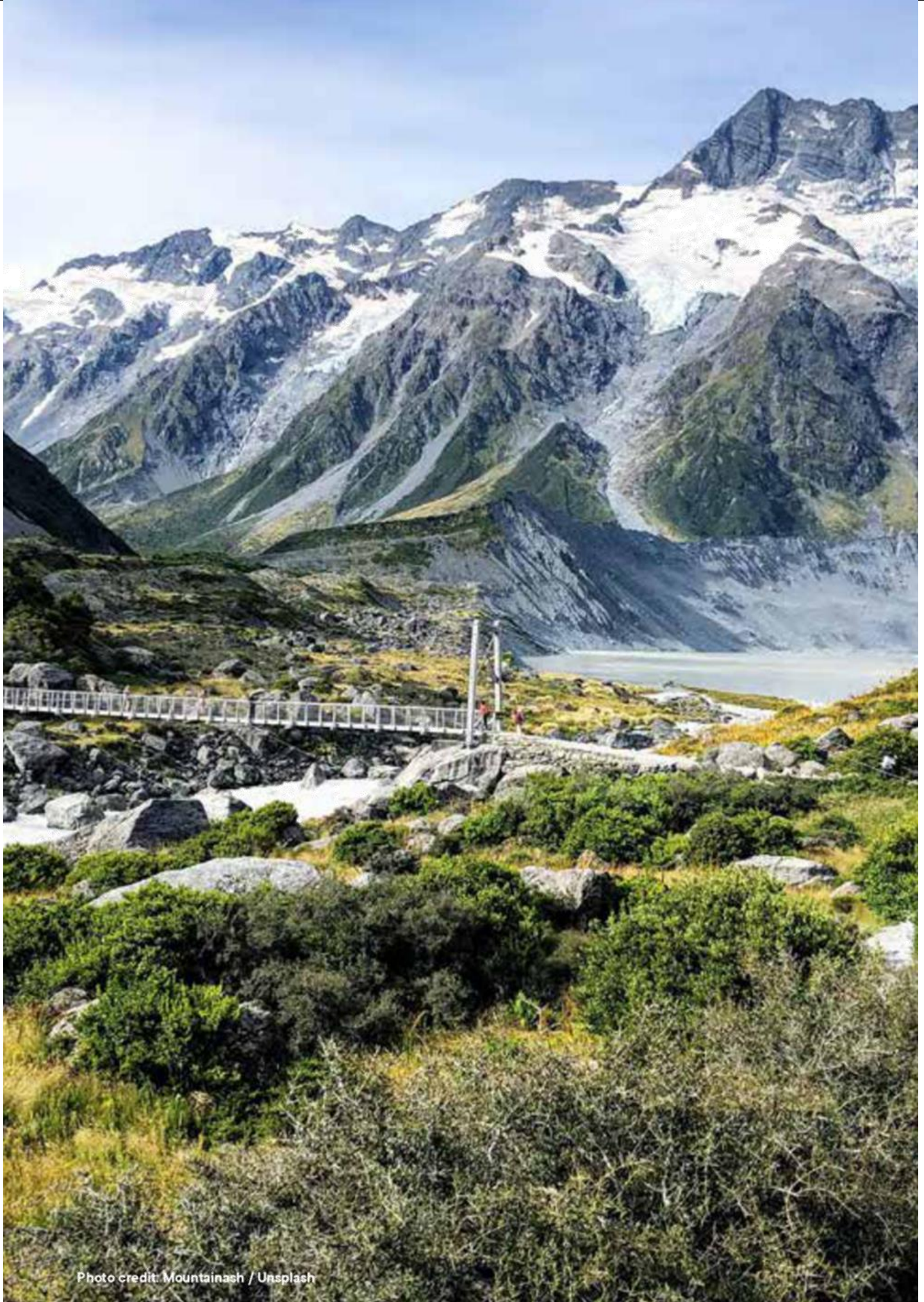


Photo credit: Mountainash / Unsplash

Prospective Financial Statements

The prospective financial statements in this section outline Council's planned expenditure for the 2022/23 financial year.

To see the significant forecast assumptions that underlie the financial information in this Annual Plan please refer to the Long Term Plan 2021-2031.

Funding Impact Statement

The purpose of the Funding Impact Statement is to show the revenue and financing mechanisms that Council uses to cover its estimated expenses.

The Funding Impact Statement is required under the Local Government Act 2002 and conforms to the Local Government (Financial Reporting and Prudence) Regulations 2014. The Funding Impact Statement has been prepared in accordance with Schedule 10, Part 2, Clause 20 of Schedule 10 of the Local Government Act 2002.

Balanced Budget Statement

The Council is required under the Local Government Act 2002 to ensure that each year's projected operating revenues are set at a level sufficient to meet that year's projected operating expenses. Council may set projected operating revenues at a different level from that required, if Council resolves that it is financially prudent to do so.

Receipt of Capital Income

From time to time Council budgets to receive different types of capital income in the form of financial contributions, reserve contributions and vested assets. These are not used to reduce the amount of rates required for a particular activity but instead are transferred to a capital reserve in order to fund future expenditure.

Funding of depreciation

The balanced budget provisions of the Local Government Act 2002 (s100) allow a council to not fully fund all expenditure (including depreciation) provided it can demonstrate that it is financially prudent to do so. We have previously decided not to fully cash fund the depreciation cost of various assets.

The Council has resolved that it will not cash-fund depreciation on certain assets for a variety of reasons. The most significant of these is where we believe we will receive money from third parties to help fund any asset replacement. The most important of these third parties is the New Zealand Transport Agency (NZTA) which co-invests in the roading network. It has also been assumed with some community assets that third party funding was received to help build or develop the facility.

The other major reason depreciation is not funded is when we do not expect to renew or replace an asset at the end of its useful life. The Council owns and operates a number of small rural water supplies which are largely self-managed by committees of users. They have been content to meet capital expenditure as it is required and not fund depreciation year by year. Council has raised no objection to this and notes the amounts of depreciation are relatively small. There were low numbers of users on each supply and they understood the consequences and rationale for not funding depreciation.

These rural schemes include: Albury, Ashwick/Opuha, School Road and Kimbell.

Council also does not fully fund depreciation on its Halls and swimming pools as Council assume that we will either receive external grants or loan for the balance.

Photo credit: Tonia Kraakman / Unsplash



Annual Plan Disclosure Statement

What is the purpose of this statement?

The purpose of this statement is to disclose the Council's planned financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

The Council is required to include this statement in its annual plan in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations) Section 101.

Refer to the regulations for more information, including definitions of some of the terms used in this statement.

Benchmark	Benchmark Quantified Limit	Planned	Met
Rates affordability benchmark	Total rates increase will be less than 9.00% plus inflation (LGCI)	17%	No
Debt affordability benchmark	Total debt to total revenue will not exceed 1.75	1.30	Yes
Balanced budget benchmark	100%	89%	No
Essential services benchmark	100%	286%	Yes
Debt servicing benchmark	10%	1%	Yes

1. Rates affordability benchmark

The Council meets the rates affordability benchmark if its planned rates increases equal or are less than its quantified limit on rates increases.

2. Debt affordability benchmark

The Council meets the debt affordability benchmark if its planned borrowing is within its quantified limit on borrowing.

3. Balanced budget benchmark

The Council meets the balanced budget benchmark if its planned revenue (excluding development contributions, vested assets, financial contributions, gains on derivative financial instruments, and revaluations of property, plant or equipment) equals or is greater than its operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant or equipment).

4. Essential services benchmark

The Council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.

5. Debt servicing benchmark

The council meets the debt servicing benchmark if its planned borrowing costs equals or is less than 10% of its planned revenue (excluding development contributions, vested assets, financial contributions, gains on derivative financial instruments, and revaluations of property, plant or equipment).



Accounting Policies

Reporting entity

Mackenzie District Council (Council) is a territorial local authority established under the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

The principal activity of Mackenzie District Council is the provision of local authority services, including resource management, water, storm water, wastewater and roading services, hazard management, recreation and cultural services and building control to the community. The Council does not operate to make a financial return.

The Council has designated itself as a public benefit entity (PBE) for the purposes of complying with generally accepted accounting practice. The financial statements of the Council are for the periods ending 30 June 2022. The prospective financial statements were authorised for issue by Council on 28 June 2022.

Basis of preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the Long-Term Plan.

The Council and management of Mackenzie District Council are responsible for the preparation of the financial statements, including the appropriateness of the assumptions underlying the financial statements and other required disclosures.

Council, who are authorised to do so, believe the assumptions underlying the financial statements are appropriate.

Statement of Compliance

The financial statements of the Council have been prepared in accordance with the requirements of the LGA and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R), which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with and comply with PBE Standards RDR. The criteria under which Council is eligible to report in accordance with Tier 2 PBE Standards as total expenditure is below the \$30 million threshold.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

The financial statements have been prepared on a historical cost basis, except for land and buildings classified as property, plant and equipment, certain infrastructure assets, investment property, some investments and forestry.

Three waters reform

The forecast information does not reflect the three waters reforms.

Joint Operation

A joint operation is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control exists when there is a binding agreement between the parties involved in the arrangement and this agreement requires the relevant activities of the arrangement to be decided by unanimous consent from all parties involved in the arrangement.

For joint arrangements, the Council recognises in its financial statements its assets, liabilities, revenue and expenses relating to its share in the arrangement.

The Council has a joint arrangement with the Timaru District Council and Waimate District Council for the Downlands Rural Water Scheme. The Downlands Rural Water Scheme is a joint operation rather than a joint venture because the three Council's jointly own their specified share of the whole scheme and have rights to the assets and obligations for the liabilities relating to the arrangement, due to the structure of the arrangement not being through a separate vehicle. Council's share in this joint arrangement equates to 4%, with Timaru District Council's share being 82% and Waimate District Council's 14%.

Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable.

Rates Revenue

The following policies for rates have been applied:

- General rates, targeted rates (excluding water-by meter) and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue
- Revenue arising from late payment penalties is recognised as revenue when rates become overdue
- Rates collected on behalf of the Environmental Canterbury Regional Council (ECan) are not recognised in the financial statements, as the Council is acting as an agent for ECan.

New Zealand Transport Agency roading subsidies

Council receives government grants from the New Zealand Transport Agency, which subsidises part of the costs of maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

Other grants received

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions are satisfied.

Building and resource consent revenue

Revenue from building consents is recognised when payment of the consent is received. Revenue from fees charged for resource consent processing is recognised in proportion to the stage of completion. Work performed is invoiced monthly until completion.

Entrance Fees

Entrance fees are fees charged to users of the Council's local facilities, such as the pools. Revenue from entrance fees is recognised upon entry to such facilities.

Provision of goods and services

Services provided to third parties on commercial terms are exchange transactions. Revenue from these services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Contributions

Development and financial contributions are recognised as revenue when the Council provides, or is able to provide, the service for which the contribution was charged. Otherwise, development and financial contributions are recognised as liabilities until such time as the Council provides, or is able to provide, the service.

Vested or donated physical assets

For assets received for no or nominal consideration, the asset is recognised at its fair value when the Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer.

For long-lived assets that must be used for a specific use (e.g. land must be used as a recreation reserve), the Council immediately recognises the fair value of the asset as revenue. A liability is recognised only if the Council expects that it will need to return or pass the asset to another party.

Infringement fees and fines

Infringement fees and fines mostly relate to traffic and parking infringements and are recognised when the infringement notice is issued. The fair value of this revenue is determined based on the probability of collecting fines, which is estimated by considering the collection history of fines over the preceding 2-year period.

Landfill fees

Fees for disposing of waste are recognised as waste is disposed of by users.

Sale of Goods and Services

Revenue from the sale of goods and services is recognised when a product is sold or service provided to the customer.

Interest and dividends

Interest revenue is accrued on a time basis using the effective interest method, by reference to the principal outstanding and at the interest rate applicable. Interest revenue on an impaired financial asset is recognised using the original effective interest rate. Dividends are recognised when the right to receive payment has been established. When dividends are declared from pre-acquisition surpluses, the dividend is deducted from the cost of the investment.

Donated and bequeathed financial assets

Donated and bequeathed financial assets are recognised as revenue unless there are substantive use or return conditions. A liability is recorded if these are substantive use or return conditions and the liability released to revenue as the conditions are met. (e.g. as the funds are spent for the nominated purpose).

Expenditure

The specific accounting policies for significant expenditure items are explained below.

Borrowing costs

All borrowing costs are recognised as an expense in the period in which they are incurred.

Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received. Discretionary grants are those grants where the Council has

no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Council and the approval has been communicated to the applicant. The Council's grants awarded have no substantive conditions attached.

Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight line basis over the lease term. Lease incentive received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

Operating Leases as lessee

Council leases property, plant and equipment in the normal course of its business. The majority of these leases have non-cancellable term of 36 months.

Leases can be renewed at the Council's option, with rents set by reference to current market rates for items of equivalent age and condition. The Council does not have the option to purchase the asset at the end of the lease term.

There are no restrictions placed on the Council by any of the leasing arrangements.

Contractual commitments

These are commitments for which a formal contract has been entered into at balance date. These commitments are based on the legal commitment outstanding under contracts. They do not take in account any additional work required due to emergency events or any adjustments to costs based on inflation.

Income tax

Income tax expense includes components relating to both current tax and deferred tax. Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date. Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects

the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit. Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly in equity.

Balance Sheet Items

Equity and Reserves

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- Operating reserves;
- Capital reserves;
- Asset revaluation reserves;
- Other reserves and special funds reserves; and
- Accumulated general funds.

OPERATING RESERVES

Operating reserves consist of surpluses earned over time, and funds set aside for special purposes. These reserves represent funds available for the use in trading and operation of Council for special purposes. All special purpose funds and assets are separately accounted for and balanced with the cash resources retained by Council for special purposes.

CAPITAL RESERVES

Pursuant to the policy for funding of capital expenditure adopted by the Council as part of the Long-Term Plan, a Capital Reserve has been created for all activities of Council that involve assets. The movements within the capital reserves involve all capital revenue received for the activity and any capital expenditure incurred within that activity. The capital revenue includes depreciation funded from rates, financial contributions, upgrade contributions and grants. Depending on the movements in the capital reserve, the balance can be in funds or in deficit. An interest component is applied to the capital reserve depending on whether the reserve is in funds or deficit.

ASSET REVALUATION RESERVES

This reserve comprises the cumulative net change in the fair value through other comprehensive revenue and expenditure of certain classes of Property, Plant and Equipment and Equity instruments such as shares and bonds held.

OTHER RESERVES

Other reserves consist of funds which have been received over time by the Council, usually by way of a donation or bequest, the terms of which restrict the use of funds. Each amount has been set up as a trust fund to maintain a degree of independence from general Council funds. All such funds are separately accounted for and are not available for any other purpose.

RESTRICTED RESERVES

Restricted reserves are those reserves subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

COUNCIL-CREATED RESERVES

Council-created reserves are reserves established by Council decision. The Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

ACCUMULATED GENERAL FUNDS

Accumulated General Funds consist of all other equity transactions not classified as operating reserves, capital reserves, asset revaluation reserves, other reserves or special reserves.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Trade and Other Receivables

Trade and other receivables are recorded at the amount due, less an allowance for expected credit losses (ECL). The Council and group apply the simplified ECL model of recognising lifetime ECL for receivables. In measuring ECLs, receivables have been grouped into rates receivables, and other receivables, and assessed on a collective basis as they possess shared credit risk characteristics. They have then been grouped based on the days past due. A provision matrix is then established based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Rates are "written-off":

- when remitted in accordance with the Council's rates remission policy; and
- in accordance with the write-off criteria of sections 90A (where rates cannot be reasonably recovered) and 90B (in relation to Māori freehold land) of the Local Government (Rating) Act 2002.

Other receivables are written-off when there is no reasonable expectation of recovery.

Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (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 an operating cash flow in the prospective statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Financial assets/financial liabilities

The Council shall recognise a financial asset or a financial liability in its statement of financial position when, and only when, the Council becomes party to the contractual provisions of the instrument.

At initial recognition, the Council shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial Assets are classified as either: (1) Amortised Cost, (2) Fair value through profit or loss, or (3) Fair Value through other comprehensive income.

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through other comprehensive revenue or expense if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortised cost or at fair value through other comprehensive revenue and expense. However an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through surplus or deficit to present subsequent changes in fair value in other comprehensive revenue and expense.

Subsequent measurement of financial assets at amortised cost

Financial assets classified at amortised cost are subsequently measured at amortised cost using the effective interest method, less any expected credit losses. Where applicable, interest accrued is added to the investment balance. Instruments in this category include term deposits, community loans, and loans to subsidiaries and associates.

Subsequent measurement of financial assets at FVTOCRE

Financial assets in this category that are debt instruments are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense. There is no assessment for impairment when fair value falls below the cost of the investment. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to accumulated funds with equity. The Council and group designate into their category all equity investments that are not included in its investment fund portfolio, and if they are intended to be held for the medium to long-term.

Expected credit loss allowance (ECL)

The Council and group recognise an allowance for ECLs for all debt instruments not classified as FVTSD. ECLs are the probability-weighted estimate of credit losses, measure at the present value of cash shortfalls, which is the difference between the cash flows due to Council and group in accordance with the contract and the cash flows it expect to receive. ECLs are discounted at the effective interest rate of the financial asset.

ECLs are recognised in two stages. ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). However, if

there has been a significant increase in credit risk since initial recognition, the loss allowance is based on losses possible for the remaining life of the financial asset (Lifetime ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Council and group considers reasonable and supportable information that is relevant without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Council and group's historical experience and informed credit assessment and included forward-looking information.

The Council and group consider a financial asset to be in default when the financial asset is more than 90 days past due. The Council and group may determine a default occurs prior to this if internal or external information indicates the entity is unlikely to pay its credit obligations in full.

Financial Liabilities are classified as either: (1) Amortised Cost, (2) Fair value through profit or loss.

Financial liabilities are generally classified and measured at amortised cost unless they meet the criteria for classification at fair value through profit or loss.

A financial liability is classified as a financial liability at fair value through profit or loss if it meets one of the following conditions:

- It is held for trading, or
- It is designated by the entity as at fair value through profit or loss (note that such a designation is only permitted if specified conditions are met).

A financial liability is held for trading if it meets one of the following conditions:

- It is incurred principally for the purpose of repurchasing it in the near term
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Inventories

Inventories are held for distribution or for use in the provision of goods and services. The measurement of inventories depends on whether the inventories are held for commercial or non-commercial (distribution at no charge or for a nominal charge) distribution or use. Inventories are measured as follows:

- Commercial: measured at the lower of cost and net realisable value.

- Non-commercial: measured at cost, adjusted for any loss of service potential.

Cost is allocated using the first-in-first-out (FIFO) method, which assumes the inventories that were purchased first are distributed or used first.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

Any write-down from cost to net realisable value or for the loss of service potential is recognised in the surplus or deficit in the year of the write-down.

When land held for development and future resale is transferred from investment property/property, plant, and equipment to inventory, the fair value of the land at the date of the transfer is its deemed cost.

Costs directly attributable to the developed land are capitalised to inventory, with the exception of infrastructural asset costs which are capitalised to property, plant, and equipment.

Plantation Forestry

Standing forestry assets are independently revalued annually at fair value less estimated costs to sell for one growth cycle. Gains or losses arising on initial recognition of forestry assets at fair value less costs to sell and from a change in fair value less costs to sell are recognised in the surplus or deficit. Forestry maintenance costs are recognised in the surplus or deficit when incurred.

Property, plant and equipment

OPERATIONAL ASSETS

Operational assets are tangible assets that are able to be dealt with as part of the operating strategy. These include operational land, buildings and improvements, furniture and fittings, plant and equipment, computer hardware, motor vehicles, office equipment, resource recovery parks and heritage assets.

RESTRICTED ASSETS

Restricted assets are parks and reserves owned by Council, which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions. They include reserves vested under the Reserves Act, and endowments and other property held in trust for specific purposes.

INFRASTRUCTURE ASSETS

Infrastructure assets are the fixed utility systems owned by the Council and group. Each asset class includes all items that are required for the network to function. For example, sewer reticulation includes reticulation piping and sewer pump stations.

UNFORMED OR PAPER ROADS

An unformed or paper road is a term for a road that is legally established and recorded in survey plans, but has not been formed, and that ownership of the land associated with the paper road resides with Council. Council does not recognise land under unformed paper roads in the financial statements because there is little or no service potential from the majority of these paper roads. Valuing these assets is also difficult. It is difficult to measure the service benefit to the public from having access to these routes. There is also limited market data detailing recent sales of such small individual areas arguably due to the high cost of disposal.

ADDITIONS

The cost of an item of property, plant, or equipment is recognised as an asset if and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Council and group and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

DISPOSALS

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

SUBSEQUENT COSTS

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

REVALUATIONS

The carrying values of revalued items are assessed annually to ensure that their carrying amount does not differ materially from fair value and at least every three years. If there is a material difference, then the off-cycle asset classes are revalued. Revaluations of property, plant, and equipment are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated

to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed and then recognised in other comprehensive revenue and expense.

Operational assets	Is the class revalued	Valuation basis
Buildings	Yes	Fair value
Computer hardware	No	Depreciated replacement cost
Furniture and fittings	No	Depreciated replacement cost
Heritage assets	No	Deemed cost
Land	Yes	Fair value
Motor vehicles	No	Depreciated replacement cost
Office equipment	No	Depreciated replacement cost
Plant and machinery	No	Depreciated replacement cost
Restricted assets	Is the class revalued	Valuation basis
Land	Yes	Fair value
Flood protection and control works	No	Not applicable
Landfills	No	Not applicable
Village projects	No	Not applicable
Alps 2 Ocean cycleway	No	Deemed cost
Land under roads	No	Not applicable
Roads and footpaths	Yes	Optimised depreciated replacement cost
Resource consents	No	Optimised depreciated replacement cost
Stormwater	Yes	Optimised depreciated replacement cost
Sewerage	Yes	Optimised depreciated replacement cost
Water supplies	Yes	Optimised depreciated replacement cost

DEPRECIATION

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Assets	Depreciation method	Life (years)
Buildings	Straight line	13-80
Computer hardware	Straight line	3-10
Computer network cabling	Straight line	10
Furniture and fittings	Straight line	10
Heritage assets	Straight line	60-150
Land	Not depreciated	-

Assets	Depreciation method	Life (years)
Motor vehicles	Straight line	5
Office equipment	Straight line	5-10
Light plant and machinery	Straight line	10-25
Plant and machinery	Straight line	10-25
Resource recovery parks	Straight line	10-33
Flood protection and control works	Not applicable	-
Landfills	Straight line	30-50
Village projects	Straight line	5-80
Alps 2 Ocean cycleway	Straight line	50
Formation	Not depreciated	-
Surfacing	Straight line	0-17
Land under roads	Not depreciated	-
Roads and footpaths	Straight line	6-80
Formation	Not depreciated	-
Sub-base	Not depreciated	-
Base course	Straight line	75-100
Surfacing	Straight line	0-17
Kerb and channelling	Straight line	10-10
Street signs	Straight line	13
Street lighting	Straight line	20-40
Bridges	Straight line	80-100
Resource consents	Straight line	10-33
Stormwater		
Lines	Straight line	60-150
Manholes	Straight line	150
Open drains	Not depreciated	-
Wastewater		
Mains	Straight line	60-80
Pumps	Straight line	15
Oxidation ponds	Not depreciated	-
Box culverts	Straight line	100
Manholes	Straight line	80
Water supplies		
Piping mains	Straight line	60-80
Pumps	Straight line	25
Service lines	Straight line	80-100
Hydrants	Straight line	80
Valves and air valves	Straight line	80
Meters	Straight line	25
Reservoirs	Straight line	80

Intangibles - Software acquisition and development

Acquired computer software is capitalised on the basis of costs incurred to acquire and bring to use the specific software.

Costs that are directly attributable with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs associated with development and maintenance of the Council's website are recognised as an expense when incurred.

Easements

Easements are not cash generating in nature, instead they give Council the right to access private property where infrastructural assets are located. Council has not valued and recognised easements as an intangible asset under PBE IPSAS 31 Intangible Assets. The work required identifying and developing a central register to record easements and paper roads would be considerable and difficult to ensure that it was comprehensive and complete. Council is also concerned that the cost to establish the register would be substantial with minimal benefits being achieved. Registered valuers would have difficulty determining a fair value for the easements due to their unique nature and having no active market for this particular asset type. There is also no recognised valuation methodology. For these reasons, Council has opted not to recognise easements as an intangible asset because they cannot be quantified, and the value of the easements cannot be measured reliably.

Carbon Credits

Purchased Carbon credits are recognised at cost on acquisition. Acquired Carbon Credits from the Crown are recognised at fair value on receipt. In the absence of an Active Market Carbon Credits are brought in at their cost to the Council. Carbon Credits are not amortised but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

Impairment

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

Employee Entitlements

Short Term Employee Entitlements

Employee benefits expected to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

Long Term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis.

The calculations are based on:

- Likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement; and contractual entitlement information; and
- The present value of estimated future cash flows.

Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability, Non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

PROVISIONS

A provision is recognised for future expenditure of uncertain amount or timing when:

- there is a present obligation (either legal or constructive) as a result of a past event;
- it is probable that an outflow of future economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs."

PAYABLES AND DEFERRED REVENUE

Short-term payables are recorded at the amount payable.

Budget Figures

The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the council for preparing these financial statements.

Critical Accounting Estimates and Assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Estimating the fair value of land, buildings, and infrastructural assets
- Estimating the retirement obligation for employees
- Estimating the landfill aftercare provision

Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies:

- Classification of property
- Accounting for suspensory loan from Housing New Zealand
- Accounting for donated or vested land and buildings with use or return conditions

Changes in accounting policies

Accounting policies have been changed to incorporate all necessary changes as required by the new Public Benefit Entity (PBE) Standards. No changes to recognition/ measurement were required.

The current PBE Standard on financial instruments, PBE IPSAS 29 Financial Instruments: Recognition and Measurement, is based on IAS 39 Financial Instruments: Recognition and Measurement issued by the IASB (International Accounting Standards Board). That standard has since been replaced by the IASB with IFRS 9 Financial Instruments.

In early 2017 the NZASB (NZ Accounting Standards Board) issued PBE IFRS 9 Financial Instruments based on IFRS 9 to give PBEs the opportunity to adopt a PBE Standard equivalent to IFRS 9 to reduce compliance costs that may arise on consolidation of mixed groups. Now that the IPSASB (International Public Sector Accounting Standards Board) has issued a revised standard on financial instruments, IPSAS 40 Financial Instruments (based on IFRS 9), the NZASB has incorporated that standard into the PBE Standards.

PBE IPSAS 41 Financial Instruments will replace both PBE IPSAS 29 and PBE IFRS 9.

IPSAS 41 is effective from 1 July 2022. The Council has early adopted this standard from 1 July 2020. The Council has assessed the changes have minimal impact on the prospective statements.

Photo credit: Christopher Izquierdo / Unsplash



Prospective Statement of Comprehensive Revenue and Expense

\$000	Long Term Plan Budget 2021/2022	Long Term Plan Forecast 2022/23	Annual Plan Budget 2022/23
Revenue			
Rates	12,364	14,498	14,464
Fees, charges and metered rates for water supply	1,907	2,014	1,847
Subsidies and grants	9,516	3,080	3,036
Finance revenue	247	306	321
Other revenue	2,683	1,625	2,085
Development and financial contributions	1,684	2,128	2,122
Vested assets	2,881	2,979	2,979
Other gains / (losses)	-	31	11
Total Operating Revenue	31,282	26,661	26,865
Expenditure			
Personnel costs	4,967	5,328	5,685
Other expenses	15,345	12,943	13,661
Finance costs	76	327	215
Depreciation and amortisation expense	4,461	4,999	4,946
Total Operating Expenditure	24,849	23,597	24,506
Operating Surplus (Deficit) before Tax	6,433	3,064	2,358
Income Tax	-	-	-
Operating Surplus (Deficit) after Tax	6,433	3,064	2,358
Other Comprehensive Revenue and Expense			
Items that could be reclassified to surplus / (deficit)			
Financial assets at fair value through other comprehensive revenue and expense	438	434	434
Gain on revaluation of property, plant and equipment	11,492	124	233
Total Other Comprehensive Revenue and Expense	11,930	558	667
TOTAL COMPREHENSIVE REVENUE AND EXPENSE	18,363	3,622	3,026

Prospective Statement of Movements in Equity

\$000	Long Term Plan Budget 2021/2022	Long Term Plan Forecast 2022/23	Annual Plan Budget 2022/23
Equity at the beginning of the year	294,483	312,846	313,338
Comprehensive Revenue and Expense	18,363	3,622	3,026
EQUITY AT THE END OF THE YEAR	312,846	316,471	316,364



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Prospective Statement of Financial Position

\$000	Long Term Plan Budget 2021/2022	Long Term Plan Forecast 2022/23	Annual Plan Budget 2022/23
ASSETS			
Current Assets			
Cash and cash equivalents	4,851	4,866	4,168
Receivables	3,839	3,934	3,839
Prepayments	84	84	84
Inventories	28	28	28
Short term investments	15,226	15,226	11,226
Total Current Assets	24,028	24,138	19,345
Non-Current Assets			
Property, plant and equipment	286,613	296,079	298,782
Intangible assets	896	896	946
Forestry	8,063	8,083	7,863
Investment property	4,319	4,330	4,319
Inventory term	389	389	558
Other financial assets	11,231	11,658	11,352
Total Non-Current Assets	311,511	321,435	323,821
TOTAL ASSETS	335,539	345,573	343,166
LIABILITIES			
Current Liabilities			
Payables	5,222	5,331	5,783
Employee benefit liabilities	328	328	328
Provisions	63	63	63
Borrowings	2,709	2,700	2,709
Total Current Liabilities	8,322	8,422	8,883
Non-Current Liabilities			
Provisions	-	-	-
Employee benefit liabilities	-	-	-
Borrowings	14,371	20,679	17,919
Total Non-Current Liabilities	14,371	20,679	17,919
TOTAL LIABILITIES	22,693	29,101	26,802
NET ASSETS	312,846	316,472	316,364
EQUITY			
Retained earnings	122,866	125,423	131,048
Asset revaluations reserves	164,886	165,445	165,535
Special Reserves	9,060	9,060	10,670
Separate Reserves	16,034	16,543	9,111
TOTAL EQUITY	312,846	316,471	316,364

Prospective Statement of Cash Flows

\$000	Long Term Plan Budget 2021/2022	Long Term Plan Forecast 2022/23	Annual Plan Budget 2022/23
Cash flows from operating activities			
Receipts from rates revenue	12,364	14,403	14,464
Subsidies and grants received	7,066	3,080	3,036
Receipts from other revenue	4,590	3,639	4,171
Interest received	117	176	181
Dividend revenue received	130	130	140
Financial and development contributions received	1,684	2,128	2,122
Payments to suppliers and employees	(20,142)	(18,159)	(19,346)
Interest paid	(76)	(327)	(215)
Net cash flow from operating activities	5,733	5,070	4,554
Cash flows from investing activities			
Receipts from sale of investments	9,993	15,234	10,000
Receipts from sale of property, plant and equipment	-	-	523
Purchase of investments	(14,985)	(15,226)	(10,000)
Purchase of property, plant and equipment	(24,617)	(11,362)	(13,953)
Net cash flow from investing activities	(29,609)	(11,354)	(13,429)
Cash flows from financing activities			
Proceeds from borrowings	17,080	9,008	10,628
Repayment of borrowings	-	(2,709)	-
Net cash flow from financing activities	17,080	6,299	10,628
Net increase / (decrease) in cash held	(6,796)	15	1,752
Add opening cash brought forward	11,647	4,851	2,416
CASH AND CASH EQUIVALENTS AT YEAR END	4,851	4,866	4,168

Photo credit: Hayley Shen / Unsplash



Prospective Funding Impact Statement (whole of Council)

\$000	Long Term Plan Budget 2021/2022	Long Term Plan Forecast 2022/23	Annual Plan Budget 2022/23
Sources of Operating Funding			
General rates, uniform annual general charges, rates penalties	6,080	6,885	6,860
Targeted rates	6,285	7,614	7,605
Subsidies and grants for operating purposes	4,019	1,305	1,221
Fees and charges	1,907	2,014	1,827
Interest and dividends from investments	247	306	321
Local authorities fuel tax, fines, infringement fees, and other receipts	2,683	1,625	1,576
Total Operating Funding	21,221	19,749	19,410
Applications of Operating Funding			
Payments to staff and suppliers	20,313	18,270	19,347
Finance costs	76	327	215
Other operating funding applications	-	-	-
Total Applications of Operating Funding	20,389	18,597	19,561
Surplus (Deficit) if Operating Funding	832	1,152	(151)
Sources of Capital Funding			
Subsidies and grants for capital expenditure	5,497	1,775	1,815
Development and financial contributions	1,684	2,128	2,122
Increase (decrease) in debt	17,080	6,299	6,318
Gross proceeds from sale of assets	-	-	523
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total Sources of Capital Funding	24,261	10,202	10,778
Applications of Capital Funding			
Capital expenditure			
- to meet additional demand	1,477	542	1,282
- to improve the level of service	16,148	8,058	9,233
- to replace existing assets	6,992	2,761	3,437
Increase (decrease) in reserves	(169)	-	(3,325)
Increase (decrease) in investment	645	(7)	-
Total Applications of Capital Funding	25,093	11,354	10,627
Surplus (Deficit) of Capital Funding	(832)	(1,152)	151
FUNDING BALANCE	-	-	-

Reserve Funds Summary

The Council maintains reserve funds as a sub-part of its equity. The following presents a summary of total reserve fund movements from 1 July 2022 to 30 June 2023 and is followed by a breakdown into each type of reserve.

	Balance 01/07/2022 \$000	Deposits to funds \$000	Withdrawals from funds \$000	Balance 30/06/2023 \$000
Special reserves	11,249	375	(954)	10,670
Separate reserves	11,553	15,428	(17,869)	9,111
Asset revaluation reserves	164,887	648	0	165,535
Total reserve funds	187,689	16,451	(18,823)	185,316

Special Reserve Funds

Special funds have been set up for specific purposes. Their use is restricted to the purpose for which they were set up. They retain their surplus or deficit but are used to meet the costs that comply with their purpose.

Trust and Bequest Funds - These funds are subject to specific conditions accepted as binding by the Council, such as bequests or operations in trust under specific Acts, and which may not be revised by Council without reference to the courts or a third party. Transfers from these reserves may only be made for certain specific purposes or when specific conditions are met.

Separate Reserves

These are reserve balances where activities are funded either by targeted rates or a combination of targeted rates and general rates. They hold a surplus or deficit balance from year to year, and the fund is only held for that specific activity. For example, each water supply activity has its own reserve balance.

Special reserves	Opening Balance 1 July 2022 \$000	Movement into Reserve \$000	Movement out of reserve \$000	Closing Balance 30 June 2023 \$000
Albury Water Fund	40	0	0	40
Ashwick/Opuha Water Supply	0	0	0	0
Housing Replacement	7	0	0	7
Insurance Reserve	201	1	0	201
Land Subdivision Reserve	5,179	262	(670)	4,771
Pensioner Housing Amenities	228	36	(8)	255
Watertight Building Reserve	44	0	0	44
Mackenzie County Scholarship Trust	88	0	0	88
Masonic Lodge Scholarship Fund	39	0	0	39
Real Estate Investment	5,093	55	(276)	4,872
Albury war memorial	4	0	0	4
Ashwick/Allandale war memorial	6	0	0	6
Davidson bequest: cemetery	2	0	0	2
Gillingham bequest: library	0	0	0	0
Gould bequest: cemetery	2	0	0	2
Paterson ponds	10	0	0	10
Enid Hutt Fairlie beautifying fund	30	0	0	30
Sherwood Downs Sports Trust	0	0	0	0
Carpark Development	257	1	0	257
Emergency Management	20	20	0	40
Total Special Reserves	11,249	375	(954)	10,670

Special reserves	Opening Balance 1 July 2022 \$000	Movement into Reserve \$000	Movement out of reserve \$000	Closing Balance 30 June 2023 \$000
Allandale Water	(241)	(1)	0	(241)
Animal Control	57	(0)	(50)	7
Ashwick/Opuha Water	44	0	0	44
District Wide Roding	(3,107)	2,496	(3,183)	(3,794)
Eversley Sewer	(1)	(0)	0	(1)
Forestry	9,630	24	(25)	9,629
Kimbell Water	22	0	0	22
Lake Tekapo Community Hall	(36)	6	(5)	(35)
Mackenzie Community Centre	63	25	0	88
Manuka Terrace Water	22	0	0	22
Plant Account	(34)	109	(162)	(87)
School Road Water	22	0	0	22
Sherwood Downs Hall	24	0	0	24
Sherwood Downs Recreation Reserve	37	0	0	37
Swimming Pool - Strathconan	(5)	175	(177)	(7)
Swimming Pool - Twizel	(749)	3	(10)	(756)
Twizel Community Centre	201	53	(271)	(18)
Urban Wastewater	3,984	2,283	(2,835)	3,431
Urban Stormwater	927	664	(831)	760
Urban Water	(2,252)	7,457	(7,798)	(2,593)
Albury Hall	18	0	0	18
Albury Water Supply	176	0	0	177
District General	(193)	773	(769)	(190)
Downlands Water Supply	236	155	(151)	239
Eversley/Punaroa Water Races	(1)	(0)	0	(1)
Fairlie Works and Services	72	0	(30)	42
Lake Tekapo Works and Services	(208)	369	(575)	(414)
Other Reserves - Lake Alexandrina	598	62	0	660
Pukaki Airport Board	2,253	18	(206)	2,065
Rural Works and Services	(67)	3	0	(64)
Tourism and Development	(320)	15	0	(305)
Twizel Works and Services	216	716	(821)	111
Waste Management	163	24	30	217
Total Separate Reserves	11,553	15,428	(17,869)	9,111

Asset revaluation reserves	Opening Balance 1 July 2022 \$000	Movement into Reserve \$000	Movement out of reserve \$000	Closing Balance 30 June 2023 \$000
Share Revaluation	7,679	434	0	8,113
Investment Revaluation	79	0	0	79
Infrastructural Assets Revaluation Reserves				
- Land	40,381	0	0	40,381
- Water Supplies	19,936	0	0	19,936
- Downlands Water Supply	648	152	0	800
- Wastewater Schemes	13,216	0	0	13,216
- Stormwater Schemes	3,785	0	0	3,785
- Roothing	67,149	0	0	67,149
- Plant	35	0	0	35
- Buildings	11,979	62	0	12,041
Total revaluation reserves	164,887	648	0	165,535

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Rating Definitions

Separately Used or Inhabited Part of a Rating Unit (SUIP)

Where uniform annual general charges and targeted rates are assessed on each separately used or inhabited part (SUIP) of a rating unit, the following definition will apply.

A separately used or inhabited part of a rating unit includes any part of a rating unit that is used or inhabited by any person, other than the ratepayer, having a right to use or inhabit that part by virtue of a tenancy, lease, licence, or other agreement, or any parts or parts of a rating unit that can be separately used or inhabited by the ratepayer. This definition includes separately used parts, whether or not actually inhabited at any particular time, which are provided by the owner for rental (or some other form of occupation) on an occasional or long term basis by someone other than the owner.

For the purposes of this definition, vacant land and vacant premises offered or intended for use or inhabitation by a person other than by the owner and usually used as such, are defined as "used". For the avoidance of doubt, a rating unit that has a single use or occupation is treated as having one separately used or inhabited part.

Examples of properties which have separately used or inhabited parts include:

- Residential property that contains two or more units that can be separately inhabited, including flats or houses each of which is or can be separately inhabited
- Commercial or other non-residential property containing separate residential accommodation
- Commercial premises that contain separate shops, kiosks or other retail or wholesale outlets, each of which is operated as a separate business or is capable of operation as a separate business
- Farm property with more than one dwelling
- Council property with more than one lessee.

Council has recognised that there are certain instances where the above situations will occur, but in circumstances that do not give rise to separate uses or inhabitations. These specific instances are:

- Where a residential property contains not more than one additional separately inhabited part and where members of the owner's family inhabit the separate part on a rent-free basis
- Individual storage garages / partitioned areas of a warehouse
- Bed and breakfast home stays.

All properties	All rateable properties in the Mackenzie District
Ohau A	All rating units in the former Twizel ward, used for hydro electric power generation (as more particularly defined on valuation roll number 25320 00701A)
Tekapo A	All rating units in the former Tekapo ward, used for hydro electric power generation (as more particularly defined on valuation roll number 25300 15901)
Tekapo B	All rating units in the former Tekapo ward, used for hydro electric power generation (as more particularly defined on valuation roll number 2530 18400)
All Other Properties	All rating units in the Mackenzie District other than Ohau A, Tekapo A and Tekapo B
All Other Rural Properties	All rating units in the Mackenzie District excluding the community areas of Twizel, Tekapo, Fairlie and Mount Cook Village and other than Ohau A, Tekapo A and Tekapo B
Rural Community	All rating units in the Mackenzie District excluding the community areas of Twizel, Tekapo, Fairlie and Mount Cook Village
Commercial Business	All rating units within the Mackenzie District identified as where the principal user of the land is identified as being a trading entity engaged in commercial business activities (excluding commercial accommodation providers)
Industrial Land Properties	All rating units within the Mackenzie District with a property category code beginning with I in the Council's Rating Information Database. The property category code is the code given to a property when identifying the highest and best use of a property by Council's valuation service provider
Commercial Accommodation Business	All rating units within the Mackenzie District identified as accommodation providers for short term (less than 30 consecutive days occupancy by the same occupier) paying guests and where the principal use of the land is commercial accommodation business
Secondary Accommodation Properties	All other rating units within the Mackenzie District identified by Council as accommodation providers for short term (less than 30 consecutive days occupancy by the same occupier) paying guests, but where the principal use of the land is not commercial accommodation business

Rating for 2022/23

General Rate

A general rate will be set on capital value under section 13 of the Local Government (Rating) Act 2002 on all rateable land.

The general rate will be set differentially using the following categories based on the use and location of the land:

- **Tekapo A**
- **Ohau A**
- **Tekapo B**
- **All Other Properties**

The relationship between the rates set in the differential categories are as follows:

Category	Factor
Ohau A	10% of the total rate requirement excluding the UAGC requirement
Tekapo A	10% of the total rate requirement excluding the UAGC requirement
Tekapo B	10% of the total rate requirement excluding the UAGC requirement
All Other Properties	70% of the total rate requirement excluding the UAGC requirement

The general rate is used to fund in whole or part, the general activities of Council, including but not limited to the following:

- Democracy (Council General)
- Civil Defence
- Health and Liquor Guidelines
- Waste Management
- Animal Control
- Pensioner Housing
- Building Control
- Public Toilets
- District Planning
- Cemeteries
- Resource Consent Planning
- Medical Facilities
- Responsible Camping
- Tourism and Economic Development

	Factor	Estimated Revenue 2022/23
Ohau A	0.002266 per dollar of capital value	709,917
Tekapo A	0.019450 per dollar of capital value	709,917
Tekapo B	0.003430 per dollar of capital value	709,917
All Other Properties	0.001100 per dollar of capital value	4,869,380
		6,999,131

Uniform Annual General Charge (UAGC)

A uniform annual general charge will be set under section 15 of the Local Government (Rating) Act 2002 as a fixed amount per SUIP.

Its level is designed to obtain a balance between flat charges and rates on capital value that is acceptable to Council. It is not used to fund any special portion of the general expenditure of Council.

The uniform annual general charge is used to fund in whole or part, the general activities of Council, including but not limited to the following:

- Democracy (Council General)
- Civil Defence
- Health and Liquor Guidelines
- Waste Management
- Animal Control
- Pensioner Housing
- Building Control
- Public Toilets
- District Planning
- Cemeteries
- Resource Consent Planning
- Medical Facilities
- Responsible Camping
- Tourism and Economic Development

	Factor	Estimated Revenue 2022/23
Uniform Annual General Charge	\$150.00 per SUIP	813,750

Targeted Rates

Sections 16 to 19 of the Local Government (Rating) Act 2002 authorise Council to set targeted rates to fund functions that are identified in its Long Term Plan as being functions for which targeted rates may be set.

Schedule 3 of the Local Government (Rating) Act 2002 lists factors that may be used to calculate the liability of targeted rates and section 18 provides that rates may be set per rating unit. The Council may select one or more of these factors for each targeted rate. If differential rating is being used, the Council must use the matters contained in Schedule 2 of the Local Government (Rating) Act 2002 to define the differential categories.

Lump Sum Contributions – except in respect of the Eversley Reserve Sewerage Rate, the Council does not accept lump sum contributions for any targeted rates.

Works and Services Targeted Rates

The following targeted rates will be assessed under section 16 of the Local Government (Rating) Act 2002 to fund Council's works and services activities. Council's swimming pools and community halls are 70% funded as part of this rate. The works and services that may be provided to each community include:

- Social services and information provision
- Village and township maintenance
- Parks and reserves
- Swimming pools
- Community halls

Twizel Works and Services Rate

This targeted rate will be assessed on every rating unit in the Twizel community area of benefit (as defined on a map held by Council) and will be:

- A fixed amount per SUIP of a rating unit to fund an annually defined percentage of the targeted rate requirement (excluding capital improvement work in the Twizel community area of benefit which is funded by the Twizel Improvement rate); and
- A rate in the dollar based on capital value of the land to fund the balance of the targeted rate requirement (excluding capital improvement work in the Twizel community area of benefit which is funded by the Twizel Improvement rate).

Currently the 2022/23 split of the rate requirement is 10% fixed charges and 90% rate in the dollar of capital value.

	Factor	Estimated Revenue 2022/23
Fixed Charge	\$28.90 per SUIP	63,484
Capital Value Rate	0.000479 per dollar of capital value	571,358
		634,842

Fairlie Works and Services Rate

This targeted rate will be assessed on every rating unit in the Fairlie community area of benefit (as defined on a map held by Council) and will be:

- A fixed amount per SUIP of a rating unit to fund an annually defined percentage of the targeted rate requirement; and
- A rate in the dollar based on the capital value of the land to fund the balance of the targeted rate requirement.

Currently the 2022/23 split of the rate requirement is 10% fixed charges and 90% rate in the dollar of capital value.

	Factor	Estimated Revenue 2022/23
Fixed Charge	\$84.21 per SUIP	50,440
Capital Value Rate	0.002013 per dollar of capital value	453,964
		504,404

Lake Tekapo Works and Services Rate

This targeted rate will be assessed on every rating unit in the Lake Tekapo community are of benefit (as defined on a map held by Council) and will be:

A fixed amount per SUIP of a rating unit to fund an annually defined percentage of the targeted rate requirement; and

A rate in the dollar based on the capital value of the land to fund the balance of the targeted rate requirement.

Currently the 2022/23 split of the rate requirement is 48% fixed charges and 52% rate in the dollar based on capital value.

	Factor	Estimated Revenue 2022/23
Fixed Charge	\$226.93 per SUIP	219,211
Capital Value Rate	0.000278 per dollar of capital value	237,480
		456,691

Rural Works and Services Rate

This targeted rate will be assessed on every rating unit in the rural community (as defined on a map held by Council, excluding Mount Cook Village) and will be:

- A fixed amount per SUIP of a rating unit to fund an annually defined percentage of the targeted rate requirement; and
- A rate based on the capital value of the land to fund the balance of the targeted rate requirement, set differentially using the following categories based on the use and location of the land:
 - Ohau A
 - Tekapo A
 - Tekapo B
 - All Other Rural Properties

The relationship between the rates set in the differential categories are as follows:

Category	Factor
Ohau A	20% of the total rate requirement
Tekapo A	20% of the total rate requirement
Tekapo B	20% of the total rate requirement
All Other Rural Properties	40% of the total rate requirement

Currently the 2022/23 split of the rate requirement is 49% fixed charges and 51% rate in the dollar based on capital value.

	Factor	Estimated Revenue 2022/23
Fixed Charge	\$26.68 per SUIP	41,941
Ohau A	0.000028 per dollar of capital value	8,731
Tekapo A	0.000239 per dollar of capital value	8,731
Tekapo B	0.000042 per dollar of capital value	8,731
All Other Rural Properties	0.000008 per dollar of capital value	17,462
		85,596

Urban Sewerage Rates

Sewage Treatment Rate

A targeted rate will be assessed under section 16 of the Local Government (Rating) Act 2002 on rating units located in the Fairlie, Twizel (including land encompassing and known as Pukaki Airport), Lake Tekapo communities and Burkes Pass township (as defined on maps held by Council) to fund the cost of sewage treatment.

The targeted rate will be:

- A fixed amount per SUIP of a rating unit which is connected to a community sewerage scheme
- An additional targeted rate will be assessed on every rating unit which is connected to a community sewerage scheme of a fixed amount per water closet or urinal after the first (rating units comprising a single household are treated as having one water closet or urinal). This rate will be set at 25% of the fixed amount.

Note: For the purposes of the targeted rates for sewage treatment:

- The sewerage service is treated as being provided if the rating unit is connected to a public sewerage drain;
- A rating unit used primarily as a residence for one household is treated as having not more than one water closet or urinal.

Sewerage Infrastructure Rate

A targeted rate will be assessed under section 16 of the Local Government (Rating) Act 2002 on rating units located in the Fairlie, Twizel (including land encompassing and known as Pukaki Airport), Lake Tekapo communities and Burkes Pass township (as defined by maps held by Council) to fund the Council's sewerage infrastructure services. This includes sewer maintenance, depreciation and the servicing of loans.

The targeted rate will be:

- A fixed amount per SUIP of a rating unit which is connected or capable of being connected to a community sewerage scheme
- An additional targeted rate will be assessed on every rating unit connected to a community sewerage scheme of a fixed amount per water closet or urinal after the first (rating units comprising a single household are treated as having one water closet or urinal). This rate will be set at 25% of the fixed amount.

Note: for the purposes of the targeted rate for sewerage infrastructure:

- The sewerage infrastructure service is treated as being provided if the rating unit is connected to or able to be connected to a public sewerage drain and is within 30 metres of such a drain;
- A rating unit used primarily as a residence for one household is treated as having not more than one water closet or urinal.

Eversley Reserve Sewerage Rate

A targeted rate will be assessed under section 16 of the Local Government (Rating) Act 2002 to repay a loan made by Council to Eversley Reserve ratepayers to fund on-property sewerage infrastructure for rating units in the Eversley Reserve area of benefit. Excluding those rating units that opted to pay a lump sum contribution.

The targeted rate will be a fixed amount per rating unit in the Eversley Reserve (as defined on a map held by Council), excluding those rating units which have opted to pay the lump sum contribution.

	Factor	Estimated Revenue 2022/23
Treatment Fixed Charge	\$57.75 per SUIP	176,184
Treatment Additional Charge	\$14.44 for each additional water closet	12,069
Infrastructure Fixed Charge	\$186.85 per connectible SUIP	713,959
Infrastructure Additional Charge	\$46.71 for each additional water closet	39,052
Eversley Reserve Fixed Charge	\$938.30 per rating unit	11,260
		952,524

Urban Stormwater Rate

A targeted rate will be assessed under section 16 of the Local Government (Rating) Act 2002 on rating units located in the Fairlie, Twizel and Lake Tekapo communities (as defined on maps held by Council) to fund the costs of Council's urban stormwater reticulation.

The targeted rate will be a fixed amount per SUIP of a rating unit which is within the communities of Fairlie, Twizel and Lake Tekapo.

	Factor	Estimated Revenue 2022/23
Fixed Charge	\$49.59 per SUIP	187,364

Urban Water Supply Rates

Water Treatment Rate

A targeted rate will be assessed under section 16 of the Local Government (Rating) Act 2002 on rating units located in the Fairlie, Twizel (including land encompassing and known as Pukaki Airport), Lake Tekapo communities and Burkes Pass township (as defined on maps held by Council) to fund the costs of Council's urban water treatment.

The targeted rate will be a fixed amount per SUIP of a rating unit which are connected to a Council community water supply (except those rating units receiving a metered water supply).

Water Infrastructure Rate

A targeted rate will be assessed under section 16 of the Local Government (Rating) Act 2002 on rating units located in the Fairlie, Twizel (including land encompassing and known as Pukaki Airport), Lake Tekapo communities and Burkes Pass township (as defined on maps held by Council) to fund the Council's urban water supply infrastructure services. This includes maintenance, depreciation and the servicing of loans.

The targeted rate will be a fixed amount per SUIP of a rating unit which is connected or capable of connection to a council community water supply (except those rating units receiving a metered water supply).

Note: any rating unit to which water can be but is not supplied (being a property situated within 100 metres of any part of an urban communities' waterworks) is treated as being capable of connection.

Metered Water Rate

A targeted rate under section 16 of the Local Government (Rating) Act 2002. The targeted rate will be a fixed amount per metered supply on any rating unit which receives a Council water metered supply.

- Fairlie community
- Twizel community
- Lake Tekapo community
- Burkes Pass community
- Rural community

	Factor	Estimated Revenue 2022/23
Treatment Fixed Charge	\$73.41 per connected SUIP	220,229
Infrastructure Fixed Charge	\$395.98 per connectible SUIP	1,494,046
Metered Water Fixed Charge	\$469.39 per metered supply	99,511
		1,813,786

Rural Water Supply Rates

The following targeted rates will be assessed under the Local Government (Rating) Act 2002 to fund rural water supplies.

Note: rating units are considered to be supplied if the rating unit receives a water supply, or any part of the rating unit lies within the defined area of benefit for that supply (as defined on maps held by Council).

Allandale Water Supply

A targeted rate for water supply under section 19 of the Local Government (Rating) Act 2002 assessed on every rating unit supplied with water by the Allandale rural water supply, to fund the costs of maintenance, depreciation and the servicing of loans.

The targeted rate will be a fixed amount per unit of water supplied.

Ashwick / Opuha Water Supply

A targeted rate for water supply under section 16 of the Local Government (Rating) Act 2002 assessed on every rating unit within the defined area of benefit for the Ashwick / Opuha rural water supply, to fund the costs of maintenance, depreciation and the servicing of loans.

The targeted rate will be a fixed amount per rating unit.

Fairlie Water Race

A targeted rate for a water supply under section 16 of the Local Government (Rating) Act 2002 assessed on every rating unit within the defined area of benefit for the Fairlie water race, to partly fund the costs of maintenance, depreciation and the servicing of loans.

The targeted rate will be a fixed amount per rating unit.

An additional targeted rate will be a fixed amount per hectare within the rating unit.

Spur Road Water Supply

A targeted rate for water supply under section 19 of the Local Government (Rating) Act 2002 assessed on every rating unit supplied with water by the Spur Road rural water supply, to fund the costs of maintenance, depreciation and the servicing of loans.

The targeted will be a fixed amount per unit of water supplied.

Note: For the purposes of the Allandale and Spur Road rural water supplies, a unit of water allows for a supply of 1,820 litres per day.

Downlands Water Supply

A targeted rate for water supply under section 16 of the Local Government (Rating) Act 2002 on every rating unit serviced by Downlands water supply within the Mackenzie District, to fund the costs of maintenance, depreciation and the servicing of loans.

The targeted rate will be a fixed amount per rating unit.

A targeted rate for water supply under section 19 of the Local Government (Rating) Act 2002 assessed on every rating unit serviced by Downlands water supply within the Mackenzie District, to fund the costs of maintenance, depreciation and the servicing of loans.

The targeted rate will be a fixed amount per unit of water.

Note: for the purposes of the Downlands water supply, a unit of water allows for a supply of 1,000 litres per day.

	Factor	Estimated Revenue 2022/23
Allandale Fixed Charge	\$320.75 per unit	154,923
Ashwick / Opuha Fixed Charge	\$92.26 per rating unit	4,060
Fairlie Water Race Fixed Charge	\$30.00 per rating unit	870
Fairlie Water Race Fixed Charge	\$6.03 per hectare	4,190
Spur Road Fixed Charge	\$445.16 per unit	29,826
Downlands Water Fixed Charge	\$562.00 per serviced rating unit	32,034
Downlands Water Fixed Charge	\$225.00 per unit	48,600
		274,503

District Rooding Rate

A targeted rate will be assessed under section 16 of the Local Government (Rating) Act 2002 to fund the costs of all roading in the Mackenzie District, both subsidised and non-subsidised.

The targeted rate will be assessed on every rating unit in the Mackenzie District (excluding Mount Cook Village) and will be made up of two components:

- A fixed amount per SUIP of a rating unit to fund an annually defined percentage of the targeted rate requirement; and
- A rate based on the capital value of the land, to fund the balance of the targeted rate requirement, set differentially using the following categories based on the use and location of the land:
 - Ohau A
 - Tekapo A
 - Tekapo B
 - All Other Properties

The relationship between the rates set in the differential categories is as follows:

Category	Factor
Ohau A	10% of the total rate requirement
Tekapo A	10% of the total rate requirement
Tekapo B	10% of the total rate requirement
All Other Properties	70% of the total rate requirement

Currently the 2022/23 split of the rate requirement is 35% fixed charges and 65% rate in the dollar based on capital value.

	Factor	Estimated Revenue 2022/23
Fixed Charge	\$124.53 per SUIP	664,010
Ohau A	0.000394 per dollar of capital value	123,316
Tekapo A	0.003379 per dollar of capital value	123,316
Tekapo B	0.000596 per dollar of capital value	123,316
All Other Properties	0.000198 per dollar of capital value	863,212
		1,897,170

Solid Waste Rate

Urban Solid Waste Rate

A targeted rate will be assessed under section 16 of the Local Government (Rating) Act 2002 to partly fund the cost of all solid waste activity undertaken by Council. It will be assessed on every rating unit to which the Council provides the service. These waste collection areas (as defined on maps held by Council) are:

- Twizel waste collection area
- Lake Tekapo waste collection area
- Fairlie waste collection area
- Those rating units within one kilometre of the collection route on State Highway 8 from Cave in the east to Twizel in the west that have opted to receive the service.

The targeted rate will be a fixed amount per SUIP of a rating unit to which the Council provides the service.

	Factor	Estimated Revenue 2022/23
Fixed Charge	\$354.74 per SUIP	1,052,150

Tourism and Economic Development Rates

Targeted rates will be assessed under section 16 of the Local Government (Rating) Act 2002 to fund the costs of Mackenzie District tourism and promotion activities.

Fixed Amount

A targeted rate will be assessed as a fixed amount per SUIP of a rating unit on every rating unit in the Mackenzie District.

Differential Rate

Targeted rates will be assessed on rating units in the following categories (defined on the basis of the use to which the land is put), and set differentially:

The categories for the rate are:

- Commercial Business
- Industrial Land Properties
- Commercial Accommodation Business
- Secondary Accommodation Properties

The targeted rates will be:

- Commercial Business – a rate on the rateable capital value of the land on rating units in the commercial business category
- Industrial Land Properties – a fixed amount per rating unit for industrial land properties
- Commercial Accommodation Business – a rate on the rateable capital value of the land on rating units in the commercial accommodation category
- Secondary Accommodation Properties – a rate on the rateable capital value of the land on rating units in the secondary accommodation category.

The amount per dollar of capital value for secondary accommodation properties is half of that for commercial properties.

The relationship between the rates set is as follows:

Category	Factor
All Properties	10% of the total rate requirement
Commercial Business	28.63% of the total rate requirement
Industrial Land Properties	1.37% of the total rate requirement
Commercial Accommodation Business	16.80% of the total rate requirement
Secondary Accommodation Properties	43.20% of the total rate requirement

Currently the 2022/23 split of the rate requirement is 15% fixed charges and 85% rate in the dollar based on capital value.

	Factor	Estimated Revenue 2022/23
Fixed Charge	\$9.84 per SUIP	53,371
Commercial Business	0.000787 per dollar of capital value	152,814
Industrial Land Properties	\$100.00 per rating unit	7,300
Commercial Accommodation Business	0.000602 per dollar of capital value	89,664
Secondary Accommodation Properties	0.000433 per dollar of capital value	230,564
		533,713

Rural Cattle Stop Maintenance Rate

A targeted rate will be assessed under section 16 of the Local Government (Rating) Act 2002 to fund the cost of the maintenance and upgrade costs of cattle stop structures and approaches (10 metres either side of the transverse centre line running through the middle of the cattlestop) on Council road and the outer boundary of a rating unit.

The targeted rate will be a fixed amount per cattle stop, (or part thereof, if the cattlestop benefits more than one rating unit) on those rating units benefiting.

	Factor	Estimated Revenue 2022/23
Fixed Charge	\$125.00 per cattle stop	5,875

Community Facilities Rate

A targeted rate will be assessed under section 16 of the Local Government (Rating) Act 2002 to fund 30% of the cost of the Twizel Events Centre, Twizel Swimming Pool, Lake Tekapo Community Hall, Mackenzie Community Centre, Strathconan Swimming Pool, Albury Hall, Skipton Hall, and Sherwood Hall.

The targeted rate will be a fixed amount per SUIP of a rating unit on every rating unit in the Mackenzie District.

	Factor	Estimated Revenue 2022/23
Fixed Charge	\$38.00 per SUIP	206,138

Due Date for payment of Rates

All rates will be payable in three instalments on the due dates as follows:

Instalment Number	Due Date
One	20 September 2022
Two	20 December 2022
Three	20 March 2023
Four	20 June 2023

Ratepayers may elect to pay on a more regular basis if they choose before the due date of any instalment. Rates may be paid utilising any payment methods acceptable to the Council, including quarterly direct debits, cash or eftpos at Council offices, direct credit or other bank transfer methods.

Penalties

A penalty of 10% of the amount of the rates assessed in the 2021/2022 financial year remaining unpaid will be added if not paid on or before the due date, on the following dates:

Instalment Number	Penalty Date
One	22 September 2022
Two	22 December 2022
Three	22 March 2023
Four	22 June 2023

A further penalty under section 58 of 10% of the amount of any rates for previous financial years remaining unpaid on the later of 5 working days after the date of resolution (7 July 2022) will be added. An additional penalty of 10% will be added to any unpaid rates from previous financial years that remain unpaid on 7 January 2023.

Rating Impact on Sample Properties

The following examples show how the adopted changes will affect properties in different areas. The examples show the rates proposed for 2022/23 compared with the actual rates for 2021/22.

In the following examples the variables are used to demonstrate the potential impacts on rateable properties in different locations:

- Targeted rates for stormwater, wastewater, waste management and water have not been included for rural properties and where applicable will be additional to the rates identified
- Extraordinary metered water charges are not included and where applicable will be additional to the rates identified.

Fairlie

Type	Capital Value	Actual 2021/22	Proposed 2022/23	Rates Change
Mid Value Section	140,000	1,297.50	1,502.38	204.88
Low Value House	205,000	1,893.34	2,203.41	310.07
Mid Value House	350,000	2,308.05	2,683.34	375.29
High Value House	630,000	3,108.87	3,610.09	501.22
Commercial Mid Value	530,000	3,270.17	3,796.01	525.84
Commercial High Value	1,130,000	5,379.40	6,253.87	874.47
Accommodation Mid Value	290,000	2,327.48	2,659.45	331.97
Accommodation High Value	750,000	3,946.13	4,459.09	512.96
Secondary Mid Value	315,000	2,311.70	2,704.01	392.31
Secondary High Value	750,000	3,699.11	4,332.30	633.19

Lake Tekapo

Type	Capital Value	Actual 2021/22	Proposed 2022/23	Rates Change
Mid Value Section	500,000	1,734.25	1,969.61	235.36
Low Value House	500,000	2,144.19	2,455.50	311.31
Mid Value House	860,000	2,640.53	3,022.77	382.24
High Value House	2,900,000	5,453.16	6,237.33	784.17
Commercial Mid Value	3,360,000	8,389.18	9,705.20	1,316.02
Commercial High Value	8,470,000	18,783.10	21,176.94	2,993.84
Accommodation Mid Value	850,000	3,186.67	3,519.08	332.41
Accommodation High Value	8,470,000	18,712.15	20,116.87	1,404.72
Secondary Mid Value	750,000	2,735.89	3,174.47	438.58
Secondary High Value	1,350,000	3,760.75	4,379.96	619.21

Twizel

Type	Capital Value	Actual 2021/22	Proposed 2022/23	Rates Change
Mid Value Section	265,000	1,314.76	1,505.43	190.67
Low Value House	365,000	1,880.16	2,168.92	288.76
Mid Value House	500,000	2,090.03	2,408.69	318.66
High Value House	1,300,000	3,333.71	3,829.53	495.82
Commercial Mid Value	1,010,000	3,644.73	4,208.95	564.22
Commercial Mid Value	3,520,000	9,191.59	10,641.24	1,449.65
Accommodation Mid Value	750,000	2,972.73	3,304.52	331.79
Accommodation High Value	8,810,000	20,812.20	22,475.02	1,662.82
Secondary Mid Value	750,000	2,725.70	3,177.74	452.04
Secondary High Value	1,350,000	3,761.88	4,392.92	631.04

Rural

Type	Capital Value	Actual 2021/22	Proposed 2022/23	Rates Change
Low Value Township Section	50,000	369.28	414.33	45.05
Low Value Township House	175,000	800.55	932.27	131.72
Lifestyle Low Value	660,000	1,055.63	1,210.76	155.13
Lifestyle Mid Value	700,000	1,100.64	1,262.99	162.35
Lifestyle High Value	930,000	1,359.43	1,563.28	203.85
Farm Low Value – Sheep and Beef	940,000	1,370.69	1,576.34	205.65
Farm Mid Value – Sheep and Beef	4,325,000	5,179.42	5,995.90	816.48
Farm Mid Value – Dairy	8,280,000	9,629.50	11,159.66	1,530.16
Farm High Value – Cropping	14,500,000	16,628.12	19,280.67	2,652.55
Farm High Value – Sheep and Beef	18,800,000	21,466.39	24,894.88	3,428.49
Secondary Mid Value	750,000	1,403.92	1,653.31	249.39
Secondary High Value	1,300,000	2,203.92	2,609.76	405.84

Note – Rural properties do not include rates for water or wastewater



Photo credit: Tonia Kraakman / Unsplash



Mackenzie
DISTRICT COUNCIL

mackenzie.govt.nz

5.3 AUDIT PLAN - YEAR ENDED 30 JUNE 2022

Author: Paul Numan, General Manager Corporate Services

Authoriser: Angela Oosthuizen, Chief Executive

Attachments: 1. Audit Plan - year ended 30 June 2022 [↓](#) 

STAFF RECOMMENDATIONS

That the information be noted.

BACKGROUND

Audit New Zealand have presented the Audit Plan for the audit of the Mackenzie District Council for the year ended 30 June 2022.

The Audit Plan outlines the areas of focus for the audit and relevant logistics (including personnel).

Council will note that Audit have the Timetable dates as 'to be confirmed' given the current level of uncertainty around timing with the pandemic and the ongoing auditor shortage. At this stage Audit is only able to commit to completing the audit within the statutory deadline.

Council has discussed timing with Audit NZ and the year end audit is currently scheduled to commence on 11 October 2022 and conclude on 18 November 2022 and that this will also include work on the interim audit.

Audit have confirmed that whilst the risk that this change remains as outlined above, staffing is still currently in their booking system for 11 October to 18 November and will update Council if there are any changes.

AUDIT RISKS AND ISSUES – FOCUS AREAS

The Audit plan provides a focus on the following matters for the financial year ending 30 June 2022 and the following is a summary of the Audit risks and issues.

Revaluation of property plant and equipment – Council revalues PPE on a three-year rolling basis. Revaluations are an area of risk and there will be a focus on any significant difference between the carrying amount and the fair value of Council land, buildings and infrastructure assets. MDC carried out revaluations of its land and buildings as at 30 June 2021, roading assets as at 30 June 2019, and three waters assets as at 30 June 2019.

For the 2022 audit AECOM will undertake roading and three waters valuations and Valuation Partners will complete an assessment of fair value against carrying value.

Investment in Alpine Energy Limited – Council is expected to complete a full valuation of the share of its investment to determine fair value. This will be undertaken by Ernst Young (arranged this year by Waimate DC).

Valuation of investment properties – The fair value of the District Councils investment properties needs to be valued annually -noting that the classification of Councils property was extensively reviewed in 2020 resulting in reclassifications of property between asset classes and achieved via the correction of a prior period error.

Council has engaged Valuation Partners to complete a completed a fair value of our investment properties as at 30 June 2022.

The risk of management override of internal controls – noting the inherent risk of fraud from management override of internal controls. Council has appropriate internal controls implemented to mitigate this risk and this is supported by a Fraud Prevention Policy.

The Committee will note the section on *Fraud Risk* and the responsibility for the prevention and detection of fraud and error. Council has a Fraud Prevention Policy and completes the Audit Fraud questionnaire as part of the annual audit.

Impact of three waters reform – Noting the establishment of four publicly owned water services entities to take over three waters service delivery effective 1 July 2024. Given the significance of the reform Council will ensure that sufficient disclosure about impact of the reform (to the extent that the impact is known) is included in the annual report. This will be addressed by Council in its subsequent events disclosure.

Drinking water quality performance measures - Council is responsible for reporting performance against the safe drinking water standards – noting that with the removal of the Drinking Water Assessors places more emphasis on the District Council's own monitoring processes to demonstrate we have complied with the drinking water standards. Of note is that Audit are currently piloting a revised approach and when completed, will discuss their planned audit approach further with Council.

Central Government Funding - The Government has announced a number of funding initiatives to support housing and infrastructure development, stimulate economic recovery following the impact of Covid-19, and to support District Councils through the Three Waters Reform. This has resulted in increased grant funding volumes across the sector. Of note is that Audit will perform an assessment for all grant contracts to determine whether these have been accounted for correctly.

Capital Programme – Audit have highlighted that Council continues to manage a significant capital programme and our responsibilities for managing the financial statement risks associated with capital projects. Audit will review the accounting for costs incurred on major capital projects and the spend achieved against the approved capital programme to confirm the completeness of asset additions.

AUDIT PLAN – OTHER MATTERS

The Audit Plan also covers off matters including the Audit Process, Materiality, Professional judgement and professional scepticism.

Reporting and Audit logistics are also outlined which outlines the Audit timetable.

During 2021 Audit implemented a new online portal that provided easier collaboration and file sharing and Council has successfully utilised the Audit Dashboard as part of the LTP 2021- 2031 and will continue to do so as part of the annual report audit to 30 June 2022.

CONCLUSION

That the Audit and Risk Committee notes the contents of Audit Plan for the year ended 30 June 2022 and where appropriate the Council response as outlined in this report.

[Type here](#)

Audit plan

Mackenzie District Council

For the year ending 30 June 2022

Audit plan

I am pleased to present our audit plan for the audit of Mackenzie District Council (the District Council) for the year ending 30 June 2022. The purpose of this audit plan is to discuss:

Audit risks and issues	2
Group audit	9
Our audit process	10
Reporting protocols	15
Audit logistics	16
Expectations	18

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

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

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

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

Yours sincerely



Chris Genet
Director
13 June 2022

Audit risks and issues

Specific focus areas



Based on the planning work and discussions that we have completed to date, we set out in the table below the main audit risks and issues. On page 5 below we also outline sector specific focus areas relevant to the local government sector.

Audit risk/issue	Our audit response
Revaluation of property, plant and equipment	
<p>The District Council periodically revalues its property, plant and equipment on a three year rolling basis. <i>PBE IPSAS 17, Property, Plant and Equipment</i>, requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ from fair value.</p> <p>The District Council carried out revaluations of its land and buildings as at 30 June 2021, roading assets as at 30 June 2019, and three waters assets as at 30 June 2019.</p> <p>We understand a revaluation for roading and three waters assets will occur this year.</p> <p>The risk for valuations is that they do not appropriately reflect fair value. This can occur through the use of remaining useful lives which are not consistent with the asset's condition, incorrect replacement cost rates, and/or asset quantities.</p> <p>Revaluations continue to be an area of heightened audit risk due to ongoing impacts of the Covid-19 pandemic. Specifically, for depreciated replacement cost valuations, uncertainty is expected to arise from current inflationary pressures and the challenges this will cause in estimating replacement costs.</p> <p>As well as the direct impacts on fair value, there can be further impacts on depreciation, and even the District Council's rating requirements.</p> <p>We expect the District Council to complete its own quality assurance review of any valuations performed by external consultants. This should focus on the areas of risk outlined above.</p>	<p>We will review the District Council's assessment of fair value against carrying value, for each asset class which is not proposed to be revalued this year.</p> <p>We encourage the District Council to perform this assessment early so that if a revaluation is required, there is time to complete it without impacting on the annual report process.</p> <p>For asset classes which are proposed to be revalued this year, we will:</p> <ul style="list-style-type: none"> • assess the systems and controls in place to ensure the valuation is carried out accurately; • review that all assets have been revalued and there are no duplications; • obtain the valuation report, and review the methodology for reasonableness and consistency with relevant accounting and valuation standards; • assess the reasonableness of significant assumptions applied in the valuation; • evaluate the qualifications, competence, independence, objectivity, and expertise of the external experts used to assist with the valuation; and • confirm that any fair value movements, arising from the valuation, have been appropriately accounted for in the District Council's financial statements.

Audit risk/issue	Our audit response
Investment in Alpine Energy Limited	
<p>The District Council holds a share investment in Alpine Energy Limited. The other shareholders are Timaru District Holdings Limited and Waimate District Council.</p> <p>The District Council recognises its share investment in the financial statements at its fair value. Movements in fair value are recorded in other comprehensive revenue and expense.</p> <p>We expect the District Council will complete a valuation of the share investment to determine its fair value.</p>	<p>We will:</p> <ul style="list-style-type: none"> • review the methodology of the valuation, and assumptions used, for reasonableness, and compliance with accounting standards; • confirm valuation movements have been correctly accounted for, and that appropriate disclosures have been made; and • assess the valuer's expertise for the work and their objectivity, including reading their terms of engagement and considering the existence of other engagements or relationships with the District Council.
Valuation of investment property	
<p>The District Council holds a significant property portfolio within the District. The uses of the property include service delivery, development, and property held to earn income.</p> <p>The fair value of the District Councils investment properties needs to be valued annually in accordance with the requirements of PBE IPSAS 16, <i>Investment Property</i>. Previously, the valuer has communicated significant valuation uncertainty due to the impacts of the Covid-19 pandemic. This could continue to cause estimation uncertainty this year.</p> <p>The District Council will also need to monitor changes in the use of its property as these can drive changes in accounting treatment.</p> <p>Investment property is an area of audit risk, due to the expert judgements required, estimation uncertainty, and the assumptions used to determine fair value and accounting classification.</p>	<p>We will review the District Council's assessment of any changes to the accounting treatment for its properties, and assess compliance with relevant accounting standards.</p> <p>If necessary, we will confirm transfers of properties, and any changes in measurement of assets has been correctly accounted for.</p> <p>We will also review the District Council's valuation of investment property. Our review will focus on confirming the reasonableness of assumptions, inputs and methodology applied. We will also confirm the valuation complies with relevant accounting standards and has been correctly accounted for in the financial statements.</p>
The risk of management override of internal controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • testing the appropriateness of selected journal entries;

Audit risk/issue	Our audit response
prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.	<ul style="list-style-type: none">• reviewing accounting estimates for indications of bias; and• evaluating any unusual or one-off transactions, including those with related parties.

Sector focus areas



We set out in the table below the main audit risks and issues relevant to the local government sector.

Audit risk/issue	Our audit response
Impact of three waters reform	
<p>On 27 October 2021, the Local Government Minister announced the Government's intention to proceed with the three waters service delivery reforms using a legislated "all in" approach. The Three Waters Reform involves the creation of four statutory water services entities to be responsible for the service delivery and infrastructure currently owned by local authorities, with effect from 1 July 2024. The reform programme is expected to result in significant changes to how water supply, wastewater and stormwater assets are owned and managed in the local government sector.</p> <p>There are still a number of uncertainties associated with the new three waters delivery model including the mechanism for how assets will be transferred to the newly established entities, the control and governance of these entities and the accounting implications. Notwithstanding the current uncertainty the announcement once legislated will mean the District Council is no longer responsible for the infrastructure and delivery of three waters services from 1 July 2024.</p> <p>The District Council should ensure that sufficient disclosure about impact of the reform (to the extent that the impact is known) is included in the annual report.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> maintaining a watching brief on developments of the reform programme, and discussing any developing implications with you; and reviewing the completeness and accuracy of relevant disclosures in the annual report. <p>Because the impact could be significant, but remains uncertain, we are likely to include information in our audit report to draw a reader's attention to District Council's disclosure about the reform programme.</p>
Drinking water quality performance measures	
<p>The District Council is responsible for reporting performance against the safe drinking water standards. In particular this requires the District Council to report the extent to which its drinking water supplies comply with:</p> <ul style="list-style-type: none"> part 4 of the drinking-water standards (bacteria compliance criteria), and 	<p>We will update our knowledge of the systems and controls in place to report against drinking water quality performance measures. This will include understanding how you self-monitor compliance with the drinking water standards.</p> <p>Our previous audit approach used the work of the DWA as a significant control in establishing whether reported results were accurate.</p>

Audit risk/issue	Our audit response
<ul style="list-style-type: none"> part 5 of the drinking-water standards (protozoal compliance criteria). <p>Up until November 2021 performance related data was captured in the Drinking Water Online (DWO) database and compliance was assessed by Drinking Water Assessors (DWA). As a result of changes to the regulatory framework for drinking water quality, the DWO is no longer accessible and the DWA role no longer exists.</p> <p>The removal of the DWA will put more emphasis on the District Council's own monitoring processes to demonstrate whether they have complied with the drinking water standards. The District Council will need to ensure appropriate systems are in place to ensure performance is able to be reported accurately.</p>	<p>Accordingly a revised audit approach will be required this year.</p> <p>We are currently piloting a revised approach. When this is completed, we will discuss our planned audit approach further with you.</p>
Central Government Funding	
<p>The Government has announced a number of funding initiatives to support housing and infrastructure development, stimulate economic recovery following the impact of Covid-19, and to support District Councils through the Three Waters Reform. This has resulted in increased grant funding volumes across the sector.</p> <p>The requirements of <i>PBE IPSAS 23 Revenue from Non-Exchange Transactions</i> and underlying grant agreements can be onerous and complex.</p> <p>The increased volume of funding and complexity of accounting create the risk that revenue may not be complete or recorded in the correct accounting year.</p> <p>We expect the District Council will perform an assessment for all grant contracts to determine whether these have been accounted for correctly. Where necessary, the District Council may need to seek formal accounting advice.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> reviewing the District Council's assessment of how significant grant contracts are accounted for; reviewing any formal accounting advice obtained; verifying a sample of grants to supporting contract and confirming payment (where necessary); assessing whether recognition of grant revenue complies with relevant accounting standards; and reviewing the appropriateness of disclosures made in the notes to the financial statements.
Capital programme	
<p>The District Council continues to manage a significant capital programme.</p> <p>Accounting for capital projects, whether completed during the year or in progress at balance date, require judgements which can have</p>	<p>We will review the accounting for costs incurred on major capital projects.</p> <p>Our review will focus on assessing:</p> <ul style="list-style-type: none"> the reasonableness of assumptions and judgements used by management in

Audit risk/issue	Our audit response
<p>a significant impact on the financial statements. The District Council is responsible for managing the financial statement risks associated with capital projects. These include:</p> <ul style="list-style-type: none"> the classification of project costs as capital or operating. This includes identifying and expensing any additional costs incurred as the result of Covid-19 lockdowns; capitalising work in progress balances in a timely manner, to ensure depreciation is charged from the time a project is commissioned; whether any impairment needs to be recognised on work in progress balances for projects that span an extended period of time; that asset components are identified at an appropriate level, and appropriate useful lives are assigned to each component; and capital commitments from projects are identified and disclosed. 	<p>classifying costs as either capital or operational;</p> <ul style="list-style-type: none"> whether the capitalisation point for completed assets is appropriate, including transfers from work in progress; the reasonableness of depreciation rates and useful lives applied to asset components; and the appropriateness of disclosures included within the financial statements, including those relating to capital commitments. <p>We also intend to review the spend achieved against the approved capital programme to confirm the completeness of asset additions.</p>

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

Fraud risk

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

The primary responsibility for the prevention and detection of fraud and error rests with the Council, with assistance from management.

In this regard, we will discuss the following questions with you:

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

- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the Council and management to keep you informed of instances of fraud, either actual, suspected, or alleged?
- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management's investigation been reported to the Council? Has appropriate action been taken on any lessons learned?

Our responsibility

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

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

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

Group audit

The group comprises of:

- Mackenzie District Council;
- Mackenzie Holdings Limited;
- Mackenzie Tourism and Development Trust; and
- Downlands Water Supply Scheme.

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

The only significant components are Mackenzie District Council and Downlands Water Supply Scheme. Mackenzie Holdings Limited and Mackenzie Tourism and Development Trust remain dormant.

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

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

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

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

Our audit process

Initial planning

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

Understand your business and environment

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

Assess audit risk

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

Evaluate internal controls

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

Finalise the audit approach

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

Gather audit evidence

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

Conclude and report

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

Materiality

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

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

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

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

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

Financial statements materiality

For planning purposes we have set **overall materiality** for the financial statements at \$25,800,000 based on the forecast balance of property, plant and equipment. This is subject to change once the actual results for the current year are available. For this audit we are only applying this overall materiality to the fair value of property, plant and equipment.

Overall materiality	\$25,800,000
Specific materiality	\$680,000
Clearly trivial threshold	\$34,000

We also set a lower **specific materiality** of \$680,000 for all items not related to the fair value of property, plant and equipment. A lower specific materiality is also determined separately for some items due to their sensitive nature. For example, a lower specific materiality is determined and applied for related party and key management personnel disclosures.

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

We will report all uncorrected misstatements to the Council other than those that are **clearly trivial**. We consider misstatements of less than \$34,000 to be clearly trivial unless there are qualitative considerations that heighten its significance. We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement, we will seek written representations from management and the Council on the reasons why the corrections will not be made.

Misstatements

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

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

Materiality for service performance information

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

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

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

Material measure	Materiality
Roading	
The average quality of ride on a sealed local road network, measured by smooth travel exposure.	8% of result
The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number.	5% of result
The percentage of road users are satisfied with the roading network.	8% of result
Water supply	
The extent to which the local authority's drinking water supply complies with:	Quantitative materiality is not applicable, the reported result is

Material measure	Materiality
a) part 4 of the drinking-water standards (bacteria compliance criteria), and b) part 5 of the drinking-water standards (protozoal compliance criteria).	to be consistent with supporting qualitative information.
The percentage of ratepayers satisfied with the water supply service.	8% of result
Wastewater	
The number of dry weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system.	5% of result
Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: a) abatement notices b) infringement notices c) enforcement orders, and d) convictions, received by the territorial authority in relation to those resource consents.	Quantitative materiality is not applicable, the reported result is to be consistent with supporting qualitative information.
The percentage of ratepayers satisfied with the wastewater treatment and disposal service.	8%
Regulatory	
Retain accreditation as Building Consent Authority.	Quantitative materiality is not applicable, the reported result is to be consistent with supporting qualitative information.

Professional judgement and professional scepticism

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

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

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

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

How we consider compliance with laws and regulations

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

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

Wider public sector considerations

A public sector audit also examines whether:

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

Reporting protocols

Communication with management and the Council



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

Reports to the Council



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

As part of our final reporting to the Council we set out non-trivial unadjusted misstatements, along with reasons that the adjustments have not been made. As part of our continued focus on improving the efficiency of the annual reporting and audit process, we will also report adjusted misstatements in the report to the Council. The adjusted misstatements will be any made to the draft annual report received at the start of the audit.

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

Audit logistics

Our team



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

Our senior audit team members are:

Christopher Genet	Appointed Auditor
Scott Tobin	Engagement Quality Review Director
Anna Jones	Audit Manager
Sherry Tong	Audit Supervisor

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

Timetable



Our proposed timetable is:

Draft financial statements available for audit (including notes to the financial statements) with actual year-end figures	TBC
Final audit begins	TBC
Final financial statements available, incorporating all the amendments agreed to between us	TBC
Annual report available, including any Chair and Chief Executive's overview or reports	TBC
Audit opinion issued	TBC
Draft report to Council issued	TBC

There is the possibility that, due to the shortage of auditors in the public sector, and the resequencing of public sector audits in line with the Auditor-General's sequencing framework there may be changes to the timetable proposed above. Where this arises, we will discuss a revised timetable with you.

Working remotely

Covid-19 restrictions, such as lockdowns, and resultant changes to our own and our client's work locations, including increasing numbers working from home since the start of the pandemic have meant we changed how we worked with our clients over the last two years.

Lockdowns meant that our clients and our auditors did not always have access to their premises and information and had to work remotely. For clients able to work remotely, with access to systems and electronic documentation, as well as being prepared for the audit, audits continued to progress and progress well.

Performing our audit work during higher alert level restrictions confirmed that aspects of our audit work can be done efficiently off-site. We plan to continue to perform aspects of your audit remotely as there are some benefits to you and us of having our team off-site for parts of the audit. For you these benefits include:

- Staging and sending the information we request for audit over an agreed period of time as opposed to having all the information requested ready for our arrival at one agreed date.
- Less time spent on travel, so we will have more time focus on auditing what matters and raising issues earlier.
- Reduction in disbursements as we will incur less travel and overnight costs.
- Less auditor time on site which allows you to get on with your work and enables planned focused conversations when these take place.

During the previous audit, we performed some of our audit work remotely. Based on our experience we found that the District Council has good systems and processes in place to facilitate any future off-site work by us.

We recognise different organisations are positioned differently to enable off-site audit work. We will be discussing and agreeing off-site working expectations in conjunction with our information requests with you as part of your 2022 audit. This will include our continued use of AuditDashboard to manage our information requests.

Expectations



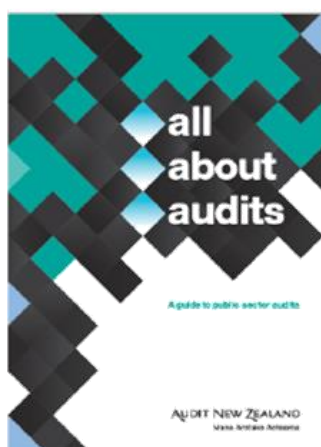
For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

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

We expect that:

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

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



Health and safety



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

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

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required.

We also expect management to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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5.4 INDEPENDENT ASSURANCE REPORT FOR THE DEBENTURE TRUST DEED OF MACKENZIE DISTRICT COUNCIL FOR THE YEAR ENDED 30 JUNE 2021

Author: Paul Numan, General Manager Corporate Services

Authoriser: Angela Oosthuizen, Chief Executive

Attachments: 1. Independent Assurance Report for Debenture Trust Deed - 30 June 2021



STAFF RECOMMENDATIONS

1. That the report be received.
2. That the Audit and Risk Committee notes the content of the Independent Assurance report.

BACKGROUND

Audit New Zealand completed an Independent Assurance Report on 23 May 2022 of the Mackenzie District Councils (MDC) Debenture Trust Deed for the year ended 30 June 2021.

INDEPENDENT ASSURANCE REPORT

The attached report confirms that Audit New Zealand (on behalf of the Auditor General) undertook a limited assurance engagement of the MDC Debenture Trust Deed.

The report sets out the responsibilities for Mackenzie District Council (MDC), Trustee's and Auditors.

MDC provides a Reporting Certificate (as attached at Appendix 1 of the report) and maintains a Register which is separately audited by Grant Thornton (as attached at Appendix 2 of the report).

The Trustees monitor MDCs compliance with the Trust Deed and they have been provided with the Independent Assurance Report and our Audited Annual Report to 30 June 2021.

The Auditors responsibilities are set out in the report findings – noting that a limited assurance engagement is not an audit and the scope of the limited assurance engagement includes perusing the Reporting Certificate and agreeing the total amount of categories of Stock. Discussions with management on any issues that come to their attention as a result of the audit of the annual financial statements and performance information and Reporting on maintenance of the Register – which is limited to obtaining a copy of the audit report about the Register.

CONCLUSION

The Limited Assurance conclusion in the report – completed on 23 May 2022 - confirms there are no matters that have come to Auditors attention that causes Audit to believe that the Reporting Certificate is materially incorrect; matters that call for further investigation by the Trustees and that MDC has not paid all money due and payable on the Stock and interest due.

The report notes that a copy of the audit report on the Register and Stock have been provided and that the stock and principal money owing is nil.

It is therefore recommended that the Audit and Risk Committee notes the content of the Independent Assurance Report.

Independent Assurance Report

To Mackenzie District Council and to Trustee Executors Limited in respect of Mackenzie District Council's Debenture Trust Deed for the year ended 30 June 2021

The Auditor-General is the auditor of Mackenzie District Council pursuant to the Public Audit Act 2001. The Auditor-General has appointed me, Chris Genet, using the staff and resources of Audit New Zealand to undertake a limited assurance engagement, on his behalf, as required by clauses 10.2.1 of the Debenture Trust Deed dated 21 December 2018 (the Trust Deed), for the year ended 30 June 2021.

Mackenzie District Council's Responsibilities

Mackenzie District Council is required to provide a copy of the annual report, which includes the audited financial statements and performance information of Mackenzie District Council and our audit opinion, to the Trustee Executors Limited (Trustee) under clause 10.2.1 of the Trust Deed.

Mackenzie District Council is responsible for preparing Reporting Certificates to the Trustee in accordance with clause 10.2.1 of the Trust Deed. Mackenzie District Council is responsible for such internal control as is determined necessary to ensure compliance with the requirements of the Trust Deed and also to enable the preparation of Reporting Certificates that are free from material misstatement, whether due to fraud or error.

Mackenzie District Council is responsible for keeping the Register and ensuring that it is separately audited in accordance with clause 4.2.8 of the Trust Deed.

Mackenzie District Council is required to comply with the full requirements of the Trust Deed, including the continuing covenants and reporting requirements.

Mackenzie District Council is responsible for interpreting the clauses and definitions in the Trust Deed. We make no representations as to whether these interpretations of the Trust Deed are appropriate.

Trustee's Responsibilities

The Trustee monitors Mackenzie District Council's compliance under the terms of the Trust Deed. The terms of the Trust Deed were agreed by the Trustee and Mackenzie District Council. We are not a signatory to the Trust Deed and we were not consulted about the terms of the Trust Deed. We therefore take no responsibility for the adequacy of the terms of the Trust Deed for monitoring Mackenzie District Council.

The receipt of this limited assurance report (Report) and the audited financial statements and performance information of Mackenzie District Council, and any reliance on the audit opinion contained in our auditor's report attached to those audited financial statements and performance

information, does not relieve the Trustee of its responsibilities under the Trust Deed and relevant legislation.

The Financial Markets Authority (FMA) issued a guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors"¹. This guidance note sets out the FMA's expectations about how Trustees will carry out their monitoring functions effectively. Where applicable, it is the Trustee's responsibility to meet the FMA's expectations as set out in the guidance note.

Auditor's Responsibilities

Our responsibility is to express a limited assurance conclusion based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the New Zealand Auditing and Assurance Standards Board. A copy of this standard is available on the External Reporting Board's website.

A limited assurance engagement is not an audit and the procedures that have been performed are substantially less than for an audit where reasonable assurance is provided. As a result, the level of assurance that has been obtained is substantially lower than the assurance that would have been obtained had an audit been performed.

The procedures performed when carrying out the audit of the annual financial statements and performance information of Mackenzie District Council are not designed to assess whether Mackenzie District Council has complied with the Trust Deed or to make an evaluation of the Reporting Certificate(s) Mackenzie District Council issued to the Trustee.

The scope of this limited assurance engagement is to report on certain matters stated in clause 10.2.6 of the Trust Deed based on information obtained as a by-product of our engagement to perform the audit of the annual financial statements and performance information of Mackenzie District Council for the year ended 30 June 2021.

For the purpose of providing our Report, unless expressly stated, we have not performed any further procedures beyond those required to complete our engagement to perform the audit of the annual financial statements and performance information of Mackenzie District Council.

In the performance of our duties as auditors, unless expressly stated, we do not perform any work at the time the Reporting Certificate for the year ended 30 June 2021 is prepared by Mackenzie District Council. Accordingly, our statements contained in the Report in relation to the matters addressed in clause 10.2.6 of the Trust Deed must be viewed in that context.

Our responsibility under clause 10.2.6 of the Trust Deed is to:

- From our perusal of the Reporting Certificate dated 23 May 2022 given on behalf of Mackenzie District Council pursuant to clause 10.2.4 and, as far as matters that we will

¹ Please refer to the FMA website for a copy of the guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors" (2013).

observe in the performance of our duties as auditors are concerned, report whether anything is brought to our attention to indicate that the statements made in such Reporting Certificate are not materially correct.

In meeting this responsibility we agreed the total amount of all categories of Stock in the Reporting Certificate dated 23 May 2022 with Link Market Services Limited and the Local Government Funding Agency.

With reference to the other assertions made by the Chief Executive in the Reporting Certificate our procedures have been limited to talking to management and considering any issues which might have come to our attention as a by-product of our engagement to perform the audit of the annual financial statements and performance information of Mackenzie District Council.

- Report whether, in performing our duties as auditors, we have:
 - become aware of any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee; and
 - disclosed any matter that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders.

In meeting this responsibility, our procedures have been limited to talking to management and considering any issues which might have come to our attention as a by-product of our engagement to perform the audit of the annual financial statements and performance information of Mackenzie District Council.

- Report, as at the end of the financial year, from the audit procedures performed as part of our engagement to perform the audit of the annual financial statements and performance information of Mackenzie District Council, whether anything came to our attention to indicate that, in all material respects, principal money due and payable on the Stock and interest due and payable on the Stock, had not been paid.

We have not tested that each individual Stockholder has received all monies due and payable to them.

- Report whether Mackenzie District Council's agents have maintained the Register in accordance with the requirements of the Trust Deed.

Mackenzie District Council is responsible for maintaining the Register and ensuring it is separately audited in accordance with clause 4.2.8.

The audit of the Register is a separate engagement in the same way the engagement to perform the audit of the annual financial statements and performance information is a separate engagement. Our procedures were limited to asking Mackenzie District Council for a copy of the audit report about the Register.

- Report as 30 June 2021:
 - the amount of Stock and how much is Security Stock and Bearer Stock; and
 - the Principal Money owing or secured under the Stock distinguishing between Security Stock and other categories of Stock.

In meeting this responsibility, we have agreed the total of all categories of Stock with Link Market Services Limited and the Local Government Funding Agency. We have not tested that each individual Stockholder has received all monies due and payable to them.

In meeting this responsibility, we have agreed the total aggregate Principal Amount of Notes on issue and outstanding with Link Market Services Limited. We have not tested that each individual Note Holder has received all monies due and payable to them.

Inherent limitations

We report to you as accountants, not lawyers. Accordingly we are not aware of all the powers and duties of trustees which may exist in statute, regulation, case law, legal precedent or otherwise.

Because of the inherent limitations in evidence gathering procedures, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement are not performed continuously throughout the period and the procedures performed in respect of Mackenzie District Council's compliance with the Trust Deed are undertaken on a test basis (that is, we do not check every transaction), our Report cannot be relied on to detect all instances where Mackenzie District Council may not have complied with the requirements of the Trust Deed. Our Conclusion has been formed on the above basis.

Restricted use

This Report has been prepared solely for Mackenzie District Council and the Trustee in accordance with the requirements of clauses 10.2.6 of the Trust Deed. We disclaim any assumption of responsibility for any reliance on this report to any persons other than Mackenzie District Council and the Trustee or for any purpose other than that for which it was prepared.

Limited Assurance Conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that:

- The statements made by Mackenzie District Council in the Reporting Certificate dated 23 May 2022 pursuant to clause 10.2.4 are materially incorrect (Reporting Certificate dated 23 May 2022 is given in Appendix one).
- There are any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee.

- There are any matters that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders.
- In all material respects, that Mackenzie District Council has not paid all principal money due and payable on the Stock and all interest due and payable on the Stock.

Our limited assurance engagement was completed on 23 May 2022 and our conclusion is expressed as at that date.

The Register and Stock

Mackenzie District Council has provided us with a copy of the audit report about the Register(s). Please refer to appendix two for a copy of the audit report about the Register(s).

Based on the work described in this Report, as at 30 June 2021 the following balances are given:

Total stock of	nil
This is comprised of:	
○ Security stock of	nil
○ Bearer stock of	nil
○ Other stock of	nil
○ Security stock (Local Government Funding Agency stock) of	nil

Based on the work described in this Report, as at 30 June 2021 the following balances are given:

○ Total Principal Money owing and secured under the stock of	nil
This is comprised of:	
○ Security stock of	nil
○ Bearer Stock of	nil
○ Other stock of	nil
○ Security stock (Local Government Funding Agency stock) of	nil

Independence and quality control

We complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 issued by the New Zealand Auditing and Assurance Standards Board; and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to this engagement we performed the annual audit of Mackenzie District Council's annual financial statements and performance information, and assurance engagement(s) on the Mackenzie District Council's register. Other than these engagements, we have no relationship with or interests in Mackenzie District Council or any of its subsidiaries or the Trustee.



Chris Genet
Audit New Zealand
On behalf of the Auditor-General
Christchurch, Audit New Zealand

Appendix 1: Copy of the reporting certificate dated 23 May 2022



REPORTING CERTIFICATE

I, Angela Oosthuizen, Acting Chief Executive of Mackenzie District Council (the Council) hereby certify to the best of my knowledge and belief for the purposes of the Debenture Trust Deed dated on or about 21 December 2018 (the Trust Deed):

1. Since the date on which the last reporting certification was given:
 - a. all interest due on the Stock has been paid;
 - b. all Stock which has fallen due for repayment has been repaid;
 - c. no Enforcement Event has occurred and remains unremedied:

As at 30 June 2021 the total amount of Stock issued and outstanding under the Trust Deed (showing separately the respective nominal amounts) is as follows:

- | | |
|--|-----|
| 1. Debenture Stock of: | Nil |
| 2. Security Stock (Issued with a fixed nominal amount) of: | Nil |
| 3. Bearer stock of: | Nil |
| 4. Security Stock (issued with a floating nominal amount), which as at 30 June 2021 amounted to: | Nil |
2. The Council has complied with the Act in connection with the Trust Deed, the Registrar and Paying Agreement and any borrowing documentation which the Council has entered into under, in accordance with or secured by the Trust Deed.
 3. On the basis of such information as to the financial position and prospects of the Council as is generally received by my capacity as Acting Chief Executive (including reports from the Council's financial managers), I am not aware of any reason why the Council will not be able to meet its liabilities in relation to Stock and interest thereon which are anticipated to fall due or to become payable during the twelve months from the date of this Certificate.
 4. Since the date on which the last Reporting Certificate containing this certification was given, the Council has not complied in all material respects with all the material provisions, covenants and obligations under the Trust Deed, and I am aware of the following reason which has already been

advised to the Trustee. The reason for the non-compliance is that the Reporting Certificate was not provided within four months after the end of the financial year as required by section 10.2.4 of the Trust Deed.

This Certificate is given by me as Chief Executive of the Council in good faith on behalf of the Council and I shall have no personal liability in connection with the Issuing of this Certificate.



Angela Oosthuizen

Acting Chief Executive Officer

23 May 2022

Appendix 2: Copy of the audit report about the Register



Independent Assurance Report

Grant Thornton New Zealand Audit Limited
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 124 Oxford Terrace
 PO Box 2099
 Christchurch 8140
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 F +64 (0)3 366 3720
 www.grantthornton.co.nz

Reasonable Assurance Report on Link Market Services Limited's compliance with Section 217(1) – (2) of the Financial Markets Conduct Act 2013 (the "Act") as evaluated against the Registers (Direct engagement)

To the Directors of Link Market Services Limited

Opinion

We have undertaken a reasonable assurance engagement on Link Market Services Limited's compliance, in all material respects, with the Act as evaluated against the Registers, for the year ended 30 June 2021.

In our opinion, Link Market Services Limited has complied, in all material respects with the Act as evaluated against the Registers, for the year ended 30 June 2021.

Basis for Opinion

We conducted our engagement in accordance with Standard on Assurance Engagements (SAE) 3100 (Revised) *Compliance Engagements* issued by the New Zealand Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Link Market Services Limited's Responsibilities

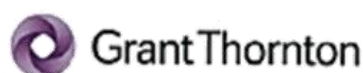
Link Market Services Limited is responsible for:

- a. The compliance activity undertaken to meet the requirements of the Act.
- b. Identification of risks that threaten compliance with the Act identified above being met and controls which will mitigate those risks and monitor ongoing compliance.

Our Independence and Quality Control

We have complied with the relevant ethical requirements relating to assurance engagements, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with the Professional and Ethical Standard 3 (Amended) issued by the New Zealand Audit and Assurance Standards Board, the Grant Thornton New Zealand Audit Limited maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Assurance Practitioner's Responsibilities**

Our responsibility is to express an opinion on Link Market Services Limited's compliance, in all material respects, with the Act as evaluated against the Registers, for the year ended 30 June 2021. SAE 3100 (Revised) requires that we plan and perform our procedures to obtain reasonable assurance about whether Link Market Services Limited has complied in all material respects, with the Act as evaluated against the Registers, for the year ended 30 June 2021.

An assurance engagement to report on Link Market Services Limited's compliance with the Act involves performing procedures to obtain evidence about the compliance activity and controls implemented to comply with the Act. The procedures selected depend on our judgement, including the identification and assessment of risks of material non-compliance with the Act as evaluated against the Registers.

Other than in our capacity as the independent assurance practitioners we have no relationship with, or interests in, Link Market Services Limited.

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error, or non-compliance with compliance requirements may occur and not be detected.

A reasonable assurance engagement for the year ended 30 June 2021 does not provide assurance on whether compliance with the Act will continue in the future.

Restricted Use

This report has been prepared for the Directors in accordance with regulation 110 of the Financial Markets Conduct Regulations 2014 and Section 218 of the Act and is provided solely to assist the Directors of the Company and Directors of the issuers to which Section 218 of the Act applies and who are users of the Company's Registers, in establishing that compliance requirements have been met. Our report may be provided to all users of the Company's Registers, whether or not they are required to comply with Section 218 of the Act, on the basis that we do not accept or assume any duty of care or other legal responsibility to those users. Our report should not be used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors of the Company, as a body, or for any other purpose other than that for which it was prepared.

Grant Thornton New Zealand Audit Limited

A handwritten signature in blue ink that reads "Grant Thornton".

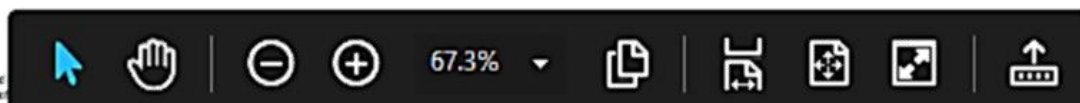
M D Stewart

Partner

Christchurch

03 August 2021

Chartered
Member of



5.5 2022 ANNUAL REPORT TIMETABLE AND RISK REGISTER

Author: Wendy Thompson, Corporate Planner

Authoriser: Paul Numan, General Manager Corporate Services

Attachments:

1. Annual Report Risk Register [↓](#) 
2. Annual Report Timetable [↓](#) 

STAFF RECOMMENDATIONS

That the information be noted.

BACKGROUND

The Audit and Risk Committee has delegated authority to consider this report under their Terms of Reference in the Delegations Manual including the following:

- Monitor the Council's external and internal audit process.
- Consider and make recommendations to the Council on all year-end financial reporting obligations.

The Auditor-General is the auditor of all 'public entities', including Mackenzie District Council.

Under section 32 and 33 of the Public Audit Act 2001, the Auditor General has appointed Audit New Zealand to carry out the annual audit of the Council's financial statements and performance information for the three years ending 30 June 2020 to 30 June 2022.

Fees for the audit of public entities are set by the Auditor General under section 42 of the Public Audit Act and the nature and scope of these audit engagements are set out in the Audit Engagement Letter.

Audit Approach

The audit of the Council's financial systems, financial statements and performance information for the year ended 30 June 2022 is normally completed in two separate stages. An initial, interim audit tests the internal systems and controls that underpin Council's financial information and non-financial performance during 2021/22. Audit originally scheduled the interim audit for June 2022: – however the Audit Director has now confirmed this will be included in the final audit. Council has agreed with Audit that all interim information requests are placed on the Audit dashboard as soon as this is required by Audit.

The final audit of the financial statements and non-financial performance information presented in the 2022 Annual Report is scheduled to occur between 11 October and 18 November 2022.

2022 Annual Report Project Plan

Council intends to formally adopt the 2022 Annual Report on 29 November 2022. This adoption date is well inside the statutory deadline of 31 December 2022.

The compilation of the Annual Report relies on cross functional teams and individuals throughout Council working together over a several months. In addition to the high-level timetable attached (Appendix 1), project management software is being used to allocated tasks and track progress at a more detailed level throughout the 2022 Annual Report process.

An initial project meeting with the core project team members has taken place and regular meetings scheduled will include representation from all departments as the project progresses. Project meeting dates with the Mayor, Chair of the Audit and Risk Committee and full Executive team will be agreed and scheduled going forward.

Our Annual Report project plan is robust to the extent that no unexpected event occurs that delays or otherwise disrupts the workflows occurring. To support the success of the project a Risk Register has been prepared, as attached in Appendix 2. This matrix contains the material risks identified, their impact on the project in terms of likelihood and significance, and mitigation options to reduce their impact.

CONCLUSION

Mackenzie District Council has established a robust project plan to drive the successful compilation, external audit, and adoption of the 2022 Annual Report.

This report provides an outline of this plan for our Mayor and Councillors.



2022 Annual Report Risk Register					
Risk	Detail	Likely	Impact	Mitigation	Risk
Resignation of GM Corporate, due to finish 24 June.	Key project role as Executive Sponsor including guidance, review and content approval. Loss of institutional knowledge and MDC project leadership.	High	High	Use notice period to allocate project responsibilities and effect handover to CE, Mgr Finance & Corp Planner or alternatively an external resource.	Medium
Availability of key project staff due to staff sickness or workload conflicts.	With a high workload and limited depth of cover across a small Council like Mackenzie, staff unavailability can cause project delays.	High	Medium	Early distribution of timetable and task allocation across all departments Allocate an internal backup/ identify external resourcing options.	Medium
Use of an externally provided Financial Workbook to produce Financial Statements, Notes and Funding Impact Statements.	Dependency on external delivery of the tool to convert raw financial data into the reporting structure required could delay project while the model is bedded in.	Medium	High	Same provider engaged as prior year. Finance Manager receives training in advance and has ongoing support from the provider, John Allot.	Low
Recently appointed Corporate Planner	Lack of institutional knowledge may delay delivery or omit required information.	Medium	High	Regular project meetings established and channels available to receive guidance when required.	Low
Insufficient Budget	Budget allocation for Audit NZ may run over if additional work is required to be performed. If contractors are required to perform some of the project tasks.	Medium	Medium	Ensure financial and non-financial content and workpapers are ready when auditors require them. Monitor requirement for external resources.	Low
Identification and correction of posting errors in the accounting system	An under resourced finance team can result in higher error rates at the point of processing.	Medium	Medium	Combine high level review and targeting detail checking to higher risk areas e.g. R&M versus CAPEX, high value transactions and EOFY cutoffs.	Medium
Project timeline slippage	This project as many parts and dependencies so if deadlines are not met the delays can creep into the project	Medium	High	Identify task dependencies so that any knock on effect of a delay can be identified and managed. Regular monitoring of workstream progress.	Medium
Delays within Audit New Zealand's timetable	Recruitment constraints and Covid have affected the staffing levels at Audit, so as per the 2021 audit the interim and final audit will be combined.	Medium	Medium	Finance Manager has requested early communication of process reviews, sample data and internal reports via Audit's online portal.	Medium
New requirements or areas of focus during the 2022 audit process	The expectation is the audit data and detail requirements are relatively constant from year to year. If not, additional work needs to be done.	Medium	Medium	Audit NZ have communicated their areas of focus to Mgr Finance so additional work can be factored into the timetable.	Low
Infrastructure valuation	The cyclical infrastructure revaluation is a critical and significant workstream in terms of internal and external workload and financial impact on MDC's result.	High	High	Early engagement with the valuer and timely completion of the infrastructure asset data required to feed into the valuation.	Medium
Newly appointed Investment Buildings valuer.	The new valuer will need to pick up the workstream from the preceding valuer and deliver the valuation for inclusion into our financials within our deadline.	Medium	High	Early engagement with the valuer and timely transfer of the investment buildings data required to feed into the valuation.	Medium

2021-2022 Annual Report		Subitems	Person	Status	Timeline	Deadline
2021-2022 Annual Report Project Planning	+	7	WT	Working on it	May 2 - Jul 29	Jul 29
Research First Survey - Community (Ratepayer/Residen...	+	26	WT	Working on it	Apr 8 - Oct 28	Oct 28
Survey - Building & Resource Consent Applicants	+	12	WT	Working on it	Apr 30 - Oct 28	Oct 28
Valuation of Roding/Three Waters/Parks & Reserves	+	10		Working on it	Jun 8 - Jul 15	Jul 15
Valuation of Forestry	+	6		Working on it	May 16 - Sep 7	Sep 7
Valuation of Alpine Energy	+	5		Working on it	May 1 - Jul 29	Jul 29
Valuation of Land & Buildings	+	7		Working on it	May 16 - Sep 7	Sep 7
Financial workbook development	+	3		Working on it	May 2 - Jun 16	Jun 16
Internal engagement with SLT & senior staff	+	2	WT		Jun 14 - 15	Jun 15
AR Activity Narrative	+	7	WT		Jun 13 - Sep 30	Sep 30
AR Activity non-financial Performance measures & KPIs	+	7	WT		Jun 13 - Sep 30	Sep 30
AR Activity Key projects, Highlights	+	6	WT		Jun 28 - Sep 30	Sep 30
n/a Audit NZ 2021-22 INTERIM AUDIT	+	4		Not applicable	Jun 20 - 24	
External confirmations	+	2			Jul 1 - 29	Jul 29
Albury Water Supply	+	3			Jun 20 - Aug 26	Aug 26
Downlands Annual Report	+	3			Jul 27 - Aug 26	Aug 26
Twizel Information Centre (TIC) Financials	+	3			Jun 29 - Aug 26	Aug 26
End of Financial Year Financial Processes	+	12			Jul 4 - Sep 23	Sep 23
Fixed Asset Register and Note	+	6			Jul 16 - Sep 12	Sep 7
Preparation of Financials, FISs and Notes to the Accts	+	8			Sep 24 - Dec 14	Sep 30
COUNCIL WORKSHOP	+	2	WT		Sep 12 - 20	Sep 20
TAX Note and Tax Return	+	6			Sep 30 - Oct 7	Oct 7
Prudence Disclosures	+				Sep 19 - 28	Sep 28
Variance Analysis	+	4			Aug 1 - Sep 23	Sep 23
AR Introductory sections and organisation-wide narrative	+	9	WT		Jul 4 - Sep 30	Sep 30
Annual Report Document Production	+	15	WT		Jun 28 - Nov 28	Nov 28
Annual Report Summary	+	8	WT		Oct 10 - Nov 25	Nov 25
Audit NZ 2021-22 FINAL AUDIT	+	17			Oct 10 - Nov 29	Nov 29
Audit & Risk Committee Meeting Update	+		WT		Oct 24 - Nov 8	Nov 8
ADOPT Annual Report and Summary	+	4	+2		Nov 18 - 29	Nov 29
Publishing and Distribution - Annual Report & Summary	+	9	+2		Sep 19 - Dec 21	Dec 21

5.6 HEALTH, SAFETY AND WELLBEING

Author: Alexis Gray, Manager - People and Culture

Authoriser: Angela Oosthuizen, Chief Executive

Attachments: 1. Team Mackenzie - Hazard Spotting Report as at 03062022 [↓](#) 
2. Team Mackenzie - Incident Report 03062022 [↓](#) 

STAFF RECOMMENDATIONS

That the information be noted.

BACKGROUND

This report provides and update and general information to the Committee on the Mackenzie District Council's Health, Safety and Wellbeing matters.

GENERAL HEALTH, SAFETY AND WELLBEING UPDATE:

- The recruitment for a permanent, part time Health and Safety began early May 2022 with a total of 30 applications being received. Four candidates have been interviewed for the role with two being shortlisted for second interviews which are scheduled for early June 2022.
- The Happy, Healthy and Safe Team continue to meet every second month and at the April 2022 meeting confirmed the Term of Reference – see attached – which as been approved by the Executive Leadership Team.
- Mackenzie District Council are working with Sitewise on Contractor prequalification. A list of MDC's current contractors was provided to Sitewise, and they completed an 'offline merge' of our contractors and we have 33% of our current contractors already registered in Sitewise with all but x1 assessed and current. Our assessed contractors have an amazingly high average score of 91% against the National average of 78%. This sets a very high bar for other contractors coming through, but we believe that this will be a great motivator. The next step will be to send all our contractors a letter outlining what it means to be prequalified and part of Sitewise.
- The Council has had approx. 80% of its workforce contract COVID-19. Most people who have had COVID-19 have been able to continue to work from home during their isolation, however we have had a small percentage that have had to apply for the COVID Special Leave – essentially gifted leave for employees who contract COVID and are unable to work from home during their period of illness and isolation.

INCIDENT SUMMARY:

- Key points to note about this report are as follows:
 - There are no incidents reported for May 2022. However please note that there was a serious vehicle incident involving one of our employees in April 2022. No injuries sustained but the vehicle was badly damaged.

- Full report attached as at 3rd June 2022.

HAZARD SUMMARY:

- Key points to note about this report are as follows:
 - No hazards were reported in May 2022. The last hazard that was reported was in April 2022.
 - Full report attached for the period March 2020 – April 2022.

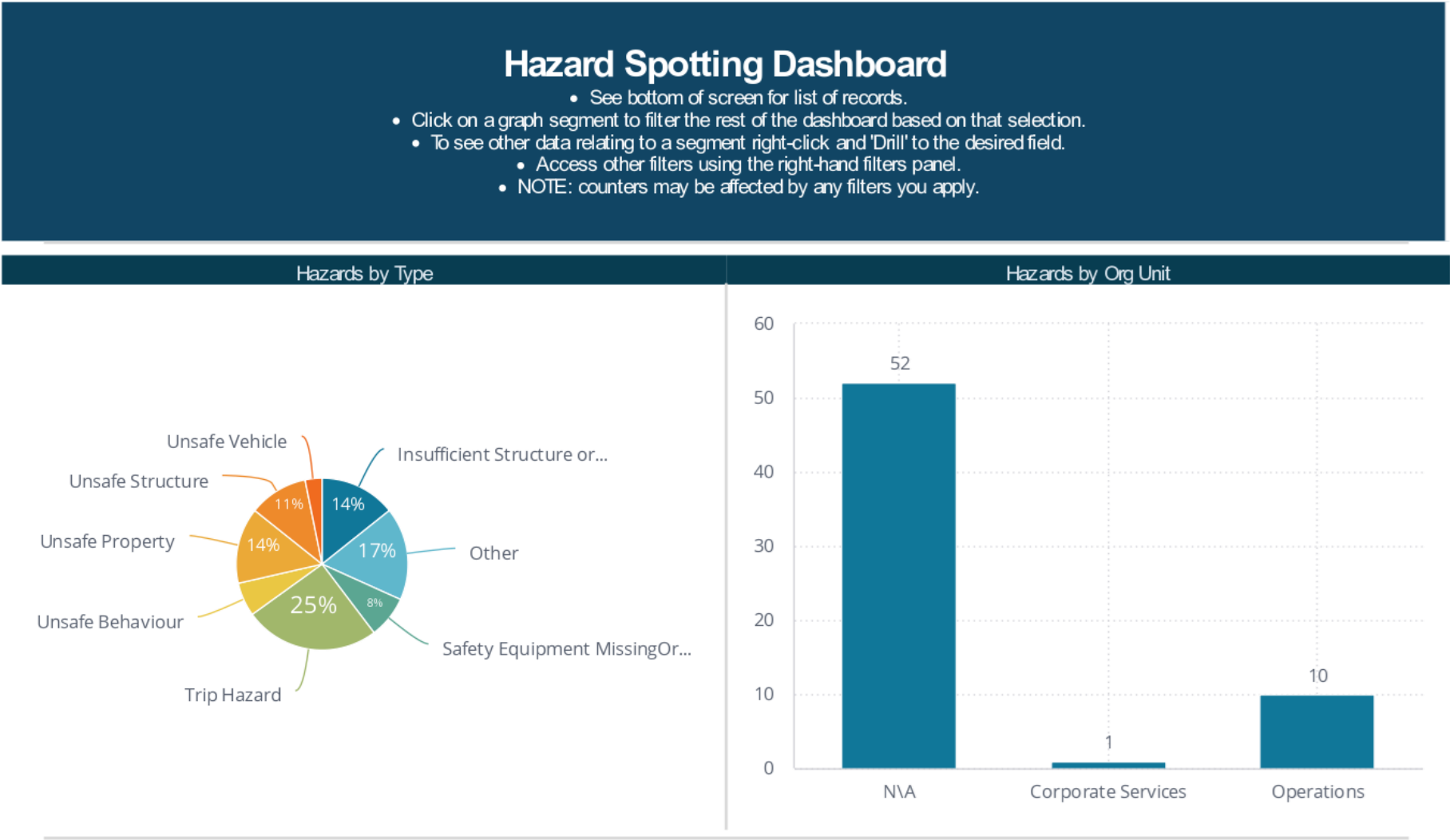
LOST TIME INJURY SUMMARY:

- There have been no Lost Time Injuries reported for May 2022.

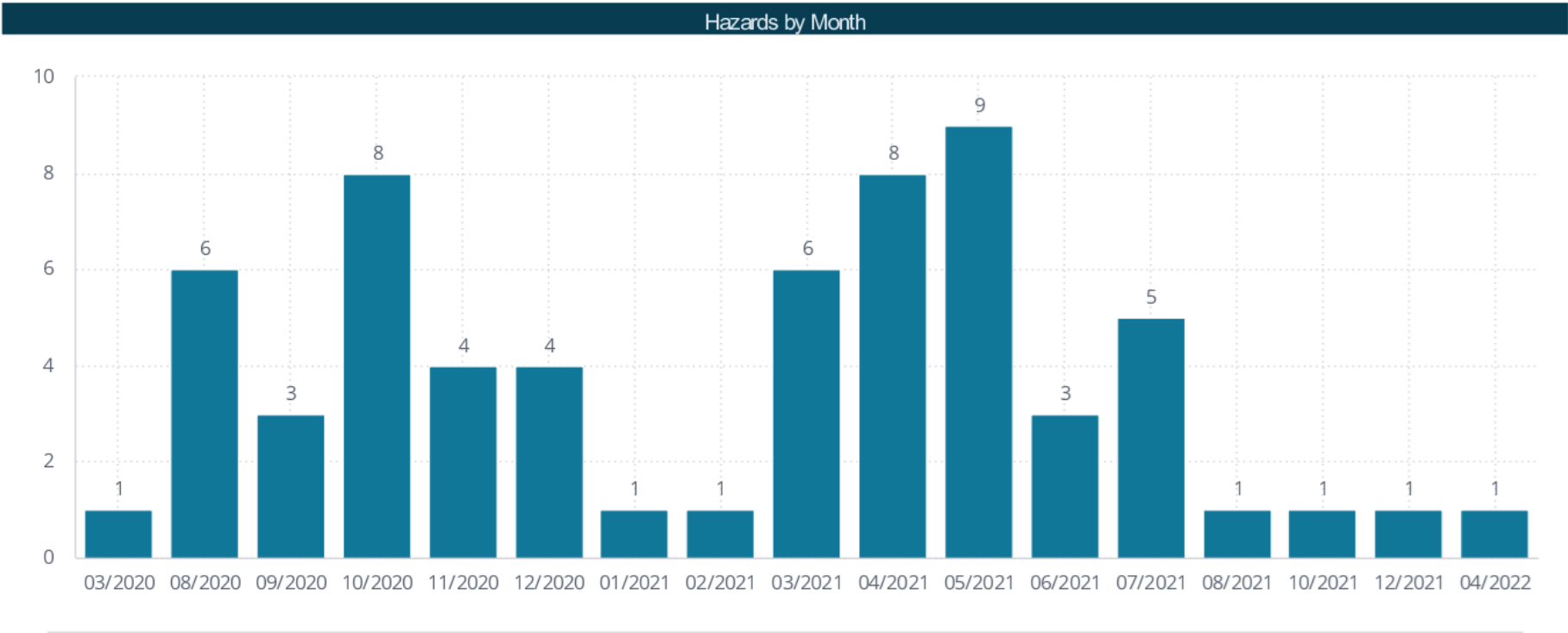
CONCLUSION

This report provides an update to the Committee on Council health, safety, and wellbeing matters.

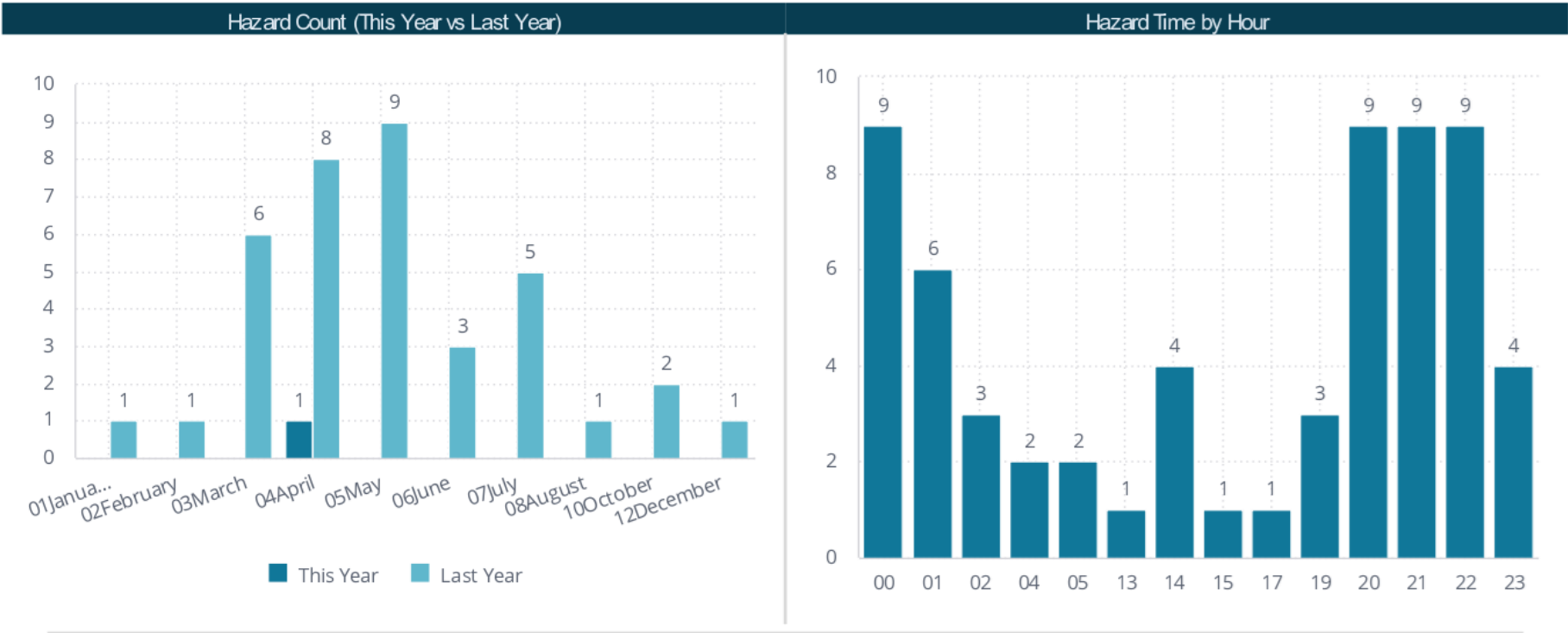
Hazard Spotting



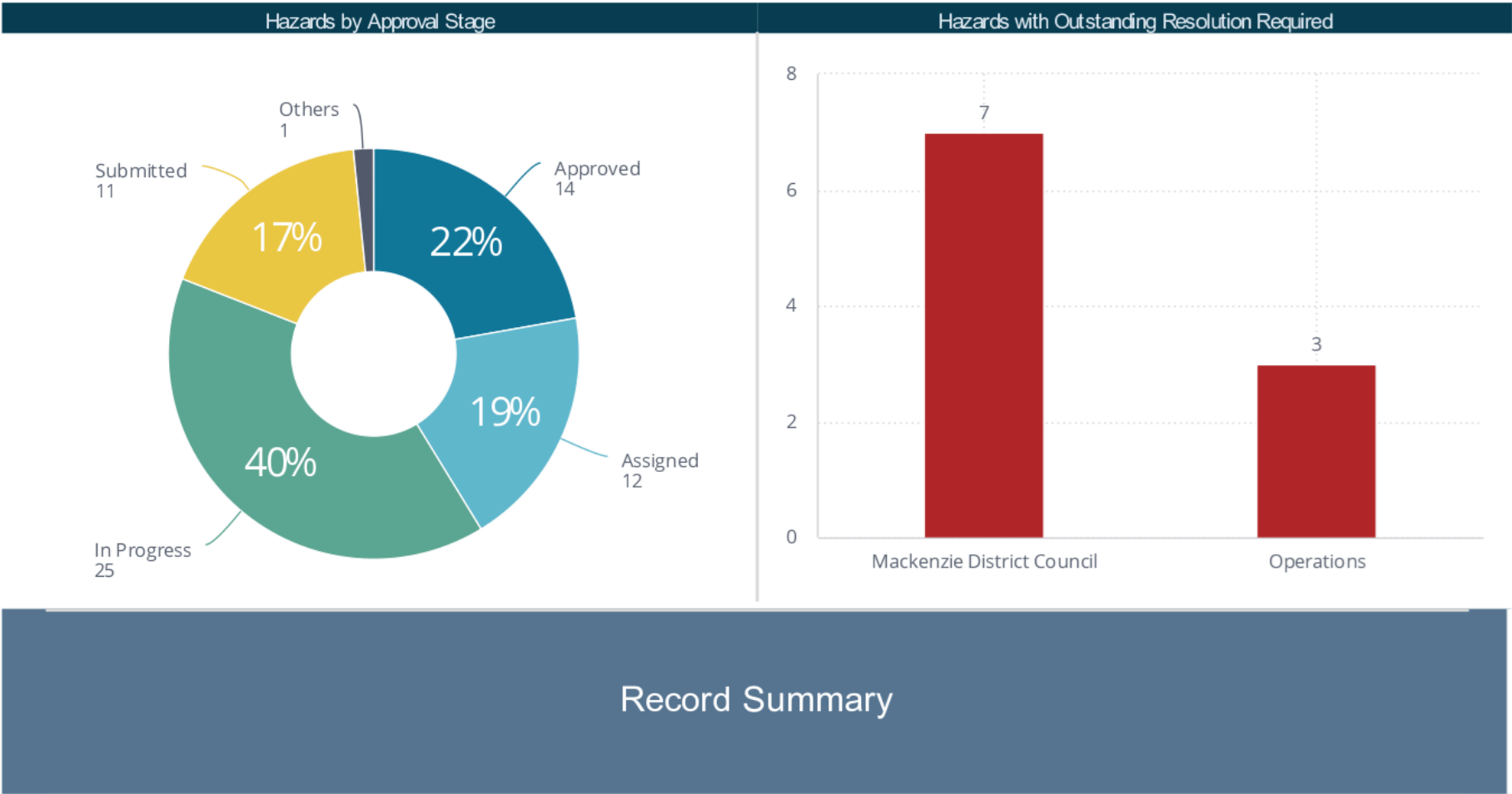
Hazard Spotting



Hazard Spotting




Hazard Spotting



Record Summary

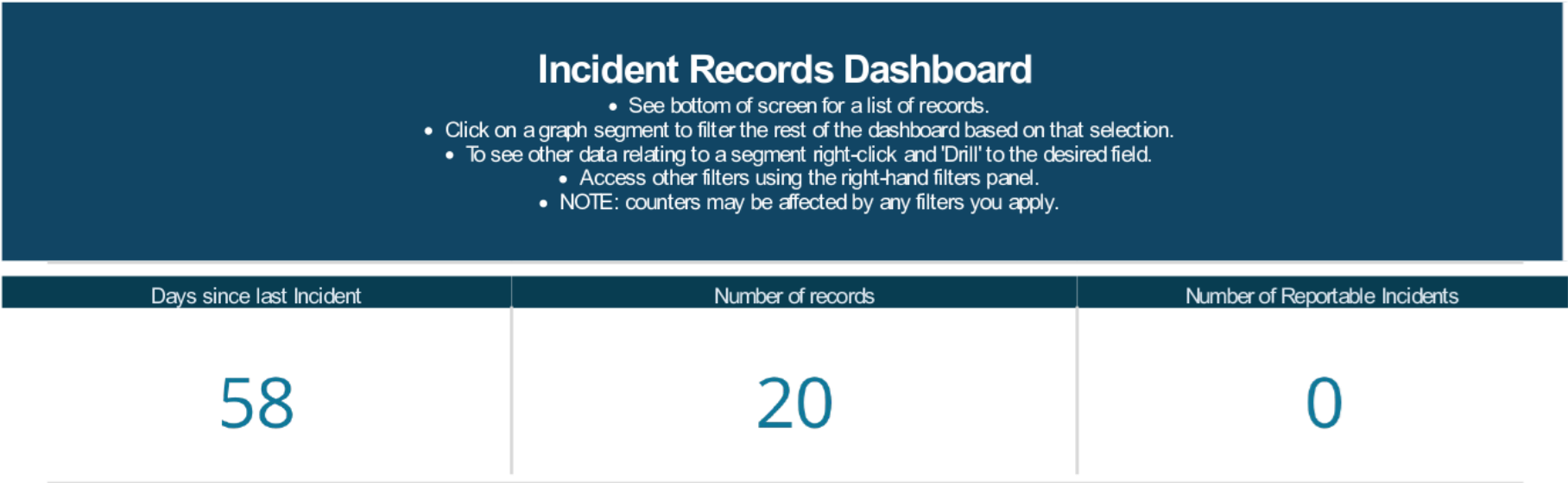
Hazard Spotting

Hazard Summary										
Link	Reference	Org Unit	Hazard Date 	Reported By	Type Of Hazard	Hazard Details	Hazard Still Present?	Comme...	Steps To Resolve	Stage
Link to this record	77	Mackenzie District Council	27/04/2022	Alexis Gray	Unsafe Property	There are a number of items cluttering the open area behind the screen in the customer services area. These could impede the Customer Service Team being able to safely use the fire exit at the rear of the building.	Yes	There are a number of items cluttering the open area behind the screen in the customer services area. These could impede the Customer Service Team being able to safely use the fire exit at the rear of the building. These need to be removed.	Asking Customer Services to remove the items into the garages.	In Progress

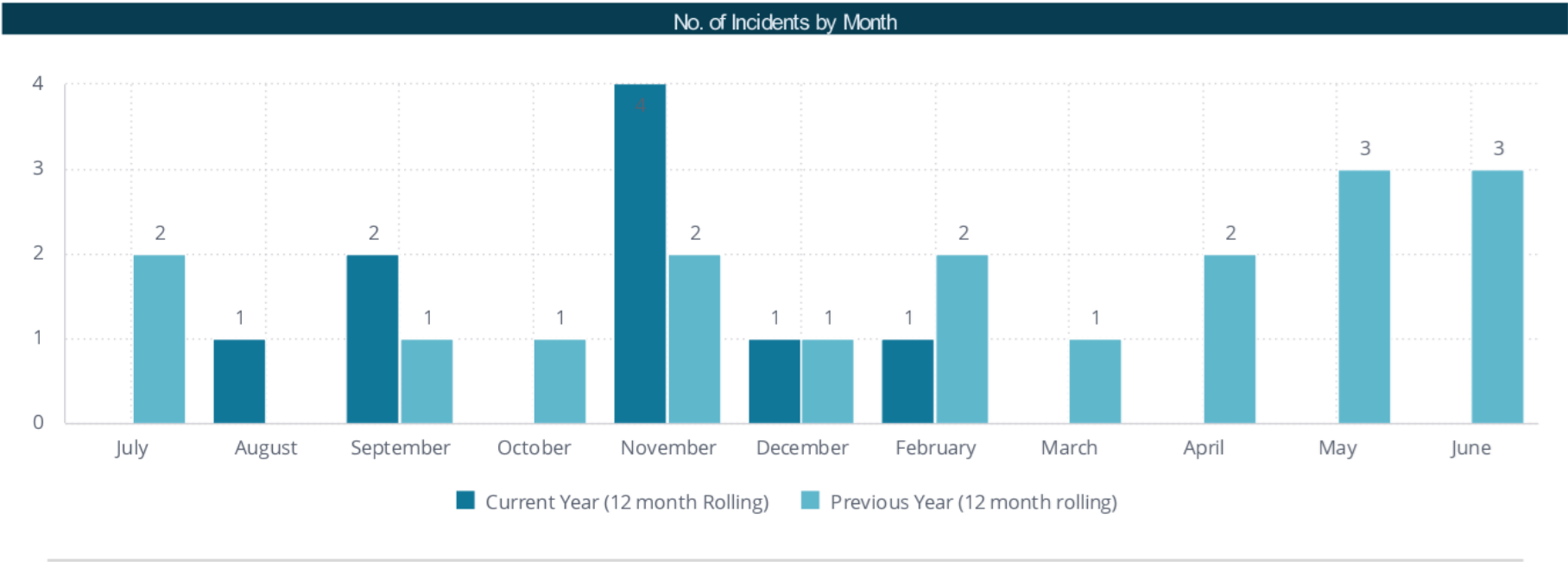
Hazard Spotting

Action Summary											
Hyperl... ^	Refere...	Org Unit	Date Raised	Raised by User	Action Title	Category	Action Descri...	Due Date	Assigned To	Priority	Current Status
Link to this record	4	Operations	19/08/2020	Alexis Gray	Investigate ways in which these 'toppers' can be fixed to the book shelves.	Corrective	N/A	28/08/2020	Tim Harty	Medium	Closed
Link to this record	4	Operations	19/08/2020	Alexis Gray	Investigate ways in which these 'toppers' can be fixed to the book shelves.	Corrective	N/A	28/08/2020	Bernie Haar	Medium	Closed

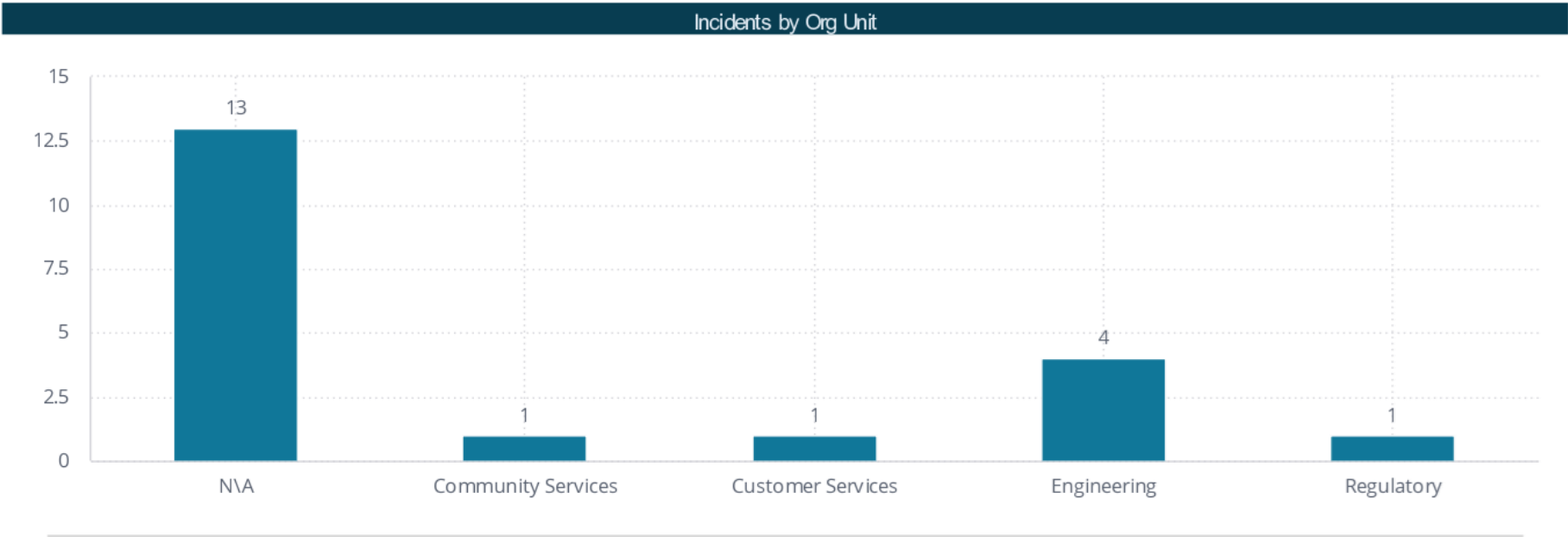
Incident Records - ADMIN ONLY



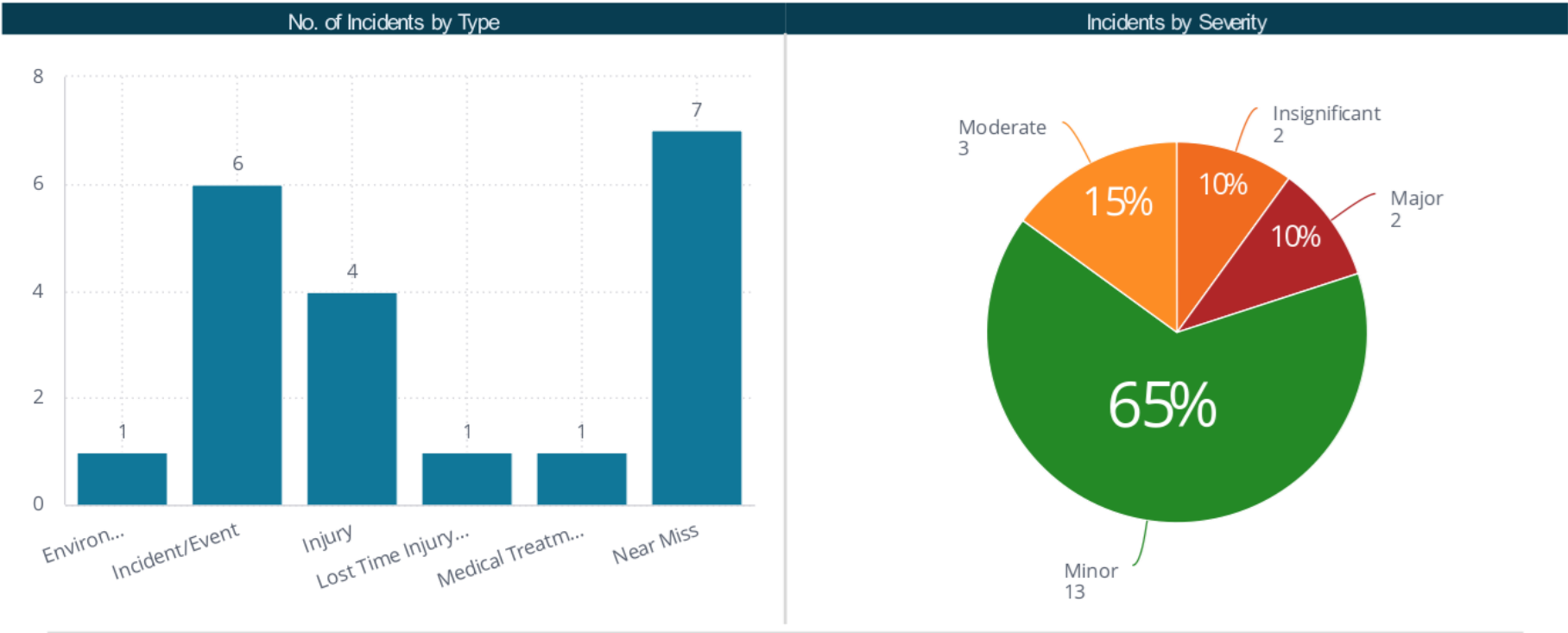
Incident Records - ADMIN ONLY



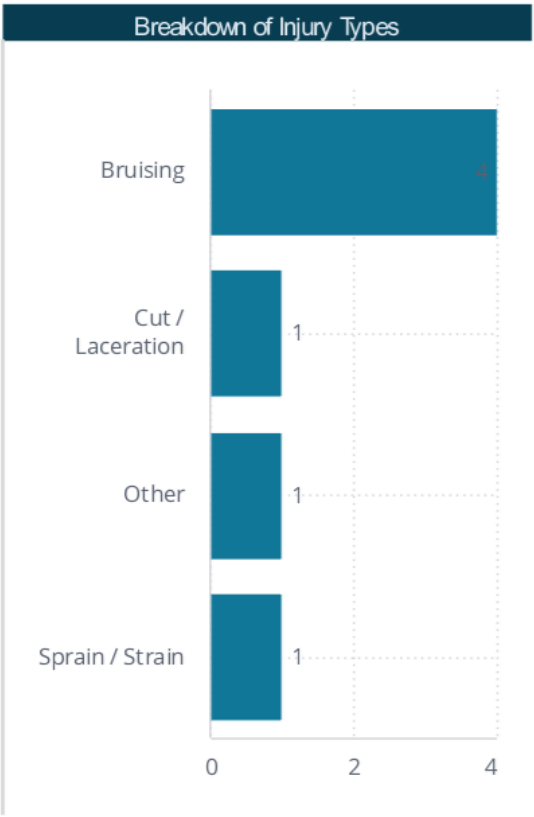
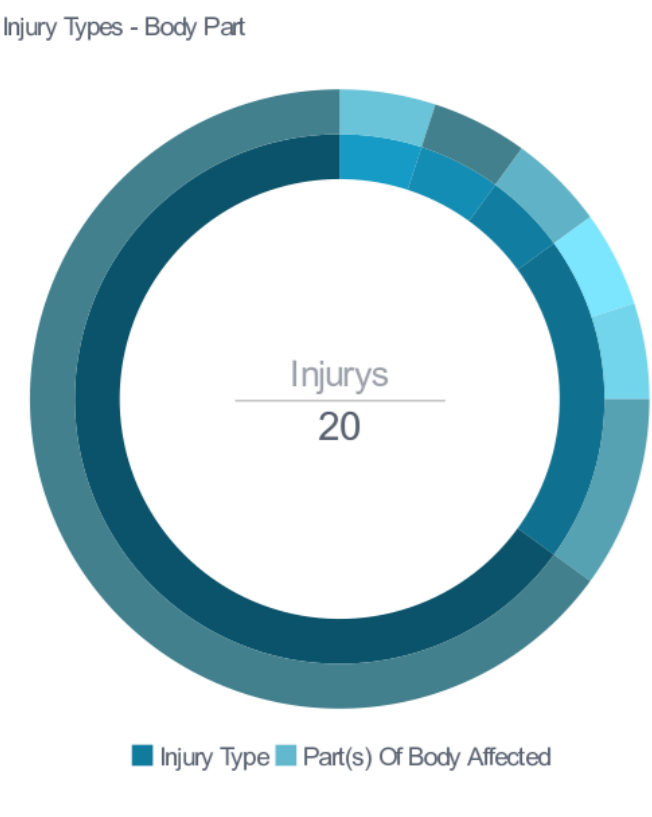
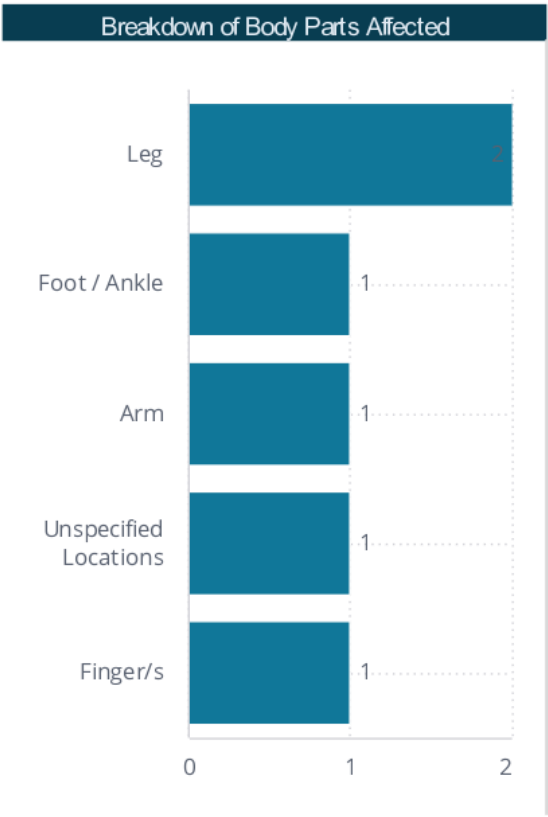
Incident Records - ADMIN ONLY



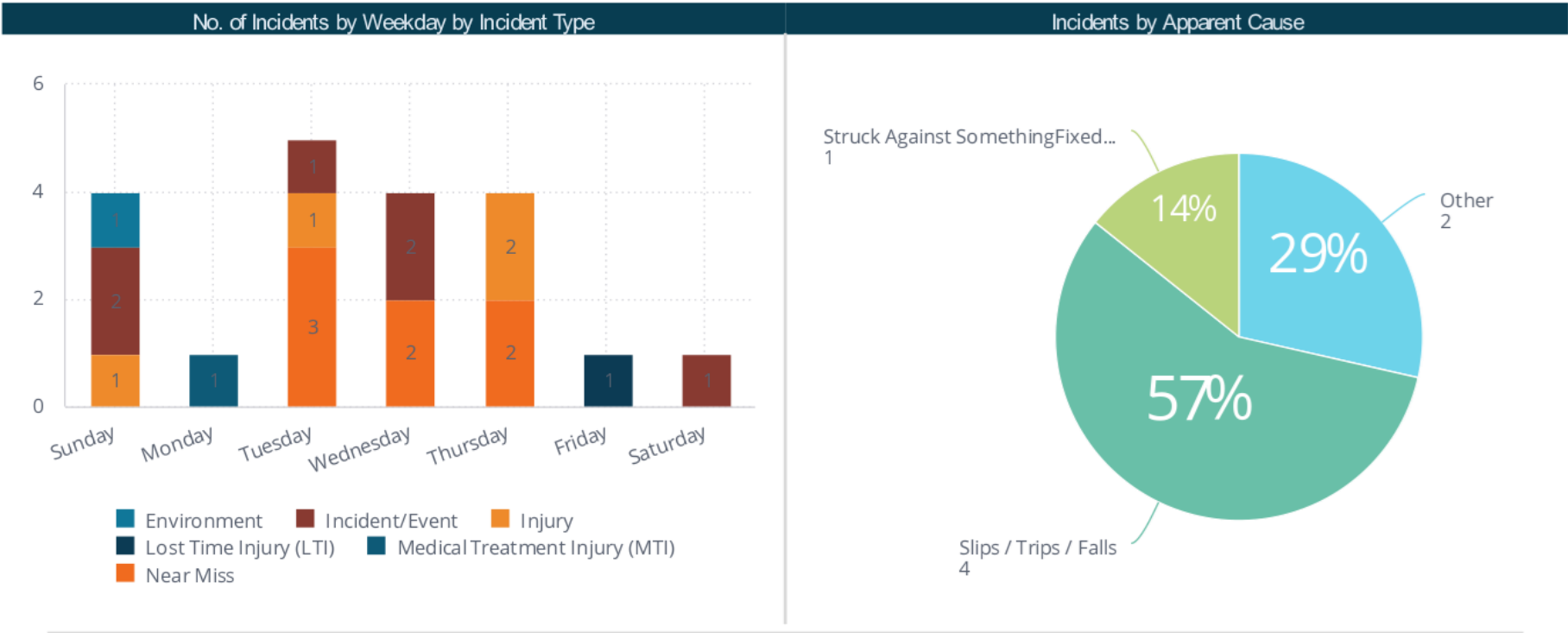
Incident Records - ADMIN ONLY



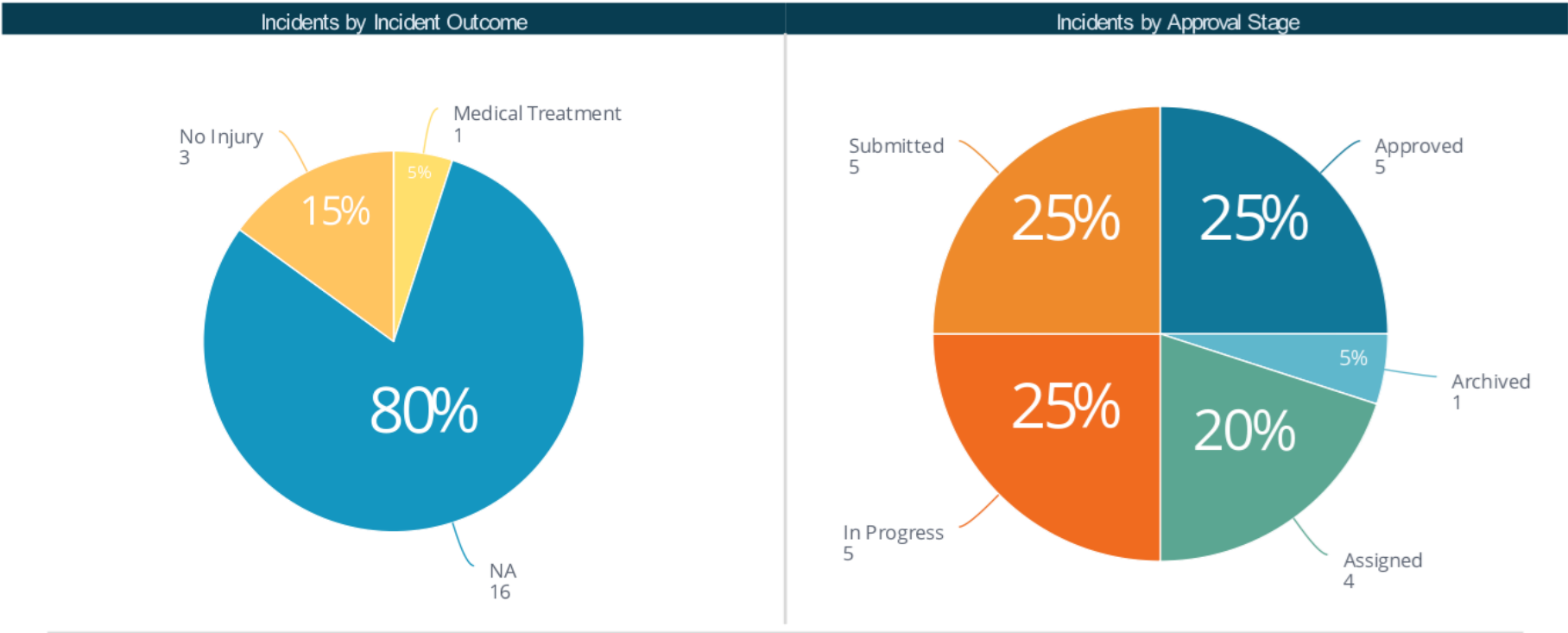
Incident Records - ADMIN ONLY



Incident Records - ADMIN ONLY

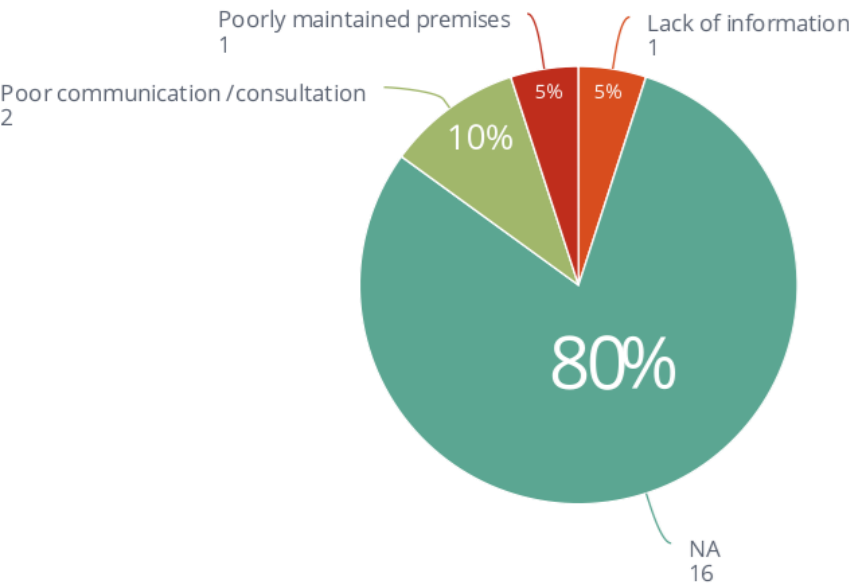


Incident Records - ADMIN ONLY



Incident Records - ADMIN ONLY

Incidents by Root Cause



Record Summary

Incident Records - ADMIN ONLY

Incident Summary												
Link1	Org Unit	Ref	Date of Incident	Type of Incident	IsPer...	Severity	IsIIIH...	Incident Details	Lost Time?	RAG...	Appro... Stage	LostTi...
Link to this record	Regulat...	39	12/02/2...	Incident...	Yes	Minor	No	Jarrod Thomas (related to a complaint he'd made to Council) sent me a text. "I've discussed these matters with 4 council staff now. I purchased the dog yes and the dog should be registered under both my partner and myself just like half of this town including council staff which I know are	No	Not Set	Submitted	0

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Incident Records - ADMIN ONLY

Incident Summary for Risk & Audit						
Org Unit	Date of Incident	Type of Incident	IsPersonInvolved1	Severity	IsIllHealthSustain...	Incident Details

Action Records Summary

Incident Records - ADMIN ONLY

Action Summary													
Incident... Reference...	Incident... Link	Incident...	Action Link ^	Org Unit	Date Raised	Raised by User	Action Title	Cate...	Action Des...	Due Date	Assi... To	Priority	Current Status
17	Link to this record	Incident...	Link to this record	Macke... District Council	22/02/...	Alexis Gray	Please organise longer cords for Julie that run around the wall to eliminate the need for walking over the cords. Also- Leanne's desk and electro... connect into the same multi box of Julies- this needs to be rectified	Correct...	There is a kick plate over the cords already to mitigate the tripping hazard and while not ideal chaining off gang plugs is not a hazard with the loads of screens and compu... this is being looked at but have made mitigation already to lower these risks. Hence	05/03/...	Aiden Hickey	Low	Closed





11/11

5.7 WAKA KOTAHI - INVESTMENT AUDIT REPORT

Author: Sandy Hogg, Manager - Finance

Authoriser: Paul Numan, General Manager Corporate Services

Attachments:

1. Waka Kotahi FINAL Investment Audit Report 2021_Redacted  
2. Monthly Roothing Claim Process  
3. Tendering Process - May 2022 - Confidential
4. Roothing Contract 1261 - Confidential
5. Road Safety Audit - Braemar Road - Confidential
6. Road Safety - GHD Maintenance - Confidential
7. Road Safety Audit - Middle Valley Road - Confidential

PURPOSE OF REPORT

The purpose of this report is to provide the Audit and Risk Committee with the outcome of an investment audit report carried out by Waka Kotahi in relation to the four years to 30 June 2021 in regards funding received by the Council as part of the National Land Transport Programme (NLTP).

STAFF RECOMMENDATIONS

1. That the report be received.
2. That the Audit and Risk Committee notes the review and findings as outlined in the audit investment report.
3. That the Audit and Risk Committee endorses the recommendations as detailed in the report and the proposed improvements from Council staff, noting that the payment arrangements for the overpayment are currently being worked through with Waka Kotahi.

BACKGROUND

The Mackenzie District Council's (the Council) land transport activity is funded in part by the National Land Transport Programme (NLTP) from Waka Kotahi NZ Transport Agency (Waka Kotahi).

In order to provide assurance investment in Council's land transport is being well managed and delivering value for money, Waka Kotahi undertake regular investment audits as per Section 95(1)(e)(ii) of the Land Transport Management Act 2003.

The latest audit was undertaken in November 2021 and related to the reconciliation of claims across the four financial years ending 30 June 2021. Auditors from Waka Kotahi met with Council staff onsite and further information was provided after the site visit was completed. A close out meeting was conducted with Waka Kotahi representatives and Council staff, initially at the end of the on-site visit and then later via online meetings to confirm findings and agree timeframes for implementation of recommendations.

This report now provides the Audit and Risk Committee with an overview of the Waka Kotahi investment audit report, outlining findings from said audit report and recommendations and proposed improvements for consideration by the Audit and Risk Committee.

REVIEW, FINDINGS AND RECOMMENDATIONS OF THE INVESTMENT AUDIT REPORT

The full investment audit report is attached.

The following table details the audit rating assessment and definitions of the rating the Council received for areas that were focused on in the recent audit.

Subject Areas	Rating Assessment	Assessment Definition
Previous Audit Issues	N/A	
Financial Processes	Significant Improvement Needed	<p>Investment Management: Systems, processes and management practices requirement.</p> <p>Compliance: Significant breaches of Waka Kotahi and/or legislative requirements.</p> <p>Findings/Deficiencies: Issues and/or breaches must be addressed, or ongoing Waka Kotahi funding may be at risk.</p>
Procurement Processes	Some Improvement Needed	<p>Investment Management: Acceptable systems, processes and management practices but opportunities for improvement.</p> <p>Compliance: Some omissions with Waka Kotahi requirements. No known breaches of legislative requirements.</p> <p>Findings/Deficiencies: Error and omission issues identified which need to be addressed.</p>
Contract Management	Some Improvement Needed	<p>Investment Management: Acceptable systems, processes and management practices but opportunities for improvement.</p> <p>Compliance: Some omissions with Waka Kotahi requirements. No known breaches of legislative requirements.</p> <p>Findings/Deficiencies: Error and omission issues identified which need to be addressed.</p>
Professional Services	Effective	<p>Investment Management: Effective systems, processes and management practices used.</p> <p>Compliance: Waka Kotahi and legislative requirements met.</p> <p>Findings/Deficiencies: Opportunities for improvement may be identified for consideration.</p>

Overall Rating	Some Improvement Needed
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Previous Audit Issues

There was one recommendation made and the Council has addressed this recommendation and updated the in-house professional services business unit agreement.

Financial Processes

Funding assistance claims from the four financial years to 30 June 2021 were reconciled with the Council's general ledger records.

There were two overclaims identified in the 2017/18 and 2020/21 financial years. These overclaims resulted from an invoice being paid twice but not corrected before the claim was completed and the result of late transactions (journals) not being recognised in the final claim.

There were also some underclaims identified and once all the years claims for funding assistance were recalculated it was found that the Council has overclaimed \$319,922 GST excl. for the Waka Kotahi share.

In accordance with S36(4) Land Transport Management Act 2003, Waka Kotahi is seeking recovery of the funds Council overclaimed. At this stage, Council is proposing to repay the overclaim in instalments deducted from future roading assistance claims.

Recommendations	Council Steps
Council to confirm the amount of \$319,922 plus GST to be recovered by Waka Kotahi for overclaims made during the 2017/18 and 2020/21 financial years.	<i>Council has confirmed the amount of \$319,922 GST excl. to be repaid to Waka Kotahi. Currently awaiting a decision on the appropriate means of repayment.</i>
Council reviews its claim processes to ensure all eligible expenditure is captured and claimed in the correct financial year.	<i>Council has created a monthly roading claim process that is signed off by both Finance and Roading staff prior to claim being submitted to Waka Kotahi each month.</i>

Procurement Procedures

Council's Procurement Strategy expires in September 2022 and is required to publish the endorsed Procurement Strategy on its website. It was noted that Council did not have the strategy published online.

The audit raised concerns in regards quality assurance of tender processes.

It identified that Council had for the Shared Use Path project not gained formal approval from Waka Kotahi to direct appoint packages to local suppliers.

It also found that Council had awarded a contract that had incorrect calculations in the non-process attribute scores of the price quality method (PQM) spreadsheet.

Recommendations	Council Steps
Council to publish current endorsed Procurement Strategy on its website.	<i>The Procurement Strategy has now been uploaded.</i>
Council implements quality assurance procedures to improve its tender evaluation processes.	<i>Council is documenting the process and the template will be included in the Procurement Strategy when completed.</i>
Council confirms the awarded price for Contract 1261 – Shared Use Path with Downer Limited.	<i>Council has written to Downer Limited and a copy of the letter is attached.</i>

Contract Management

The audit noted that a new maintenance contract had recently commenced with Fulton Hogan and that although this had only been operating a short time, regular monitoring of the network and weekly operating meetings were continuing in line with the previous contract.

It did find that although road safety audits are being commissioned there is no documents showing how Council was addressing the resulting recommendations from these audits, exposing Council to potential reputation risk.

Recommendations	Council Steps
Council urgently addresses any outstanding recommendations resulting from road safety audits.	<i>Three road safety audits have been completed. Findings and recommendations for all three audits are attached.</i>

Professional Services

The Council procures professional services primarily in-house. The cost recovery multiplier from Waka Kotahi is approximately 2.4. It was noted that this appears high compared to similar councils but it does include both administration and direct overheads of the business unit staff. It does not though show administration costs in regards other overhead activities of the Council (floor space, finance costs, IT costs and such like).

Recommendations	Council Steps
Council considers reviewing overhead allocations to ensure that all costs of the roading activity are being captured.	<i>Council will continue to review and ensure that all costs are captured appropriately.</i>

CONCLUSION

It is recommended that the Audit and Risk Committee notes the findings of the investment audit report and endorses the recommendations from Waka Kotahi and proposed Council improvements.



INVESTMENT AUDIT REPORT

Procedural Audit of Mackenzie District Council

Monitoring Investment Performance

Report of the investment audit carried out under Section
95(1)(e)(ii) of the Land Transport Management Act 2003.

Tony Pinn

30 March 2022

Report Number RATPI-2125

Audit: Mackenzie District Council

Approved Organisation (AO):	Mackenzie District Council
Waka Kotahi NZ Transport Agency Investment (2021 – 2024 NLTP):	\$ 7,586,474 (budgeted programme value)
Date of Investment Audit:	22-25 November 2021
Auditor(s):	Tony Pinn - Senior Investment Auditor (Lead)
Report No:	RATPI-2125

AUTHORITY SIGNATURES

Prepared by:



 Tony Pinn, Senior Investment Auditor

Approved by:



 Yuliya Gultekin, Practice Manager Audit & Assurance

30/03/2022

 Date
DISCLAIMER

WHILE EVERY EFFORT HAS BEEN MADE TO ENSURE THE ACCURACY OF THIS REPORT, THE FINDINGS, OPINIONS, AND RECOMMENDATIONS ARE BASED ON AN EXAMINATION OF A SAMPLE ONLY AND MAY NOT ADDRESS ALL ISSUES EXISTING AT THE TIME OF THE AUDIT. THE REPORT IS MADE AVAILABLE STRICTLY ON THE BASIS THAT ANYONE RELYING ON IT DOES SO AT THEIR OWN RISK, THEREFORE READERS ARE ADVISED TO SEEK ADVICE ON SPECIFIC CONTENT.

EXECUTIVE SUMMARY

Waka Kotahi NZ Transport Agency's (hereafter Waka Kotahi) funds the Mackenzie District Council's (the Council) land transport activity through its National Land Transport Programme (NLTP). Council is responsible for the management of the land transport activity, excluding the state highways, within the Mackenzie District.

The reconciliation of claims across the four financial years ending June 2021 revealed a substantial overclaim. This considerably delayed this draft report as further information was gathered to recalculate the claims for funding assistance. Although the majority of the overclaim related to two invoices being paid twice, we recommend better scrutiny is applied across the financially assisted accounts. This will ensure claims made to Waka Kotahi for funding assistance are accurate and reflect Council's Land Transport Disbursement account.

Council's current Procurement Strategy expires on the 9th of September 2022. We remind Council that it is also a requirement to publish the endorsed Procurement Strategy on its website. Whilst Council demonstrated several examples of good procurement practice, a few issues have been identified during the review of the procurement procedures requiring Council's attention. Council needs to improve its quality assurance processes in this area to ensure risks are better managed.

In-house staff cost overheads and administration charges are within acceptable tolerances, but Council may wish to consider reviewing these again to ensure all costs of the roading activity are appropriate.

Road safety audits for improvement projects are being commissioned from independent providers. However, there was no documentation showing how Council is addressing the resulting recommendations from these audits. Council needs to urgently address this.

AUDIT RATING ASSESSMENT

Subject Areas		Rating Assessment*
1	Previous Audit Issues	N/A
2	Financial Processes	Significant Improvement Needed
3	Procurement Procedures	Some Improvement Needed
4	Contract Management	Some Improvement Needed
5	Professional Services	Effective
Overall Rating		Some Improvement Needed

* Please see Introduction for Rating Assessment Classification Definitions

RECOMMENDATIONS

The table below captures the audit recommendations. Agreed dates are provided for the implementation of recommendations by the approved organisation.

We recommend that Mackenzie District Council:		Implementation Date
R2.1	Confirms the amount of \$319,922 plus gst to be recovered by Waka Kotahi for overclaims made during the 2017/18 and 2021/21 financial years.	30/04/2022
R2.2	Reviews its claim processes to ensure all eligible expenditure is captured and claimed in the correct financial year.	31/05/2022
R3.1	Publishes its current endorsed Procurement Strategy on the Council's website.	Complete
R3.2	Implements quality assurance procedures to improve its tender evaluation processes.	30/06/2022
R3.3	Confirms the awarded price for Contract 1261 Shared Use Path with Downer Ltd quality assurance procedures to improve its tender evaluation processes.	30/04/2022
R4.1	That Mackenzie District Council urgently addresses any outstanding recommendations resulting from road safety audits.	30/04/2022

Before being finalised this report was referred to Mackenzie District Council for comment. Its responses are included in the body of the report

1. INTRODUCTION

1.1. Audit Objective

The objective of this audit is to provide assurance that Waka Kotahi investment in Council's land transport programme is being well managed and delivering value for money. We also seek assurance that the Council is appropriately managing risk associated with Waka Kotahi investment. We recommend improvements where appropriate.

1.2. Assessment Ratings Definitions

	Effective	Some Improvement Needed	Significant Improvement Needed	Unsatisfactory
Investment management	Effective systems, processes and management practices used.	Acceptable systems, processes and management practices but opportunities for improvement.	Systems, processes and management practices require improvement.	Inadequate systems, processes and management practices.
Compliance	Waka Kotahi and legislative requirements met.	Some omissions with Waka Kotahi requirements. No known breaches of legislative requirements.	Significant breaches of Waka Kotahi and/or legislative requirements.	Multiple and/or serious breaches of Waka Kotahi or legislative requirements.
Findings/ deficiencies	Opportunities for improvement may be identified for consideration.	Error and omission issues identified which need to be addressed.	Issues and/or breaches must be addressed, or on-going Waka Kotahi funding may be at risk.	Systemic and/or serious issues must be urgently addressed, or on-going Waka Kotahi funding will be at risk.

1.3. Council Comments

We thank Tony Pinn for the audit. Council acknowledges that there are a number of areas for improvement. We appreciate Tony's approaches dealing feedback and guidance thorough the process. Given Council is on an organisational change journey, we appreciate the feedback and will incorporate this into our improvement processes to ensure our systems and deliverables are robust into the future.

2. ASSESSMENT FINDINGS

Our findings relating to each subject area are presented in the tables below. Where necessary, we have included recommendations and/or suggestions.

1. Previous Audit Issues

The previous audit in January 2018 made one recommendation:

"That Council updates its in-house professional services business unit agreement."

This recommendation has been addressed.

Mackenzie District
Council's comment

Council is aware and happy that this has been achieved. We understand from the audit that this is no longer a requirement into the future.

2. Financial Processes

Significant Improvement Needed

Claims for funding assistance for the four financial years to 30 June 2021 were reconciled against Council's general ledger records but discrepancies were identified which resulted in overclaims in 2017/18 and 2020/21 financial years. This considerably delayed this draft report as further information was gathered to recalculate the claims. The majority of the overclaim relates to two invoices which were paid twice that Council was aware of. The other overclaims appear to be the result of late transactions (journals) not being recognised into the final claim.

Claims for funding assistance were then recalculated with underclaims in network and asset management (work category 151) offset against the overclaims in the maintenance and renewals activity class. This is only permissible in this activity class and not capital improvements e.g., LED lighting and Low-Cost Low-Risk improvements. The recalculations identified the amount overclaimed from the two years totals \$319,922 excl. GST, Waka Kotahi share (see Appendix C for details).

In accordance with [section 36\(4\) of the Land Transport Management Act 2003](#) the Transport Agency will consider options for recovering funds from Council. Section 36(4) of the Act provides, "*If the Agency makes any payment for an approved activity that is based on information that is subsequently found to be erroneous or inaccurate, the payment is recoverable in any court of competent jurisdiction as a debt due to the Agency.*"

Council needs to confirm the calculated sum so that the Waka Kotahi can consider the options to remedy.

The structure of the General Ledger is mirrored to Waka Kotahi work categories and the reconciliation process was easy to follow. There is however the potential for Council to under or over claim and there is a key step missing in the claims process to ensure all expenditure is captured. Moving forward, it would be beneficial if the claim spreadsheet was validated by another appropriate staff member prior to entry into Transport Investment Online (TIO). It would also be advantageous to review Council's end of year cut-off procedures. Late expenditure should either be accrued or manually adjusted and documented in a worksheet to ensure all eligible expenditure is captured and recognised in the final claims.

The retentions account was in balance with the individual contracts and there were no old or excessive retentions being held.

Report Number RATPI-2125

Audit: Mackenzie District Council

Recommendations	<p>We recommend that Council:</p> <p>R2.1 Confirms the amount of \$319,922 plus GST to be recovered by Waka Kotahi for overclaims made during the 2017/18 and 2021/21 financial years.</p> <p>R2.2 Reviews its claim processes to ensure all eligible expenditure is captured and claimed in the correct financial year.</p>
Mackenzie District Council's comment	<p>Council acknowledges the errors and failures in the financial process/ system and will work on remedying this to avoid this occurring in future.</p> <p>Initial invoices prepared by Senior Payroll/Creditors/HR Administrator will be checked by Roading Manager prior to being submitted to Waka Kotahi (NZTA).</p> <p>This is to avoid issues in the receipt of invoices and overclaim in future.</p> <p>Council will confirm the overpayment sum and work with Waka Kotahi on the appropriate means of repayment.</p>

* * *

3. Procurement Procedures

Some Improvement Needed

Council's current Procurement Strategy is dated August 2019 and expires on the 9th of September 2022. However, it was noted that the Strategy is not published on the Council's website. It is a requirement that the current endorsed Procurement Strategy be published online through the Council's website.

Five physical works contracts were reviewed for compliance with Waka Kotahi approved procurement procedures. All generally complied with Waka Kotahi requirements, but the audit identified the following:

Council's Shared Use Path project (SUP) was estimated to be approximately \$1M in total. To stimulate the local economy after Covid-19 restrictions, the physical works were split into four packages of \$100,000 which were then directly appointed to local suppliers with the balance tendered on the open market. We could not initially find any correspondence with Waka Kotahi relating to Council's intention to direct appoint packages to local suppliers. Although we were later provided with email correspondence, we would have expected a formal approval, documenting this arrangement given it was outside of Council's standard procurement procedures.

Contract 1261 Shared Use Path.

This portion of the project was tendered on the open market. We found the non-price attribute scores were entered incorrectly into the price quality method (PQM) spreadsheet i.e., the weighted score was entered, not the actual score (in this case out of 100). This changes the calculated supplier quality premium and, in some cases, may even change the outcome. We also noted the same template appeared to have been used for a tender evaluation relating to a three waters contract. Council may wish to check this evaluation. It was also noted that the letter of offer for this contract stated the sum accepted, excluded provisional items, but the price schedule included \$36,290 of provisional items. This could have implications later unless this is clarified with the contractor.

The issues identified above suggest a deterioration in the quality assurance of the tender process. We recommend more scrutiny over procurement procedures as Council could be exposed to risk if for example a contract was incorrectly awarded.

The new road network operations and maintenance contract was procured using a quality-based evaluation method.

Given this is an advanced procurement procedure, we confirmed Waka Kotahi approval for this procedure. We also confirmed Waka Kotahi approval for Mackenzie District Council to use a maximum term of ten years (5+2+2+1 years) for the new road network operations and maintenance contract.

Good practices were also evident throughout the procurement process i.e.:

- A consistent application of conflicts of interest.
- Evaluation reports and relevant contract documents were all readily available for the audit.

Recommendations	<p>We recommend that Mackenzie District Council:</p> <p>R3.1 Publishes Council's current endorsed Procurement Strategy on its website.</p> <p>R3.2 Implements quality assurance procedures to improve its tender evaluation processes.</p> <p>R3.3 Confirms the awarded price for Contract 1261 Shared Use Path with Downer Ltd.</p>
Mackenzie District Council's comment	<p>R3.1 Complete - as hadn't been updated with website refresh. Now completed and uploaded. We will work on renewing the procurement strategy for later this financial year.</p> <p>R3.2 Council has discussed with the suppliers in this case. Council will implement these recommendations for the report and on review it appears a step have been missed. We understand the importance and will look to document this process and include it in our procurement strategy.</p> <p>R3.3 Council will confirm the award price with Downer for the shared use path Con 1261.</p>

* * *

4. Contract Management

Some Improvement Needed

A new maintenance contract has just commenced after Fulton Hogan replaced the incumbent contractor following the tender in August 2021. Given the new contractor had only been operating a short period of time, we did not review contract monitoring in-depth. However, we did note that requirements around regular monitoring of the network and weekly operational meetings were continuing in line with the previous contract.

Road safety audits for improvement projects are being commissioned from independent providers and Council has a good understanding of the policy requirements. We have reviewed three Road safety audit reports. There was no documentation showing how Council was addressing the resulting recommendations from these audits. This exposes Council to potential reputational risk, for example, where there is an accident, and the audit recommendations are still outstanding. Council must urgently address these findings and document its decisions.

Report Number RATPI-2125

Audit: Mackenzie District Council

Recommendation	That Mackenzie District Council urgently addresses any outstanding recommendations resulting from road safety audits.
Mackenzie District Council's comment	We take this advice on board this information has been incorporated into LTP and business case planning and documentation. But hasn't been formally documented in relation to the safety audits. Council will complete this recommendation and action prior to the end of May 2022.

* * *

5. Professional Services		Effective
Council procures professional services primarily in-house. The cost recovery multiplier is approximately 2.4 which appears high compared to similar councils. Further investigation revealed that this covers both administration and the direct overheads of the business unit staff. Whilst this is acceptable, no separate administration costs are charged. Council may wish to consider a review to ensure that all costs of the roading activity are being captured appropriately.		
Suggestions	We suggest that Council considers reviewing overhead allocations to ensure all costs of the roading activity are being captured.	
Mackenzie District Council's comment	Council has undertaken this process as part of previous advice. Council will continue to review and ensure all costs are captured appropriately. Council appreciates the feedback, discussion, and advice in this area.	

* * *

3. APPENDICES











APPENDIX B

Investment Audit Programme

- Previous audit outcomes – from last procedural audit undertaken in January 2018
- Land Transport Disbursement Account
- Final claims 2017/18, 2018/19, 2019/20, 2020/21
- Transactions (accounts payable)
- Retentions Account
- Procurement Procedures
- Contract Variations
- Contract Management
- Road Safety Audits
- Professional Services
- Transport Investment On-line (TIO) Reporting
- Other issues that may be raised during the audit
- Close-out meeting (to be arranged)

APPENDIX C

Contracts Audited

Contract Number	Tenders Received	Date Let	Description	Contractor		
			Physical Works			
1255 Sole Supplier	1	Nov 20	Street Lights Maintenance & Renewal	Netcon	Estimate Let Price Final Cost	  Ongoing
1261	2	Mar 21	Shared Use Pathway	Downer	Estimate Let Price Final Cost	  Ongoing
1268	1	Mar 21	SUP Package 1 Direct Appoint	Whitestone Contracting	Estimate Let Price Final Cost	  Ongoing
1273	3	Aug 2021	Road Maintenance Contract 2021-26	Fulton Hogan	Estimate Let Price Final Cost	  Ongoing
SLA Direct appoint	1	Jun 21	Road Rating 2020/21	Cabal Ltd	Estimate Let Price Final Cost	  Ongoing

APPENDIX C

Overclaim Calculations

2020/21						
Overclaims in maintenance and renewals work categories offset by overspend in category 151 Network and Asset Management						
	Capital	General Ledger	Claim	Difference	FAR	
3554341	Low Cost Low Risk	\$1,139,389	\$1,232,433	\$93,044	51%	\$47,452.44
3554321	LED	\$310,616	\$608,466	\$297,850	85%	\$253,172.50
2017/18						
	GI		Claim	Difference	FAR	
	Traffic Service Renewals	\$41,752.00	\$78,862.00	\$37,110	52%	\$19,297.20
	(Difference made up of Journals correcting Non Subsidised Car parks etc)					
To Recover				\$428,004		\$319,922
				Gross		Plus GST
						To recover

Monthly Roding Claim

Process	Who's Responsible	Date Due	Completed When / Who By
Monthly invoices approved and processed to Creditors All roding claim invoices completed and approved and processed through accounts payable	Roding Manager	Day 12	
Request of monthly transaction report from Finance Monthly roding transaction report giving details of all transactions posted to the general ledger for the month the claim refers to	Roding Manager / Management Accountant	Day 12	
Monthly transaction report run for Roding	Management Accountant / Roding Manager	Day 12	
Review of monthly transaction report Review of all transactions in each claimable account to ensure that all invoices are accounted for and coded correctly	Roding Manager	Day 13/14	
Changes required – journal transfers, accruals requests Any changes or accruals required – request forwarded to finance in order to complete and process to the general ledger	Roding Manager / Management Accountant	Day 14	
Required changes made and monthly transaction report re-run Final check by Roding and Finance to ensure all transactions are captured and in the correct general ledger account. This will be confirmed by Roding to Finance that everything is correct by signing off the report.	Management Accountant / Roding Manager	Day 14	
Preparation of Roding Claim and submission through Waka Kotahi website Submission of claim through the Waka Kotahi online portal. <i>It is the intention that this is a transition phase with the claim submission becoming part of the Engineering Assistant's tasks over the next 3-6 months (transition to take place from 1 June 2022 through 1 December 2022.)</i>	Roding Manager / Accounts Payable Payroll Administrator Roding Manager / Engineering Assistant	Day 15	

Process	Who's Responsible	Date Due	Completed When / Who By
Roading Claim suspended and request for debtors invoice Claim calculation provided to Finance with ledger codes in order to raise invoice number for claim to be completed on the Waka Kotahi online portal	Roading Manager / Engineering Assistant	Day 15	
Invoice raised in debtors system for amount claimed Invoice number provided back to Roding in order to finalise suspended claim on Waka Kotahi online portal.	Finance Support Officer - Revenue	Day 15	

Note: - Due Dates are the working days from the start of the month

5.8 QUARTERLY REPORT - AGED RECEIVABLES

Author: Sandy Hogg, Manager - Finance

Authoriser: Paul Numan, General Manager Corporate Services

Attachments: 1. Receivables - Aged Trial Balance [↓](#) 

STAFF RECOMMENDATIONS

That the quarterly report on Aged Accounts Receivables for March 2022, for Mackenzie District Council be received.

AGED RECEIVABLES

The Mackenzie District Council holds accounts receivable balances for Rates, Animals, Water Billing and Sundry receivables.

Sundry Debtors are broken down into further categories for Staff, Building Consents, Resource Consents and Pukaki Airport. Remaining Sundry Debtors are made up of Landfill, Rental and Other Sundry.

The Council collects annual operating revenue of approximately \$25 million, of which rates account for \$12 million.

Year to date as at 31 March 2022 operating revenue was made up of the following:

	\$000's
Rates	9,211
Other Operating Revenue	7,388
	16,599




Aged receivables totalled approximately \$816,942 which equates to 4.9% of the year-to-date operating revenue.

The Council has a Debt Recovery Policy (adopted 29 June 2021) which provides a consistent approach to manage the collection of revenue in a legally compliant manner. The Policy is published on the Council website and held on the in-house document management system. It outlines methods to recover outstanding amounts and processes that trigger steps or actions in the recovery of debt.

A recent review of our aged receivables processes has highlighted that the Council has not operated this as efficiently and effectively as it could have. Changes have been put in place and with the recent upgrade to MagiQ Cloud staff are now progressing to use the Debt Management module within the system. As well as this, improvements are being made to monthly trial balances circulated to module managers, an aged listing is provided to the Executive Team and going forward this report will become a regular quarterly report provided to the Audit and Risk Committee.

RECEIVABLES TRIAL BALANCE REPORT

The following dashboard triggers have been assigned on the report:

-  *Concerns in regards outstanding balances and collection*
-  *Potential for balances to become concerning*
-  *No issues with collection of outstanding balances*

Rates

Outstanding rates are broken down by financial years. As per the Local Government (Rating) Act 2002 there is a limitation of time for the recovery of unpaid rates. Any rates older than 6 years can not be recovered and the Council is required to write off.

There are several processes available for Council to collect outstanding rates balances other than the normal debt management processes, ability to apply penalties on unpaid instalments and prior years balances, and the Act gives further powers to Council allowing rates to be recovered through rating sales. Also, outstanding rates on a property are required to be settled in full at time of change in ownership.

As at 31 March the rates receivable balance was actually in credit due to a number of ratepayers paying the 2021/22 rates due in full. Rates are invoiced quarterly and are due for payment on the following dates:

Instalment 1	20 September 2021
Instalment 2	30 December 2021
Instalment 3	20 March 2022
Instalment 4	20 June 2022

Other Receivables

All other receivables are broken down by months. 3+ months are further broken down. Active management includes those outstanding balances that have either payment arrangements in place, are in dispute, debt collection processes are in place, or have been referred to a debt collection agency.

Animal Control

Outstanding 3+ months animal control balances are \$12,588 at March. Animal registration is charged annually in July and is payable by the end of that month. Several of the outstanding balances relate to unpaid registrations from previous years and relate to deceased and transferred from the district animals.

Due to changes in staff resourcing outstanding registration charges were not followed up earlier in the financial year. Work has now started contacting owners with outstanding balances to ascertain the validity of the charges.

Water Billing

Water billing was in the past only charged out once annually, in July for the previous year. This was due to the invoicing system unable to proportion the water allowance over multiple readings.

Statements were not produced although reminder letters were sent. With the upgrade to the Council's computer system from July 2022 water billing invoices will be raised on a more frequent basis and reminders sent.

The active management balance relates to two incorrect readings on meters and credits will be applied in May to remedy this balance.

Sundry Debtors

The outstanding 3+ months is made up of four rental debtors of which were settled in May 2022 and a debt for waste removal of building materials.

Staff Debtors

Council staff are entitled to apply for a BP fuel card. The Council initially pays the bill and then on-charges via staff debtor accounts. Staff are also able to purchase personal goods via a number Council suppliers which are also paid by Council and then on-charged. Staff are required to have a deduction arrangement set up that regularly deposits to their staff debtor account. As at March 2022 there were a couple of accounts that the deductions were not sufficient to cover the outstanding amounts and arrangements have since been made to rectify this.

Building Consents

Building consent fees are raised at the time of building consent application but are often not due until certain conditions or inspections have been met or completed. At the 31 March the 3+month balances were made up of six large consents all with payment conditions in place. Memos are included on these accounts and staff regularly monitor the arrangements in place.

Resource Consents

Building consent fees are raised at the time of building consent application but are often not due until certain conditions have been met or completed. Also, resource consents include charges for financial and reserve contributions which are often given time allowance for payment due to the value of each contribution. At the 31 March the 3+month balances were made up of two large consents both with payment conditions in place. Memos in regards Council decisions on payment arrangements are loaded against each resource consent debtor and these are regularly monitored.

Pukaki Airport

Pukaki Airport debtors relate to landing fees at the airport. These are charged monthly with a number of debtors paying in advance.

**Mackenzie District Council
Receivables Trial Balance
as at 31 March 2022**

	Pre-2016	2016	2017	2018	2019	2020	2021	Current Arrears	Current Due	Current Penalties	Credits	Balance
Rates												
Outstanding	0	246	454	2,908	8,035	20,448	72,353	172,110	207,775	33,432	(649,289)	(131,529) ●
Active Management												
	3+ months	3+ months	2 months	1 month	Current	Credits	Balance					
Animal Control												
Outstanding	0	12,588	82	5	0	(1,758)	10,916	◆				
Water Billing												
Outstanding	13,233	39,600	0	0	0	0	52,833	◆				
Sundry Debtors												
Outstanding	0	17,454	56	11,834	123,098	(3,410)	149,033	▲				
Staff Debtors												
Outstanding	192	1,974	0	3,229	4,793	(989)	9,198	▲				
Building Consents												
Outstanding	53,716	23,452	1,090	3,248	13,934	(11,440)	84,000	●				
Resource Consents												
Outstanding	355,966	51,687	0	0	237,027	(2,783)	641,898	●				
Pukaki Airport												
Outstanding	0	95	0	529	125	(155)	594	●				

Active Management: - invoices that are either in dispute, sent to debt collection, on payment arrangements

Dashboard

- ◆ Concerns in regards outstanding balances and collection
- ▲ Potential for balances to become concerning
- No issues with collection of outstanding balances

HOLIDAY PAY ASSESSMENT REPORT

Author: Sandy Hogg, Manager - Finance

Authoriser: Paul Numan, General Manager Corporate Services

Attachments: 1. Holiday Pay Assessment Report - Price Waterhouse Coopers [↓](#) 

PURPOSE OF REPORT

The purpose of this report is to provide the Audit and Risk Committee with the outcome of a holiday pay assessment that was undertaken by PricewaterhouseCoopers (PWC).

STAFF RECOMMENDATIONS

1. That the report be received.
2. That the Audit and Risk Committee notes the review and findings as outlined in the holiday pay assessment report.
3. That the Audit and Risk Committee endorse the recommendations and the actions completed by Council and MagiQ staff.

BACKGROUND

The Holiday Act 2003 defines how holiday pay should be calculated across the following leave types:

- Annual holidays
- Family violence, Bereavement, Alternative (i.e. a day in lieu where an employee has worked on a public holiday), Public Holiday and Sick (FBAPS) leave.

As a result of public interest in how some payroll software has interpreted the Holiday Act 2003 definitions to how holiday pay should be calculated, the Council engaged PWC to review our holiday pay assessment.

The scope of the assessment included assessing gross earnings to identify any payments incorrectly excluded or included in holiday pay calculations and recalculating holiday pay on an agreed sample of holiday pay records to understand and assess how the Council processes and MagiQ is used to calculate holiday pay.

REVIEW, FINDINGS AND RECOMMENDATIONS OF THE HOLIDAY PAY ASSESSMENT REPORT

The full holiday pay assessment report is attached.

The following table details the scope, assessment findings and recommendation for areas of improvement to ensure the Council is fully compliant with the Holiday Act 2003.

Scope	Assessment	Recommendation
Assess the Council's gross earnings.	A small number (four) of pay codes are incorrectly included in holiday pay calculations. Whilst these pay codes are not used frequently and reflect only a small portion of the total amount paid to employees, they will lead to slight overcalculations when paid in the 12 months prior to an employee taking a holiday or terminating.	Remove the four pay codes from gross earnings.
MDC Action Have worked through all elected members reimbursement codes with MagiQ and have corrected fields to tidy these up. Also excluded the relevant allowance codes for staff from calculations in Super/Kiwisaver/Annual and Sick Leave. COMPLETED		
Assess the approach to provide at least four weeks annual holiday entitlement after 12 months of continuous service.	MagiQ's approach to provide annual holiday entitlements is aligned to Holiday Act requirements, however an employee's annual holiday entitlement will be understated when moving from part time to full time hours, or overstated when moving from a full time to part time hours. Additionally employees are able to "cash up" more than one weeks annual leave if they move from full time to part time hours.	Develop a manual process to update an employee's annual holiday entitlement if their definition of a week changes. Review the eight employees who are currently flagged as 'variable' to ensure this flag appropriate for these employees.
MDC Action MDC are confident that the Variable flags are in use for all entitled employees – these are to be used when there is a change of the number of hours or days per week, as a permanent change (i.e. new contract) rather than anyone who occasionally works overtime. Magiq are confident that the system calculates as it should when these flags are used. COMPLETED		
Calculate and pay annual holidays.	The Council's annual holiday calculation approach aligns with a number of Holiday Act requirements, however Ordinary Weekly Pay under and overpayment risks exist when an employee has worked overtime prior to an annual holiday, and Average Weekly Earnings can be over and undercalculated when an employee moves from part time to full time, or full time to part time in the 12 months prior to an annual holiday.	Configure MagiQ to calculate Ordinary Weekly Pay using section 8(2) of the Holidays Act for the one employee eligible for overtime by setting the four-weekly calculation flag to yes. Update MagiQ AWE calculations to use the employee's new annual contracted hours when moving from part time to full time or vice versa.
MDC Action This currently only involves 1 employee and the field (59.57) has been corrected. Field 59.57 relates to the use of the last 4 weeks of earnings to calculate holiday pay rather than a normal 4 weeks of pay – meaning the employee is not disadvantaged by taking leave and receiving their normal hourly rate while taking leave – they would be paid the correct higher hourly rate. COMPLETED		

Calculate and pay Family violence, Bereavement. Alternative, Public holiday and Sick leave.	The Council's FBPS calculation approach results in an under or over payment risk for employees who change from part time to full time, full time to part time or work over time.	Configure MagiQ to calculate Relevant Daily pay using employees standard daily rate. Ensure any 'Variable' employees have their contracted hours flagged for the RDP calculation in their employee records.
MDC Action For these types of leave normally the standard hourly rate is used in the calculation. At present MDC pays sick leave based on 'total taxable income/ordinary hours' this could lead to a slight overpayment. This could be changed to also be paid at standard hourly rate but changing the field to match this will affect the Statutory Days flag in MagiQ to also calculate on that basis which would not be correct as per the Holiday Act. The recommendation of MagiQ is to not change the sick calculation field – until/if the Stat pay calculation can be separated out in the MagiQ system from the Sick leave calculation – MagiQ will take this to its development team but in the meantime, the field will stay as it is – this will result in a minor overpayment to staff for sick leave. This is preferable to underpaying staff for Statutory pay. Variable staff using the Variable flags will be treated correctly as per regular staff. COMPLETED		
Calculate and pay holiday at termination	Identifying national public holidays owing to employees at termination is a manual process and in some cases can lead to public holidays not been included in the holiday pay termination calculation.	Determine if functionality is available within MagiQ to automatically determine if a national public is owed to an employee. Where not, establish a process to peer review and confirm the notional public holidays identified are accurate and complete.
MDC Action There is no MagiQ system functionality for this process so it has to remain as a manual process. All aspects of the Pay run are checked by the Accountant, and this is noted in the Payroll Procedure for final pays. COMPLETED		

CONCLUSION

It is recommended that the Audit and Risk Committee notes the findings of the holiday pay assessment report and endorses the recommendations from PWC, and actions from MagiQ and Council.

Mackenzie District Council

Holiday pay assessment report
June 2022



In reading this report we request you note the following:

**Private and confidential**

This report is provided solely for Mackenzie District Council for which the services are provided. Unless required by law you shall not provide this report to any third party, publish it on a website or refer to us or the services without our prior written consent. In no event, regardless of whether consent has been provided, shall we assume any responsibility to any third party to whom our report is disclosed or otherwise made available. No copy, extract or quote from our report may be made available to any other person without our prior written consent to the form and content of the disclosure.

**Users of the report**

This report is intended solely for the use of Mackenzie District Council. This report contains confidential information. Please treat the report with confidentiality in every respect.

**Conclusions**

We have performed our engagement in accordance with relevant ethical requirements of the Code of Ethics issued by the New Zealand Institute of Chartered Accountants, and appropriate quality control standards. Our engagement does not constitute a review or audit in terms of standards issued by the New Zealand Institute of Chartered Accountants.

Accordingly, this engagement is not intended to result in either the expression of an audit or legal opinion, nor the fulfilling of any statutory audit or other requirements.



Paul Neman
General Manager Corporate
Mackenzie District Council
53 Main Street
Farlie 7925

07 June 2022

Mackenzie District Council holiday pay assessment report

Dear Paul,

In accordance with our 4 October 2021 Letter of Engagement, we have completed our Mackenzie District Council holiday pay assessment. Our observations, findings and recommendations per our scope and agreed approach are set out in this report.

I would like to take this opportunity to acknowledge and thank the Mackenzie District Council personnel for the time and contributions they have made to enable us to perform this engagement.

Please feel free to contact me on 027 511 6563 if you have any questions or require any further information.

Yours sincerely,

A handwritten signature in white ink that reads 'Vaughan Harrison'.

Vaughan Harrison
Partner
PricewaterhouseCoopers
E: vaughan.x.harrison@pwc.com

PricewaterhouseCoopers, PwC Centre, 10 Waterloo Quay, PO Box 243, Wellington 6140, New Zealand
T: +64 4 462 7000, pwc.co.nz

June 2022

1. Executive summary

Executive summary

Introduction: The Holiday Act 2003 defines how holiday pay should be calculated across the following leave types – this formed the basis of our assessment:

- Annual holidays: Including annual holidays for permanent employees, part-time employees, casual employees, annual holidays at termination, and cash up of annual holidays
- Family violence, Bereavement, Alternative (i.e. a day in lieu where an employee has worked on a public holiday), Public Holiday and Sick (FBAPS) leave.






We were engaged to work alongside you to understand and test the Council's holiday pay calculations approaches and identify any associated risks or challenges

Our scope and approach included:

- Assessing gross earnings to identify any payments incorrect excluded from or incorrectly included in holiday pay calculations
- Recalculating holiday pay for an agreed sample of holiday pay records to understand and assess how the Council processes and MagiQ is used to calculate holiday pay

Please refer to Appendix A for our agreed scope and assessment approach.

In summary: The Council has a relatively straightforward workforce and have established a number of MagiQ holiday pay calculation approaches aligned to Holidays Act requirements. However our sample testing has identified a small number of exceptions, principally arising when an employee moves from part time to full time or back, which are reflective of the inherent complexities of the Holidays Act. Given the infrequent change in contracted hours, and the salaried nature of the Council workforce, we expect these findings to be relatively minor, noting action is required to fully align to the Holidays Act

Our holiday pay scope	Our assessment summary	Recommendation
 <p>Assess the Council's gross earnings.</p>	<p>In summary: A small number (four) of pay codes are incorrectly included in holiday pay calculations. Whilst these paycodes are not used frequently and reflect only a small portion of the total amount paid to Council employees, they will lead to the slight overcalculation of holiday pay when paid in the 12 months prior to an employee taking a holiday or terminating.</p>	<p>Remove these four pay codes from gross earnings.</p>
 <p>Assess the approach to provide at least four weeks annual holiday entitlement after 12 months of continuous service.</p>	<p>In summary: MagiQ's approach to provide annual holiday entitlements is aligned to Holiday Act requirements, however an employee's annual holiday entitlement will be understated when moving from part time to full time hours, or overstated when moving from a full time to part time hours. Additionally employees are able to "cash up" more than one weeks annual leave if they move from full time to part time hours.</p>	<p>Develop a manual process to update an employee's annual holiday entitlement if their definition of a week changes. Review the eight employees who are currently flagged as 'variable' to ensure this flag appropriate for these employees.</p>
 <p>Calculate and pay annual holidays.</p>	<p>In summary: The Council's annual holiday calculation approach aligns with a number of Holidays Act requirements, however Ordinary Weekly Pay under and overpayment risks exist when an employee has worked overtime prior to an annual holiday, and Average Weekly Earnings can be over and undercalculated when an employee moves from part time to full time, or full time to part time in the 12 months prior to an annual holiday.</p>	<p>Configure MagiQ to calculate Ordinary Weekly Pay using section 8(2) of the Holidays Act for the one employee eligible for overtime by setting the four-weekly calculation flag to yes.</p> <p>Update MagiQ AWE calculations to use the employee's new annual contracted hours when moving from part time to full time or vice versa.</p>
 <p>Calculate and pay Family violence, Bereavement, Alternative, Public holiday and Sick leave.</p>	<p>In summary: The Council's FBPS calculation approach results in an under or over payment risk for employees who change from part time to full time, full time to part time or work over time.</p>	<p>Configure MagiQ to calculate Relevant Daily pay using employees standard daily rate.</p> <p>Ensure any 'Variable' employees have their contracted hours flagged for the RDP calculation in their employee records.</p>
 <p>Calculate and pay holiday pay at termination.</p>	<p>In summary: Identifying national public holidays owing to employees at termination is a manual process and in some cases can lead to public holidays not been included in the holiday pay termination calculation.</p>	<p>Determine if functionality is available within MagiQ to automatically determine if a national public is owed to an employee. Where not, establish a process to peer review and confirm the notional public holidays identified are accurate and complete.</p>

2. Holiday pay observations and findings

1. Mackenzie District Council employee types

The working arrangements of employees must be understood when assessing holiday pay. During our assessment Council management confirmed the following employee types are in place across the Council

- Salaried employees who are not entitled to overtime or Time off in Lieu (TOIL), i.e. salaried employees paid a consistent salary each fortnightly pay period regardless of their hours worked. The large majority of Council employees fit within this category
- One salaried employee is entitled to TOIL, i.e. salaried employees paid a consistent salary each fortnightly pay period, who may take paid time off to reflect additional hours worked beyond their contracted hours.
- One salaried employee entitled to overtime, i.e. salaried employees paid a consistent salary each fortnightly who receive additional payments for overtime worked.

The following payroll and holiday pay-related considerations are consistent across all Council employees

- All employees have their contracted daily and weekly hours, and TOIL and overtime entitlement master data, recorded within the Council's payroll system, MagiQ. This master data is then used to support the Council's holiday pay calculations
- Employees work to their contracted hours and days and any additional over time hours, where relevant, are paid at the employee's base salary rate
- Council staff receive four weeks annual holiday entitlement per year which increases to five weeks after five years continuous service
- To request leave an employee will complete an Application for Leave form which is approved by their Manager and sent to payroll to enter into MagiQ
- Council staff are paid fortnightly by the Council's-house payroll team.

2. Gross earnings observations and findings

Holidays Act requirements

Gross earnings feature in a number of holiday pay calculations:

- Section 14 of the Holidays Act defines gross earnings as “all payments that the employer is required to pay to the employee under the employee’s employment agreement”. Additional Ministry of Business, Innovation and Employment (MBIE) guidance states “employment agreement should be read broadly to include all documents and other agreements that form part of the contractual agreement between the employee and employer. Agreements need not be written down; they may also be verbal or created by the conduct of the parties”
- Examples include salary and wages, allowances (except reimbursing allowances for employment costs, e.g. mileage), holiday pay, productivity, non-discretionary incentive and commission payments, overtime and the first week of ACC compensation
- Gross earnings do not include payments the employer is not bound to pay by the terms of the employee’s employment agreement. Examples include discretionary payments, ACC payments after the first week of compensation, volunteer (military) leave, reimbursements, employer superannuation contributions, and the cash up of annual holidays.

Finding one: A small number of gross earnings exceptions, relative to the total amount paid to Council personnel, were identified that are creating holiday pay overpayment risk

We assessed the Council’s 28 allowance and deduction paycodes to determine if any paycodes are incorrectly excluded from gross earnings, i.e. holiday pay underpayment drivers, and paycodes incorrectly included in gross earnings, i.e. holiday pay overpayment drivers. No paycodes were incorrectly excluded from gross earnings, however the following paycodes are incorrectly included and will result in the slight overcalculation of holiday pay when paid in the 12 months prior to an employee taking a holiday or terminating:

- Bonus
- N/T Allow.

Note: we were only able to assess the Council’s deductions and allowances as the time-related pay code gross earnings configuration was unable to be extracted from MagiQ. Our sample testing however did not identify any time-related gross earning exceptions.

The following two codes are included in holiday pay gross earnings however they are used to make payments to elected members who are not provided any holiday pay. No overpayment risk therefore exists, however per good practice the Council should remove these codes from holiday pay gross earnings:

- Councillor
- UWC Allow.

b. Annual holiday entitlement observations and findings

Holidays Act requirements

- After the end of each completed 12 months of continuous employment, an employee is entitled to not less than four weeks' paid annual holidays
- 12 months of continuous employment includes any period where the employee was on paid holidays, FBAPS leave, parental leave, ACC, unpaid sick, bereavement or family violence leave, and unpaid leave for a period of no more than one week
- MBIE guidance states "annual holidays are based on weeks, and an employee's entitlement should be determined according to their work pattern at the time the holiday is requested"
- An employer may pay annual holiday pay with the employees pay (i.e. pay-as-you-go) if:
 - The employee is employed on a fixed-term agreement to work for less than 12 months, or works on a basis that is so intermittent or irregular that it is impracticable for the employer to provide the employee with four weeks annual holidays
 - The employee agrees in their employment agreement
 - The annual holiday pay is paid as an identifiable component of the employee's pay
 - The annual holiday pay is paid at a rate not less than 8% of the employee's gross earnings.

Finding two: MagiQ's approach to provide annual holiday entitlements is aligned to Holiday Act requirements, however an employee's annual holiday entitlement will be understated when moving from part time to full time hours, or overstated when moving from a full time to part time hours. Additionally employees are able to "cash up" more than one weeks annual leave if they move from full time to part time hours.

Mackenzie District Council's approach

- All employees are provided a contracted number of days and hours per week
- 'Non-variable'-flagged employees: MagiQ accumulates each 'non-variable' employees' annual holiday entitlement on a fortnightly basis using contracted daily hours as a basis. This accumulates for 12 months until the employee is provided their full 12 month annual holiday entitlement of four weeks. For example an employee contracted to 40 hours per week will have an annual holiday entitlement balance of 160 hours after 12 months continuous employment
- 'Variable'-flagged employees: MagiQ accumulates each 'variable' employees' annual holiday entitlement on a fortnightly basis using actual worked and paid leave hours as a basis. For example an employee who has worked changing weekly hours over a year for an annual total of 2,200 hours will have an annual holiday entitlement balance of 169 hours (i.e. $2,200 \times (4 / 52)$) after 12 months continuous service
- Managers are provided a fortnightly leave report which lists all their team members and their current annual leave balance. Employees complete a Application for Leave form and indicate the number of day or hours annual holidays they wish to take. The manager reviews the request against the leave report to determine if an appropriate annual holiday entitlement exists. The request is approved and sent to Payroll to enter into MagiQ. Council management confirmed employees are aware their definition of a week is based on their contracted hours, i.e. if an employee contracted to 40 hours per week has been working 45 hours per week and takes a week's annual holiday, 40 hours annual holidays would be entered to prevent the over-deduction of their annual holiday entitlement
- When an employee's contracted weekly hours change, e.g. an employees moves from a full time to a part time role, the Council, after consultation with the employee, either:
 - Update the contracted hours to their new definition of a week and they will receive four weeks annual leave after 12 months continuous employment and ensure these employees are flagged as having variable hours
 - Terminate the employee within MagiQ and pay out their annual holiday entitlement. A new employee record is created and the employee's new contracted hours are used as a basis to accumulate their annual holiday entitlement over the next 12 months

Our assessment

The approach used by MagiQ to provide four weeks annual holiday entitlement aligns to Holidays Act requirements.

However when an employee changes their contracted hours:

- An employee who moves from part time to full time will not be provided four weeks annual holiday entitlement in their next 12 months of continuous employment
- An employee who moves from full time to part time will be provided an annual holiday entitlement beyond four weeks in their next 12 months of continuous employment
- An employee whose MagiQ record is deleted and annual holiday entitlement paid out when changing their contracted hours can have more than one weeks annual holiday 'cashed up' which does not comply with Holidays Act requirements.

(continued)

Illustrative annual holiday entitlement risks arising from the Council's annual holiday entitlement approach

Illustrative scenario one: An employee works 37.5 hours (five contracted days) per week for six months before moving to 22.5 hours (three days) per week. One week annual holiday is taken prior to changing to their new definition of a week

Year	Week	Hours worked	Annual holiday entitlement provided by MagiQ (hours)
1	Week 1	37.5	
	Week 2	37.5	
	...	37.5	
			37.5 hours annual holiday is taken: The employee records 37.5 hours annual holiday, i.e. their current definition of one week
	Week 27	22.5	
	...	22.5	
	Week 52	22.5	
<ul style="list-style-type: none"> • Annual holiday entitlement at their anniversary date: 52.5 hours, i.e. 90 hours annual holiday entitlement balance (22.5 hours/week * 4 weeks) – 37.5 hours annual holiday taken • The employee now has a annual holiday balance of 2.3 weeks (52.5 hours / 22.5 hours per week) instead of three weeks required by the Holidays Act 			

Result: The employee has lost 0.7 weeks annual holiday entitlement

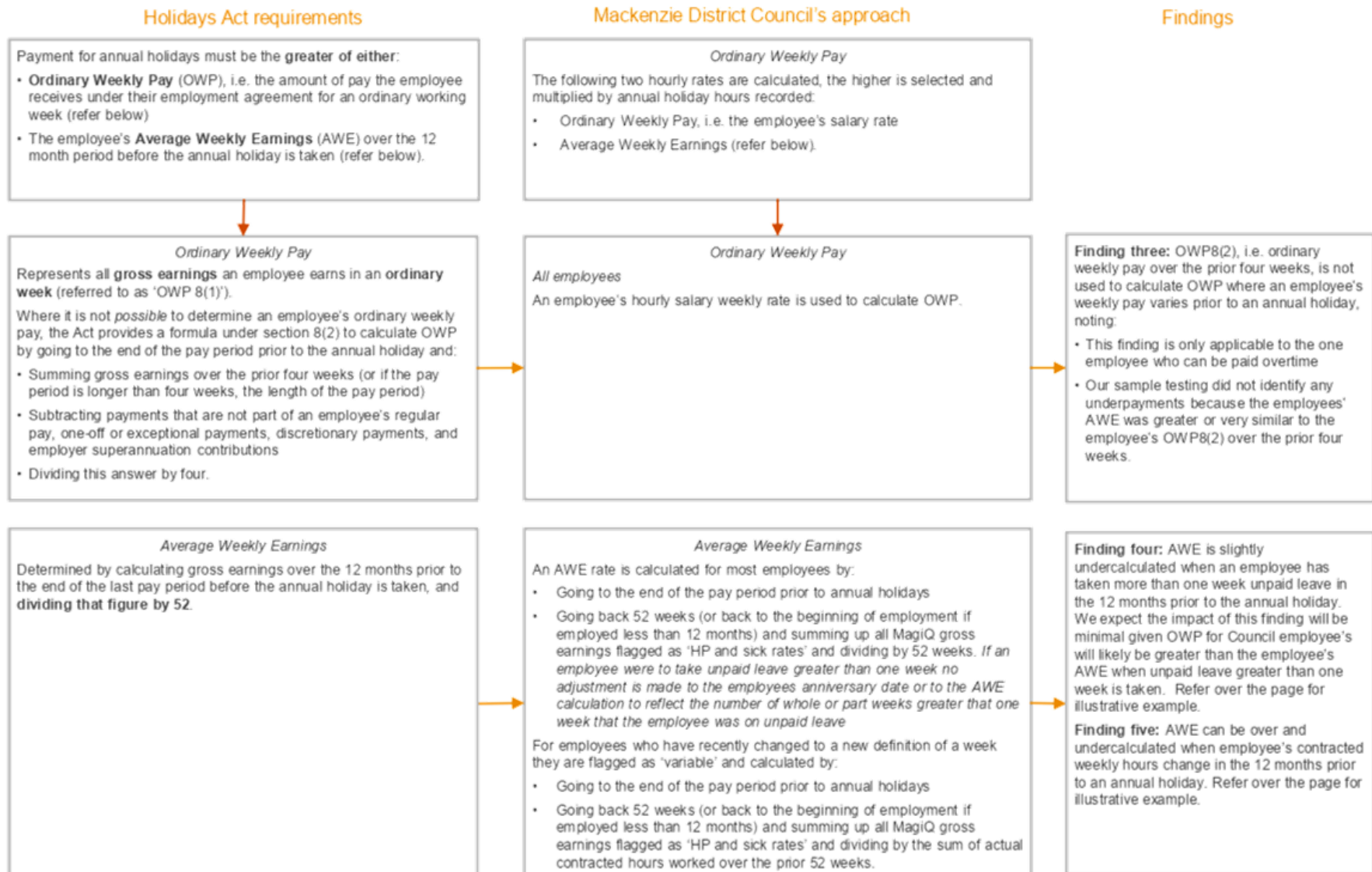
Illustrative scenario two: An employee works 22.5 hours (three contracted days) per week for six months before moving to 37.5 hours (five days) per week. One week annual holiday is taken prior to changing to their new definition of a week

Year	Week	Hours worked	Annual holiday entitlement provided by MagiQ (hours)
1	Week 1	22.5	
	Week 2	22.5	
	...	22.5	
			22.5 hours annual holiday is taken: The employee records 22.5 hours annual holiday, i.e. their current definition of one week
	Week 27	37.5	
	...	37.5	
	Week 52	37.5	
<ul style="list-style-type: none"> • Annual holiday entitlement at their anniversary date: 127.5 hours, i.e. 150 hours annual holiday entitlement balance (37.5 hours/week * 4 weeks) – 22.5 hours annual holiday taken • The employee now has a annual holiday balance of 3.4 weeks (127.5 hours / 37.5 hours per week) instead of three weeks required by the Holidays Act 			

Result: The employee has gained 0.4 weeks annual holiday entitlement

c. Annual holiday pay observations and findings

In summary: The Council's annual holiday calculation approach aligns with a number of Holidays Act requirements, however Ordinary Weekly Pay under and overpayment risks exist when an employee has worked regular overtime prior to an annual holiday, and the Average Weekly Earnings calculation needs amending to take into account any leave without pay greater than one week and employees listed as "variable"



Holiday pay assessment
PwC

June 2022
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(continued)

Illustrative annual holiday risk arising from the Council's average weekly earning calculation approach

An employee has an annual salary of \$52,000 per year or \$1,000 per week and takes one week annual holiday when three weeks unpaid leave has been taken in the prior 12 months

	Week 1	Week 2-48	Week 49	Week 50	Week 51	Week 52	Total	AWE calculation
Hours worked	37.5	37.5	LWOP	LWOP	LWOP	37.5	Total gross pay: \$49,000	Three weeks of unpaid leave requires the AWE divisor to be reduced by the number of whole or part weeks greater than one week
Pay	\$1,000	\$1,000	\$0	\$0	\$0	\$1,000		
AWE per Holidays Act requirements:								\$980, i.e. \$49,000 / 50 weeks
AWE per the Council's calculation approach:								\$942, i.e. (\$49,000 / 1,950 annual hours) * 37.5 hours annual holiday

(continued)

Illustrative annual holiday risk arising from the Council's average weekly earning calculation approach

Illustrative scenario one: An employee works 37.5 hours (five contracted days) per week for six months before moving to 22.5 hours (three days) per week. One week annual holiday is taken after this time

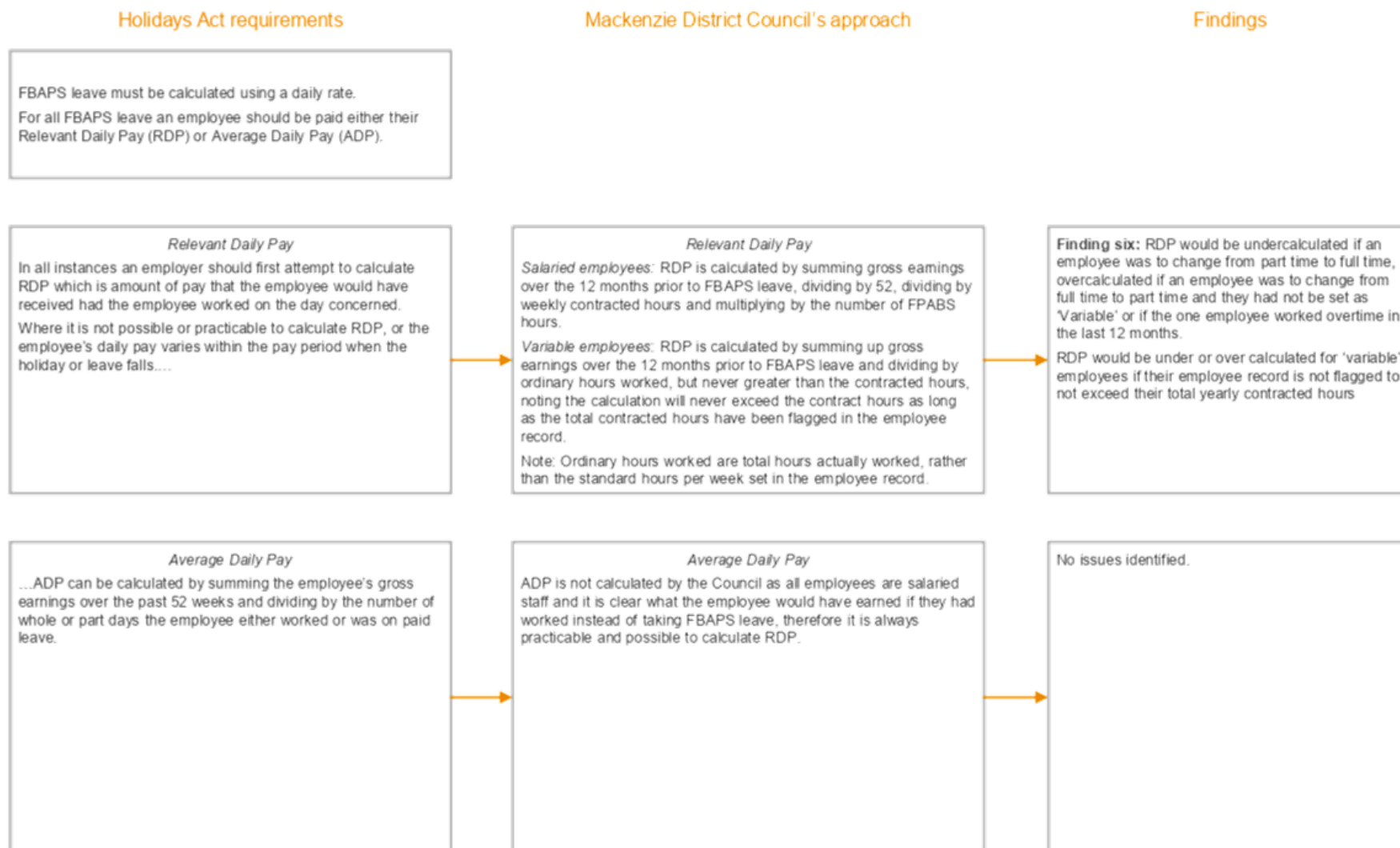
Week	Hours worked	Weekly pay
Week 1	37.5	\$1,442
Week 2	37.5	\$1,442
...	37.5	\$1,442
Week 27	22.5	\$865
...	22.5	\$865
Week 52	22.5	\$865
Total	1,560	\$60,000

Average Weekly Pay	Per Holidays Act	Per the Councils' approach
Gross earnings over the prior 52 week/s	\$60,000	\$60,000
AWE divisor	52 weeks	1,560, i.e. total hours worked
AWE	\$1,154	\$865 , i.e. (\$60,000 / 1,560 hours worked) * 22.5 hours annual holiday

Result: The AWE rate and the annual holiday is under calculated by \$289

d. FBAPS observations and findings

In summary: The Council's FBPS calculation approach results in an under or over payment risk for employees who change from part time to full time, full time to part time or work over time.



(continued)

Illustrative FBAPS risk arising from the Council’s relevant daily pay calculation approach

Illustrative scenario one: An employee has an annual salary of \$75,000 or \$38.46 per hour and works 37.5 hours (five contracted days). Due to back pay received during the year they have earned \$76,500 gross earnings for the year. The employee takes one day sick leave

Relevant daily Pay	Per Holidays Act	Weekly pay
Gross eamings over the prior 52 week/s	N/A	\$76,500
Standard hourly rate	\$38.46	N/A
One day sick leave taken (hours)	7.5	7.5
RDP	\$289	\$294, i.e. (\$76,500 / 1950 annual hours * 7.5 hours sick leave

Result: FBAPS is over calculated by \$5

e. Holiday pay at termination observations and findings

In summary: Identifying national public holidays owing to employees at termination is a manual process and in some cases can lead to public holidays not being included in the holiday pay termination calculation

Holidays Act requirements

Annual holidays at termination are calculated by:

- *Entitled annual holidays*, i.e. unused and unpaid annual holidays the employee became entitled to prior to their last work anniversary: Calculate the higher of OWP and AWE using gross earnings from the end of the prior pay period
- *Identify and pay notional public holidays*, i.e. public holidays that would have been observed when the final day of work is notionally extended by any entitled annual holidays not taken
- *Pay unused and unpaid alternative holidays*
- *'Accrued' annual holidays*, i.e. the annual holiday entitlements 'accrued' between the employees' last anniversary date and termination:
 - Sum gross earnings from the employee's last anniversary date to termination, including the last pay period and above holiday pay values
 - Multiply by 8%
 - Subtract the value of any annual holidays taken in advance.

Mackenzie District Council's approach

Per our sample testing we note the approach described at left is used to calculate holiday pay at termination, noting the approach to identify notional public holidays is a manual process.

Findings

Finding seven: During our sample testing we noted one example where the manual process did not identify employee 25515's entitlement to a notional public holiday.

3. Appendices

Appendix A: Our agreed scope and assessment approach

Our scope	Our agreed approach
Assess gross earnings	<ul style="list-style-type: none"> • Obtain an extract of payment codes from MagiQ made to employees over the past six years • Assess each pay code to determine if the pay code should or should not be included in gross earnings per section 14 of the Holidays Act (note any payment types that are not clearly defined against gross earnings definitions may require legal advice which is exclude from our scope) • Obtain MagiQ payment code gross earnings configuration and identify: <ul style="list-style-type: none"> – Gross earnings correctly included in holiday pay calculation rates – Gross earnings incorrectly excluded from holiday pay calculation rates (underpayment) – Non gross earnings incorrectly included in holiday pay calculation rates (overpayment)
Assess the holiday calculation approach	<ul style="list-style-type: none"> • Meet payroll management to understand and confirm how MagiQ: <ul style="list-style-type: none"> – Provides and manages employees' annual holiday entitlements – Calculates annual holiday and FBAPS pay, and any supporting processes (e.g. entry of public holidays that would have been observed after termination) and document • Council management will identify a holiday/FBAPS pay transaction for a selection of ONE employee for one pay period, for each scenario included in scope (refer Appendix A) from MagiQ. The following data will be provided for each sample: <ul style="list-style-type: none"> – The date, hours and value of the annual/FBAPS leave sample provided – As detailed as possible payroll transactional data, i.e. transaction dates, pay codes, hours/units and value, over the prior 13 months/56 weeks – Employee profile hours and days, i.e. contracted/rostered hours (where relevant) – Entitled annual holiday balances for terminated employee samples • Re-perform the leave calculation for each item in accordance with the requirements of Holidays Act and compare the calculation result with the amount paid • Discuss the results with and obtain feedback from management for any instances where our calculations differ from the payroll calculations

Appendix B: Holiday pay calculation samples

Leave type	Holidays Act reference and recalculation	Employee types		
		Salaried employees with no overtime or TOIL	Salaried employees with no overtime or TOIL	Employed less than 12 months
Annual holiday	16. Entitlement to annual holidays	Sample 1 Employee ID: 10265	Sample 2 Employee ID: 25042	
	21. Calculation of annual holiday pay	Sample 3 Employee ID: 10265 Pay period: 03/10/2021	Sample 4 Employee ID: 25042 Pay period: 08/08/2021	
	22. Calculation of annual holiday pay if holiday taken in advance			Sample 5 Employee ID: 10275 Pay period: 03/10/2021
	23 Calculation of annual holiday pay if employment ends within 12 months			Sample 6 Employee ID: 66105 Pay period: 08/03/2020
	24 Calculation of annual holiday pay if employment ends and entitlement to holidays has arisen (i.e. accrued annual leave at termination)	Sample 7 Employee ID: 66106 Pay period: 04/10/2020	Sample 8 Employee ID: No sample available Pay period:	
	25 Calculation of annual holiday pay if employment ends before further entitlement has arisen (i.e. accrued annual leave at termination)	Sample 9 Employee ID: 25515 Pay period: 19/09/2021	Sample 10 Employee ID: No sample available Pay period	
	28 When annual holiday pay may be paid with employee's pay			
	28B Payment for annual holidays paid out	Sample 11 Employee ID: 10271 Pay period: 03/10/2021	Sample 12 Employee ID: No sample available Pay period:	
Public holiday leave	49 Payment if employee does not work on public holiday			
Sick leave and bereavement leave	71 Payment for sick leave and bereavement leave	Sample 13 Employee ID: 10265 Pay period: 03/10/2021	Sample 14 Employee ID: 25042 Pay period: 03/10/2021	Sample 15 Employee ID: 10275 Pay period: 03/10/21
Alternative holiday	60 Payment for alternative holiday			

6 PUBLIC EXCLUDED**RESOLUTION TO EXCLUDE THE PUBLIC****RECOMMENDATION**

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

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
6.1 - Minutes of Public Excluded Audit and Risk Committee Meeting - 5 April 2022	s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
6.2 - Review of Sensitive Expenditure - Use of Credit Cards	s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
6.3 - Corporate and Finance Team Review	s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
6.4 - Risk Management Report	s7(2)(c)(ii) - the withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

	otherwise to damage the public interest	
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