



ATTACHMENTS

UNDER SEPARATE COVER

Extraordinary Council Meeting

12 May 2020

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Mackenzie District Council

Procurement Policy

Status:	Draft
Version No.	2020-04-23
Policy Owner:	Property Commercial Manager
Policy Approver:	Chief Executive Officer Mackenzie District Council
Date:	2020-04-23

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1. Introduction to Procurement Policy

1.1. Purpose

This policy is to provide a standardised set of requirements to be met when purchasing all goods and services

1.2. Key Points

Inform employees and those acting on behalf of the Council of the principles, behaviours and expectations when conducting procurement.

Encourages a common understanding and consistent management practice.

Promotes transparency.

1.3. Scope

This policy outlines the approach that Council will take to planning, sourcing and managing its procurement. It must be followed by all elected members and employees. Any departure from this policy must first be approved by relevant delegated financial authority.

1.4. Date of Issue

This policy was first adopted on 13 August 2019. The following amendments have been made:

- Added 2.1 Definitions section
- Added 5.6 Validating New Suppliers section
- Added 5.10 Approved Contractors section

1.5. Policy Retention

Stored in Laserfiche: Mackenzie\Corporate\Corporate Policies\Organisational.

1.6. Date Policy to be Reviewed

Review due August 2022.

Related Documents / Websites

Mackenzie District Council Preferred Supplier Register

Mackenzie District Council Conflict of Interest Policy

Mackenzie District Council Delegations Manual

Mackenzie District Council Asset Management Policy

Mackenzie District Council Asset Disposal Policy

Mackenzie District Council Fixed Asset Accounting Policy

Procurement guidance for Public Entities - <https://www.oag.govt.nz/2008/procurement-guide/docs/procurement-guide.pdf>

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Mastering Procurement – Structured Approach to Strategic Procurement -

<https://www.procurement.govt.nz/assets/procurement-property/documents/guide-mastering-procurement.pdf>

Government Procurement Rules - <https://www.procurement.govt.nz/procurement/principles-and-rules/government-procurement-rules/>

2. Purpose and Scope

The Procurement Policy states the principles governing all transactions that commit the Council to expenditure for the provision of goods, services and works. It aims to:

- Inform employees, and those acting on behalf of the Council, of the principles, behaviours and expectations when conducting procurement and contract management activities;
- Encourage a common understanding and consistent management practices across the Council;
- Promote transparency in how the Council conducts its procurement activities;
- Ensure procurement activities are always consistent with legislation;
- Provide a framework of common understanding of the Council's procurement practices for potential suppliers

This policy outlines the approach that Council will take to planning, sourcing and managing its procurement. It must be followed by all elected members and employees. Any departure from this policy must first be approved by relevant delegated financial authority.

This policy excludes:

- Procurement for roading infrastructure services, a separate Strategy applies to Roading Infrastructure Services which has been consulted on with NZTA
- Employment agreements; and
- Purchases and procurement of services required for Civil Defence emergencies.

2.1. Definitions

Procurement: Procurement is all the business processes associated with purchasing, spanning the whole cycle from the identification of needs to the end of a service contract or the end of the useful life and subsequent disposal of an asset.

Value for Money: Value for money means using resources effectively, economically, and without waste, with due regard for the total costs and benefits of an arrangement, and its contribution to the outcomes the entity is trying to achieve

Public/Private Partnership (PPP): A PPP is an arrangement between a public sector entity or entities (including Council) and a private sector entity or entities for the purpose of jointly or cooperatively undertaking a project for mutual benefit.

Local Supplier: "Local" means a ratepayer of the Mackenzie District Council and/or an organisation that employs Mackenzie District residents.

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Approved Contractors: These are Suppliers approved by Council to carry out and control authorised work on Council's current and future infrastructure.

3. Objective

The objective of the Procurement Policy is to provide clear direction to employees and all elected members in relation to procurement activities. Specifically, the Procurement Policy establishes a decision-making framework that:

- Delivers best value for money through the most appropriate supplier;
- Ensures procurement is conducted in a transparent and accountable manner;
- Ensures open and effective competition;
- Appropriately manages risk e.g. health and safety, contractual, financial and operation;
- Ensures procurement activities are conducted in accordance with the Council's legal obligations;
- Promotes efficient procurement practices and their continuous improvement.

4. Objective

4.1. Value for Money

The Council has an overarching responsibility to manage its resources in an effective and efficient manner. The Council will seek the best possible outcome from the total cost of ownership over the whole of life of the asset. This will be achieved by:

- Ensuring that the overriding criteria for procurement decision making is the total cost of ownership over the whole of life of the asset.
- Including an appropriate balance of financial and non-financial (e.g. technical, performance, sustainability, functional, risk, quality, service) selection criteria in procurement decision making.
- Subjecting proposals and tenders to robust evaluation processes, including benchmarking and/or comparison between proposals or tenders.
- Selecting procurement methods and forms of contract that consider the scale (complexity and/or comparison between proposals or tenders).
- Undertaking benchmarking on a regular basis during the duration of a contract to ensure value for money is being achieved.

4.2. Transparency and Accountability

The Council is accountable for the use of public money through procurement, and must be able to give a complete and accurate account of how public funds have been used and contracts awarded. This will be achieved by:

- Following consistent processes and procedures that are in line with accepted good public sector procurement practices

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- Maintaining appropriate records relating to procurement activities that allow for subsequent review of decision making.
- Conducting procurement activities in a fair, consistent, accurate and unbiased manner, acting with integrity and good faith.
- Ensuring procurement decisions are made in accordance with the financial delegations outlined in the Delegations Manual
- Not accepting gifts or gratuities from prospective suppliers who are actively tendering or negotiating for contracts.

4.3. Fairness and Lawfulness

The council have an overarching obligation to conduct all procurement activities consistent with the relevant legal obligations and to act fairly and reasonably when dealing with the supply market. This will be achieved by:

- Ensuring that all procurement activities are compliant with relevant legislation
- Ensuring employees do not disclose confidential information that would prejudice legitimate commercial interests of a particular supplier, or might prejudice fair competition between suppliers, without written authorisation of the supplier that provided the information.

4.4. Contract and Supplier Relationship Management

The council recognises the value of effective relationships with suppliers. Developing long-term and mutually beneficial relationships with key suppliers supports the Council's strategic objectives and contributes towards the achievement of best value for money. This will be achieved by:

- Ensuring all contracts are recorded, managed and monitored through a centralised contract register (including any subsequent contract variations)
- Ensuring that key performance indicators and/or service levels are agreed with key suppliers and form an integral part of the contractual agreement
- Actively managing contractual agreements and relationships, to sustain and increase supplier performance through the full contract term.

4.5. Thinking Strategically

The council will take a strategic approach to its procurement activities by considering the long-term benefits, economic impacts and consequences of procurement decisions to the Council. The Council will act to leverage requirements and achieve best value for money. This will be achieved by:

- Forward planning procurement requirements and contract expires to ensure the sufficient time and resources are available to optimise the outcome from procurement activities
- Ensuring that employees with responsibility for managing and overseeing procurement activities are appropriately skilled and experienced, and external advice and capability is utilised where appropriate.
- Ensuring that All of Government and syndicated agreements are considered where they represent value for money and are fit for purpose.

4.6. Managing Risk

The Council recognises the need to balance risk with the expected benefit of the procurement activity. This will be achieved by:

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- Ensuring procurement risks and mitigating strategies are identified and documented as part of the procurement process.
- Ensuring a risk based approach based on a combination of likelihood and consequence is considered.
- Ensuring that suppliers enter into the Council's standard terms and conditions at all times.

5. Policy

5.1. Procurement Planning

Purchases may only be made when there is an approved, allocated budget, and if the purchase is within delegated financial authority. Where a purchase exceeds an officer's delegated financial authority, the approval of the relevant delegated financial authority must be obtained. Current expenditure delegations can be found in the Delegations Manual¹.

If tendering procedures are required, the appropriate planning mechanisms must be followed. For any given tender project, the Council retain the right to reject all tenders provided the principles of value for money, transparency, accountability, lawfulness and fairness are upheld.

5.2. Purchase Orders

A purchase order with Council's standard terms and conditions attached, must be raised for all goods and services prior to purchase. This requirement may be waived in exceptional circumstances. Where possible, suppliers should include the relevant purchase order number on the invoice rendered.

5.3. Contract Requirements

All contractual relations entered into by Council must meet industry guidelines, standards and best practice.

No orders shall be placed or tenders or quotations accepted unless:

- Financial approval for those goods or services has been provided for in the current budget;
- Financial approval has been provided for by Council resolution; and
- The signatory has been delegated the required financial authority under this Delegations Manual

Variations and Extensions

When the additional costs of a service or project are small in comparison to the costs of undertaking a discrete tender process, a contract extension or variation may be used in accordance with 'Standard Procurement procedures' Table. When extension and variations are not specifically provided for within an existing contract, the extension or re-definition of a contract that increases the originally approved contract value must be approved by the Chief Executive.

For Contracts over \$150,000, when the additional sum is beyond 10% of the total value of the contract, the contract variation must be presented to Council for approval. The refining of service delivery

¹ Delegations Manual – available internally on the intranet:

<http://intranet/Delegations%20Manual%20effective%20from%207%20May%202019.pdf>

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contracts to more closely reflect the amount of work required to maintain services does not need to be openly tendered, but can be managed directly by the appropriate Council officer.

5.4. Procurement Procedures – Standard

The method of purchasing goods or services shall be dependent on the estimate of the cost to be incurred, in accordance with the following schedule, but at all times to ensure the Council receives the best value for its money. Officers purchasing goods on behalf of the Council should be familiar with the extent of purchasing services and the quality of goods available. Local suppliers/ contractors must be given every opportunity to obtain Council contracts by way of local advertising. The following definitions are provided to ensure consistent interpretation:

- **Value** – means the total potential value of the procurement (including any extensions). For example, if a contract is valued at \$50,000 per year and is for a length of three years, the procurement value is \$150,000
- **Method** – refers to the way a purchase can be made. The methods outlined are subject to the existence of an approved, unallocated budget and the delegated financial authority of the officer making the purchase
- **Exceptions** – Situations in which a departure from the method outlined in the Standard Procedure Table is permitted. Where an exception is used, a record must be kept of the approval obtained and the reason for the exception's use.

Related Documents / Websites		
Value	Method	Exceptions
Costs up to \$500.00	<ul style="list-style-type: none"> • Written Purchase Order • Direct purchase from a supplier/contractor who is able to supply the goods as specified within the required time frame. Phone/verbal quotes should be obtained whenever possible to ensure the most competitive price is paid. 	
Costs between \$500 and \$20,000	<ul style="list-style-type: none"> • Written purchase order • Verbal request for tender or quotation • Written acceptance of tender or quotation 	
Costs between \$20,000 and \$50,000	<ul style="list-style-type: none"> • Written purchase order • Written request for quotation or tender required • Minimum of two written quotes sought • Written acceptance of tender or quotation • Variation to an existing term maintenance contract approved by CEO or General Manager 	

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Costs between \$50,000 and \$150,000	<ul style="list-style-type: none"> • Written purchase order or contract document • Written request for quotation or tender required • Minimum of three written quotes sought • Written acceptance of tender or quotation • Variation to an existing term maintenance contract approved by CEO and General Manager
Cost over \$150,000	<ul style="list-style-type: none"> • Written request for tender and full contract documentation required (refer to below)

For contracts over \$150,000, open tender procedures must be used except for some purchases of specialised services, equipment and materials or in the case of construction work where, because of a shortage of contractors and/or the specialist nature of the work, some contractors may decline to price an advertised tender.

In the case of selective tendering for amounts in excess of \$150,000 at least three contractors shall be invited to tender, the list to be approved by the General Manager Operations and/or the General Manager Corporate Services. Approval to use selective tendering is delegated to the Chief Executive and this approval must be confirmed in writing by the Chief Executive.

Procurement by Elected Members

A purchase order must be raised and written approval from the relevant delegated financial authority obtained prior to any elected Council, Committee or Board member committing to purchase goods or services on Council's behalf.

5.5. Procurement Procedures – Non-Standard

The following are instances where the Standard Procurement Procedures may not apply. All other provisions of this policy remain applicable.

Emergency Procedures

In Civil Defence Emergencies, the standard procurement procedures may be suspended.

Joint-Procurement Arrangements

The Council may participate in collective buying schemes that offer value for money, such as All of Government supply contracts or joint supply agreements with other territorial authorities, in which case competitive procurement will be undertaken by the group as a collective.

It is appropriate for these arrangements to be established outside the Standard Procurement Procedures, provided the approval of the relevant financial delegated authority is obtained.

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Standing Arrangements

Standing arrangements are agreements where Council can purchase goods or services directly from a supplier for a fixed period of time. These may be established through competitive processes.

Standing arrangements are suitable for purchases that are high value but low risk. Examples include fuel, stationary and air travel.

5.6. Suppliers**Preferred Suppliers**

The Council will establish and maintain a Preferred Supplier Register (to be developed).

No legal or contractual relationship between the Council and the supplier is created by the Preferred Supplier Register, nor is the Council under any obligation to use a Preferred Supplier for any procurement. Where necessary, a supplier identified on the Register may be required to meet other evaluation or performance criteria as part of the procurement process.

Local Suppliers

Local suppliers are businesses that operate premises or employ staff based in the Mackenzie District. Council officers will ensure local suppliers are given fair opportunity to compete for all Council Business

Local suppliers will be given a price and/or non-price advantage in any tender process (up to a maximum of 15% of contract value)

Supplier Privacy

The council may retain the details of any supplier for internal use only. These details will not be made public without the authorisation of the supplier unless required by law.²

Validating New Suppliers

Requests to approve the addition of a new Suppliers must be made formally to the Accounts Payable position in the Finance team aligning with the following steps:

- The staff member (the Requestor) requesting the new Supplier sends them the New Supplier Form (see 7. Appendix 2 – New Supplier Form TEMPLATE) to complete and return. Note that this Form template is located on Laserfiche: Mackenzie\Finance\Accounts Payable\Suppliers;
- The Requestor then sends that to Accounts Payable to complete these checks:
 - Are the form details correct (check with Companies Office website to validate limited liability companies)?
 - Is the new Supplier already approved in the Accounts Payable system?
 - Does the request comply with this Procurement Policy?
 - Are the banking details valid?

² For example: a request under the Local Government Official Information and Meetings Act 1987.

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- Accounts Payable then send the New Supplier Form to the Finance Manager for authorisation;
- Finance Manager authorises the new Supplier, signs the form and returns it to Accounts Payable;
- Accounts Payable scan the form into Laserfiche (Mackenzie\Finance\Accounts Payable\Suppliers) and set up the Supplier in the Accounts Payable system.

5.7. Procurement Records Management

Appropriate records of deals with all suppliers must be saved electronically in Laserfiche (destination to be confirmed).

Filing will be consistent with the processes outlined in the – Records Management Manual.

Contracts Register

Relevant details of all contracts entered into by Council must be uploaded into the Electronic Contracts Register line with the Contract and Commercial Law Act 2017, located in Laserfiche here: Mackenzie\Contracts & Records Registers\Contracts\Agreements Register.

All contract milestone dates, performance records and variations and/or extensions will also be recorded in the Contracts register.

Exceptions to the Standard Procedure

Where an exception to the Standard Procedure method of procurement is used, evidence documenting the reason for the exception and the written approval obtained from CEO must be recorded in the relevant folder.

5.8. Asset Management Disposal

Guidance for registering and managing asset lifecycles is provided in the Asset Management Policy, the Asset Disposal Policy, and the Fixed Asset Accounting Policy.

Asset Registers

Following purchase, all Council-owned assets will be recorded with the relevant details in the appropriate register. The registers are: RAMM (Roading), Assetfinda (3-waters), Fixed Asset Register (Magiq).

5.9. Employee Responsibilities

Conflicts of Interest

Conflicts of interest can arise at any time during the Procurement process. Examples may include an employee being offered a gift by a potential supplier or an employee participating in the decision to award a tender when that employee has a connection to a person/organisation that submitted a tender.

To maintain public confidence in Council processes, employees must be (and be perceived to be) impartial. Where a conflict of interest arises during a procurement process, employees will follow the Council's Conflict of Interest policy.

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Confidentiality

Employees and Council agents will maintain the confidentiality of a procurement process at all times.

Staff Purchasing

Employees may use group buying privilege schemes entered into by the Council (on behalf of its employees) to purchase goods or services at a discounted rate. All such transactions must be paid for by the employee personally.

The application of Council funds to purchase items for personal use is prohibited.

5.10. Health and Safety

Health and safety risks associated with goods and/or services will be considered prior to purchase via a health and safety risk assessment. Any officer procuring goods or services will conduct a risk assessment proportionate to the size, scale and nature of the procurement. The steps required for the risk assessment are as follows:

1. Identify any risks/hazards associated with the procurement
 - a. For 'off the shelf' items: the supplier should have safety information
 - b. For de novo or original construction: risk/hazards should be discussed with the (potential) supplier.
2. Evaluate acceptability of risks/hazards.
3. Apply and document controls in order of elimination or minimization in procurement decision, and ongoing use of the item or service.
4. Identify training needs, approvals and supplementary items such as Personal Protective Equipment requirements.
5. Any documentation will be recorded as outlined in Records Management Process Sheet.

Suppliers of goods or services are required to inform Council of any health and safety risks/hazards associated with using the goods or services prior to purchase. Suppliers of goods or services must take all reasonably practicable steps to detail control measures to eliminate or minimize any health and safety risks/hazards to prevent harm to staff and others.

All goods and/or services purchased will comply with the requirements of the Health and Safety at Work Act 2015, relevant best practice safety standards and other statutory requirements subject to the reasonable constraints of budget resources available.

Approved Contractors

Suppliers who carry out and control authorised work on Council's current and future infrastructure must complete a Health & Safety pre-qualification process and achieve Approved Contractor status prior to contractual agreement.

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6. Appendix 1 – Procurement Table – Standard

Standard Procurement Procedures		
Value	Method	Exceptions
Costs up to \$500.00	<ul style="list-style-type: none"> Written Purchase Order Direct purchase from a supplier/contractor who is able to supply the goods as specified within the required time frame. Phone/verbal quotes should be obtained whenever possible to ensure the most competitive price is paid. 	
Costs between \$500 and \$20,000	<ul style="list-style-type: none"> Written purchase order Verbal request for tender or quotation Written acceptance of tender or quotation 	
Costs between \$20,000 and \$50,000	<ul style="list-style-type: none"> Written purchase order Written request for quotation or tender required Minimum of two written quotes sought Written acceptance of tender or quotation Variation to an existing term maintenance contract approved by CEO or General Manager 	
Costs between \$50,000 and \$150,000	<ul style="list-style-type: none"> Written purchase order or contract document Written request for quotation or tender required Minimum of three written quotes sought Written acceptance of tender or quotation Variation to an existing term maintenance contract approved by CEO and General Manager 	
Cost over \$150,000	<ul style="list-style-type: none"> Written request for tender and full contract documentation required 	

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7. Appendix 2 – New Supplier Form TEMPLATE



MACKENZIE DISTRICT COUNCIL SUPPLIER APPLICATION FORM

Please enter your supplier information

Enter Details Below			
Company Name			
Trading As			
NZ Company Number			
Website			
Number of Staff Total		Number of Staff NZ	
Annual Turn-over Total		Est. Annual MDC Billing	
Total Number of Customers		Average Contract Size	
Liability Insurance Cover (\$)			
Accounts contact Name			
Accounts contact Email			
Accounts contact Phone			
Sales contact Name			
Sales contact Email			
Sales Contact Phone			
Bank Account Details (please also provide copy of deposit slip or online banking screenshot)			

Office use only:

Requested by (name)			
Checked by (name)			
Authorised by (name)		Date	

1



Mackenzie District Council

Sensitive Expenditure Policy

STATUS:	DRAFT
VERSION:	20200310
POLICY OWNER:	GM Corporate Services
POLICY APPROVER / S:	Chief Executive Officer, Mackenzie District Council
DATE:	2020-03-10

“Fostering Our Community”

SENSITIVE EXPENDITURE POLICY

Purpose	The purpose of this policy is to ensure 'sensitive expenditure' is appropriately controlled. It addresses issues referred to in the Controller & Auditor-General's good practice guide, "Controlling sensitive expenditure: Guideline for public entities" (February 2007). The policy has also been revised to align against the guidelines published on https://www.oag.govt.nz/good-practice/sensitive-expenditure .
Key Points	Mackenzie District Council spends public money and, as a consequence, all expenditure should be subject to a standard of probity and financial prudence expected of a local authority and be capable of withstanding public scrutiny.
Scope	This policy applies to all Mackenzie District Council employees and elected officials whether they are on a casual, fixed term, permanent or a collective employment agreement except for those items of sensitive expenditure specifically provided for by employment agreements.
Date of Issue	31 October, 2019
File Retention	Mackenzie District Council Laserfiche, Organisational Policies.
Review	October 2022

RELATED DOCUMENTS / WEBSITES

Related Council policies and strategies include:

- Asset Disposal Policy
- Fraud Policy
- Code of Conduct
- Delegations Manual
- Risk Management Policy
- Conflict of Interest Policy
- Protected Disclosures Policy
- Procurement Policy

Relevant legislation and other resources includes (but is not limited to):

- Local Authorities (Members' Interests) Act 1968
- Local Government Act 2002 (s.100 and 101)

1. Definitions

Sensitive expenditure: Any council expenditure by Council that provides, has the potential to provide, or has the perceived potential to provide a private benefit to an individual Council officer that is additional to the business benefit to Council of the expenditure. It also includes expenditure by Council that could be considered unusual for Council's purpose and/or functions. In plain English, this is any expenditure that could be perceived as wasteful or extravagant use of ratepayer funds.

Supplier: Means a current or potential provider of goods or services to Council.

Credit Card: Includes vehicle fleet cards, purchase cards and equivalent cards used to obtain goods and services before a payment is made.

Approving Manager: An employee's line manager or a manager higher in the financial delegation approval hierarchy.

Conflict of Interest: Any situation in which a private interest or personal considerations may affect, or could be perceived to affect, an employee or elected member's judgement and/or ability to act in the best interest of MDC.

Entertainment Expenses: Expenditure on food, beverages, tickets for events, and related supplies for events, involving one or more Council employee(s)/or one or more guests, and the purpose of the expenditure is to represent the Council or provide reciprocity of hospitality or build business relationships in pursuit of Council goals.

Official Function: Social functions, entertainment events, ceremonies, meetings, special events and conferences that can be demonstrated to provide clear benefit to the Council. Such functions must be sanctioned by the Chief Executive, or the relevant Executive Team member.

2. Principles

The Controller & Auditor-General's guide states because councils are dealing with "public money" expenditure should be subject to the standards of probity and financial prudence expected of a public entity. These expectations are higher than those that exist in the private sector.

MDC is obliged to safeguard and use its resources in a responsible manner. Furthermore, elected members and employees must guard against actual or perceived conflicts of interest in regard to the use of those resources. Due to the risk of perceived or actual personal benefit to the elected member or employee arising from certain expenditure categories, such as travel, accommodation, gifts and hospitality, the Controller and Auditor-General defines them as 'sensitive' expenditure.

Approval of sensitive expenditure should be:

- given only when the person approving the expenditure is satisfied that a justified business purpose and other principles have been adequately met;
- given before the expenditure is incurred, wherever practical;
- made within any statutory limits on Council's delegations;
- made only when budgetary provision and delegated authority exist;
- given by a person senior to the person who will benefit or who might be perceived to benefit from the sensitive expenditure, wherever possible. Where this is not possible, this fact

should be recorded, and any such expenditure should be subject to some form of monitoring.

General principles for expenditure decisions are that the expenditure must:

- be cost-effective;
- preserve impartiality;
- be made with integrity;
- be moderate and conservative, having regard to the circumstances;
- be transparent;
- be appropriate.

All expenditure must be in accordance with the Procurement Policy to ensure purchasing decisions are consistent, fair, transparent, lawful, and deliver value for money.

All expenditure must be in accordance with the Delegations Manual to ensure staff and elected members act within delegated authority.

Authorised staff members will make decisions on and/or payment for each item of sensitive expenditure.

They will need to exercise careful judgement in accordance with these principles and this policy. This will always be about balance in the particular context.

Expenditure must not be motivated by the potential for individual benefit.

Health and safety will be a consideration when cost-effective options for expenditure are being evaluated. For example, ensuring that staff and elected members are able to travel safely during winter months may incur additional expenditure.

2.2 Exercising Judgement

The responsibilities of the Mayor, Councillors and Executive Team include being accountable for the proper and prudent spending of public money. This includes sensitive expenditure and the supporting internal controls, such as adherence to this policy.

In the absence of a specific rule, Council staff and elected members must exercise good judgement by taking into account the principles of this policy and the context of a given situation.

3. Policy

3.1 Deciding when sensitive expenditure is appropriate

In deciding what appropriate sensitive expenditure is, elected members and employees need to take account of both individual transactions and the total value of sensitive expenditure.

Even when sensitive expenditure decisions can be justified at the item level, the combined amount spent on a category of expenditure may be such that, when viewed in total, MDC could be considered extravagant or wasteful.

3.2 Responsibilities of the Mayor, Councillors and General Managers

Overall responsibility for this policy rests with the Mayor, Councillors and the Executive Team. This group must make it clear to employees what is and is not 'acceptable sensitive expenditure' and model those behaviours to the highest standard.

3.3 Controls and judgement

In the absence of a specific rule for a given situation, the Mayor, Councillors and Executive Team are expected to exercise good judgement by taking the principles in this policy into account in the context of the given situation.

The Mayor, Councillors and Executive Team are required to ensure transparency in both sensitive expenditure and remuneration systems, to avoid any trade-off between the two. Items of expenditure that may not be justified under the principles of this policy should not be included as part of an employee's remuneration for the purposes of avoiding scrutiny against sensitive expenditure principles.

3.4 General controls

All expense claims must be submitted promptly after the expenditure is incurred. Except in exceptional circumstances, this means within one month. Sensitive expenditure will only be reimbursed if it is deemed to be reasonable, actual and has been incurred directly in relation to MDC business.

Valid, original GST compliant invoices/receipts and other supporting documentation must be maintained/submitted for all sensitive expenditure. Credit card statements and EFTPOS receipts do not constitute adequate documentation for reimbursement.

All expense claims must clearly state the business purpose of the expenditure where it is not clear from the supplier documentation supporting the claim. All expense claims for minor expenditure (under \$50) must document the date, amount, description, and purpose when receipts are not available.

3.5 Approval of Sensitive Expenditure

Approval of sensitive expenditure must:

- only be given where the person approving the expenditure is satisfied that a justified business purpose and other principles have been adequately met as outlined in the Principles section above;
- be given before the expenditure is incurred, wherever practical;
- be made strictly within delegated authority;
- be given by a person senior to the person who will benefit or might be perceived to benefit from the expenditure, wherever practical.

Expenditure which is incurred (but not explicitly approved by Council) by elected members will be reviewed by the General Manager Corporate Services for compliance with this policy. Expenditure by the Mayor which is incurred (but not explicitly approved by Council) will be reviewed by the Audit and Risk Committee Chair for compliance with this policy.

In the case of the Executive Team, the “one up” principle must be applied to the maximum extent possible. In the case of the Chief Executive, approval is required from the Mayor or chair of the Audit and Risk Committee.

3.6 Review of sensitive expenditure

Sensitive expenditure is a standing agenda item for the Audit, Finance and Risk Committee. The General Manager Corporate Services will review sensitive expenditure and will report any instances of non-compliance with this policy to the Audit, Finance and Risk Committee.

4. Specific Areas of Expenditure

In general reasonable expenses will be met for unexpected events, e.g. overnight expenses due to a cancelled plane flight. However discretionary entertainment expenses such as movies or personal internet access will not be reimbursed by Council.

All charges for Council business-related telephone calls, faxes, email and internet access made by an employee or elected member while travelling on Council business will be reimbursed.

Where travel arrangements are extended to accommodate an employee's or member's personal arrangements, all costs in addition to those that would be expected for the business component of the trip are the responsibility of the staff member or elected member.

4.1 Use of Credit Cards

The use of credit cards is not in itself a form of sensitive expenditure. However, credit cards are a common method of payment for such expenditure. This policy is designed to minimise the risks associated with the use of credit cards, namely:

- inappropriate business-related expenditure (in both quantity and type);
- obtaining cash for a business purpose (with subsequent expenditure being poorly documented or justified);
- for personal benefit, by obtaining cash or paying for personal items.

The issue of credit cards to the Mayor and Council staff is authorised under Council's Delegations Manual. The Chief Executive will approve any staff credit card expenditure, the Mayor will approve the Chief Executive's credit card expenditure, and the Mayor's credit card expenditure will be approved by the Audit and Risk Committee. The General Manager Corporate Services will approve expenditure of credit cards held by the Creditors Officer and the Executive Advisor.

All credit card transactions must be supported by original documentation to explain and corroborate transactions. The business reason and other parties (if any) must be recorded along with the purpose of the meeting for all entertainment and travel transactions.

Credit card use is monitored monthly by the Chief Executive. Items purchased must be coded by the card holder for entering in the accounting system. Credit card payments must be authorised like other invoices and in accordance with Council's Procurement Policy.

On the card holder's termination of employment, the Finance Manager will arrange with the bank to cancel the card. The credit card must be returned to the Finance Manager, who will ensure it is physically destroyed.

The use of Council credit cards for private expenditure or credit is prohibited.

Credit cards may not be used for cash advances unless:

- cash is required in an emergency (usually related to travel on Council business);
- cash is required for official purposes (in rare circumstances) and has prior approval.

Credit card payments made online need to reflect good security practice as per below:

- purchase only from established and reputable companies;
- the card holder must retain a copy of the online order form and invoice to support the payment;
- on-line purchases must comply with Council's Procurement Policy.

4.2 Staff Personal Discount Cards

If an employee has been issued a personal purchase card under the MDC Staff Benefits Plan they may use the card at stores, over the phone and over the internet to purchase items within the specified monthly limit and terms of the card provider.

The use of the card is restricted to the employee assigned to its use and the balance on the card at the end of each month must be paid in full by the 20th of the following month.

Failure to comply may cause the card to be withdrawn and/or payment of any outstanding balance to be deducted from the employee's wages.

4.3 Travel and accommodation expenditure

Elected members and Council staff may incur travel and accommodation costs while conducting Council business elsewhere in New Zealand or overseas. The principles of a justified business purpose, moderate and conservative expenditure, are particularly relevant for travel and accommodation expenditure.

Travel and accommodation expenditure for elected members must be in accordance with Council's Policy for the Reimbursement of Expenses by Elected Members.

4.4 Air Travel

To the extent practicable, air travel is to be booked well ahead of the travel date, so the expenditure is cost-effective.

- Air travel is to be booked by the authorised person within each business unit.
- Flights may be booked to leave the night before an event if it is considered reasonable to do so.
- Discounted economy or economy class and/or a discount airline must be the first choice provided that they meet business objectives, unless the need for flexibility can be justified.
- Council payment for membership of airline travel clubs e.g. Koru Club requires the approval of the Chief Executive. Membership must be supported by a clear business purpose and reviewed annually.
- Air points - Provided the use of carriers supplying air points does not result in Council incurring additional costs, air point rewards accruing to staff and elected members carrying out their official duties may be kept by the staff or elected member.

4.5 Accommodation

To the extent practicable, accommodation is to be booked well ahead of the actual travel date, so the expenditure is the most cost-effective possible. This must take into account the location of the accommodation relative to the event, the standard of the accommodation and security issues.

- Accommodation is only to be booked by authorised staff.
- The maximum amount to be spent on accommodation is \$250 (including GST) per night. This amount is a maximum and those booking accommodation are expected to look for the most cost-effective option.
- Where accommodation is greater than \$250 per night, one-up approval is required before booking the accommodation.
- Accommodation check-out times are to be observed. In the absence of extenuating circumstances, any additional costs as a result of failing to check out in time are the responsibility of the staff member or elected member.

4.6 Food and beverage

Council will pay for a maximum of one beverage per meal (non-alcoholic, with the exception of a single beverage with an evening meal which may be alcoholic or non-alcoholic), which must be clearly identifiable on receipts supporting the expenditure. Minibar costs will not be reimbursed by Council.

Reasonable meal costs will be met. In general, the total cost (including beverages) is not expected to exceed:

- Breakfast - \$30.00
- Lunch - \$30.00
- Dinner - \$60.00

Separate meal expenses will not be met where a meal has been provided as part of the meeting, conference, training, etc.

4.7 Motor Vehicles and Taxis

4.7.1 Council Pool Cars

Where possible, employees and elected members are to use Council pool cars for reasonable distances of travel within the South Island. Council vehicles (except those provided under a remuneration arrangement) are not available for private use. Fuel cards are provided in each MDC-owned/leased vehicle only for the purpose of refuelling the fleet vehicle. The person in the Corporate Services team responsible for fleet management is to check monthly invoices for compliance.

Any fines (parking or traffic offences) incurred while using a Council vehicle are the responsibility of the driver (unless the fines relate to an aspect of the condition of the vehicle outside the driver's control).

Council employees and elected members should endeavour to return Council vehicles as soon as possible following the completion of use. However, where an employee takes a vehicle home for the night, the employee must inform the Finance Team that Fringe Benefit Tax applies.

4.7.2 Rental Cars

Employees and elected members must use the most economical type and size of rental car, consistent with the requirements of the trip. Rental cars are only available for business conducted outside the district.

Any fines (parking or traffic offences) incurred while using a rental vehicle are the responsibility of the driver.

Private use of a rental car is only permitted in exceptional circumstances and requires the approval of the Chief Executive. All additional costs as a result of private use are the responsibility of the employee or elected member.

4.7.3 Taxis

Taxis, in relation to this policy, includes any alternative form of 'taxi' available, such as Uber and Take Me. Council will pay for travel by taxi for staff and elected members away on Council business. Council expects the use of taxis to be cost effective relative to other transport options.

Where possible, shuttles should be utilised for transport to and from airports for reasonable distances where time permits (i.e. for shuttling from a hotel or event to the airport).

4.7.4 Private Vehicles

Pre-approval is required in order for staff to be reimbursed for the use of a private motor vehicle. Council will not normally pay for travel by private motor vehicle when travel by other means is more practical and cost effective. Staff are always expected to use a Council vehicle for Council business, if there is one available. Circumstances where the use of private vehicles may be considered appropriate include:

- the employee will be absent for a period of longer than 2 days;
- no pool cars are available (it is the responsibility of the employee to ensure pool cars are booked as soon as possible to avoid this circumstance).

The vehicle owner must ensure that they have appropriate insurance cover for the vehicle while it is being used on Council business. Any fines (parking or traffic offences) incurred while using a private vehicle on Council business are the responsibility of the driver.

All reimbursement claims for use of a private motor vehicle must be made on the appropriate form. Reimbursement will be made in accordance with the current mileage rates for employee reimbursement recommended by IRD.

Elected members will be reimbursed for mileage and travel time in accordance with the Policy for the Reimbursement of Expenses by Elected Members.

4.8 Parking

Employees/elected members may utilise airport parking options. The most time- and cost- effective parking option must be utilised. The cost of parking will be reimbursed provided the purpose of the trip is for approved Council business.

4.9 Tipping

Council will not reimburse employees or elected members for tipping while they are on business in New Zealand. Council will reimburse employees and elected members for appropriate tipping during international travel only in places where tipping is local practice.

4.10 Private arrangements and stopovers

Employees and elected members may undertake private travel before, during or at the end of Council travel, provided there is no additional cost to the entity and the private travel is only incidental to the business purpose of the travel. If there are additional costs incurred (such as a difference in the cost of flights) these must be covered by the employee/elected member.

Any costs such as travel or accommodation for accompanying spouses, partners or other family members are a personal expense and will not be reimbursed by Council.

The cost of stopovers will only be reimbursed by Council when they are pre-approved and have a clear business purpose.

4.11 Entertainment and hospitality expenditure

Entertainment and hospitality can cover a range of items from tea, coffee and biscuits to catering, such as meals and alcohol. It also includes non-catering related items, such as entry to sporting or cultural events. Four business purposes of entertainment and hospitality have been identified.

- building relationships;
- representing the organisation;
- reciprocity of hospitality where this has a clear business purpose and is within normal bounds – acceptance of hospitality is expected to be consistent with the principles and guidance for provision of hospitality;
- building revenue.

Supporting the Council's internal organisational development may, in occasional circumstances, also be a legitimate business purpose for moderate expenditure. This requires the approval of the Chief Executive. The principles of a justified business purpose, moderate and conservative expenditure are particularly relevant to Council. Council requires tight control of expenditure and transparent reporting.

4.11.1 Catering for meetings held internally

Where meetings are hosted internally by Council employees, external catering should only be provided where:

- external parties will be in attendance;
- the meeting extends over the lunch time period;
- approval has been obtained by an Executive Team member;
- elected members are present, such as for a workshop, working group, or Council meeting.

Supporting the Council's internal organisational development may, in occasional circumstances, also be a legitimate business purpose for moderate expenditure. This might include expenditure that promotes the health and wellbeing of employees.

All entertainment and hospitality expenditure must be pre-approved where possible and always supported by clear documentation. This documentation must identify the date, venue, costs, recipients and benefits derived and/or reasons for the event. If the expenditure is not pre-approved the most senior person present should approve and confirm the expenditure as being appropriate.

4.12 Disposal of surplus assets

Council will, from time to time, dispose of assets. Typically this is when the assets have become obsolete, worn out or surplus to requirements. Council's disposals must be both transparent and fair.

Council will not dispose of assets to staff or elected members or related parties at a discounted rate if a greater net value is likely to be realised by an alternative method of sale.

The principles of preserving impartiality and integrity are particularly relevant. Council staff disposing of assets must not benefit personally from the disposal. To ensure transparency, fairness and receipt of best value for Council the disposal of assets shall be conducted on the open market or by way of trade-in on a replacement asset, unless the value of the assets are minimal (i.e. <\$500) or the Chief Executive has approved an alternative method of disposal. See the Asset Disposal Policy for further guidance.

Where disposal to officers or elected members is approved by the Chief Executive, the following principles shall apply:

- Officers involved in disposing of the asset shall not benefit from the disposal;
- All assets identified for disposal to officers shall be valued and subject to a tender or other process proportionate to the value of the asset.

4.13 Goods and services expenditure – loyalty reward scheme benefits

Loyalty rewards associated with transactions required to carry out Council duties are the property of Council. Individual staff members are not permitted to accrue loyalty rewards to their personal accounts. This excludes Air-Points schemes, which are covered under the "Air Travel" section of this policy.

In situations where receiving a prize or loyalty reward could be perceived as inappropriate, prize or rewards must be declined.

4.14 Use of Council & Private Assets

Any physical item owned, leased or borrowed by Council is considered an asset for the purpose of this policy. This includes photocopiers, telephones, cell phones, cameras, means of accessing the Internet, and stationery. The costs to Council of private use will be recovered, unless it is impractical or uneconomic to separately identify those costs.

The use of Council assets in any private business that any employee or elected member may operate is not permitted.

The main issue associated with Council's use of private assets is the risk of the Council paying or reimbursing amounts that inappropriately benefit the staff member or elected member. Therefore, pre-approval by an Executive Team member is required.

Council may decide that reimbursing staff for use of private assets is appropriate for reasons such as cost, convenience or availability. Council may also decide to do this in circumstances where it would not fully use an asset of the same type if it acquired it directly. Examples include private motor vehicles, private cell phones and private computers.

Staff members must not approve or administer payments to themselves for the Council's use of their private assets.

4.15 Use of Council Suppliers

As staff may have access to some Council suppliers on the same basis as Council, they may receive preferential access to goods or services, and potentially at a preferential price, which is not available to the public. The risk is that the availability of the discount to staff will influence the choice of Council suppliers.

The selection of suppliers must be in the interest of Council. The availability or possibility of staff purchasing privileges must not factor into this selection.

Staff may make use of any preferential access to goods or services through Council's suppliers under the following conditions:

- The discount offered must be the same discount offered to all Council staff and not be particular to individual staff members.
- Discounted fuel is available to staff by way of Fuel cards which are issued to staff. The individual purchases are charged to staff on account and subject to normal credit terms and conditions.

In rare circumstances a Council order may include expenditure with a personal component, such as a travel or accommodation booking. In this case payment to Council for the personal component must be made on confirmation of the cost or the receipt of the invoice from the supplier, whichever occurs first.

Elected members may have preferential access to goods or services through Council suppliers on the same basis as staff, provided there is no real or perceived conflict of interest.

4.16 Donations & koha

A donation or a koha is a payment (in money or by way of goods or services) made voluntarily and without the expectation of receiving goods or services in return. MDC requires donations to be:

- Lawful in all respects;
- Made to a recognised organisation by normal commercial means (not to an individual);
- Not in cash (except as a koha and with the express approval of the Chief Executive or a General Manager);
- Non-political (i.e. politically neutral).

The amount given on behalf of MDC should reflect the occasion and the prestige of MDC in its relations with Tangata Whenua and be approved by the Chief Executive or relevant General Manager.

4.17 Gifts

Employees and elected members' impartiality and integrity must be maintained when receiving gifts. In all instances staff must inform their manager or supervisor that they have received a gift for service or appreciation.

The acceptance of any gift with a monetary value exceeding \$50 must have the express approval of the relevant General Manager for staff to retain it.

All gifts received with a monetary value exceeding \$50 shall be reported to the Executive Assistant and recorded on a register to be held by the Chief Executive. This includes tickets to events.

4.18 Employee support, wellbeing and welfare expenditure**4.18.1 Clothing**

Other than official uniforms and health and safety related clothing, elected members or employees will not be clothed at MDC's expense when they are engaged in a normal business activity.

4.18.2 Care of dependants

The Chief Executive or a General Manager may authorise in exceptional circumstances the reimbursement of actual and reasonable costs in relation to the care of dependants. Some possible examples are when the employee is unexpectedly required to perform additional duties at very short notice, or a dependant unexpectedly requires additional care that the employee cannot provide because of the essential nature of their duties at the time. In all other instances care of dependants is to be treated as a personal and private expense of the employee.

4.18.3 Financing staff engagement activities dependants

MDC may make a prudent and reasonable monetary contribution to staff events or social club. The contribution may be in the form of an all-purpose grant towards the annual budget, or it may be a grant or subsidy for a specific event or item.

4.18.4 Farewells, long service and retirements

Expenditure on farewells, long service and retirements includes spending on functions, gifts and other items and should not be extravagant or inappropriate to the occasion.

4.18.5 Professional memberships

Membership to a professional body is sensitive expenditure due to its personal nature. Payment of professional fees by MDC on behalf of an employee must be:

- approved by the General Manager or Chief Executive in the case of employees. In the case of the Chief Executive or elected members, the General Manager Corporate Services is required to give approval;
- clearly relevant to the performance of the employee's duties and responsibilities;
- for the employee alone and is not to cover members of their family or other persons;
- for no longer than one-year in duration unless significant discounts are available and it is reasonable to expect a two-year membership to be an advantage to MDC;
- for the benefit of MDC and not intended to be a personal benefit to employees, and accordingly not liable for Fringe Benefit Tax;
- in accordance with the employee's employment agreement;
- cancelled or transferred to an appropriate employee if the employee's employment with MDC is terminated, via resignation or otherwise;
- refunded directly to MDC if the membership is cancelled.

5. Policy Management

5.1 Clarification

Clarification regarding this policy can be sought from the Mackenzie District Council People & Culture Manager.

5.2 Breaches

The Mackenzie District Council Chief Executive Officer and General Manager Corporate Services are responsible for monitoring compliance with this policy. All identified breaches will be escalated to the CEO and General Manager Corporate Services and will be treated as misconduct which may result in disciplinary action.

5.3 Exceptions

The Mackenzie District Council General Manager Corporate Services (being the policy owner) or the Chief Executive Officer (being the policy approver) will need to authorise any deviations from this policy.



Mackenzie District Council

Cash Handling Policy

STATUS:	Draft
VERSION:	20200310
POLICY OWNER:	GM Corporate Services
POLICY APPROVER / S:	Chief Executive Officer, Mackenzie District Council
DATE:	2020-03-10

“Fostering Our Community”

CASH HANDLING POLICY

Purpose	The purpose of this policy is provide a framework and process for cash handling and cash security to ensure that Mackenzie District Council fulfils its statutory financial obligations and that any associated risk is minimised. This policy applies to all Council employees involved with the handling of cash at designated sites.
Key Points	<p>The key objectives of this policy are:</p> <ul style="list-style-type: none"> • To ensure all amounts due and receipted to Mackenzie District Council are collected and deposited to the Council's bank account on a regular and timely basis. • To ensure consistency in procedures and standard in cash handling across all Council sites and services. • To establish and maintain accountability for the flow of cash through the Council. • To ensure the handling of cash throughout the Council, along with any associated risk, is minimised and all statutory financial obligations are met.
Date of Issue	March xx, 2020
File Retention	Mackenzie District Council Laserfiche – Organisational Policies section
Review	Every two years at the anniversary date

RELATED DOCUMENTS / WEBSITES

Related Council policies and documents include:

- Fraud Prevention Policy
- Code of Conduct

Relevant legislation and other resources includes (but is not limited to):

- Local Government Act 2002 and the Local Government Act Amendment Act 2014

1. Definitions

Cash: Currency including notes and coins, electronic (eftpos), online, cheque and credit card transactions.

Cash Handling: This includes petty cash, manual electronic means of cashier (cash, cheque, eftpos and credit card), handling of cash, floats (special events, collection of money), banking preparation and reconciliation.

Banking: This includes the cash preparation and reconciliation for collection by Mackenzie District Council's authorised employee or agent for depositing with the bank.

Authorised Agent: This is a person who has written authority and wears identification connecting them to the Council's sponsored operation or program, or a partner of the Council at a designated site, who collects, transits and safeguards cash on the Council's behalf.

Designated Site: those sites throughout the District that are involved in cash handling operations.
Designated Sites

- The physical environment of each designated site must be established and maintained to minimise the risk to the City, Mackenzie District Council employees and authorised agents.

2. Principles

It is the responsibility of Mackenzie District Council officers involved in the cash handling process to understand the meaning and intent of this policy. The primary principles are:

- The Mackenzie District Council must provide a secure work environment that will protect the welfare of employees and authorised agents and safeguard cash at designated sites.
- All cash must be kept secured in a locked drawer, locked petty cash box or safe. Where cash is kept in a locked petty cash tin, the cash tin is to be stored out of sight at all times in a safe locked cabinet or drawer.
- Borrowing or taking cash from petty cash, float or till for personal benefit is prohibited.
- Where cash floats are given to or taken over by relieving employees, the employees given the float or taking control of the cash need to count these floats along with the designated officer in charge of that cash.
- An official Mackenzie District Council receipt must be issued for all cash received at the designated sites within 24 hours or next working day of receipt from the customer.
- All cash received at the Mackenzie District Council offices or designated site must be banked on the next banking day, unless prior arrangements are made with the Finance Manager or authorised alternative officer of the Mackenzie District Council.
- All cash received at Mackenzie District Council's offices or designated sites must be receipted into the Council's electronic system or an official manual receipt book, each such receipt is to be dated and numbered in sequential order. Managers and supervisors responsible for designated sites must maintain current documentation of all cash handling procedures and processes, including:
 - Security and safe measure for transporting cash to the Council offices or bank
 - Security and procedure for access to keys and/ or safe combinations
 - Record and reconciliation of cash taken and receipted.
 - Petty cash reconciliation and claims.

3. Policy

This policy applies to all Mackenzie District Council employees, authorised agents including volunteers involved with the handling of cash applicable to any Council operation or program and any employees authorised to dispense petty cash.

3.1 Refunds, Voids, 'No Sale', and Cash Discrepancies

Regardless of the amount, missing money or stolen money must be reported to the Finance Manager. The Mackenzie District Council acknowledges that minor discrepancies in cash taking occur from time to time when dealing with cash.

All refunds, voids, 'no-sale' and cash discrepancies (additional cash or shortfall) transactions are to be recorded on the cashier's worksheet and authorised by the employee's supervisor. Cash discrepancies occur where the physical cash holdings differ to that specified by the cash receipting system.

Three checklists have been provided (attachments 1, 2 and 3) that may be used to assist with processes relating to refunds and cash discrepancies.

Discrepancies must be accompanied by a written explanation by the cashier responsible. Surplus cash held at any site should be deposited into the Mackenzie District Council bank account.

3.2 Lost or Stolen Money

Regardless of the amount, missing money or stolen money must be reported to the Finance Manager. All stolen money must be reported to the police.

Should an employee identify or suspect that money has been stolen or is missing or is aware of suspicious activity they must advise their supervisor.

Should the missing money be the result of a robbery, a written detailed account of the events must be provided to the Finance Manager, no later than 24 hours of realising the money is missing.

Customers and employees will be encouraged to use non-cash methods to make payment. Employees and authorised agents must be trained, authorised and delegated with the appropriate level of responsibility in all aspects of the cash handling process.

Borrowing or taking cash from any float or till for personal benefit, however minor, is prohibited.

3.3 Reporting

Supervising officers should ensure that variance reports, detailing refunds, voids, 'no-sales' and overs/shortfalls are provided to the Finance Manager on a monthly basis. If there are variances which exceed \$100 this is to be escalated to the General Manager Corporate Services for sign off.

Such reports should provide information on the frequency of use of void, refunds, 'no-sale' and cash overs or shortfalls by each Mackenzie District Council employee, for each location.

The original report should be copied and the copy is to be retained with the originating department for their record.

Where the variance relates to additional or shortfall of cash, an explanation should be provided on the report by the supervising officer, advising of the steps taken to attempt to prevent similar situations occurring in the future.

4. Security

The following minimum security standards must be applied to all designated sites and computer applications.

4.1 Designated Sites

The physical environment of each designated site must be established and maintained to minimise the risk to the Council, employees and authorised agents.

- Each designated site must have a secure storage area for the storage of cash.

- Each designated site must have an acceptable level of security that protects employees, authorised agents and cash.

4.2 Computer Applications

Each operator must have a unique log in and password that is used only by that operator. Each operator must be assigned the correct level of access, as approved and authorised by the Finance Manager for the requirements of the function performed.

The operation of cash handling applications must conform to existing backup procedures, interface with existing corporate financial systems and assign security levels based on the operator's log in.

Business continuity management procedures must be in place and be familiar to all operators in order to maintain normal business processes in the event of system failure.

Mackenzie District Council employees and authorised agents must have access to cash handling applications removed, by the Information Technology Services, on departure from the Council or when they are no longer assigned cash-handling responsibilities.

5. Roles and Responsibilities

The following table summarises the roles and responsibilities within Mackenzie District Council

Policy Owner	Officers Responsible for Implementation
General Manager Corporate Services	Finance Manager
	Customer Services Manager
	Customer Services Officer
	Finance Administrator
	Senior Rates and Revenue Officer
	Junior Rates and Revenue Officer

6. Clarification and Breaches

This policy represents the formal policy and expected standards of the Mackenzie District Council. Appropriate approvals need to be obtained prior to any deviation from the policy. Elected Members and employees are reminded of their obligations under the Council's Code of Conduct to give full effect to the lawful policies, decisions and practices of the Council.

6.1 Clarification

Clarification regarding this policy can be sought from the Mackenzie District Council General Manager Corporate Services.

6.2 Breaches

The Mackenzie District Council General Manager Corporate Services is responsible for monitoring compliance with this policy. All identified breaches will be escalated to the Chief Executive Officer and the Manager People and Culture, and will be treated as misconduct which may result in disciplinary action.

6.3 Exceptions

The Mackenzie District Council General Manager Corporate Services (being the policy owner) will need to authorise any deviations from this policy.

7. Appendix A – Checklist - Reconciliation Procedure

This checklist is to provide a consistent approach to the cash reconciliation process.

Check	Task
	All cash collected must be reconciled to supporting documentation including relevant cash receipting systems or cash register, daily and/or at change of shifts.
	Total cash received must be documented and signed by the relevant cashier and checked and signed by a supervising officer.
	This reconciliation must be supported by system generated reports or cash register 'Z' reports.
	At the end of the day (or shift), the cashier is responsible for balancing and reconciling the physical cash takings to the takings recorded in the computer system as evidenced by a system generated report.
	A reconciliation sheet should be completed and the system generated report should be attached to the reconciliation sheet as evidence.
	The cash takings should also be cross-checked and signed by another Mackenzie District Council employee (preferably a supervising officer where resources permit).
	The supervising officer must ensure that these reconciliation sheets are retained in a secure location for viewing by a member of the Finance department who will conduct periodic surprise audits.
	The reconciliation form must be signed by the Employee performing the count.
	Where practical, reconciliations and cash counts should be verified (signed) by a second Employee at the site.
	At the completion of the reconciliation, the cash received must be placed in a secure cash envelope such as those supplied by the bank. This envelope should be tamper proof.
	The envelope should be placed in a safe where available or at minimum a lockable drawer in a room that has restricted access.

8. Appendix B – Checklist - Cash Discrepancy Procedure

This checklist is to provide a consistent approach to handling cash discrepancies:

Check	Task
	Re-count the cash
	Check the cash drawer to see if any cash is left in it or has become stuck to the sides of the cash drawer
	If the float has been put aside, check to see that it is correct
	Check the work area including waste paper bins, to see if any cash has been accidentally thrown out or dropped
	Review the cheque and EFTPOS totals to determine whether a cheque or EFTPOS transaction has been processed as cash
	Scan through the cheques to ensure that no cash has been mixed up with the cheques
	Review the transaction list for the day for any unusual transactions such as duplication of transactions
	The cash overs/shortfall must be entered into the cash receipting system using specified general ledger numbers (the list of numbers can be obtained from the Finance Department).
	At the end of day/shift, a report listing the total takings for the day should be run and any refunds, voids or 'no-sale' transactions should be listed separately and signed by the cashier and their supervising officer, noting the reason for the transaction.
	Where the transaction relates to an additional or shortfall of cash, the supervising officer must sign to verify that the above checklist has been performed.

9. Appendix C – Checklist - Voids, Refunds and ‘no-sale’ transactions Procedure

This checklist is to provide a consistent approach to handling voids, refunds and ‘no sale’ transactions:

Check	Task
	The reason for the refund, void or ‘no-sale’ transaction must be recorded on the computer system and the appropriate end of day reports. Cash discrepancies must also be recorded on the end of day reports and authorised by the employee’s supervisor.
	The refund is to be processed to the customers’ account that it was purchased from and should only be given in cash, where cash was used to purchase the goods.
	Voiding of cash receipts should only be used on the same day/shift that the transaction occurred and should only be used to correct an error. Such transactions must be authorised by a supervising officer.
	‘No sale’ transactions should only be used to give change to customers or when performing a cash reconciliation. As with void transactions, ‘no sale’ transactions must be approved and initialled by a supervising officer and reported similarly to void transactions. It is expected that the number of ‘no sale’ transactions will be minimal.
	Supervisors should also advise Mackenzie District Council employees that such reports are being prepared and reviewed monthly as part of the development of an awareness program amongst employees of Mackenzie District Council that cash transactions and register operations are constantly being reviewed and monitored.
	Advise the Finance Manager of the discrepancy
	If there are instance of suspected fraud refer to the fraud policy guidelines



Mackenzie District Council

Asset Management Policy

STATUS:	Draft
VERSION:	20200310
POLICY OWNER:	GM Corporate Services
POLICY APPROVER / S:	Chief Executive Officer, Mackenzie District Council
DATE:	2020-03-10

“Fostering Our Community”

ASSET MANAGEMENT POLICY

Purpose	The Mackenzie District Council (MDC) manages its physical assets on behalf of its community to ensure that the assets meet the needs of the community and are capable of providing services required to underpin the social, economic and cultural wellbeing of the communities. The purpose of this policy is to guide the strategic management of Mackenzie District Council's infrastructure and operating assets.
Key Points	The Council is committed to sustainable appropriate asset management practices based on the principles of the Local Government Act (2002) and the International Infrastructure Management Manual.
Scope	
Date of Issue	XXX xx, 2020
File Retention	Mackenzie District Council Laserfiche – Organisational Policies section
Review	Bi-annually at the anniversary date

RELATED DOCUMENTS / WEBSITES

Related Council policies and strategies include:

- Fixed Asset Accounting Policy
- Asset Disposal Policy
- Asset Disposal Form
- Delegations Manual

Relevant legislation and other resources includes (but is not limited to):

- International Infrastructure Management Manual 2015, IPWEA (abbreviated to IIMM).
- Local Government Act 2002 and the Local Government Act Amendment Act 2014
- Resource Management Act 1991, Resource Management Amendment Act 2016, and Resource Legislation Amendment Act 2017
- Building Act 2004
- Land Transport Management Act 2003 and Land Transport Amendment Act 2013.
- Land Transport (Road Safety and Other Matters) Amendment Act 2011
- Hazardous Substances and New Organisms Act 1996
- Health and Safety at Work Act 2015
- Health Act 1956
- Health (Drinking Water) Amendment Act 2007
- Civil Defence Emergency Management Act 2002

1. Definitions

Operating Asset: An asset acquired for or used in the income generating operations of the organisation (such as cash, inventory, pre-paid expenses) and various fixed, long-term assets (such as plant and equipment).

Infrastructure Asset: Infrastructure assets are typically large, interconnected networks or portfolios of assets, comprising components and sub-components that are usually renewed or replaced individually to continue to provide the required level of service from the network. Some examples are: roads; footpaths and cycle-ways; bridges; water networks and community buildings.

International Infrastructure Management Manual (IIMM): The IPWEA manual that sets the standard of asset management for New Zealand.

Asset Management Plan (AMP): Long-term plans (usually 10-20 years or more for infrastructure assets) that outline the asset activities and programmes for each service area and resources applied to provide a defined level of service in the most cost effective way.

Activity Plan (AP): Similar to an AMP but focussed on the management of an activity rather than the asset.

Asset Management (AM): The systematic and coordinated activities and practices of an organisation to optimally and sustainably deliver on its objectives through the cost-effective lifecycle management of assets.

Appropriate Asset Management Practice: The level of AM practice development (aware-advanced) which is considered optimal for the specific asset.

Capital Expenditure (New): Expenditure which is used to create new assets or to increase the capacity of existing assets beyond their original design capacity or service potential.

Capital Expenditure (Renewal): Works to replace existing assets or facilities with assets or facilities of equivalent capacity or performance capability. Therefore it requires significant work that restores or replaces an existing asset towards its original size, condition or capacity. It does not increase asset capacity. Often there is replacement of a component. For renewal to take place there must be an existing asset or component.

Components: Specific parts of an asset having independent physical or functional identity and having specific attributes such as different life expectancy, maintenance regimes, risk or criticality. The accounting standard requires that assets be recorded at component level if they have different useful lives.

Depreciation (amortisation): Depreciation (or amortisation for intangible assets) is the systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount is the cost (or revalued amount) less any residual or realisable value (if any) on disposal. The purpose of depreciation is to allocate the cost of that asset over its useful life.

Impairment: Impairment is the recognition of the decrease in value of an asset due to an event or action. It is the reduction in the 'service potential' of that asset. When an asset is impaired then the value of the asset is reduced, and this amount is recognised either:

- as an expense or

- (only if the impairment is permanent*) as a reduction in the revaluation reserve for that class of assets if there is an excess revaluation amount available to be utilised for this purpose.

*Example of temporary is a slip on a road, a damaged bridge, or a swimming pool that leaks and then is repaired. Impairment expensed in year of damage then asset improved and fixed with repair amount being capitalised to asset and useful life then reassessed.

Intangible assets: These are assets which have no physical attributes but have a recognisable value e.g. software. The accounting treatment for intangible assets is the same as for tangible assets except for that intangible asset are amortised rather than depreciated.

Vested Assets: Assets that are transferred to Mackenzie District Council at nominal or zero cost are valued at fair value using rates in the asset management system updated at revaluation.

Found Assets: Assets that are found and have never been previously recorded, must be valued at fair value at the time the asset is found. The fair value will be recognised as income in the year the asset is found. Fair value for infrastructure assets where there is no reliable market may be estimated using depreciated replacement cost. (IPSAS 17 para 47) There should not be any extra depreciation impact with found assets. Asset will be recorded in the asset system with their residual life.

2. Principles

The Mackenzie District Council (MDC) manages on behalf of our community to ensure that the assets meet the needs of the community and are capable of providing the services required to underpin the social, economic and cultural wellbeing of the communities.

The Council is committed to sustainable appropriate asset management practices based on the principles of the Local Government Act (2002) and the International Infrastructure Management Manual.

This policy articulates the principles, requirements and responsibilities for the on-going management of Council's assets, so that Council services meet community expectations in relation to timeliness, quality and value for money now and in the future.

The Council will adhere to the following core principles in the planning and decision-making related to the creation, acquisition, operation, maintenance, renewal and disposal of infrastructure assets:

- Achievement of the Council's strategic outcomes
- Transparency
- Accountability
- Financial, social and environmental sustainability
- Continuous improvement
- Customer and stakeholder focus
- Optimisation of life cycle costs
- Risk basis.

Note that under the Local Government Act 2002 the power to purchase or dispose of assets, other than in accordance with the long-term plan cannot be delegated by Council. However, typically, asset management-related purchase and disposal activities are aligned with the Long Term Plan strategic goals.

3. Policy

Mackenzie District Council will manage our assets and deliver associated activities in a cost effective, sustainable, well planned and coordinated manner to provide agreed levels of service.

The Council will use Asset and Activity Management Plans (AMPs) as the means to fulfil its statutory obligations for compliance with the Local Government Act 2002, Resource Management Act 1991, Building Act 2004, Land Transport Management Act 2003, and the requirements of the Office of the Auditor General for its assets and activities.

3.1 Objectives

The objectives for asset management planning and practices are to:

- Ensure that Council services and infrastructure assets are provided in a sustainable manner with appropriate levels of service
- Ensure that Council infrastructure assets are managed in accordance with statutory and regulatory requirements.
- Ensure an appropriate lifecycle approach is taken for all decisions on infrastructure assets.
- Ensure that management of assets be in a systematic process to guide planning, acquisition, operation and maintenance, renewal and disposal of the required assets.
- Ensure that the Council has regard to iwi, community and relevant stakeholders associated with the delivery of services and the management of infrastructure assets.
- Ensure that the delivery of services is sustainable in the long term and delivers on Council's economic, environmental, social, and cultural objectives.
- Ensure that the Council's service delivery is optimised to manage related risks.

3.2 Asset Management Levels

Mackenzie District Council uses the International Infrastructure Management Manual (IIMM) as the basis for asset management, for assessing asset maturity and for continual improvement. The IIMM uses the following Asset Maturity Index (AMI) to identify the various levels of asset management. An appropriate level of asset management (indicated by the AMI) should be used for each activity or asset.

Note that various components within each asset or activity may be at a higher or lower level of Maturity, but the overall Maturity Index must minimally meet the threshold identified in the following table.

Continual improvements to our asset management practices aim to generally raise the level of asset management over time. Each AMP and AP will identify the Maturity Index of the separate components of the management of the asset or activity.

Asset Management Maturity Index	Description
Aware	Asset Information in combination of sources and formats. Awareness is needed for managing and maintaining the Asset Register. Most Operating Assets will fall into this classification.
Basic	Basic physical information recorded in a spreadsheet or similar (e.g. location, size, type), but may be based on broad assumptions or not complete.

Core	Sufficient information to complete asset valuation (basis attributes, replacement cost and asset age/life) and support prioritisation of programmes (criticality). Asset hierarchy, identification and attribute systems documented. Metadata held as appropriate.
Intermediate	A reliable register of physical, financial and risk attributes recorded in an information system with data analysis and reporting functionality. Systematic and documented data collection process in place
Advanced	Information on work history type and cost, condition, performance, etc. recorded at asset component level. Systematic and fully optimised data collection programme with supporting metadata.

The following table describes high-level assets and the management levels proposed in this policy:

Asset / Activity	Asset Maturity Index
Operating Assets	Aware / Basic
Land Transport Intermediate	Intermediate
Water Intermediate	Intermediate
Wastewater	Intermediate
Stormwater	Core
Land drainage and flood protection	Intermediate
Solid waste Core	Core
Alps 2 Ocean Trail	Core
Community Facilities	Core / Intermediate
Community Recreation	Core / Intermediate

4. Financial

Asset accounting principles within Mackenzie District Council are summarised as:

- Council will maintain a detailed register of all owned assets.
- Council will revalue its assets on a three year rolling cycle.
- Discounted replacement cost (DRC) will be assigned to each of these assets with the written down value and depreciation value determined in accordance with the NZ equivalent International Financial Reporting Standards (IFRS)
- Depreciation charges shall be calculated for all assets on an appropriate basis. The basis for determination of depreciation shall be subject to review with the objective being to use a method that best reflects that change in service potential as a result of consumption of the asset and meet IFRS requirements.
- All costs will be determined on an accurate accrual basis and any cost subsidies or compliance costs will be clearly defined and transparent.

Specific finance policy guidance is provided in the Fixed Asset Accounting Policy.

5. Roles and Responsibilities

The following table summarises the roles and responsibilities within Council. Note that outside expertise is used as required and utilised from time to time at an asset management development team, departmental or individual asset manager level to assist with matters as identified at those levels. This can be for peer review, specialist knowledge, resourcing and other identified matters.

Role	Responsibility
Chief Executive	Production and presentation of all Asset Management Plans
General Manager Operations	Overall responsibility for ensuring the development of asset management policies, plans and procedures. Responsibility for overseeing the implementation of asset management policy, review of asset management outcomes. Ensuring alignment with the Council's strategic direction across all assets.
Finance Manager	Accountability for compliance with the Fixed Asset Accounting Policy.
Management Accountant	Maintaining Fixed Assets Register and Asset Disposal processes.
Engineering Manager 3 Waters Manager Roading Manager	Asset Manager Responsibility for developing and maintaining asset lifecycle plans and ensuring appropriate budget provisions are made for asset management. Responsibility for stakeholder engagement, delivery of work and improvement programmes and reporting. Identification of maintenance, renewal and disposal requirements for assets. Also responsible for the preparation of the AMPs.
Community Service Officers	Responsible for maintaining asset data and providing relevant information to Asset Managers to inform decision-making.

6. Clarification and Breaches

6.1 Clarification

Clarification regarding this policy can be sought from the Mackenzie District Council General Manager Corporate Services.

6.2 Breaches

The Mackenzie District Council General Manager Corporate Services is responsible for monitoring compliance with this policy.

6.3 Exceptions

The Mackenzie District Council General Manager Corporate Services (being the policy owner) will need to authorise any deviations from this policy.



Mackenzie District Council

Asset Disposal Policy

STATUS:	Draft
VERSION:	20200310
POLICY OWNER:	GM Corporate Services
POLICY APPROVER / S:	Chief Executive Officer, Mackenzie District Council
DATE:	2020-03-10

“Fostering Our Community”

ASSET DISPOSAL POLICY

Purpose	<p>The purpose of this procedure is to provide due diligence and direction to Mackenzie District Council staff in the efficient and effective disposal of operating and infrastructure assets as required.</p> <p>The effective application of this procedure will ensure that any disposal or rationalisation of Council's assets is carried out in a transparent, fair, independent and open manner.</p> <p>The purpose of this policy is to guide the strategic management of the process of disposing of Council infrastructure and operating assets.</p>
Key Points	<p>The Council is committed to sustainable appropriate asset management practices based on the principles of the Local Government Act (2002) and the International Infrastructure Management Manual.</p> <p>This policy applies only to sale of Council plant (vehicles), equipment (machinery) or financial investments (shareholdings) excluded from the Property Sales and Acquisitions Policy.</p> <p>Guidance for sale or acquisition of any Council owned property (including land, building and structures) other than as described above is covered by the Property Sales and Acquisitions Policy.</p>
Scope	
Date of Issue	February, xx 2020
File Retention	Mackenzie District Council Laserfiche – Organisational Policies section
Review	Bi-annually at the anniversary date

RELATED DOCUMENTS / WEBSITES

Related Council policies and strategies include:

- Asset Management Policy
- Fixed Asset Accounting Policy
- Property Sales and Acquisition Policy
- Sensitive Expenditure Policy
- Asset Disposal Form

Relevant legislation and other resources includes (but is not limited to):

- Local Government Act 2002 and the Local Government Act Amendment Act 2014
- Resource Management Act 1991, Resource Management Amendment Act 2016, and Resource Legislation Amendment Act 2017
- Land Transport Management Act 2003 and Land Transport Amendment Act 2013.
- Land Transport (Road Safety and Other Matters) Amendment Act 2011
- Hazardous Substances and New Organisms Act 1996
- Health and Safety at Work Act 2015

1. Definitions

Operating Asset: An asset acquired for or used in the income generating operations of the organisation (such as cash, inventory, pre-paid expenses) and various fixed, long-term assets (such as plant and equipment).

Infrastructure Asset: Infrastructure assets are typically large, interconnected networks or portfolios of assets, comprising components and sub-components that are usually renewed or replaced individually to continue to provide the required level of service from the network. Some examples are: roads; footpaths and cycle-ways; bridges; water networks and community buildings.

International Infrastructure Management Manual (IIMM): The IPWEA manual that sets the standard of asset management for New Zealand.

Activity Plan (AP): Similar to an AMP but focussed on the management of an activity rather than the asset.

Asset Management (AM): The systematic and coordinated activities and practices of an organisation to optimally and sustainably deliver on its objectives through the cost-effective lifecycle management of assets.

Disposal: The sale, retirement or exchange of Council assets that are surplus to requirements. Excludes the sale or transfer of assets to another Council department, reserve board or memorial hall.

Write off: Specifically refers to the removal of the asset from Council's asset register at nil value.

2. Principles

The Mackenzie District Council (MDC) manages, on behalf of our community, to ensure that the assets meet the needs of the community and are capable of providing the services required to underpin the social, economic and cultural wellbeing of the communities.

The Council is committed to sustainable appropriate asset management practices based on the principles of the Local Government Act (2002) and the International Infrastructure Management Manual.

The primary consideration for any disposals of operating and infrastructure assets, including plant and equipment, is to achieve for Council, and its ratepayers, the best possible value. This should be done in a manner which is consistent with best practice for the management of public assets. Any procedures followed in disposing of items should thus be transparent and able to withstand scrutiny by Council's auditors or any other appropriately authorised person, or persons.

This policy does not apply to Council-owned property (including land, building and structures), or to any property or land which Council identifies as suitable to purchase for strategic or investment purposes. Guidelines for the disposal of these assets are in the Property Sales and Acquisitions Policy.

3. Policy

Business Unit managers are responsible for determining when assets are surplus to requirements, and for organising their disposal. Assets considered surplus to Council requirements should be disposed of promptly, avoiding prolonged storage and loss of value.

Business Unit managers should investigate the likely market value of any asset considered surplus to requirements, in a manner appropriate to the asset.

This policy applies to the disposal of items of property, plant and equipment as defined in the Financial Reporting Standard NZ IAS 16, Property, Plant and Equipment.

When alternative methods of disposal are allowed within the policy, the method of disposal chosen will be at the asset manager's discretion provided the reasons for choosing a particular method are documented and placed on record.

The current book value of any item being disposed of by any Business Unit managers should not exceed the financial delegations approved for the purchase of goods and services for that manager.

3.1 Considerations Prior to Asset Disposal

Before any request to dispose of or rationalise an asset, the relevant Manager must ensure that the request is appropriate and must consider (where applicable) the following:

- Underutilisation of the asset;
- Usability of the asset;
- Current market value of the asset;
- Annual cost of maintenance;
- Policy change;
- Appropriate timing of disposal to maximise return to council;
- Any duplication of the asset or the service provided by the asset;
- Potential risk of ownership, e.g. contains environmentally sensitive or hazardous material;
- Any impact the disposal of the asset may have on the community;
- Any cultural or historical significance of the asset;
- The positive and negative impacts the disposal or rationalisation of the asset may have on Council's operations;
- Council's long term plans and strategic direction;
- The remaining useful life of the asset;
- Compliance with Council's procurement policy;
- Donating or gifting of assets when the asset is no longer fit for Council purposes, or when the financial realisation of the asset is minimal community groups/charities is permitted with Chief Executive Officer (CEO) approval subject to compliance with the Sensitive Expenditure Policy;
- Risk analysis of the proposed asset disposal or rationalisation;

- Outcomes of any community consultations;
- Any restrictions on the proposed disposal or rationalisation;
- How identifying marks or insignia that directly relate to Council can be removed from the asset;
- The asset does not contain confidential documents, software, licencing implications or associated material;
- Hazardous materials (ensure that any dangerous goods are disposed of in an authorised manner);
- Conflict of interest (that the officers involved in the disposal process have no conflict of interest);
- Any other relevant Council policies or associated Service Level Plans;
- The zoning of land and whether any rezoning will be required; and
- Internal financial controls and prudent management.

3.2 Authority

The disposal or write-off of any asset must be approved by either the General Manager Corporate Services or the General Manager Operations depending on the asset class in accordance with Council's Delegations Manual. The approving General Manager will consider the reasons for declaring the asset surplus, and the method that has been recommended for its disposal.

Disposal and/or write-off of an asset exceeding the financial delegation of the General Manager must be approved by Council.

Business Unit Managers should also consider likely levels of public interest or sensitivity when seeking approval for asset disposal. The disposal of an asset that is likely to have high public interest should be considered by the relevant Council committee.

3.3 Strategic Assets

Council retains a register of strategic assets in its Significance and Engagement Policy.

In accordance with the Local Government Act 2002, any decision to transfer the ownership or control of a strategic asset to or from the Council, or a decision to construct, replace or abandon a strategic asset can only be taken if explicitly provided for in Council's Long Term Plan or through an amendment to the current Long Term Plan.

3.4 Asset Disposal

Surplus assets must be disposed of by public tender, auction or other such means so as to ensure a transparent and competitive disposal process.

The method chosen for asset disposal should be efficient in terms of time and cost, proportionate to the approximate value of the item.

No community group or Council employee is eligible for preferential access to surplus Council assets.

All disposals of operational assets will occur in the month that the disposal occurred. Depreciation will be calculated up until the point of sale and then the disposal will be processed in the system. For a disposal to be processed, the Asset Sale form needs to be completed (see Appendix A – Asset Disposal Form).

3.5 Disposal Methods

Council officers will manage, where appropriate, the disposal or rationalisation of the asset in the most cost effective manner, through one of the following methods:

Disposal Method	Description
Trade-In	Trading in equipment as part of another purchase or plant rationalisation process
Expression of interest	Seeking expressions of interest from buyers
Open tender	Openly seeking bids through a tender process
Sale or Public auction	Obtaining a current valuation or estimate, advertising for sale or auction through the local paper or online auction service and where appropriate, communications media circulating in Canterbury, ensuring open and effective competition that maximises returns for Council (following compliance with Council's Procurement Policy)
Demolish/Recycle	Depending on the condition and usability of the asset, the value of the asset may be written off and the asset disposed of if the asset is beyond economical repair
Charity/Gifting	If assets are unable to be sold at auction, donation of Council owned assets to a non-profit organisation can be made with due consideration for full transparency.

3.6 Computer Equipment

For all Computer related equipment ICT has its own disposal process. All equipment and devices are to be returned to ICT for disposal. No sales are to be made directly to staff (including immediate family) and/or elected members of council including local boards. (Please see the sales to staff clause under Conflicts of Interest Policy for further information).

Items of computer hardware may be disposed of when:

- due for replacement under annual replacement programme
- unfit for use or purpose
- unsafe
- obsolete
- surplus to requirements

The preferred method of disposal may be by trade-in, auction managed by Council staff, or through an agent in accordance with Council policy, sold for scrap, or taken into inventory, at the discretion of the Business Unit Manager.

If there is no interest in purchase by anyone, items to be disposed of can be (at discretion of the ICT manager):

- donated to a non-profit organisation with preference to organisations operating within the district
- recycled
- dumped

For each disposal the disposal method selected, together with the selection rationale, needs to be documented in a manner which will facilitate future audit of the decision. Whatever method of disposal is decided upon, the Business Unit Manager is to ensure that all data and software has been removed from any hardware disposed of.

3.7 Motor Vehicles

Motor vehicles may be disposed of when:

- due for replacement under the vehicle policy
- unfit for use or purpose
- unsafe
- obsolete

The preferred method of disposal may be by trade-in, public auction managed by Council staff, or public auction through an agent, at the discretion of the Business Unit Manager. For each disposal the disposal method selected, together with the selection rationale, needs to be documented in a manner which will facilitate future audit of the decision.

3.8 Roads and Footpaths

Items of roads and footpaths may be disposed of when:

- due for replacement under annual replacement programme
- unfit for use or purpose
- unsafe
- obsolete
- surplus to requirements

The preferred method of disposal may be by, public auction managed by Council staff, public auction through an agent, sold for scrap, or taken into inventory, at the discretion of the Business Unit Manager.

If there is no interest in purchase by anyone, items to be disposed of can be (at discretion of the Business Unit Manager):

- donated to a non-profit organisation with preference to organisations operating within the district
- recycled
- dumped

For each disposal the disposal method selected, together with the selection rationale, needs to be documented in a manner which will facilitate future audit of the decision.

3.9 Water, Wastewater, Stormwater, Solid Waste

Items of the above may be disposed of when:

- replaced by upgrades or replacement programme
- replacements due to failure
- unfit for use or purpose
- unsafe
- surplus to requirements

The preferred method of disposal may be by, public auction managed by Council staff, public auction through an agent, negotiated by private treaty (excluding to staff and elected representatives), sold for scrap, or taken into inventory, at the discretion of the Business Unit Manager.

If there is no interest in purchase by anyone, items to be disposed of can be (at discretion of the Business Unit Manager):

- left in the ground (pipes)
- recycled
- dumped

For each disposal the disposal method selected, together with the selection rationale, needs to be documented in a manner which will facilitate future audit of the decision.

3.10 Furniture, Fittings, Office Equipment etc.

Also includes Plant and Equipment, and Parks and Cemeteries Furniture. Items of the above may be disposed of when:

- due for replacement under annual replacement programme
- unfit for use or purpose
- unsafe
- obsolete
- surplus to requirements

The preferred method of disposal may be by trade-in, auction managed by Council staff, or through an agent in accordance with Council policy, sold for scrap, or taken into inventory, at the discretion of the Business Unit Manager.

If there is no interest in purchase by anyone, items to be disposed of can be (at the discretion of the Business Unit Manager):

- donated to a non-profit organisation with preference to organisations operating within the district
- recycled
- dumped

For each disposal the disposal method selected, together with the selection rationale, needs to be documented in a manner which will facilitate future audit of the decision.

3.11 Donated Assets

When disposing of an asset that has been donated to Council, in the first instance it must be offered back to the original donor or their family. If the donor does not want the asset then it can be disposed of in accordance with this procedure.

Ownership of the asset must be checked before it is disposed of. If it does not belong to Mackenzie District Council, it cannot be disposed of, and should be returned back to the owner.

3.12 Buyer's Risk

Irrespective of the disposal method applied, all prospective buyers must be advised in writing that the asset is disposed of, with any faults, at the buyer's risk ('as is where is').

Buyers are to rely on their own investigations regarding the condition and function of the asset and Council will not be responsible for any repairs to or maintenance of the asset.

4. Accounting for Disposal of Assets

The asset must be removed from the Fixed Asset Register once approved for disposal. It is de-recognised as per PBE IPSAS 17 p.82, Property, Plant and Equipment, which states that assets must be de-recognised from the Fixed Asset register:

- On disposal; or
- When no future economic benefits are expected from its use or disposal.

Upon de-recognition of an asset, any carrying amount (is equal to asset cost less accumulated depreciation) must be expensed. "The gain or loss arising from the de-recognition of an item of property, plant and equipment shall be included in surplus or deficit when the item is de-recognised" as specified in PBE IPSAS 17 p.83.

This expense might be offset by any gain on sale if the asset is able to be sold.

The loss or gain on the asset is further clarified under PBE IPSAS 17 p.86, as "The gain or loss arising from the de-recognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any and the carrying amount of the item". This will occur when the asset is abandoned, renewed, replaced or sold.

Some practical examples could include:

- Demolition of an old public toilet and the building of a new one.
The original toilet has been replaced, therefore any residual value of the original toilet (cost less accumulated depreciation) recorded on the fixed asset register must be written off as an expense and a new asset created for the new built toilet.
- Stormwater lays a new pipe and removes the old pipe. The residual value held for the old pipe must be disposed of in the fixed asset register.

Note: Inserting a sleeve into a stormwater pipe does not result in a disposal. The cost of inserting the sleeve must be added to the asset's carrying value.

4.1 Treatment of Disposed Assets

The following table summarises the treatment of assets when they are disposed of or permanently withdrawn from use.

Timing of disposal	An asset must be disposed of when no further economic / public benefits are expected from its use or it has been replaced. This will occur when an asset is abandoned, renewed, replaced or sold.
Treatment	The old asset or component must be written off.
Accounting for Disposal	On disposal or permanent withdrawal of an asset/component from service:- - write off the old asset/component to OPEX - write off the difference between net proceeds (if any) and the carrying amount to OPEX

5. Clarification and Breaches

5.1 Clarification

Clarification regarding this policy can be sought from the Mackenzie District Council General Manager Corporate Services.

5.2 Breaches

The Mackenzie District Council General Manager Corporate Services is responsible for monitoring compliance with this policy. Failure to comply may be considered misconduct and may result in disciplinary action.

5.3 Exceptions

The Mackenzie District Council General Manager Corporate Services (being the policy owner) will need to authorise any deviations from this policy.

APPENDIX A – ASSET DISPOSAL FORM

Once an asset has been selected for disposal the following Asset Disposal form must be completed to ensure that the correct delegated financial authority (DFA) has been given prior to the asset being sold, scrapped or disposed of.

Any email correspondence supporting these decisions must be attached to the form. This should include any information relating to why the asset is being disposed of.

The requestor for the disposal of the asset and authoriser (as per the DFA) must be two separate staff members. The authoriser cannot be involved in the selection process, and should act as a review person. On occasion a second person may be needed to authorise the disposal when the value of the asset upon write off exceeds the first authoriser.

This form is located on Laserfiche at Laserfiche: Mackenzie\Finance\Fixed Assets\Asset Disposal Form

ASSET DISPOSAL FORM

Asset Description	
Asset identification:	
Asset Location:	
Asset description: (Attributes)	
Ownership Details:	
Asset formally used for: (Describe)	
Valuation of Asset:	
Estimated cost of disposal or rationalisation:	
Estimated market value:	
Reason for Disposal or rationalisation:	
Recommendation:	<i>(Use appropriate descriptors to outline the recommendation fully)</i> E.G. That the asset as described is deemed to be no longer required to meet Council's agreed services or there is no clear need for Council to retain ownership of the asset.
Justification	<i>(Additional comments and justification for proposing to dispose of or rationalise the asset)</i>

Sale or Disposal Details	
Sale Price	\$
Attached Invoice	(Please circle) YES NO
GST Included	(Please circle)

	YES	NO
Date		

Authorisation	
Name of person making the assessment	
Position	
Date	

Approval	
Decision	<i>The above disposal/rationalisation is: (please circle)</i> APPROVED NOT APPROVED
Name of approver	
Position	
Date	
I certify that the above asset can be disposed of/rationalised in accordance with Council Asset Disposal Policy	<i>(Signature)</i>
Approval of General Manager	<i>(Name)</i>
	<i>(Signature)</i>
Approval of CEO (if required)	<i>(Name)</i>
	<i>(Signature)</i>
Council Resolution (if required)	(Date) (Resolution #)



Mackenzie District Council

Fixed Asset Accounting Policy

STATUS:	Draft
VERSION:	20200310
POLICY OWNER:	GM Corporate Services
POLICY APPROVER / S:	Chief Executive Officer, Mackenzie District Council
DATE:	2020-03-10

“Fostering Our Community”

FIXED ASSET ACCOUNTING POLICY

Purpose	<p>The Mackenzie District Council (MDC) manages its physical assets on behalf of its community to ensure that the assets meet the needs of the community and are capable of providing services required to underpin the social, economic and cultural wellbeing of the communities.</p> <p>The purpose of this policy is to provide guidelines for the recording and reporting of the Council's fixed assets in accordance with the prescribed accounting standards of New Zealand Public Benefit Entities.</p>
Key Points	This document establishes relevant definitions and provides guidelines on capitalisation, depreciation and disposal of fixed assets. The policy seeks to ensure a consistent approach to the capitalisation and accounting treatment of all assets acquired and held by the Council.
Scope	
Date of Issue	March xx 2020
File Retention	Mackenzie District Council Laserfiche – Organisational Policies section
Review	Bi-annually at the anniversary date

RELATED DOCUMENTS / WEBSITES

Related Council policies and strategies include:

- Asset Management Policy
- Asset Disposal Policy
- Asset Disposal Form
- Delegations Manual

Relevant legislation and other resources includes (but is not limited to):

- International Infrastructure Management Manual 2015, IPWEA (abbreviated to IIMM).
- Local Government Act 2002 and the Local Government Act Amendment Act 2014
- Resource Management Act 1991, Resource Management Amendment Act 2016, and Resource Legislation Amendment Act 2017
- Public Benefit Entities <https://treasury.govt.nz/information-and-services/state-sector-leadership/guidance/financial-reporting-policies-and-guidance/accounting-standards/transition-public-benefit-entity-pbe-standards/public-benefit-entities-pbe>

1. Definitions

Asset class: Grouping of a similar nature and the lowest level of information on non-current assets included within the Council's Financial Statements.

Asset recognition: Process to include a non-current asset in the asset register.

Asset renewal: Capital works that reinstate some or all of the original service potential of an asset.

Carrying amount of an asset: The amount at which an asset is recognised in the Statement of financial position, after deducting any accumulated depreciation and accumulated impairment losses

Capitalisation threshold: A monetary threshold above which an entity capitalises purchased or self-constructed assets.

Capital Expenditure (New): Expenditure which is used to create new assets or to increase the capacity of existing assets beyond their original design capacity or service potential.

Capital Expenditure (Renewal): Works to replace existing assets or facilities with assets or facilities of equivalent capacity or performance capability. Therefore it requires significant work that restores or replaces an existing asset towards its original size, condition or capacity. It does not increase asset capacity. Often there is replacement of a component. For renewal to take place there must be an existing asset or component.

Components: Specific parts of an asset having independent physical or functional identity and having specific attributes such as different life expectancy, maintenance regimes, risk or criticality. The accounting standard requires that assets be recorded at component level if they have different useful lives.

Cost: Amount of cash or cash equivalent paid or the fair value of any other consideration given to acquire an asset at the time of its acquisition or construction.

Depreciable amount: This is the gross cost of acquiring a capital asset and includes any subsequent capital improvements and additions.

Depreciation (amortisation): Depreciation (or amortisation for intangible assets) is the systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount is the cost (or revalued amount) less any residual or realisable value (if any) on disposal. The purpose of depreciation is to allocate the cost of that asset over its useful life.

Derecognition: Derecognition of an asset occurs upon disposal or cessation of use, when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the asset is included in the surplus/(deficit) in the period in which the asset is derecognised.

Entity-specific value: The present value of the cash flows an entity expects to arise from the continuing use of an asset and from its disposal at the end of its useful life or the value it expects to incur when settling a liability.

Fair value: Equates to market value, if a readily available market exists, or depreciated current replacement cost where no market exists.

Fixed asset: A physical asset including land and buildings, items of equipment, self-constructed infrastructural assets and computer software held for use in the provision of goods or services produced by the Council, or for administrative purposes. Fixed assets are expected to provide service potential for a period of not less than 12 months and can be either an Operating Asset or an Infrastructure Asset (defined below).

Fixed asset register: The Fixed Asset Register records information on fixed assets. The register is used by Finance and other areas of Council for capitalisation, valuation, depreciation and disposal purposes.

Found Assets: Assets that are found and have never been previously recorded, must be valued at fair value at the time the asset is found. The fair value will be recognised as income in the year the asset is found. Fair value for infrastructure assets where there is no reliable market may be estimated using depreciated replacement cost. (IPSAS 17 para 47) There should not be any extra depreciation impact with found assets. Asset will be recorded in the asset system with their residual life.

Full revaluation: The process whereby the fair value of all assets within an asset class are updated to reflect current market value or current replacement cost as well as reassessing remaining useful life and residual value.

Future economic benefits: In respect to not-for-profit entities such as the Council, future economic benefits refer to the ability of an asset to provide goods or services in accordance with the Council's objectives.

Gross carrying amount (or Gross Value) : The amount at which an asset is recorded (either at cost or fair value) within the fixed asset register, excluding any deduction for accumulated depreciation or accumulated impairment losses.

Highest and best use: The use of an asset by market participants that would maximise its market value.

Operating Asset: An asset acquired for or used in the income generating operations of the organisation (such as cash, inventory, pre-paid expenses) and various fixed, long-term assets (such as plant and equipment).

Infrastructure Asset: Infrastructure assets are typically large, interconnected networks or portfolios of assets, comprising components and sub-components that are usually renewed or replaced individually to continue to provide the required level of service from the network. Some examples are: roads; footpaths and cycle-ways; bridges; water networks and community buildings.

Impairment: Impairment is the recognition of the decrease in value of an asset due to an event or action. It is the reduction in the 'service potential' of that asset. When an asset is impaired then the value of the asset is reduced, and this amount is recognised either:

- as an expense or
- (only if the impairment is permanent*) as a reduction in the revaluation reserve for that class of assets if there is an excess revaluation amount available to be utilised for this purpose.

*Example of temporary is a slip on a road, a damaged bridge, or a swimming pool that leaks and then is repaired. Impairment expensed in year of damage then asset improved and fixed with repair amount being capitalised to asset and useful life then reassessed.

Intangible assets: These are assets which have no physical attributes but have a recognisable value e.g. software. The accounting treatment for intangible assets is the same as for tangible assets except for that intangible asset are amortised rather than depreciated.

Interim revaluation: Desktop review of unit rates whereby all asset values within an asset class are adjusted by an indexation factor.

Maintenance expenditure: Recurrent planned and unplanned expenditure, which is periodically or regularly required as part of Council's maintenance plan to ensure that the asset is kept in an operational state, achieves its useful life and provides the required level of service.

Market value: The price that would be received to sell an asset in an orderly transaction between market participants, excluding transaction costs but inclusive of any transport costs.

Net Book Value: The amount at which an asset is recorded (either at cost or fair value) within the fixed asset register after deducting any accumulated depreciation and accumulated impairment losses. This is the same as an asset's carrying amount or written down value.

Nominal cost: Nil or minimal cost for which an asset has been acquired.

Non-current asset: An asset held by Council for use rather than exchange and which provides an economic benefit for a period greater than one year.

NZ GAAP: New Zealand Generally Accepted Accounting Practice. Note that legislation requires the Council to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP), specifically Public Benefit Entity Standards (PBE Standards).

Recognition threshold: The acquisition value an asset should exceed before it is recognised in the fixed asset register and the Council accounts.

Recoverable amount: The higher of an asset's fair value less cost to sell and its value in use.

Remaining useful life: The remaining operational life of an asset in service, irrespective of the period an asset has been in use or its design life or initial useful life when first recognised.

Renewal works (or asset renewal): Capital works that reinstates some or all of the original service potential of an asset.

Replacement cost: The current cost to replace or reproduce an asset based on similar operating conditions.

Residual value (salvage value or scrap value): The estimated amount that would be obtained today from the disposal of an asset, after deducting the estimated costs of disposal (where applicable), if the asset were already of the age and in the condition expected at the end of its useful life.

Sunk costs: Costs that are incurred on the initial construction of an asset that are unlikely to be incurred again when the asset is renewed or replaced.

Service potential: The capacity to provide goods and services in accordance with Council's objectives.

Useful life: The period of time an asset is intended to be used, which is estimated when the asset is initially put into service.

Valuation unit rates: Asset unit rates are based on replacement cost principles that exclude specific asset management costs to fully comply with accounting standards and to avoid the potential for double counting of costs.

Value in use: Normally refers to assets that generate some form of cash inflow. Where assets have no cash inflow, value in use is deemed to be depreciated current replacement cost.

Vested Assets: Assets that are transferred to Mackenzie District Council at nominal or zero cost are valued at fair value using rates in the asset management system updated at revaluation.

2. Principles

The Mackenzie District Council (MDC or Council) manages our assets to ensure they meet the needs of the community and are capable of providing the services required to underpin the social, economic and cultural wellbeing of the communities.

Legislation requires the Council to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP), specifically Public Benefit Entity Standards (PBE Standards). Failure to comply may lead to Audit New Zealand, on behalf of the Office of the Auditor General, providing modified audit opinions, together with the ramifications of legislative non-compliance.

This policy establishes relevant definitions and provides guidelines on capitalisation, depreciation and disposal of fixed assets. The policy seeks to ensure a consistent approach to the capitalisation and accounting treatment of all assets acquired and held by the Council.

This policy applies to non-current physical assets (i.e. Property, Infrastructure, Furniture, Fittings and Equipment) owned or controlled by the Council. It applies to all staff who are involved in the management of assets, including the acquisition, construction and disposal of assets, together with all staff or contractors responsible for maintaining and reporting on assets.

The policy applies to the line items of property, plant and equipment, intangible assets and assets held-for-sale as disclosed in the Council's Statement of financial position. It is applicable when performing the following functions:

- Acquiring, constructing or developing an asset.
- Accounting for costs incurred in maintaining an asset.
- Renewing, replacing or enhancing the service potential of an asset.
- Revaluing assets.
- Disposing of assets (see also Asset Disposal Policy)
- Accounting for depreciation and amortisation of assets.
- Reporting and disclosing assets.
- Establishing the useful life and residual value of assets.
- Testing assets for impairment.

The Council will adhere to the following core principles in the planning and decision-making related to the creation, acquisition, operation, maintenance, renewal and disposal of infrastructure assets:

- Achievement of the Council's strategic outcomes
- Transparency
- Accountability
- Financial, social and environmental sustainability
- Continuous improvement
- Customer and stakeholder focus
- Optimisation of life cycle costs
- Risk basis.

Note that under the Local Government Act 2002 the power to purchase or dispose of infrastructure assets, other than in accordance with the long-term plan, cannot be delegated by Council. However, typically, asset management-related purchase and disposal activities are aligned with the Long Term Plan strategic goals.

3. Policy

Mackenzie District Council will manage our assets and deliver associated activities in a cost effective, sustainable, well planned and coordinated manner to provide agreed levels of service.

Asset accounting principles within Mackenzie District Council are summarised as:

- Council will maintain a detailed register of all owned assets.
- Council will revalue its assets on a three year rolling cycle, or earlier if required.
- Optimised depreciated replacement cost will be assigned to each of these assets with the written down value and depreciation value determined in accordance with the NZ equivalent International Financial Reporting Standards (IFRS)
- Depreciation charges shall be calculated for all assets on an appropriate basis. The basis for determination of depreciation shall be subject to review with the objective being to use a method that best reflects that change in service potential as a result of consumption of the asset and meet IFRS requirements.
- All costs will be determined on an accurate accrual basis and any cost subsidies or compliance costs will be clearly defined and transparent.

Our assets are categorised into two classes: operating assets and infrastructure assets. These classes are defined as follows.

Operating Assets

- Land
- Building/improvements
- Vehicles
- Furniture, fittings and equipment
- Computer and network equipment

Infrastructural assets

- Flood protection
- Parks and reserves
- Roading
- Stormwater
- Waste management and minimisation
- Wastewater
- Water
- Work in progress

Each purchase is allocated to a cost centre and the staff member responsible for the asset is required to provide information on the asset, including physical description, useful life, location and asset classification.

3.1 Operating Assets

Operating Assets are added into the MDC Asset Register (in the NCS Magiq system) at year end. These are processed on an asset-by-asset basis with depreciation calculated by the system and updated automatically.

Recording of all Operating Asset disposals will occur in the month that the disposal occurred. Each disposal will be recorded using the Asset Sale form. Please see the MDC Asset Disposal Policy for further details.

In an asset revaluation year, all additions and disposals will be added or disposed of in the month of the transaction, but this will all be done as part of the year end processing. An estimate of

depreciation will be run throughout the year, with an actual depreciation calculation being calculated at year end.

3.2 Infrastructure Assets

Infrastructure Assets are revalued every three years, or earlier if required, and depreciation is calculated via spreadsheets given the complexity of their components. For additions during the year once a project has been completed, the costs are separated into components by the engineers prior to adding to the register and also added to the spreadsheets to calculate any associated depreciation.

In a revaluation year, the revaluation has to be run with an effective date of 1 July and additions cannot be added for the year until this revaluation has been processed.

Please see the MDC Asset Management Policy and the Asset Disposal Policy for further guidance around managing the lifecycle of Infrastructure Assets and their components.

3.3 Re-valuations and forecasts

Assets will be revalued generally in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). The methodology will be generally consistent with the NAMS Valuation and Depreciation Guidelines. Any deviations from the standards and the guidelines will be explicitly noted in the AMP.

Financial forecasts in the AMP will be prepared at the level required for a minimum of ten years with underlying assumptions and confidence levels clearly stated.

3.4 Requirements for Capitalisation

Initial expenditure at acquisition

For expenditure to be capitalised, and form part of either capital Work in Progress or a completed asset, the asset must fulfil below requirements:

- The asset must be acquired (purchased, constructed or donated) for use in operations, for rental to others, or for administrative purposes.
- The asset must have a useful life greater than 12 months.
- The asset must have an acquisition cost of \$1,000 and above.

Expenditure incurred subsequently to initial acquisition

This expenditure includes the cost of renovations, enhancements or improvements that add permanent value to the asset, make the asset greater than it was when it was initially acquired, or extend its life beyond the original estimated useful life. Characteristics of such expenditure include the following:

- The estimated useful life of the asset is increased.
- The productive capacity of the asset is improved.
- The quality of units or services produced from the asset is enhanced.

Elements of capital expenditure

The cost of a fixed asset comprises:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates
- Cost of site preparation (where applicable)
- Initial delivery and handling costs

- Costs of testing whether asset is functioning properly
- Professional fees

Example of costs that are not costs of a fixed asset:

- Cost of opening a new facility
- Cost of staff training
- Promotional and advertising costs
- Administration and other general overhead costs
- Relocation of a fixed asset

Expenditure that does not meet the requirements for capitalisation will be treated as an expense in the year incurred.

3.5 Capitalisation and Work-in-Progress

Expenditure directly attributable to an asset are recorded and accumulated as Work in Progress (WIP) until the point that it is complete and ready for capitalisation into the asset management system. The costs may remain in the WIP account while the asset is under construction.

Work in progress items are not depreciated.

Capitalisation date is the date that the asset is brought into a working condition for its intended use. In the event that material WIP items have been completed but not loaded into the asset management system by year end, Finance will transfer costs to the relevant asset class as additions for the financial year in which they are ready for use. An estimate of depreciation will be made.

The WIP account will be reviewed monthly to identify items of Operating Expenditure (OPEX) that should be expensed in the financial year that they are incurred. Items of OPEX within a capital project should be tagged as OPEX by the project manager and expensed as they are incurred.

3.6 Capitalisation Thresholds

With lower-value assets and components of larger-value assets a dollar value threshold is applied below which capitalisation does not take place.

The following table defines these thresholds for the various asset classes:

Asset Class	Threshold Value
Land	No threshold
Buildings	No threshold
Motor vehicles	\$1,000
Office furniture and fittings	\$1,000
Computer software and hardware	\$1,000
Plant	\$1,000
Parks, furniture and equipment	\$1,000
Water, wastewater and stormwater	\$1,000
Roads and bridges	\$1,000

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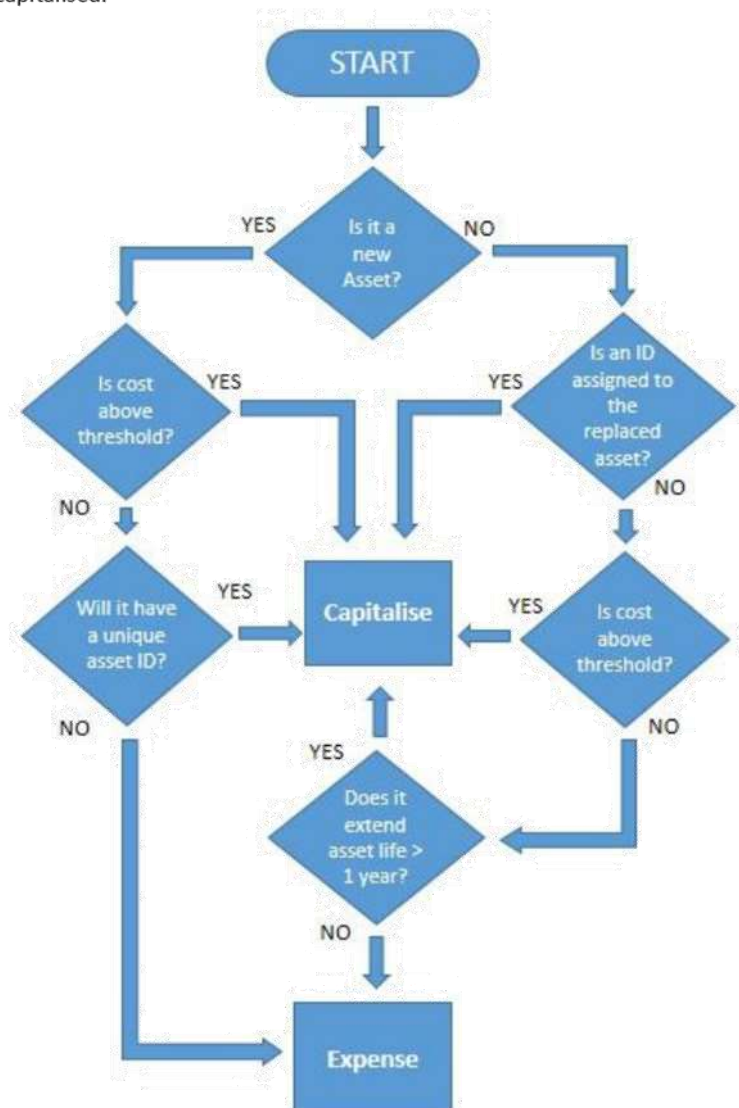
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Footpaths	\$1,000
Library collections	No threshold

However if several assets are acquired with a single purchase the total amount would be capitalised. For example a single desk might be purchased for \$800 and be treated as an expense however if 10 desks were acquired in a single purchase the \$8,000 would be capitalised.

3.7 Asset Capitalisation or Expense Flow Diagram

The following diagram summarises the process to determine whether or not an asset should be capitalised.



3.8 Costs that must not be capitalised

The following costs must not be capitalised:

- Physically relocating an asset
- Costs relating to projects that are cancelled
- Professional fees relating to disputes
- Disposal or removal costs of an asset that is abandoned or being replaced. (exceptions may apply here, e.g. land purchased with the intention of removing an old building or structure)
- Costs of opening a new facility
- Costs of advertising and promotional activities
- Administration and general overheads

Unless part of a resource consent for deployment of assets these costs must not be capitalised:

- Costs of feasibility study or evaluation of a number of proposals
- Evaluating alternative proposals
- Community consultation
- Investigative work

Investigation costs for uncertain projects cannot be capitalised – although they can be parked in WIP for a maximum of 3 years.

3.9 Retentions and Contributions

Retentions are payments for a product or service which are withheld until a specified condition is complete. E.g. Council may withhold a percentage of payment until the replacement of water meters are successfully installed and operational. Any retentions must be included in the cost of the asset.

All development contributions, subsidies or donations must be recorded as revenue and not netted off against the cost of the asset. For example any money received from NZTA for a Roothing Capex project should be allocated to the capital subsidy account (revenue) and not deducted from the cost of the road.

4. Depreciating Operating Assets

Council's operating assets with the exceptions of land are depreciated on a straight-line basis to write off the cost of the asset to its estimated residual value over its estimated useful life.

4.1 Land – unlimited life

Council owns several classifications of land including operational, leased, and endowment. Land is recorded at cost and recorded separately from buildings, as Land generally has an unlimited useful life and is therefore not subject to depreciation. Council receives rental revenue from leased and endowment land on a six monthly or annual basis.

4.2 Council-owned buildings – 10-50 years

This includes all buildings and building related structures. Major improvements and fixtures permanently attached to building are considered a part of the building. For example, air ventilation system, sound proofing work, carpeting etc. A change in the internal arrangement or physical space of an existing asset so that it may be effectively used for a newly designated purpose may also be capitalised.

4.3 Council leased buildings - 4-7 years

Council as lessee may have to carry out several improvements on the leased properties so that they are fit for operational purposes. All fit-out costs are deemed capital and depreciated over the leased term with any rights of renewal considered. The lease's expiry date is reviewed annually which may lead to a change in depreciation rate if adjusted.

Properties are classified as held for sale if the carrying amount will be recovered through a sales transaction rather than through continuing use. This condition regarded as met only when the sale is highly probable, and the property is available for immediate sale in its present state. Properties held for sale are expected to be sold within one year from the date of reclassification and will cease to be depreciated at the same time.

4.4 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at cost and subsequently at fair value. Fair value is determined annually by independent valuers.

Revaluation gains or losses arising from changes in the fair value of investment property are reported in the surplus/(deficit) in the period in which they arise. Council receives rental revenue from investment properties on a monthly or quarterly basis.

4.5 Plant and vehicles - 2-20 years

Plant and vehicles typically comprise a large number of assets with lower value. Assets in this category are given consideration within the following sub-classes:

Art work: unlimited life

Council has several artworks on its premises and in the fixed asset register.

Environmental monitoring equipment: 5-20 years

Council has various monitoring stations across the region for continuous measuring and recording of environmental parameters for air, land and water. Monitoring instruments installed at these stations are inspected on a regular basis to ensure they function properly and provide accurate data. All environmental monitoring assets are registered on fixed asset register for tracking and warranty purposes, though only those which meet the capitalisation threshold will be capitalised.

Information technology/communications equipment: 2-5 years

Information technology equipment such as laptops, monitors, PCs, switches and tablets have a useful life of 3 years and are registered on the Fixed Asset Register with serial numbers and assigned users. Computer servers have a useful life of 5 years. Mobile phones are capitalised in bulk on the month of purchase and depreciated over 2 years due to higher obsolescence rate.

Office furniture and minor plant: 10 years

Office furniture is often of small value and expensed when incurred. If purchases are made in bulk, they may be capitalised as one asset (depreciated on the basis of 10% of cost price p.a.). Exceptions apply to furniture at new premises, where all new furniture and plant are capitalised.

Vehicles and major plant: 5-10 years

Council's vehicles have an expected useful life of 5 years (depreciated on the basis of 20% of cost price p.a.). Vehicles' information including make, model, registration, engine and chassis number as well as

location are kept in the fixed asset register. Sign write costs are added to the acquisition cost of vehicles provided they are not easily removable. Major plant items have a useful life of 10 years asset (depreciated on the basis of 10% of cost price p.a.). Insurance cover is in place for both vehicles and major plant items.

Note that assets that do not meet the capitalisation threshold may be added to fixed asset register for asset owners to manage their assets for security, tracking and warranty.

4.6 Intangible assets: 3-25 years

Intangible assets are assets that lack physical substance, and to be capitalised must have estimated useful lives of more than 12 months. The external costs of upgrades and enhancements that enable the software to perform tasks that it was previously incapable of performing may be capitalised.

They are valued at cost and amortised over the period that they are expected to be available for use (3 years for software). Intangible assets owned by Council include computer software, licenses and the website functionality.

Fees paid for training, help desk support, conversion costs and software maintenance may not be capitalised and must be expensed in the period incurred.

Costs in the preliminary stages of development, including conceptualisation, formulation, evaluation and final selection of alternatives for new or improved systems or technology are not capitalisable and must be expensed in the period incurred.

Costs incurred for data migration or data conversion from old to new systems, including cleansing existing data, reconciling between old and new data must be expensed. If it is not possible to separate the costs of maintenance from relatively minor enhancements or upgrades, all costs should be expensed.

5. Disposal of Assets

When assets are no longer owned by the Council and therefore removed from the asset register, their associated costs will also be removed from relevant balance sheet accounts. Any difference between the written down value and any proceeds is recognised as surplus/(deficit) in the period in which the disposal occurs. Employees may not sell Council's assets for personal gain.

Refer to the Asset Disposal Policy for further detail.

6. Roles and Responsibilities

The following table summarises the roles and responsibilities within Council. Note that outside expertise is used as required and utilised from time to time at an asset management development team, departmental or individual asset manager level to assist with matters as identified at those levels. This can be for peer review, specialist knowledge, resourcing and other identified matters.

Role	Responsibility
Chief Executive	Production and presentation of all Asset Management Plans
General Manager Operations	Overall responsibility for ensuring the development of asset management policies, plans and procedures.

	Responsibility for overseeing the implementation of asset management policy, review of asset management outcomes. Ensuring alignment with the Council's strategic direction across all assets.
Finance Manager	
Management Accountant	Maintaining Fixed Assets Register and Asset Disposal processes
Engineering Manager 3 Waters Manager Roading Manager	Asset Manager Responsibility for developing and maintaining asset lifecycle plans and ensuring appropriate budget provisions are made for asset management. Responsibility for stakeholder engagement, delivery of work and improvement programmes and reporting. Identification of maintenance, renewal and disposal requirements for assets. Also responsible for the preparation of the AMPs.
Community Service Officers	Responsible for maintaining asset data and providing relevant information to Asset Managers to inform decision-making.

6. Clarification and Breaches

6.1 Clarification

Clarification regarding this policy can be sought from the Mackenzie District Council General Manager Corporate Services.

6.2 Breaches

The Mackenzie District Council General Manager Corporate Services is responsible for monitoring compliance with this policy.

6.3 Exceptions

The Mackenzie District Council General Manager Corporate Services (being the policy owner) will need to authorise any deviations from this policy.



Mackenzie District Council

Community Grants Policy

STATUS:	Draft
VERSION:	20200310
POLICY OWNER:	GM Corporate Services
POLICY APPROVER / S:	Chief Executive Officer, Mackenzie District Council
DATE:	2020-03-10

“Fostering Our Community”

COMMUNITY GRANTS POLICY

Purpose	The purpose of this policy is to guide the allocation of grants to groups and organisations delivering projects, activities and services that benefit the Mackenzie District.
Key Points	<p>From time to time Council and community boards provide grants budgets from which financial support for general purposes can be funded, e.g. for a donation to a worthy cause such as flood relief.</p> <p>When Council is requested to provide financial support by remitting rates, fees or charges, transparency can be preserved if the request is approved, by making a grant funded from the affected cost centre. For example, if a request by the Fairlie Ice Skating Club for remission of excess water charges is approved, a grant funded from the Fairlie Water Supply Account will ensure that the cost of the remission actually falls where it should lie.</p> <p>This policy also clarifies the criteria for consideration for approving grant from specific funds such as the Heritage Protection Fund and the Land Subdivision Reserve.</p>
Date of Issue	TO BE UPDATED
File Retention	Mackenzie District Council Laserfiche – Organisational Policies section
Review	Every two years at the anniversary date

RELATED DOCUMENTS / WEBSITES

Related Council policies and documents include:

- Community Grant Application Form
- Project Completion Form
- Council Funding Guide
- Genesis Tekapo Township Grant Application Form 2019
- MDC public website: <http://www.mackenzie.govt.nz/Site/A-Z/G-I/grants.aspx>
- Sport NZ Rural Travel Fund Grant Application Form 2019
- Genesis Energy - Agreement in relation to water rights
- Creative Communities Scheme Agreement 2019-2022
- MDC Grants Register

Relevant legislation and other resources includes (but is not limited to):

- Local Government Act 2002 and the Local Government Act Amendment Act 2014
- <https://sportnz.org.nz/managing-sport/search-for-a-resource/programmes-and-projects/sport-new-zealand-rural-travel-fund>

1. Definitions

Community of place: Members of our District that can be identified by the geography of where they live.

Community of people: Members of our District that can be identified by common characteristics including ethnic, physical, or otherwise.

Community of interest: Members of our District that can be identified by their common interests or pursuits.

Concessions: Where payments to Council would be due, but Council has chosen not to charge, which have not been arranged through a contract tender process.

Conservation: Means the processes of caring for a place so as to safeguard its heritage value.

Contracts for services: Agreements to make payments to a contractor, based on them meeting agreed deliverables. These agreements have been arranged following Council's procurement process.

Contestable Grants: Where a fixed amount of money is available that applicants can compete for a portion of. The outcome varies based on criteria in the application process.

Grants: Payments that have not been arranged through a contract tender process.

Maintenance: Means the protective care of a place.

Non-contestable Grants: Where a fixed number of organisations are granted a fixed amount of money on a predetermined outcome. Applicants do not compete for a limited amount of money.

Not for profit: Any society, association or organisation that is not carried on for the profit or gain of any member, and whose rules state that any money earned or donated is used in pursuing the organisation's objectives.

Preservation: means maintaining a place with as little change as possible.

Reconstruction: means to build again in the original form using old or new material.

Repair: means making good decayed or damaged materials.

Restoration: means returning a place as nearly as possible to a known earlier state by reassembly, reinstatement and/or removal of extraneous additions.

Stabilisation: means the arrest of the processes of decay.

2. Principles

The Mackenzie District Council recognises the need for a balanced mix of social amenities and services that meet the needs of the diverse communities that make up the District. This mix is to be delivered district-wide, embracing our diverse communities of place, people and interest.

To help meet those different needs Council can provide funding to external parties in the form of grant payments, concessions and community loans. An open and transparent process ensures Council puts these limited funds to good use in serving the Mackenzie District.

When Council is requested to provide financial support by remitting rates, fees or charges, the principle is to preserve transparency, should the request be approved, by making a grant funded from the affected cost centre. For example, if a request by the Fairlie Ice Skating Club for remission of excess water charges is approved, a grant funded from the Fairlie Water Supply Account will ensure that the cost of the remission actually falls where it should lie.

This policy also clarifies the criteria for consideration for approving grant from specific funds such as the Heritage Protection Fund and the Land Subdivision Reserve.

The following principles apply to Council's community funding and support:

- accessibility
- consistency
- diversity
- effectiveness
- efficiency
- equity
- flexibility
- inclusion
- transparency

3. Policy

Council generally will consider financially supporting applicants:

- That are a not-for-profit, legal entity (or are working under a suitable umbrella organisation that meets the criteria)
- That demonstrate appropriate financial management, planning and governance
- That have a positive track record of use of funding from Council (if previously funded)
- That are up to date with any required reporting to Council (if previously funded)
- That are not applying for funding for an activity that Council is already providing the organisation financial support for.

Council generally will consider financially supporting projects and activities:

- That align with Council's vision, strategic direction and role
- That contribute to Council's Long Term Plan (LTP) Community Outcomes
- That contribute to one or more of the Funding Priorities
- That benefit the wider community or a sector of the community
- That respond to a current or future community need
- That demonstrate good financial management, planning and governance.

Council generally will not support:

- Activities or projects:
 - where the primary purpose is to promote religious, political, or commercial activity
 - it considers are the core business of another organisation or service provider
 - it considers the responsibility of a central government agency
 - that start before funding decisions are made
- Debt servicing, social functions, gambling or prize money, travel costs, conference fees, costs related to fines or disputes
- Retrospective expenses incurred before the closing date of a fund

- Applicants it has significant concerns with, financial or otherwise
- Applicants that have sufficient revenue or resources to fund the initiative themselves.

Council may from time to time choose to consider applications for funding outside of these criteria.

3.1 General Grant assessment criteria

A general grant application submitted via the Community Grant Application Form available on the Council's public website will be considered for approval on the basis of alignment with the following criteria. Criteria for evaluating grant applications from specific funds are clarified in following sections:

- Does the application assist the Council to achieve its strategic direction (applicant must make specific reference to the Strategic Plan and support that reference with reasoned arguments).
- Will the grant directly benefit ratepayers/residents in the Mackenzie District? If so, how many?
- Are there any other bodies which are specifically designed to cater for these requests e.g. Creative New Zealand, Mid-South Canterbury Trust, and Lottery Grants Commission?
- Has the organisation received, or have they applied for funds from other organisations for the same project? If so, how much?
- How much of their own funds does the organisation have to put toward this request/project?
- Is the organisation/individual a non-profit body and able to accurately account for any funds granted?
- Has the organisation supplied all information on the application form including a set of accounts?
- What is the effect on the individual/organisation if the Council does not support the application?

3.2 General Grant recipient accountability

Each grant recipient must return a completed Project Completion Form showing proof of purchases and including receipts within 12 months of the receipt of the grant, or each year, if it is a multi-year grant.

Any funds not spent must be returned to Council.

4. Land Subdivision Reserve Grants

The Land Subdivision Reserve fund can be used as a source of funding the grants subject to evaluation against the following criteria:

4.1 Land Subdivision Reserve Grant assessment criteria

The Land Subdivision Reserve fund can be used as a source of funding the grants subject to evaluation against the following specific criteria:

- Funds from the land subdivision reserve will only be used for projects that have a strong recreational or open space link.
- Funds from the land subdivision reserve can only be used for projects located within the Mackenzie district.
- Council will retain sole control of the release of such funds and may impose any conditions it considers appropriate on any grant from the land subdivision reserve.
- Proposed expenditure from the land subdivision reserve in excess of \$50,000 per project will be shown in the Long Term Plan and/or the Annual Plan.
- A maximum of \$500,000 may be granted from this fund in any one year.
- The primary use of the land subdivision reserve should be for capital works or improvements, which includes land purchase.
- Maintenance of recreational facilities will be given a much lower priority, as this should generally be funded from township rates rather than the land subdivision reserve.
- All grants from the land subdivision reserve must be matched by local rates, fundraising, external grants, or a combination of these. Council retains discretion to depart from this in exceptional circumstances.
- Recreational facilities or reserve areas need not necessarily be in full Council ownership to access funds from the land subdivision reserve. However any recreational facilities or reserve areas must be available for full public use and be accessible to the community.
- All applications for funds from the land subdivision reserve will be accompanied by a management report to Council which includes the following information:
 - the amount sought;
 - the total amount in the fund at that time;
 - an estimate of likely income to the fund in the next year;
 - an assessment of whether the application or proposal complies with this policy and where it is inconsistent;
 - an assessment of other needs or projects within the district and other possible priorities for the reserve fund;
 - any other relevant information.

4.2 Land Subdivision Reserve Grant recipient accountability

Each grant recipient must return a completed Project Completion Form showing proof of purchases and including receipts within 12 months of the receipt of the grant, or each year, if it is a multi-year grant.

Any funds not spent must be returned to Council.

5. Heritage Protection Fund

This fund is available to assist and actively encourage property owners and members of the Mackenzie community to manage, maintain, preserve and enhance the heritage values of items or areas. It provides a partial contribution towards the costs of a specific project related to a building, item or place.

Applications for funding may be made in relation to any of the following within the Mackenzie District:

- Buildings, items or places currently listed in the Heritage Items Schedule as Category X, Y or Z heritage items.

- Buildings, items or places which have been approved by Council to be included in the Heritage Items Schedule as Category X, Y or Z heritage items.
- Trees or groups of trees listed in the Protected Trees Schedule.
- Archaeological sites and Waahi Tapu sites or areas as identified by the New Zealand Historic Places Trust.

5.1 Heritage Protection Fund eligibility

Preservation/Conservation Projects

Projects which will assist in caring for a feature so as to safeguard its heritage value and maintaining a feature with as little change as possible. This may include installation of mechanisms to protect against damage or decay, the covenanting of heritage features or the drafting of heritage management plans.

Enhancement/Management Projects

Projects which enhance the heritage value of a feature. This may include maintenance works on the item or its immediate surroundings, repairs, reconstruction work, restorations or stabilisation work, costs of obtaining building or resource consents and/or other professional advice.

Research & Education Projects

Projects which will provide public information on the values of heritage features and will assist in providing a greater interest, protection and management of the feature. This may include historical research, information gathering, production of educational materials, signage, education/promotion campaigns or the running of presentations, seminars or workshops.

The following will generally not be eligible for funding:

- Demolition or removal of buildings or items.
- Additions or extensions to buildings or items.
- Any other work to buildings, items or places which is not for the purpose of enhancing heritage values.

Note: the Council reserves the right to consider these types of projects for funding if appropriate circumstances exist.

5.2 Heritage Protection Fund assessment criteria

The following criteria will be used to assess Heritage Protection Fund applications:

- The significance of the feature from a heritage point of view (determined by its group listing or activity status in the District Plan).
- The primary focus of the proposed work being on the retention and/or enhancement the feature and its heritage values.
- The contribution of the work to the long term viability of the heritage feature.
- Whether the project will provide new information about the heritage feature and will assist in public interpretation and understanding of the feature.
- Public accessibility to the building, item or place.
- The amount of money available in the fund and the need for equitable distribution.

5.3 Heritage Protection Fund allocation

The Council will allocate \$5,000.00 to this fund each financial year. An application may be made at any time, however, funds will be allocated biannually at the formal Planning and Regulatory Committee meetings for a maximum of \$2,500 per meeting.

Any funding not allocated at the 6-monthly meeting will be transferred to the next 6-monthly meeting for allocation.

Each individual application will be eligible for a maximum grant of \$2,500.00 or the following percentage of the sum required, whichever is the lesser:

- Category X items – 75%
- Category Y items – 60%
- Category Z items – 45%
- Protected Trees – 50%
- Archaeological or Waahi Tapu Sites – 50%

The Planning and Regulatory Committee may choose to allocate a lesser amount than the maximum specified to a project which does not meet all relevant criteria specified above, or may decline funding all together.

5.4 Heritage Protection Fund application process

Applications may be made by property owners or organisations and must include the following information:

- Name and address of applicant.
- Address, location and legal description of the building, item or place.
- Information on the heritage significance and importance of the building, item or place.
- Current use of the building, item or place.
- Description of the project proposed for which funding is sought.
- Reasons why or how this work will meet the relevant criteria.
- Reasons why financial assistance is requested and whether any other funding application have been made or considered.
- Detailed quotes and breakdown of costs of the parts of work the funding would apply to.
- The amount requested from the fund.
- Whether the applicant is prepared to legally protect the building, item or place.

An application form is available from the Mackenzie District Council.

5.5 Heritage Protection Fund recipient accountability

All applications received will be considered by the Council at the next available meeting after the application is received and applicants will be notified in writing of the decision.

Approved funding is paid as a reimbursement once the work has been inspected and confirmed to be of a professional standard by a suitably qualified person and the applicant has returned a completed Project Completion Form showing proof of purchases and including receipts.

Any funds not spent must be returned to Council.

6. Genesis Tekapo Township Grant

Genesis Energy Ltd has an agreement with Mackenzie District Council in relation to water rights (Agreement in relation to water rights) and provides funding to Council annually under this agreement for the promotion of Tekapo Township.

Funding of up to \$10,000 per year is contestable via a grants application and assessment process administered by the Mackenzie District Council and the Tekapo Community Board.

On receipt of applications, and confirmation of funds available the Tekapo Community Board will assess the applications and make recommendation to the Council for approval at a Council meeting. Council staff will administer the process.

6.1 Genesis Tekapo Township Grant assessment criteria

Grant applications received within the published timeframes and on the mandated application form are evaluated by the Tekapo Community Board according to the following criteria:

- Does the application assist the Council to achieve the object of the grant? How will it promote Tekapo Township?
- Who the grant directly benefit? Will it benefit ratepayers/residents in the Tekapo Township? If so, how many?
- Are there any other bodies which are specifically designed to cater for these type of requests e.g. Mid-South Canterbury Trust, and Lottery Grants Commission?
- Has the organisation received, or have they applied for funds from other organisations for the same project? If so, how much?
- How much of their own funds does the organisation have to put toward this request/project?
- Is the organisation/individual a non-profit body and able to accurately account for any funds granted?
- Will the project be completed within one year?
- Has the organisation supplied all information on the application form including a set of accounts?
- What is the effect on the individual/organisation if the Council does not support the application?

Funding is only available for projects completed within the year of application. Grant application must not commit Tekapo Community Board to multiple year expenditure of the grant.

6.2 Genesis Tekapo Township Grant assessment process

Each year Council will promote the Genesis Tekapo Township Grant application, assessment and notification timeframes and process.

Grants applications will be received over a four –to-six week period. Once the application receipt period has closed a committee consisting of the Tekapo Community Board will assess the applications according to the criteria and meet to recommend allocation of funds to the successful grant applicants. This recommendation will be presented to the next formal Council meeting for consideration. Allocation decisions are not final until adopted by formal Council meeting.

Grants awarded will be notified by the end of June each year.

6.3 Genesis Tekapo Township Grant recipient accountability

Each grant recipient must return a completed Project Completion Form showing proof of purchases and including receipts by the end of March the following year. Any funds not spent in the year awarded must be returned to Council.

6.4 Genesis Tekapo Township Grant Council accountability

Council must fulfil these obligations:

- To advise Genesis Energy Ltd of the grant recipients and the funds allocated each year
- To invoice Genesis Energy for the funds allocated
- Ensure grant recipients provide feedback via the Project Completion Form and make this available to Genesis Energy Ltd as necessary

7. Sport New Zealand Rural Travel Fund

Each year Sport New Zealand allocates funding to rural councils under the Rural Travel Fund scheme.

The Rural Travel Fund was launched by Sport New Zealand in response to concerns raised by Territorial Authorities about the lack of participation in sports by young people living in rural communities. The Rural Travel Fund subsidises travel for junior teams participating in local sports competitions outside of school time.

Sport New Zealand provides Rural Travel Funding to Territorial Authorities that have less than 10 people per square kilometre, and who wish to participate in the Rural Travel Fund. Those Territorial Authorities then provide the funding to junior teams, and administer the funding.

Mackenzie District Council has the responsibility of administering the grant application and assessment process. Grants are received, assessed and awarded on an annual cycle with grants awarded notified by the end of May.

Grant applications must be submitted to Council on the mandated form within the application timeframes.

7.1 Sport New Zealand Rural Travel Fund assessment criteria

Sports New Zealand determines the assessment criteria for evaluating grant applications. Current criteria are:

- Funding can only be applied to eligible teams. Eligible teams are rural sport club teams and rural school club teams, with members aged between 5 and 19 years, who require subsidies to assist with expenses from travelling to local sports competitions.
- Funding can only be provided to eligible teams to assist with eligible travel.
- Eligible travel for school club teams is travel to participate in regular local sports competitions out of school time (excluding inter-school and intra-school competitions playing during school time).
- Funding must not be provided for teams to attend regional or national events.

7.2 Sport New Zealand Rural Travel Fund assessment process

Each year Council will appoint Rural Travel Fund Committee of between four and six members from the community. Committee appointees, where possible, will have a background in community sports and/or school education.

Promotion of the Rural Travel Fund application timeframes and public process will also be initiated.

Grants applications will be received over a four –to-six week period. Once the application receipt period has closed the Rural Travel Fund Committee will assess the applications according to the criteria and meet to allocate funds to the successful; grant applicants.

Grants awarded will be notified by the end of June each year.

7.3 Sport New Zealand Rural Travel Fund promotion

Up to 5% of the funding provided by Sport New Zealand may be used to publicise the fund. All advertising, application forms and promotional material must refer to the fund as the Sport NZ Rural Travel Fund, and acknowledge Sport New Zealand's contribution.

7.4 Sport New Zealand Rural Travel Fund accountability of recipients

Each grant recipient must return a completed Project Completion Form showing proof of purchases and including receipts by the end of February the following year. Any funds not spent in the year awarded must be returned to Council.

7.5 Sport New Zealand Rural Travel Fund Council Accountability

Council must provide an annual report to Sport New Zealand by the end of each financial year that shows how the funding has been used, and what was achieved with the funding.

Council is also accountable for the following:

- Only using the funding for travel costs that arise from the team participating in a local competition, and as agreed with the relevant Territorial Authority.
- Any funds not spent (or returned as not spent from grant recipients) as at the end of June each year must be returned to Sport New Zealand unless otherwise agreed in writing.
- Project completion forms from grant recipients must be forwarded to Sport New Zealand by the end of May each year.

8. Creative Communities Scheme Grant

The Creative Communities Scheme has been initiated by the Arts Council of New Zealand (Creative New Zealand) to support and encourage communities throughout New Zealand to create and present diverse opportunities for accessing and participating in local arts activities.

The purpose of the scheme is to fund projects and initiatives that:

- Create opportunities for local communities to engage with and participate in local arts communities
- Support the diverse arts and cultural traditions of local communities, enriching and promoting their uniqueness and cultural diversity
- Enable and encourage young people under 18 years to engage with and actively participate in the arts.

Mackenzie District Council administers the scheme on behalf of the Mackenzie District accepting applications for funding twice each year and managing the assessment and grant allocation and notification process.

Grant applications must be submitted to Council on the mandated form within the application timeframes.

8.1 Creative Communities Scheme Grant eligibility

To be eligible for the Creative Communities Scheme, projects must:

- take place within the Mackenzie District
- be completed within 12 months of funding being approved
- benefit local communities
- not have started or finished before CCS funding is approved
- not have already been funded through Creative New Zealand's other arts funding programmes

8.2 Creative Communities Scheme assessment criteria

The Creative Communities Scheme high-level guidelines for assessment of applications are that projects must fulfil at least one of the following aims:

- **encourage participation** — they create opportunities for local communities to engage with, and participate in local arts activities
- **support diversity** — they support the diverse artistic cultural traditions of local communities
- **enable young people** — they enable young people (under 18 years) to engage with, and participate in the arts

Costs that can be funded include:

- materials for arts activities or programmes
- venue or equipment hire
- personnel and administrative costs for short-term projects
- promotion and publicity of arts activities.

8.3 Creative Communities Scheme ineligible criteria

Types of projects not funded from the Creative Communities Scheme are:

- fundraising activities
- developing galleries, marae, theatres or other venues or facilities
- local council projects
- projects which are mainly focused around other areas, e.g. health, education or the environment and that only have a very small arts component
- arts projects in schools or other education institutions that are the core business of that institution or that are normally funded through curriculum or operating budgets.

Costs that are not funded from the Creative Communities Scheme are:

- ongoing administration or personnel costs that are not related to the specific project
- costs for projects already started or completed
- travel costs to attend performances or exhibitions in other areas
- food or refreshment costs
- buying equipment, such as computers, cameras, musical instruments, costumes, lights or uniforms
- entry fees for competitions, contests and exams
- prize money, awards and judges' fees for competitions
- royalties
- buying artworks for collections
- debt or interest on debt.

8.4 Creative Communities Scheme assessment process

Each year the authorised Council staff member will appoint an annual Creative Communities Scheme Committee of between four and six members from the District. Committee appointees, where possible, will have a background in the arts, community events and/or school education, and represent a range of arts practices.

Council will schedule at least two funding rounds each year and promotion of the Creative Communities Scheme application timeframes and the public application process will also be initiated.

Grants applications will be received over two four week periods. Once the application receipt period has closed the Creative Communities Scheme Committee will assess the applications according to the criteria and meet in the month following the receipt of applications to allocate funds.

Grants awarded will be notified within two weeks of the meeting of the committee.

8.5 Creative Communities Scheme accountability of recipients

When a funded project is completed each funding recipient must complete a Project Completion Report. This must be completed and returned to Council within two months of the project being completed. Each grant recipient must return a completed Project Completion Form showing proof of purchases and including receipts by the end of February the following year. Any funds not spent in the year awarded must be returned to Council.

Any promotional material for projects funded under this scheme must include acknowledgement of the assistance of the scheme on any promotional material, using the local Creative Communities Scheme logo.

8.6 Creative Communities Scheme accountability of Council

Mackenzie District council's commitment under the Creative Communities Scheme is to meet the following requirements:

- No less than 5% and no more than 10% of any annual allocation of funding is used to promote the scheme in that year
- Carry over no more than 15% of the previous year's unspent allocation (and allocate any unspent funding in the first funding round of the next year)

- Provide a funding report within 8 weeks of each funding round closing date
- Ensure funding recipients complete and return a Project Completion Report

9. Bruce Scott Memorial Prize

The Mackenzie District Council recognises the contribution of the late Bruce Scott by way of an annual prize to be awarded to a senior secondary student, resident of the Mackenzie District, who best exhibits sustained effort and application in all that they do and who always demonstrates good citizenship, practical skills and leadership potential.

Bruce Scott was brought up and farmed on Godley Peaks Station for many years and was a former Councillor, County Chairman and the inaugural Mayor of the Mackenzie District.

The prize, which will be awarded annually at a meeting of the Council in December, will consist of book vouchers up to the value of \$250.

9.1 Bruce Scott Memorial Prize eligibility

Senior secondary school students who meet the following criteria are eligible to apply:

- A student of Twizel Area School, or
- A student of Mackenzie College, or
- A student who resides in the Mackenzie district

9.2 Bruce Scott Memorial Prize assessment criteria

Applications will be evaluated against the following criteria:

- Academic ability
- Attitude to independent study
- Personal behaviour and social maturity (including use of drugs and alcohol)
- Ability to be self-reliant
- Ability to relate to and show concern for others
- Self-discipline
- Contribution to school life
- Motivation towards Tertiary Study
- Suitability for intended course

9.3 Bruce Scott Memorial Prize allocation process

Each year Council will promote the prize application timeframes and the public application process. Applications will be received for 4 weeks in October, assessed by Council during November, and the prize will be awarded at a Council meeting in December each year.

10. Mackenzie County Scholarship

The Mackenzie County Scholarship Trust Board is responsible for managing and maintaining the fund and for evaluating and awarding the annual grants.

Council supports the Mackenzie County Scholarship Trust Board and the Scholarship by providing management of the promotion and application process.

10.1 Mackenzie County Scholarship eligibility

Eligibility criteria are established and authorised by the Mackenzie County Scholarship Trust Board. In principle Scholarship application is open to school students meeting the following criteria:

- Attending Mackenzie College, Fairlie
- Attending Twizel Area School, Twizel
- Who are residents of the Mackenzie District, or one of whose parents (or the student's principal guardian/caregiver) is a permanent resident of the Mackenzie District

The Trust has Scholarships available for the first year tertiary education of post Year 12 NCEA Level 2 level.

Details of the scholarships and application forms are available from:

- Mackenzie College
- Twizel Area School
- Mackenzie District Council Offices in Fairlie and Twizel
- Mackenzie District council Website

10.2 Assessment process

Applications are forwarded to the Mackenzie County Scholarship Trust Board for assessment and the awarding of the scholarships.

11. Clarification and Breaches**11.1 Clarification**

Clarification regarding this policy can be sought from the Mackenzie District Council General Manager Corporate Services.

11.2 Breaches

The Mackenzie District Council General Manager Corporate Services is responsible for monitoring compliance with this policy. Failure to comply may be considered misconduct and may result in disciplinary action.

11.3 Exceptions

The Mackenzie District Council General Manager Corporate Services (being the policy owner) will need to authorise any deviations from this policy.

12. Appendix A – Implementation of this Policy

The following table summarises the annual calendar of the various community grants. Note that this is a template only and actual dates will be managed by the grants administrator.

5.1 Calendar of Grant events

Grant	Date	Task	Owner
General Council Grant	<on receipt of application>	Assess application and prepare recommendation report for Council	TBA
	<on receipt of application>	Enter in Grant Register and follow up for Project Completion Report	
	12 months from awarding of grant	Follow up recipient for Project Completion Report and update register	
Land Subdivision Reserve Grant	<on receipt of application>	Assess applications and prepare recommendation report for Council	
	<on receipt of application>	Enter in Grant Register and follow up for Project Completion Report	
	12 months from awarding of grant	Follow up recipient for Project Completion Report and update register	
Heritage Protection Fund	September and April	Promote grant	
	allocated biannually at the formal Planning Committee Hearings in October and May	Assess applications and prepare recommendation report for Council committee	
	12 months from awarding of grant	Follow up recipient for Project Completion Report and update register	
Genesis Tekapo Township Grant	March	Promote grant	
	April - May	Grants applications will be received over a four –to-six week period during April and May	
	May	Prepare recommendation report for Tekapo community Board	
	May - June	Present recommendations to the next council meeting and update register with grants awarded	
	12 months from awarding of grant	Follow up recipient for Project Completion Report and update register	
	June	Grants awarded will be notified by the end of June.	

Sport NZ Rural Travel Fund	February	Review public forms and update and republish as required	
	February	Appoint committee	
	February	Schedule Grant promotions	
	March-April	Receive applications	
	May	Rural Travel Fund Committee meets to assess applications	
	May	Grants awarded will be notified by the end of May	
	June	Provide an annual report to Sport New Zealand by the end of June	
Creative Communities Scheme Grant	July	Appoint committee	
		Schedule at least two funding rounds each year	
	September	Promotion of the Creative Communities Scheme application timeframes	
	October	Receive grant applications over 4 weeks	
	November	Schedule Creative Communities Scheme Committee to assess the applications and award grants	
	November	Enter in Grant Register and follow up for Project Completion Report	
	December	Notify grants awarded	
	March	Promote grant	
	April	Receive grant applications over 4 weeks	
	May	Schedule Creative Communities Scheme Committee to assess the applications and award grants	
	May	Enter in Grant Register and follow up for Project Completion Report	
	June	Notify grants awarded	
	September	Promote grant	
	October	Receive applications for 4 weeks	

Bruce Scott Memorial Prize	November	Assess application and prepare recommendation report for Council	
	December	Grants awarded at council meeting	
	December	Notify grants awarded and enter in Grant Register	
Mackenzie County Scholarship	September	Promote grant	
	November	Receive grant applications over 4 weeks	
	November	Forward to Scholarship Trust for assessment and awarding of grants	
	December	Notify grants awarded and enter in Grant Register	



Mackenzie District Council

Privacy Policy

STATUS:	Draft
VERSION:	20200310
POLICY OWNER:	GM Corporate Services
POLICY APPROVER / S:	Chief Executive Officer, Mackenzie District Council
DATE:	2020-03-10

“Fostering Our Community”

PRIVACY POLICY

Purpose	The purpose of this policy is to outline how Mackenzie District Council, its employees and contractors will comply with good practise, transparency and accountability including the relevant requirements of the Privacy Act 1993 for the collection, recording and handling of public, personal and official information.
Key Points	<p>Mackenzie District Council respects and protects the privacy of all people we deal with and who provide us with information. This policy sets out our approach to the privacy of personal information and is based on the principles expressed through the Privacy Act 1993.</p> <p>This policy provides guidelines for the collection of personal information in general, including the operation of surveillance cameras, drones and other visual images collected by Council and the management of other personal information collected.</p>
Scope	
Date of Issue	XX xx, 2020
File Retention	Mackenzie District Council Laserfiche – Organisational Policies section
Review	Every two years at the anniversary date

RELATED DOCUMENTS / WEBSITES

Related Council policies and documents include:

- Information Management Policy

Relevant legislation and other resources includes (but is not limited to):

- Local Government Act 2002 and the Local Government Act Amendment Act 2014
- Local Government Official Information and Meetings Act 1987
- Privacy Act 1993
- Privacy-and-CCTV-A-guide-October-2009 (from Privacy Commissioner)
- Public Records Act 2005

1. Definitions

Authorised Council Officer: a member of staff of the Mackenzie District Council, who has been delegated authority to monitor and have direct access to recordings from surveillance and/or drone-based cameras and has been made aware of their obligations under the Privacy Act 1993 regarding the confidentiality and appropriate use of surveillance camera services and recordings. The Privacy Officer is considered to be an authorised council officer.

Council Controlled Organisation: means any company with a majority council shareholding, or a trust or similar organisation with a majority of council-controlled votes or council-appointed trustees, unless designated otherwise.

Criminal Activity: means any violation of the law where a person is liable to punishment for a criminal offence. A criminal act often threatens and harms public safety, property and/or welfare.

Drone (or UAV): A drone or unmanned aerial vehicle (UAV) is an aircraft without a human pilot on board, commonly used to capture aerial geographic images.

LGOIMA Request: A request is made by a person asking for access to official information a local authority holds. This means that the person receiving the request must be reasonably able to identify the information requested. The Local Government Official Information and Meetings Act 1987 describes the statutory requirements.

Other Visual Media: Data or information in the form of visual representations such as photographs or film footage, but excludes surveillance camera recordings.

Personal information (or Personal data): This means any information about an individual from which that person can be identified. It does not include data where the identity has been removed (anonymous data).

Public Spaces: spaces that are completely accessible to the public, such as streets, footpaths and public reserves.

Semi-Public Spaces: spaces that (even if privately owned) are accessible to the public during opening hours, or sometimes even when the business is closed e.g. a petrol station forecourt.

Privacy Officer: a member of staff of the Mackenzie District Council who has been delegated the responsibilities under section 23 of the Privacy Act 1993.

2. Policy

Personal privacy is important to Mackenzie District Council (referred to in this Privacy Policy as “we”, “our” or “us”). This Privacy Policy governs our collection, use and disclosure of personal information (as defined in the Privacy Act 1993 (Privacy Act)) and has been prepared in accordance with the obligations and rights set out in the Privacy Act.

2.1 Communications or Use of Services

The personal information Council collects may include the name, date of birth, addresses, email address, telephone numbers, gender, information on the use of our services or facilities and any other information provided in connection with, or specifically related to communications with Council, or use of Council’s services or facilities.

Council may collect personal information when an individual or someone acting on their behalf provides information directly. For example:

- Applying for employment
- Corresponding, whether in person, by letter, phone, text, email, instant messages or other means of electronic communication

- Completing and submitting forms provided by Council for applications for consents, licences, approvals, permits, funding or other authorisations or for the use of any services or facilities, including signing up for and using our online services and apps, such as our online payment services
- Providing a written submission, request or other feedback in relation to applications for consents, licences, approvals, permits, funding or other authorisations, or in relation to any form of draft or proposed plan, policy, bylaw or other document
- Use any of our services or facilities
- Subscribing to any of our newsletter or update services
- Following or posting comments in response to our social media or other facilities such as Facebook, Twitter, LinkedIn, YouTube, etc.

2.2 Recording Information Requested

Council may keep a record of any information acquired from a request or other communication.

2.3 Phone Calls

Council may monitor and record phone calls made to or by Council for quality control or staff training purposes. If an inbound or outbound call is to be monitored and recorded, this will be disclosed at the time of the call.

2.4 Information from other Organisations

Council may collect personal information from other organisations, entities or persons, such as:

- Related organisations including Council Controlled Organisations
- Our suppliers, which include organisations such as:
 - Land Information New Zealand
 - QV
 - Solicitors/conveyancers
- The New Zealand Police, credit reporting agencies and other organisations, entities and persons where you have expressly authorised them to provide us with information.

2.5 Website Access

Council may use technology solutions such as “cookies” to provide website visitors with better access to tailored information and services on the websites.

Our internet service providers may also make a record of website visits and log information for statistical purposes. This information is only analysed on a bulk basis for broad demographic content. Individual use is not analysed. We do not attempt to identify users or their browsing activities unless they choose to give us personal information while using our website.

2.6 Surveillance Cameras

Surveillance cameras such as “Closed Circuit Television” (CCTV) may be used in particular areas to monitor passenger and traffic movements, secure facilities such recreation centres, and monitor public places in order to help reduce crime and anti-social behaviour and to promote community safety.

Signage advising of CCTV equipment will give notice of areas covered by such equipment. Surveillance camera recordings will only be viewed by authorised people in accordance with the purpose noted above or for the purposes of regularly checking the system is operational. No attempt is made to identify individuals from surveillance camera recordings except in relation to a reported or suspected incident requiring investigation (see the following Section 3. for further policy detail about surveillance camera operation and management).

2.7 Use of Information Collected

The personal information that we collect may be used for any of the following purposes:

- To provide services or facilities, including those requested and assisting Council provide such services or facilities
- To positively confirm identity. This is to avoid inappropriate release or use of information
- To respond to correspondence or to provide information requested
- To process an application for any consent, licence, approval, permit or other authorisation applied for
- To process an application to use or to register for any of our services or facilities, including online services
- To process payments received by, or made by council
- To respond to requests, enquiries or feedback, or for customer service-related activities
- To provide information about our events, news, services or facilities
- To comply with relevant laws and regulations
- To carry out activities connected with the running of our business or operations such as personnel training, or testing and maintenance of computer and other systems
- For any specific purpose which we notify you of at the time your personal information is collected
- For general administrative and business purposes.

2.8 Sharing Information

Council may disclose personal information to:

- Any person engaged by the council to provide products or services, where that information is necessary for the provision of those products or services
- Council Controlled Organisations, in order to assist with the functions and services that they provide
- A third party if we are required to do so under any laws or regulations, or in the course of legal proceedings or other investigations. This may include sharing surveillance camera recordings with the New Zealand Police or other public sector agencies where criminal activity is reported or suspected. The New Zealand Police may also access live feeds from certain surveillance cameras from time to time, for law enforcement, investigation and emergency response purposes.

- Any person authorised by the information owner to disclose that personal information to
- Any person, if that information is held in a public register, e.g. information held on property files or the rating information database.

2.9 Security and Accuracy

Council will take reasonable steps to ensure personal information is:

- Protected against loss, damage, misuse and unauthorised access. Access to personal information is restricted to those individuals who need access to this information to performing our duties and obligations
- Accurate, up to date, complete, relevant, and not misleading.

2.10 Retaining Information

Council may retain all personal information that we collect (on both our active systems and our archive systems), for as long as administratively necessary, in accordance with the council's information retention and disposal schedule.

The Public Records Act 2005 requires Council to retain "protected records" indefinitely. In some circumstances, your personal information may be included within a protected record, including submissions you make in relation to bylaws, annual plans, and district or regional planning instruments.

2.11 Accessing and Correcting Personal Information

Members of the public may request confirmation of whether or not Council holds any personal information and may request access to such information by emailing us at info@mackenzie.govt.nz or otherwise contacting us. Once the identity of the requestor has been verified Council will provide confirmation and access unless one of the grounds for refusal to do so under the Privacy Act applies.

Members of the public may request that the personal information held by Council be corrected by emailing us at info@mackenzie.govt.nz. If Council agrees that the personal information is to be corrected an amended record will be provided if requested.

Rights of access to and correction of any personal information Council holds are subject to the procedures set out in the Privacy Act.

3. Surveillance Cameras (fixed or via Drones)

The Council's aim through the use of surveillance or aerial photography cameras (via CCTV (Closed Circuit Television System or drones) is:

- to improve safety for staff, our contractors and the public
- to deter potential vandalism and damage
- to assist in council by-law enforcement
- to assist in enhancing the operational effectiveness and safety of Council facilities and services
- to use, where appropriate, for law enforcement purposes

This policy applies to the on-going use of the systems (cameras, recording and viewing equipment) and data, whether on site or elsewhere, to ensure compliance with the Privacy Act 1993 (the Act) and other legislation. It is important that the system design, use and management complies with relevant sections of the Privacy Act and that recorded data is managed diligently. Compliance with the Act is necessary as surveillance camera recordings may include information covered by that Act.

3.1 Monitoring

The recording devices/servers for surveillance cameras (including drone footage) are to be installed in a secure location as agreed upon with the Authorised Council Officer. Only persons trained and authorised are allowed access to recorded camera footage stored in this location.

All footage is kept for the duration of the intended purpose and then the data is overwritten as part of the recording process, unless it is exported for evidential purposes.

Live streaming camera monitoring is restricted to locations where it is necessary, depending on the purpose of the camera.

Council reserves the right to have remote access to all footage created by Council owned cameras.

Where cameras are monitored via a mobile device (such as a smartphone, tablet or similar device) an Authorised Council Officer shall ensure that no unauthorised person has the ability to view the device.

3.2 Signage of Cameras

Public signs identifying a surveillance area will be clearly displayed within the vicinity of the cameras to notify the public that a camera is or may be in operation and to act as a crime deterrent. The erection and maintenance of the signs is the responsibility of the Mackenzie District Council.

Public notices will be placed in local newspapers at the time the system is about to start operating and at regular intervals during the life of the system to ensure that the public is aware that surveillance cameras are operating. Public notices will also be issued in local newspapers to inform the public of any changes to surveillance camera systems.

3.3 Camera Coverage

All Council facilities, premises and areas may at some point in time be monitored by surveillance cameras, the exceptions being listed below:

- Surveillance camera coverage will not include private areas within public spaces and facilities (e.g. changing rooms)
- Camera coverage will not be directed at private property except unavoidably as part of a wide angle or long shot while panning past.
- Authorised staff and contractors will select and place the surveillance camera equipment to meet the stated purposes. Servicing of the equipment and checking recording quality will be attended to as required.

Generally, unless there is sufficient justification for doing so (e.g. reasonable suspicion that an offence is taking place) cameras will not:

- Track or zoom in on any member of the public

- Be focused on entranceways to buildings or be directed to look through windows into buildings
- View into private spaces that lie alongside the public or semi-public spaces under surveillance by the system (except as part of a wide angle or long shot or while panning past them).

3.4 Secure Storage of Surveillance Camera Recordings

All information collected from surveillance cameras will be stored securely. All footage is kept for up to two months and then the data is overwritten as part of the recording process, unless it is required for evidential purposes or if the footage must be retained as an archive in accordance with the Public Records Act 2005.

- Access to the Council's surveillance camera services is protected by a password.
- A log of access to surveillance camera recordings will be maintained by Authorised Council Officers.
- Geo-spatial aerial images from drone cameras are not regarded as surveillance camera recordings and are outside the scope of this Policy.

3.5 Expansion of the Surveillance services

Requests and proposals for the expansion of the current surveillance camera services are to be directed to the Mackenzie District Council. The following shall be considered when assessing any request or proposal for expansion of the current system:

- Alignment with the purpose of the surveillance service as outlined in this policy
- The crime statistics and proposed benefits for locating a camera at the proposed area
- How well the existing system is working and whether there is a need for review or audit of the system
- Costs involved in extending the system
- Potential funding options
- The priority of installation
- The council's LTP and budget implications
- The Privacy Act 1993

Before making a decision Council will also consider any affected parties to the application and undertake necessary consultation to gather all views to make a robust decision. Ultimately Council having received all the information, including any cost benefit analysis, may approve, decline or approve in part the proposal.

3.6 Access and Use of Surveillance Camera Recordings

Any formal written request by an individual to view recordings related to them will be referred to the Privacy Officer for consideration. Any such request will be limited by the ease of access to the recordings and by the need to protect other people's privacy. If a request to view the recordings is unable to be granted without unreasonably breaching others' privacy, a written description may be provided of what they are doing in the footage. Any such request will be responded to within the terms of the Official Information Act and LGOIMA Requests (see Information Management Policy for further guidance).

The Privacy Officer and the Customer Services Manager will allow access only of relevant surveillance camera recordings to:

- Authorised staff of Mackenzie District Council.
- Contractors on site specifically to work on the surveillance camera equipment at the request of the Customer Service Manager or the Privacy Officer
- New Zealand Police or other public sector agency such as the Privacy Commissioner
- Individuals who have formally requested information at the authorisation and direction of the Privacy Officer and within the terms of a LGOIMA Request.

3.7 Access by Elected Members, Council Staff and Contractors

Only authorised council officers have direct access to the Council's surveillance camera services and recordings. Authorised council officers are specific officers that have been granted access through delegations by the Chief Executive Officer of the Council. **These delegations are contained in the Council's Delegations Manual.**

An authorised council officer may review any relevant surveillance camera recordings for monitoring purposes or in response to an event/incident.

Surveillance camera recordings can only be viewed by elected members, council contractors and council staff (that are not authorised council officers) if viewing that footage is relevant to their role within the Council and is in accordance with the purpose/s for the operation of the surveillance camera service.

Where an elected member, council employee or a council contractor has concerns about health and safety matters or compliance with Council regulations which may have been captured by a camera, they should in the first instance report the matter to the Council for authorised council officers to investigate.

The manner in which council officers access surveillance camera recordings will be audited to ensure access is only being used for its intended purposes. Any confirmed breach of access to the Council's surveillance camera services and recordings will be treated as non-compliance with the Council's workplace standards and subject to disciplinary action.

3.8 Access by NZ Police, Courts and Public Sector Agencies

The New Zealand Police may be provided access to surveillance camera services and recordings. Any criminal activity captured by the Council's surveillance camera services may be forwarded by authorised officers to the New Zealand Police for investigation.

In accordance with the Act any surveillance camera recordings will be made available to the Police, a court or tribunal proceeding, or a public sector agency where it is necessary to uphold the law.

3.9 Access Requests from other parties

The general public and media shall not have access to any surveillance camera recordings, unless a person is requesting to access footage of themselves.

Any person may request to access surveillance camera recordings of themselves, but this request will be assessed in accordance with the Act, and will follow the LGOIMA Request process (see Information Management Policy for further details). In particular the request will be assessed in relation to the

ability to readily retrieve the footage and to maintain the privacy of any other identifiable individual in the footage.

If a request to view the footage cannot be granted by an authorised council officer a written or oral description may be provided of the footage.

Where a member of the public believes a crime has been committed which may have been captured by a camera, they should in the first instance report the matter to the Police. Where a member of the public has concerns about health and safety matters or compliance with Council regulations which may have been captured by a camera, they should in the first instance report the matter to the Council for authorised council officers to investigate.

4. Other Visual Media

The Council may collect personal information in the form of other visual media, for the following purposes:

- For use in various documents of the Council and on the Council's website, including but not limited to planning documents, maps and promotional material
- To monitor the state of Council assets and facilities
- To monitor and respond to civil defence emergencies and health and safety situations at Council owned assets and facilities
- To monitor compliance with Council regulations and central government legislation, including but not limited to the Building Act 2004, the Resource Management Act 2002, and the Dog Control Act 1996.

4.1 Managing Other Visual Media

Where an individual is clearly identifiable in other visual media (excluding surveillance camera recordings) collected by the Council the council officer will endeavour, where practicable, to seek permission of the individual to collect that footage/image.

The general public and the media shall not have access to any visual media held by the Council, unless a person is requesting to access footage of themselves. These requests will be handled in accordance with LGOIMA Requests (see the Information Management Policy for further details).

Other visual media will be stored in the Council's document management system which can only be accessed by employees of the Council.

5. Audio Recording

Mackenzie District Council may record Council meetings and phone calls made to or by Council employees for the following purposes:

- To provide an accurate verbatim record of meetings
- For quality control or employee training purposes

If phone calls are to be recorded, this information will be provided at the time of the call. Similarly with audio recording of meetings, Mackenzie District Council will inform attendees at the meeting outset that audio may be recorded.

Audio recordings are stored securely for up to one year from the date of recording.

6. Clarification and Breaches**6.1 Clarification**

Clarification regarding this policy can be sought from the Mackenzie District Council General Manager Corporate Services.

6.2 Breaches

The Mackenzie District Council General Manager Corporate Services is responsible for monitoring compliance with this policy. Failure to comply may be considered misconduct and may result in disciplinary action.

6.3 Exceptions

The Mackenzie District Council General Manager Corporate Services (being the policy owner) will need to authorise any deviations from this policy.

6. Appendix A – Surveillance Camera Services

The following table summarises the surveillance camera services currently deployed by Mackenzie District Council.

Camera Service	Location	Primary Purpose
Twizel Town Centre	Market Place Southern Entrance Market Place Northern Entrance Market Place Overview (camera located on top of the Council building) Council reception x 2 Post Office Boxes Market Place Public Toilets Events Centre Gym Entrance Events Centre Gym Rear Door Events Centre Sports Hall Events Centre Entrance	Visibility to the Council of vandalism, theft or general damage
Twizel Sewage Ponds	Twizel-Tekapo Road	Holding contractors accountable for correct dumping procedures



Mackenzie District Council

Property Sales and Acquisition Policy

STATUS:	Draft
VERSION:	20200310
POLICY OWNER:	GM Corporate Services
POLICY APPROVER / S:	Chief Executive Officer, Mackenzie District Council
DATE:	2020-03-10

“Fostering Our Community”

Property Sales and Acquisition Policy

Purpose	To ensure Mackenzie District Council's (MDC's) property matters are managed and undertaken in an efficient and effective manner, balancing public accountability with commercial needs.
Key Points	This policy is intended to guide Council to explore practical options for the use of property and to apply processes that are demonstrably equitable, consistent and transparent, and that comply with appropriate legislative requirements – and to obtain best value results for the Mackenzie District.
Scope	<p>The policy applies to any Council owned property (including land, building and structures) which is identified for potential sale or acquisition. The policy applies to any property or land which Council identifies as suitable to purchase for strategic or investment purposes. The policy applies to any council owned property or land which may be leased to another party.</p> <p>This policy does not apply to sale of Council plant (vehicles), equipment (machinery) or financial investments (shareholdings).</p>
Date of Issue	<i>Date policy is approved and published</i>
File Retention	Mackenzie District Council intranet Laserfiche
Review	To be reviewed every three years, or at the request of Council, or in response to changed statutory requirements, or in response to any issues that may arise

RELATED DOCUMENTS / WEBSITES

- Delegations Manual
- Asset Management Policy
- Property Management Plan
- Investment Strategy
- Significance and Engagement Policy
- Conflict of Interest Policy
- Fraud Policy
- Sensitive Expenditure Policy
- Procurement Policy
- Local Government Official Information and Meetings Act

1. Definitions

Endowed Property: Property which has been transferred to Council, either from the Crown, or private sources, for Council to hold in trust for generation of income, or for community uses. The proceeds of sale of such land is required to be used in a way consistent with the endowment.

Significance: (from the Local Government Act) means the degree of importance of the issue, proposal, decision, or matter, as assessed by the local authority, in terms of its likely impact on, and likely consequences for:

(a) the district or region:

(b) any persons who are likely to be particularly affected by, or interested in, the issue, proposal, decision, or matter:

(c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.

2. Background

Council owns a variety and extent of land and buildings to enable Council to carry out its statutory obligations and provide services and facilities to the district community at large.

There are also 'strategic' purchases made from time to time for future service uses and developments. Land and buildings not required for Council's purposes may be leased if it is unable to, or is uneconomic to, be disposed of, to obtain an income and minimise Council outgoings.

The significance of a property must be considered with regard to either sale or acquisition. Decision guidance from this policy must be considered in the context of the Significance and Engagement Policy.

The disposal of Legal Roads deemed surplus to requirements is subject to prior approval by the Engineering and Services Committee, and progress thereafter is subject to statutory process, (Local Government Act or Public Works Act).

The leasing of reserve land, including esplanade reserves, is subject to the relevant provisions of the Reserve Act, subject to the classified status of the reserve.

3. Principles

In considering any property sales or acquisitions, the Council, or their delegate, must have regard to the following principles:

- 3.1 **Statutory purpose:** Council will own property (including land, buildings and structures) where they are directly related, or necessarily incidental, to its core purpose or functions. This could include property ownership for short or long term investment as part of an investment strategy.
- 3.2 **Ownership vs. other options:** The decision whether to own property must be considered against other options (e.g. leasing, acquiring an easement etc.) in order to ensure it is an efficient and effective use of resources having regard to existing and anticipated future circumstances.
- 3.3 **Transparency:** Council property acquisition or disposal transactions should generally be conducted in an open and transparent manner, within reasonable commercial confidentiality

constraints and using consistent (public) criteria, to maintain public confidence in the expenditure of funds.

- 3.4 **Cost recovery:** Property services (e.g. housing) will be provided by Council in a manner that ensures cost recovery (where achievable) so as to avoid unreasonable cross-subsidisation by other ratepayers.
- 3.5 **Minimise whole-of-life costs:** Design and construction of new buildings will seek to ensure building costs over the entire life of the building are properly assessed so that an appropriate balance can be struck between up-front capital expenditure and on-going operational expenditure.
- 3.6 **Prudent financial management:** Council property will be managed in a financially prudent manner.
- 3.7 **Proper information:** Council will maintain a complete and up-to-date register of property, including a property management plan that enables it to make informed decisions regarding the sale and acquisition of its property.
- 3.8 **Regular reviews:** The Council property portfolio should be periodically reviewed to ensure that:
 - The purpose for which the property is held remains valid and the property continues to be fit for purpose;
 - Where property is no longer being used for its intended purpose, or cannot meet that purpose, it will be re-assessed for either disposal or used for another valid purpose.
- 3.9 **Maximise value:** The Council will seek to maximise the net value of all of its property sales for the financial benefit of its ratepayers.
- 3.10 **Measure performance:** Council will establish and maintain measures of performance to ensure it is satisfied with the levels of use and service performance levels of its properties in order to ensure strategic purchase or timely disposal or re-purposing.
- 3.11 **Bequest integrity:** Property obtained as a result of bequest or other endowment must be managed in accordance with the terms of that endowment.
- 3.12 **Significance:** The significance of a property must be considered in the decision process for both property acquisition and sale.

4. Responsibilities

Responsibility to observe this policy is primarily with Council's Property and Commercial business unit working under the direction of the Chief Executive Officer.

The following responsibilities and obligations apply:

- 4.1 Only the Council can make the decision and pass a resolution that a property is surplus and is to be sold or a property is required and is to be purchased;
- 4.2 The Council shall stipulate in their resolution to sell a property an acceptable price range;
- 4.3 The CEO (with or without support from subject matter experts), will be responsible to the Audit and Risk Committee for the terms and conditions of the sale or purchase, subject to any specific terms or conditions set down as part of the Council resolution;
- 4.4 The CEO may negotiate and enter into contracts to acquire property so long as the terms of the sale are conditional upon Council ratification at the next appropriate meeting.

- 4.5 The CEO has the power to make any amendment, change or action which is incidental to the Council resolution for the sale or purchase of land as prescribed by the Delegations Manual;
- 4.6 The CEO (with or without support from subject matter experts), will be responsible to the Audit and Risk Committee for all leases, licenses, easements, concessions and related property transactions;
- 4.7 The CEO can approve the transfer of reserve land to the Council from developers, the Department of Conservation or any other party, where that land has been identified in the Long Term Plan;
- 4.8 The Audit and Risk Committee will review all property sales, purchases and transfer transactions on, at least, an annual basis.

5. Delegated Authority

Authority for the following will be aligned with instruction in the Delegations Manual:

- Authority to sign contracts for the sale or purchase of Council land or property;
- Authority to complete property transactions;
- Definition of authority for transactions value thresholds;
- Authority to sign property transactions;
- Authority to sign contracts for the lease of council owned property.

6. Policy

6.1 Property disposal or repurposing

The following policy statements apply:

- 6.1.1 A property review will be undertaken at the time of reviewing the Council's Long Term Plan. The review will be presented to Council to confirm the need to retain property and determine if a property is surplus or underperforming.
- 6.1.2 Any recommendation to declare property as surplus (or underperforming) must consider Council's published strategic objectives, policies and/ or plans as at the time of assessment.
- 6.1.3 All land to be sold is to be valued on the basis of highest and best use by a registered valuer. The current market valuation must be completed within two months of the date of Council's decision to sell. Land to be sold must be sold for a sum not less than the current market valuation.
- 6.1.4 Land to be sold will be sold by the most appropriate sale method in each case. In the first instance, competitive open-market methods of sale will be considered and determined on merit.
- 6.1.5 Council may consider alternative methods of sale more appropriate in some circumstances, including:
- a) Land that does not comply with the development requirements of the District Plan;
 - b) Land that has no legal access;
 - c) Land to be developed by another level of government;

- d) Land identified by Council for some other use;
- e) Land of nominal value;
- f) Land for inclusion with an adjacent holding;
- g) Land that will complement a proposed development on an adjoining site consistent with Council's objectives.

6.1.6 Property should be reported to Council for disposal if:

- a) The property is a financial liability (e.g. the maintenance costs are sufficiently high that they outweigh the benefits of holding the property); or
- b) Where part of a site is attractive to an interested party (e.g. adjoining landowner has signalled their interest in purchasing the land) and the part concerned is not required for Council/Community use; or
- c) Where part of a site is attractive to an interested party (e.g. encroachment of an adjoining landowner). However, in this case, Council may consider increasing the purchase price to reflect the absence of Council being a willing seller. Alternatively the council may choose to charge the encroaching party market rent for use (encroachment) of Council land; or
- d) A property classified as part of the 'commercial' portfolio (designated to generate a positive return and offset rates) is not able to at least break even for more than two years.

6.1.7 Property disposals will be scheduled within the property asset management plan. However, should a strong need to dispose of property arise outside this process, such disposals will be escalated to Council for a decision.

6.1.8 The status of any property or land must be confirmed before any action is taken to sell, purchase or lease. Any irregularities should be identified and satisfied before proceeding with any of these processes.

6.1.9 Council owned property or land available for sale must be publicly advertised. The only exceptions shall be when a single party owns land on most boundaries of the said land, and to sell to an outside party could be seen as mischievous or unreasonable.

6.1.10 Council property will have all the appropriate Council approvals, licences and certificates of compliance.

6.1.11 The process of selling Council freehold land that has been declared surplus must be publically notified. Public notification should be guided by the obligations set out under Section 46 of the Local Government Official Information and Meetings Act.

6.1.12 Council shall have a clear and transparent procedure on the Tender process for available property or land. Tenders shall always include the clause "The highest or any other tender will not necessarily be accepted". Council shall in the first instance give full consideration to neighbours tenders for property or land so long as it does not greatly disadvantage Council.

6.2 Property Acquisition

The following policy statements apply:

6.2.1 Council's property acquisitions will follow a timely and efficient process for both internal and transactional matters, to ensure community confidence, transparency, accountability, and appropriate price / contractual terms are delivered.

6.2.2 Council property purchases will be generally identified within the Property Management Plan. However, should an opportunity to acquire property arise outside this process such acquisitions will be considered subject to Council approval, as long as:

- a) It can be shown that such a purchase is required to meet infrastructure or community needs as identified in approved Council plans; or
- b) The likely commercial return is greater than the current interest rate; or
- c) The purchase is strategically important to Council and/or the community; or
- d) The purchase aligns with the Investment Strategy

6.2.3 Council's preference will be to secure freehold ownership of property where the long-term use (generally greater than 15 years) will be necessary to meet Council's objectives.

6.2.4 Where properties are leased by Council from external parties, the tenure should reflect the specific business needs of the activity including lease term, security of tenure, appropriateness and soundness of any improvements and market conditions while being consistent with any other relevant Council policies.

7. Clarification and Monitoring

7.1 Clarification

Clarification regarding this policy can be sought from the Mackenzie District Council General Manager Corporate Services.

7.2 Monitoring

General Manager Corporate Services shall ensure that robust systems are put in place for the monitoring and recording of all property transactions within the organisation.

The policy will be reviewed every three years, or at the request of Council, or in response to changed statutory requirements, or in response to any issues that may arise.



The Mackenzie District Council

Investment Policy

STATUS:	Final Draft
VERSION:	20200417
POLICY OWNER:	GM Corporate Services
POLICY APPROVER / S:	Chief Executive Officer, The Mackenzie District Council
DATE:	2020-04-17

“Fostering Our Community”

INVESTMENT POLICY

Purpose	<p>Section 102(2)(c) of the Local Government Act 2002 (the "Act") requires the Mackenzie District Council to adopt an investment policy (the "Policy"). Section 105 of the Act outlines the contents of such a policy.</p> <p>The development of the Policy statement aligns with the Mackenzie District Council's strategy to establish a high-performing organisation with a focus on customer service, prudent financial management, quality processes, and a skilled and motivated work force.</p>
Key Points	<p>The key objectives of this policy are:</p> <ul style="list-style-type: none"> • To make and manage investments to optimise returns in the long term while balancing risk and return considerations. • To safeguard financial market investments by establishing and regularly reviewing investment parameters and ensuring that all investment activities are carried out within these parameters. • To ensure the integrity of the financial market investments by only investing in appropriately rated organisations and in appropriate financial market instruments. • To maintain relationships with financial market participants, thus enabling the Mackenzie District Council to carry out its investment activities in an efficient and practical way. • To produce accurate and timely information that can be relied on by senior management and the Mackenzie District Council for control, exposure monitoring and performance measuring purposes. • To manage potential capital losses due to interest rate movements if investments need to be liquidated before maturity.
Date of Issue	XXX xx, 2020
File Retention	The Mackenzie District Council Laserfiche – Financial Policies section
Review	Every two years at the anniversary date

RELATED DOCUMENTS / WEBSITES

Related The Mackenzie District Council policies and documents include:

- Liability Management Policy
- Property Sales and Acquisition Policy
- Risk Appetite Statement
- Risk Policy

Relevant legislation and other resources includes (but is not limited to):

- Local Government Act 2002 and the Local Government Act Amendment Act 2014

1. Definitions

Approved Financial Investment Instruments: Investment instruments available in the market (excluding equities and property) can generally be discussed under three broad categories relating to the issuer of these instruments.

1. **New Zealand Government:** Treasury bills are registered securities issued on behalf of the Government. They are usually available for terms up to a year but generally preferred by investors for 30, 60, 90 and 180 day terms. They are discounted instruments, and are available in the secondary market, although most banks hold them for liquidity management purposes.

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2. **NZ Local Government Funding Agency (LGFA):** The LGFA issues commercial paper (CP), , is issued by borrowers who usually have a credit rating and standing in the market that is sufficient to enable the CP to be issued without endorsement or acceptance by a bank. In this instance the LGFA being highly credit rated. Commercial paper is issued with maturities ranging from 30 days to one year. The common maturities are for 30, 60, 90 and 180 days. Council is restricted to investing in CP with maturities of no more than one year . CP is generally preferred over term deposits because investors can sell them prior to maturity without suffering the penalty interest costs common to term deposits. The LGFA issues bonds that are similar in structure to New Zealand Government stock/bonds.
3. **Registered Banks:** Call and term deposits are funds accepted by the bank on an overnight basis (on call) or for a fixed term. Interest is usually calculated on a simple interest basis. Term deposits are for a fixed term and are expected to be held to maturity. Term deposits are not negotiable instruments. Termination prior to maturity date can involve penalty interest costs.

Registered certificates of deposits (RCD) are securities issued by banks for their funding needs or to meet investor demand. They are registered or held on behalf of by the dealing bank. Details include, the name of the investor, face value and maturity date. They are able to be transferred by registered transfer only. RCDs are priced on a yield rate basis and issued at a discount to face value or a grossed up basis. They are generally preferred over term deposits because investors can sell them prior to maturity.

Bank Bill Mid-Market Settlement Rate (BKBM): The bank bill mid-market settlement rate as determined at 10:45am each business day on Reuters page BKBM. This is the standard rate for the settlement of interest rate swaps, forward rate agreements and interest rate caps and collars.

Borrower Notes: On occasion when The Mackenzie District Council borrows from the LGFA it will be required to contribute part of that borrowing back as equity in the form of "Borrower Notes". A Borrower Note is a written, unconditional declaration by a borrower (in this instance the LGFA) to pay a sum of money to a specific party (in this instance the Mackenzie District Council) at a future date (in this instance upon the maturity of the loan). A return is paid on the Borrower Notes. The Borrower Notes can be converted to equity at the discretion of the LGFA.

Financial institutions: Financial institutions are traditionally identified as those entities which accept funds from individuals and organisations with the objective of lending the funds obtained to other parties, or otherwise investing the funds, so as to generate returns to the entity.

Financial Instrument: A financial instrument is any contract that gives rise to both a (recognised or unrecognised) financial asset of one entity and a (recognised or unrecognised) financial liability or equity instrument of another entity.

Forward Exchange Contract: A contract to buy and sell one currency against another at a fixed price for delivery at some specified future date.

Forward points: The difference in interest rates between two currencies expressed as the exchange rate points i.e. 300 forward points is a 0.0300 adjustment to the 0.7500 NZ\$/US\$ exchange spot rate.

Forward rate agreement: An agreement between the Mackenzie District Council and a counterparty (usually a bank) protecting the Mackenzie District Council against a future adverse interest rate movement for a specified period of time (up to a year). The Mackenzie District Council and the counterparty agree to a notional future principal amount, the future interest rate, the benchmark dates and the benchmark rate (usually BKBM). This definition includes the bond forward rate agreement where the benchmark rate is the underlying government bond yield.

Interest rate options: The purchase of an interest rate option gives the holder (in return for the payment of a premium) the right but not the obligation to borrow (described as a cap) or invest (described as a floor) at a specified interest rate for a specified period. The Mackenzie District Council and the counterparty agree to a notional future principal amount, the specified interest rate, the rate-setting dates and the benchmark rate (usually BKBM). Interest rate option products include caps, floors and bond options.

Interest rate or currency collar strategy: The combined purchase (or sale) of a cap or floor with the sale (or purchase) of another floor or cap.

Interest rate swap: An interest rate swap is an agreement between the Mackenzie District Council and a counterparty (usually a bank) whereby the Mackenzie District Council pays (or receives if an investor) a fixed interest rate and receives (or pays) a floating interest rate. The parties to the contract agree notional principal, start date of the contract, term of the contract greater than one year, fixed interest rate and the benchmark rates (usually BKBM). The swap can have a forward start date directly matching the contract to the underlying investment cash flow.

Liquidity: Liquidity refers to negotiable instruments that have an underlying market where buyers and sellers are available to transact and readily convert the investment into cash.

Negotiable Instruments: These instruments can be bought and sold prior to their legal maturity date.

Spot rate: The current market rate for currencies, interest rates for immediate delivery / settlement - normally two business days after the transaction is agreed.

2. Principles

The Mackenzie District Council's philosophy is to optimise long term returns while balancing risk and return. The Mackenzie District Council's overall appetite for risk, and specific appetite for financial risk, is summarised in the Risk Appetite Statement which is reviewed annually. Under section 102 (2) of the Local Government Act 2002, the Mackenzie District Council is required to have an Investment Policy.

The Mackenzie District Council recognises that as a responsible public authority our investments should be low risk, and should be managed conservatively. Speculative investments will be avoided; however the Mackenzie District Council also recognises that lower risk generally means lower returns.

The Mackenzie District Council's financial investments are managed as a portfolio of financial assets. The primary objectives are:

- To make and manage investments to optimise returns in the long term while balancing risk and return considerations.
- To safeguard financial market investments by establishing and regularly reviewing investment parameters and ensuring that all investment activities are carried out within these parameters.
- To ensure the integrity of the financial market investments by only investing in appropriately rated organisations and in appropriate financial market instruments.
- To maintain relationships with financial market participants, thus enabling the Mackenzie District Council to carry out its investment activities in an efficient and practical way.
- To produce accurate and timely information that can be relied on by senior management and the Mackenzie District Council for control, exposure monitoring and performance measuring purposes.
- To manage potential capital losses due to interest rate movements if investments need to be liquidated before maturity.

Income from the Mackenzie District Council's investments is generally used to offset the general rate. The proceeds from a sale of an actual investment will be held by the Mackenzie District Council as a financial investment.

3. Policy Setting and Management Procedures

The Mackenzie District Council approves policy parameters in relation to investment activities. The Mackenzie District Council Chief Executive Officer has overall responsibility for the operations of the Mackenzie District Council.

The General Manager Corporate Services has financial management responsibility over the Mackenzie District Council's investments, including all treasury activity.

The Mackenzie District Council exercises on-going governance over its corporate investments. Operational management of the Mackenzie District Council's forestry investment is provided by the Mackenzie District Council Property and Commercial Business Unit.

The Mackenzie District Council Audit and Risk Committee oversees and monitors the risks arising from its treasury activities to ensure consistency with the Mackenzie District Council Long Term Plan and to evaluate the finance function's effectiveness in achieving its objectives and for monitoring compliance and performance of the Mackenzie District Council treasury activities. The Mackenzie District Council Commercial and Economic Development Committee is responsible for approving commercial and investment strategy and monitoring strategy execution.

The Mackenzie District Council is able to appoint an independent advisor to assist in the management of the financial market exposures that the Mackenzie District Council is subjected to. The scope of the appointment and the parameters within which the advisor operates, will be determined by the General Manager Corporate Services and at all times will operate within the parameters of this policy document.

The Mackenzie District Council's investments and cash management activities are managed centrally through its finance function. The finance function is broadly charged with the following responsibilities:

- To manage the Mackenzie District Council investments within its strategic objectives and ensure that surplus cash is invested in liquid and credit worthy instruments.
- To manage the impact of market risks such as interest rate risk on the Mackenzie District Council investments by undertaking appropriate hedging activity in the financial markets.
- To minimise adverse interest rate related increases on ratepayer charges and maintain overall interest revenues within budgeted parameters.
- To manage the overall cash and liquidity position of the Mackenzie District Council operations.
- To provide timely and accurate reporting of treasury activity and performance.

4. Investment Mix

The Mackenzie District Council manages a portfolio of investments comprising:

- Loan advances
- Equity investments, including corporate investments and other shareholdings
- Property investments incorporating land, buildings and a portfolio of ground leases
- Forestry investments
- Treasury investments in both short, medium and longer term liquid investments.

Guidance for each of these investment types follows.

5. Loan Advances

5.1 Nature of Investment / Rationale for Holding

In special circumstances, the Mackenzie District Council will provide loan advances for sporting, community development and other reasons. Examples of these loans have been to the Twizel Basketball Club to purchase equipment for their use in the Twizel Events Centre and also the debenture that the Mackenzie District Council previously held with High Country Health Limited, a company formed to operate the Twizel medical practice.

Interest rates are set at the average of Mackenzie District Council bond portfolio rate, recalculated annually. The Mackenzie District Council must approve all loan advances.

5.2 Disposition of Revenue

Interest is taken to the Investment Trading Account. Interest earned is allocated to the general rate.

The Mackenzie District Council approves any repayment; proceeds on repayment are used to reimburse the reserve from where it was originally taken, or otherwise are taken to the ratepayers equity account and used in achieving Mackenzie District Council strategic objectives.

5.3 Risk Management

The primary risk is that the borrower defaults on the payment of interest and principal amounts owing to The Mackenzie District Council. Where possible the Mackenzie District Council seeks security for any loans provided. All loans to sporting bodies are subject to a chattel security.

Should loan repayments go into arrears, the Mackenzie District Council takes immediate steps to retrieve the monies owing.

5.4 Management/Reporting Procedures

The Mackenzie District Council reviews performance of these investments on a regular basis to ensure objectives are being achieved and that interest and principal repayments are being made in accordance with the loan agreement.

5.5 Specific Policy

The Mackenzie District Council policy is to seek wherever possible early retirement of loans, otherwise the Mackenzie District Council intends to hold loan investments until maturity.

6. Equity Investments

Equity investments can include the following:

- investments held in Council Controlled Organisations (CCO's) or Council Controlled Trading Organisations (CCTO's)
- Shareholdings held directly
- Public/Private Partnerships
- Joint Venture Partnerships
- Local Government Shared Services

Council maintains equity investments and other minor shareholdings. Council's equity investments fulfil various strategic, economic development and financial objectives as outlined in the Long Term Plan. Equity investments may be held where Council considers there to be strategic community value.

Council seeks to achieve an acceptable rate of return on all its equity investments consistent with the nature of the investment and the stated philosophy on investments.

6.1 Nature of Investments

The Mackenzie District Council has the following equity investments:

- Mackenzie Holdings Limited (MHL)
- Alpine Energy Limited
- Downlands Water Supply Scheme

6.1.2 Mackenzie Holdings Limited - Nature of Investment/Rationale for Holding

The Mackenzie District Council established Mackenzie Holdings Limited as a wholly-owned subsidiary in 2004 charged with developing the Pukaki Airfield as an operational airfield. The operations have been transferred to the Property and Commercial Business Unit within The Mackenzie District Council with governance from the Commercial and Economic Development Committee, a committee of the Mackenzie District Council. Mackenzie Holdings Limited is not operational. It has been exempted under section 7 of the Local Government Act 2002 from the normal reporting requirements.

6.1.3 Alpine Energy Limited - Nature of Investment/ Rationale for Holding

Alpine Energy Limited was created under the Energy Companies Act 1992, the Mackenzie District Council having 2,049,870 \$1 shares representing a minority 4.9% shareholding. The company supplies electricity to the South Canterbury region and was created from the former South Canterbury Electric Power Board. The Mackenzie District Council views this investment as a strategic asset ensuring the cost effective distribution of electricity to the District.

6.1.4 Downlands Water Supply Scheme - Nature of Investment/ Rationale for Holding

The Downlands Water Supply Scheme is a Joint Venture with Timaru District Council and Waimate District Council. The Downlands Water Supply Scheme is primarily a stock water scheme which also supplies domestic drinking water to rural properties within the Timaru, Waimate and Mackenzie Districts. Mackenzie District Council has a 4% stakeholding and views this investment as a strategic asset ensuring the cost effective distribution of water to the District.

6.2 Disposition of Revenue

Any purchase or disposition of equity investments requires Council approval. Council may also acquire shares that are gifted or are a result of restructuring. Dividends received from CCOs/CCTOs and unlisted companies not controlled by Council are normally credited to general funds and help reduce general rates.

Any dividends received, and/or profit or loss arising from the sale of these investments must be recorded in accordance with appropriate accounting standards. Unless otherwise directed by Council, the proceeds from the disposition of equity investments will be used firstly to repay any debt relating to the investment and then any surplus remaining be used to reinvest in other equities, and/or used to fund approved Capex projects and/or reduce other Council debt. Interim and final dividends are taken to the investment trading account.

6.3 Acquisition of New Investments

The Mackenzie District Council will acquire equity investments in line with its strategic, economic development and financial objectives as outlined in the Mackenzie District Council Long Term Plan and on the commercial merits of the proposal. All equity investment purchases will require prior Mackenzie District Council approval.

6.4 Risk Management

Council recognises that there are risks associated with holding equity investments and to minimise these risks Council, through the relevant Council-committee, monitors the performance of its equity

investments, at least, annually to ensure that the stated objectives are being achieved. Council seeks professional advice regarding its equity investments when it considers this appropriate.

Alpine Energy is made up of a number of discrete “businesses” which operate independently of each other and which attract varying degrees of risk including electricity distribution and electrical contracting. Alpine Energy’s main business is electricity distribution where the risks are considered to be low given the high cost of replicating an electrical network. Alpine Energy manages its other business risks through separate companies, which limits its liability. Within each business the respective boards manage the operational risks.

6.5 Management/Reporting Procedures

The Mackenzie District Council approves the statement of corporate intent annually and monitors the investment through unaudited six monthly and audited annual financial statements.

6.6 Specific Policy

The Mackenzie District Council reviews its investment in Alpine Energy on an annual basis.

7. Property Investments

7.1 Nature of Investment

In addition to commercial and residential property, the Mackenzie District Council has landholdings which have been acquired in a number of ways. Any surplus land is either leased or held intending to be sold at market valuation or at an agreed value satisfactory to the Mackenzie District Council. Please refer to the Property Sales and Acquisitions Policy for definitions and processes for property identified as surplus.

7.2 Rationale for Holding

The Mackenzie District Council overall objective is to own property that is necessary to achieve its strategic plan objectives. The Mackenzie District Council reviews property ownership through assessing the benefits of continued ownership in comparison to other arrangements which could deliver the same results. This assessment is based on the most financially viable method of achieving the delivery of Mackenzie District Council services. The Mackenzie District Council generally follows a similar assessment criterion in relation to new property and land investments.

7.3 Disposition of Revenue

Property rentals are charged at commercial levels. All income including rentals and ground rent from property are taken to the property trading account and are used to offset the general rate. The Mackenzie District Council approves any disposition of property or landholdings. Sale proceeds are taken to the real estate reserve and used in achieving Mackenzie District Council strategic objectives.

Note the special status of revenue from property sales through the activities of the Pukaki Airport. This revenue is ring-fenced for future Pukaki Airport development and is not taken to the Real Estate Reserve.

7.4 Risk Management

The capital value of property and land is impacted by changes in economic and financial factors e.g. business confidence, growth, and interest rates. The Mackenzie District Council reviews the performance of its property investments through regular reporting.

7.5 Specific Policy

The property and landholdings portfolio is reviewed annually. Specific policy guidance for the sale and acquisition of property is provided in the Property Sales and Acquisition Policy.

8. Forestry Investments

8.1 Nature of Investment/ Rationale for Holding

The Mackenzie District Council has approximately 1,040 hectares of forestry plantation. The Mackenzie District Council has historically invested in forestry, as it provides diversification of Mackenzie District Council investment portfolio as well as provides good long-term inflation adjusted returns. Forestry plantations are held as long-term investments on the basis of net positive discounted cash flows, factoring in projected market prices, annual maintenance and cutting costs and discounted at Mackenzie District Council annualised cost of capital.

8.2 Disposition of Revenue

Any harvesting outside the agreed Annual and Long Term Plan requires governance approval from the Commercial and Economic Development Committee, a committee of the Mackenzie District Council. Proceeds from the disposition of forestry investments are to be applied:

- To repay district wide funded debt and/or
- To repay of community funded debt and/or
- To fund pre-approved capital expenditure items and/or
- To re-forestry existing forestry blocks and/or
- To purchase new forestry blocks or purchase new and/or
- To purchase treasury investments from which interest accrued is to be used for general purposes and/or
- To offset the general rate by Council resolution.

Income from the Council's forestry operation is reinvested in forestry through a separate Forestry Reserve. A dividend is payable to Council at any agreed time that does not affect the viability of the forestry operation. Expenditure in maintaining the forestry investment is expensed in the year it is incurred.

8.3 Risk Management

The most significant risk relates to product price returns, which are dependent on world markets. This means that forestry returns are dependent on commodity prices and carbon markets driven by other countries. Where there is a short-term downward spike in international stump prices, the Mackenzie District Council will defer harvesting until such time as it becomes economically viable.

8.4 Management and Reporting Procedures

The investment is managed by the Property and Commercial Business Unit with governance from the Commercial and Economic Development Committee. A forester and forest manager are employed on contract to report on the plantation management regime and report to the Property and Commercial Business Unit Manager on a regular basis.

8.5 Specific Policy

As long as investing in forestry remains financially viable, the Mackenzie District Council intends to retain its forestry investment and harvest when stump value is maximised.

9. Treasury Investments

9.1 Nature of Investment

The Mackenzie District Council invests in approved financial assets, which excludes dealing in shares. The Mackenzie District Council invests in the following financial instruments:

- Government investments,
- New Zealand Registered bank investments,
- Local Authority investments.

- State Owned Enterprises (SOE) investments,
- Corporate investments
- Financial Institution investments

9.2 Rationale for Holding

The Mackenzie District Council primarily holds financial investments to earn revenue used in the reduction of general rates. The Mackenzie District Council also maintains a portfolio of financial investments for the reason of:

- Investing proceeds from the sale of assets,
- Investing amounts allocated to general and special fund reserves e.g. disaster reserve,
- Investing funds allocated for approved future expenditure, and
- Investing surplus cash and working capital funds.

9.3 Disposition of Revenue

Interest is taken to the investment trading account. Interest earned is allocated to the general rate. Financial investments are normally held to maturity date.

9.4 Investment Objectives

The Mackenzie District Council primary objective when investing is the protection of its investment. Accordingly, only credit worthy counter parties are acceptable. Credit worthy counter parties are selected on the basis of their S&P Global Ratings (S&P) ratings, or the Moody's Investor Services ("Moody's") or Fitch Ratings ("Fitch") equivalents. Credit ratings are monitored on a quarterly basis by the General Manager Corporate Services from updated advice from the Mackenzie District Council investment advisors. Please refer to the table in Appendix A – Authorised Investment Criteria for Financial Market Investment Activities for guidance on credit rating thresholds for specific asset classes.

The following principles capture the above objectives:

9.4.1 Credit Risk

Credit risk is minimised by placing maximum limits for each broad class of non- Government issuer, and by limiting investments to local authorities, registered banks, strongly rated SOEs, corporates and Financials within prescribed issuer and portfolio limits. These are detailed in the authorised investment criteria for financial market investment activities.

9.4.2 Liquidity Risk

Liquidity risk is minimised by ensuring that all investments must be capable of being liquidated in a readily available secondary market. Furthermore, the Mackenzie District Council requires that the duration of their portfolio must be within a range of 25% shorter or longer than the benchmark portfolio set in conjunction with their investment adviser (refer to benchmarking as part of this investment policy). Compliance with this requirement is not necessary if the nominal value of the portfolio is less than \$5.0 million.

9.5 Interest Rate Risk Management

The Mackenzie District Council investments give rise to a direct exposure to a change in interest rates, impacting the return and capital value of its investments. The General Manager Corporate Services determines the appropriate interest rate profile to adopt for investments, after reviewing on a regular basis, cash flow forecasts incorporating plans for approved expenditure and strategic initiatives, monitoring the interest rate markets, evaluating the interest rate outlook and seeking appropriate advice where necessary.

The General Manager Corporate Services implements an interest rate risk management strategy by using risk management instruments to protect investment returns and to change interest rate and maturity profiles. The use of interest rate risk management instruments must be approved by Council.

9.6 Management and Reporting Procedures

The General Manager Corporate Services develops the investment strategy. During the annual budget round the General Manager Corporate Services recommends a formal investment strategy to the Chief Executive Officer. Thereafter, the General Manager Corporate Services implements the investment strategy on an ongoing basis, taking into account cash flow forecasts, the outlook for interest rates and credit spreads, the shape of the yield curve and where necessary seeks appropriate advice.

9.7 Benchmarking

The Mackenzie District Council measures the performance of the investment portfolio by benchmarking the performance of the portfolio against the performance of an appropriate external benchmark portfolio. This provides the Mackenzie District Council with an indication as to the effectiveness and suitability of the current investment parameters and the manner in which the parameters are being implemented at an operational level. Compliance with this requirement is not necessary if the nominal value of the portfolio is less than \$5.0 million.

9.8 Specific Policy

The Mackenzie District Council reviews its investments portfolio annually and manages the portfolio according to the objective performance measures determined during the annual budget round.

9.9 Counterparty Exposure Limits

Council ensures that all financial investments and interest rate risk management is undertaken with institutions that are of high quality credit to ensure amounts owing to The Mackenzie District Council are paid fully and on due date. This does not limit The Mackenzie District Council investing in other assets, other than financial investments.

9.10 More specifically, The Mackenzie District Council minimises its credit exposure by:

- Transacting with entities which have a strong credit rating,
- Limiting total exposure to prescribed amounts and portfolio limits, and
- Timely and rigorous compliance monitoring.

(See Appendix A below "authorised investment criteria for financial market investment activities" for a summary of credit requirements and limits.)

9.11 Foreign Exchange Policy

The Mackenzie District Council does not borrow or enter into incidental arrangements within or outside New Zealand in currency other than New Zealand currency.

9.12 Cash Management

From time to time, The Mackenzie District Council has cashflow surpluses and borrowing requirements due to the mismatch of daily receipts and payments. All cash inflows and expenses pass through bank accounts controlled by the finance function. Cash management activities must be undertaken within the following parameters:

Cash management instruments are limited to:

- Call deposits with registered banks.
- Negotiable instruments with a maturity not more than three months at the time of inception.
- Term deposits with registered banks.

Cash may only be invested with approved counterparties as detailed below.

- If practical, a targeted minimum of \$250,000 is invested at call.
- An optimal daily range of no more than \$100,000 is targeted for in The Mackenzie District the Mackenzie District Council current account.

Interest rate risk management on cash management balances is not permitted.

10. Local Government Funding Agency (LGFA)

Despite anything earlier in this Policy, the Mackenzie District Council may invest in shares and other financial instruments of the New Zealand LGFA and, may borrow to fund that investment. The Mackenzie District Council objective in making such investment will be to:

- Obtain a return on investment; and
- Ensure that the LGFA has sufficient capital to become and remain viable, meaning that it continues as a source of debt funding for The Mackenzie District Council.

Because of the dual objective, the Mackenzie District Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternate investments.

If required in connection with the investment, the Mackenzie District Council may subscribe for un-called capital in the LGFA.

11. Clarification and Breaches

This policy represents the formal policy and expected standards of the Mackenzie District Council. Appropriate approvals need to be obtained prior to any deviation from the policy.

Elected Members and employees are reminded of their obligations under the Mackenzie District Council Code of Conduct to give full effect to the lawful policies, decisions and practices of the Mackenzie District Council.

11.1 Clarification

Clarification regarding this policy can be sought from the Mackenzie District Council General Manager Corporate Services.

11.2 Breaches

The Mackenzie District Council General Manager Corporate Services is responsible for monitoring compliance with this policy. All identified breaches will be escalated to the Chief Executive Officer and the Manager People and Culture, and will be treated as misconduct which may result in disciplinary action.

11.3 Exceptions

The Mackenzie District Council General Manager Corporate Services (being the policy owner) will need to authorise any deviations from this policy.

12. Appendix A – Authorised Investment Criteria for Financial Market Investment Activities

Table 1: Authorised Investment Criteria for Financial Market Investment Activities

Authorised Asset Classes	Overall Portfolio Limit as a Percentage of the Total Portfolio	Approved Financial Market Investment Instruments (must be denominated in NZ dollars)	Credit Rating Criteria – Standard and Poor's (or Moody's or Fitch equivalents)	Limit for each issuer subject to overall portfolio limit for issuer class
New Zealand Government	100%	<ul style="list-style-type: none"> Government Stock Treasury Bills 	Not Applicable	Unlimited
Rated Local Authorities	70%	<ul style="list-style-type: none"> Commercial Paper Bonds/MTNs/FRNs 	Short term S&P rating of A1 or better Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA- or better	\$3.0 million \$1.0 million \$2.0 million \$3.0 million \$4.0 million
Local Authorities where rates are used as security	60%	<ul style="list-style-type: none"> Commercial Paper Bonds/MTNs/FRNs 	Not Applicable	\$2.0 million \$2.0 million
New Zealand Registered Banks	100%	<ul style="list-style-type: none"> Call/Deposits/Bank Bills/Commercial Paper Bonds/MTNs/FRNs 	Short term S&P rating of A1 or better Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA- or better	\$10.0 million \$1.0 million \$2.0 million \$3.0 million \$4.0 million
State Owned Enterprises	70%	<ul style="list-style-type: none"> Commercial Paper Bonds/MTNs/FRNs 	Short term S&P rating of A1 or better Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA- or better	\$3.0 million \$1.0 million \$2 million \$3.0 million \$4.0 million
Corporates	60%	<ul style="list-style-type: none"> Commercial Paper Bonds/MTNs/FRNs 	Short term S&P rating of A1 or better Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA- or better	\$3.0 million \$1.0 million \$2.0 million \$3.0 million \$4.0 million
Financials	30%	<ul style="list-style-type: none"> Commercial Paper Bonds/MTNs/FRNs 	Short term S&P rating of A1 or better	\$3.0 million

			Long term S&P rating of BBB or better	\$1.0 million
			Long term S&P rating of A- or better	\$2.0 million
			Long term S&P rating of A+ or better	\$3.0 million
			Long term S&P rating of AA- or better	\$4.0 million



Mackenzie District Council

Liability Management Policy

STATUS:	Final Draft
VERSION:	20200408
POLICY OWNER:	GM Corporate Services
POLICY APPROVER / S:	Chief Executive Officer, Mackenzie District Council
DATE:	2020-04-08

“Fostering Our Community”

LIABILITY MANAGEMENT POLICY

Purpose	Mackenzie District Council (Council) must have a Liability Management Policy as required by section 102 (2) of the Local Government Act. This policy outlines how the Council will manage its borrowings and other liabilities.
Key Points	<p>The objectives of the Liability Management Policy are to provide guidance:</p> <ul style="list-style-type: none"> • To minimise the cost of borrowing (including interest, contracted services, staff time and administration) • To minimise the exposure to the risks associated with borrowing • To maintain strong financial ratios • To consider long term indebtedness as a means of creating intergenerational equity • To maintain the integrity of Council's Long Term Plan (LTP)
Date of Issue	XXX xx, 2020
File Retention	Mackenzie District Council Laserfiche – Organisational Policies section
Review	Every two years at the anniversary date

RELATED DOCUMENTS / WEBSITES

Related Council policies and documents include:

- Financial Strategy
- Investment Policy
- Property Sales and Acquisition Policy
- Risk Appetite Statement
- Risk Policy

Relevant legislation and other resources includes (but is not limited to):

- Local Government Act 2002 and the Local Government Act Amendment Act 2014

1. Definitions

Bank Bill: A "bill of exchange" security document issued by a corporate borrower, but guaranteed by a bank, who then in turn sells the security into the bank/investor market to re-liquify itself with cash. Normally for terms of 30, 60, 90 or 180 days.

Base rate: Normally a lending bank's cost of funds/interest rate for a particular funding period. The base or "prime" rate will be changed by the bank from time to time, but not every day like market rates.

Basis Point(s): In financial markets it is normal market practice to quote interest rates to two decimal places e.g. 6.25% - one basis point is the change from 6.25% to 6.26%, one hundred basis points is the change from 6.25% to 7.25%.

Benchmark: An agreed market related yardstick that investor returns, funding costs or average exchange rate achieved are compared against for performance measurement purposes.

Fixed Rate Bond: The security instrument that is issued by a borrower whereby they promise to repay the principal and interest on the due dates. A bond's coupon rate is always fixed.

Call Option: The owner or buyer of a call option has the right, but not the obligation, to buy the underlying debt security/currency/commodity at the price stated in the option "contract."

Certificate of Deposit (CD): A debt instrument (normally short term) issued by a bank to borrow funds from other banks/investors.

Collar: Two option contracts linked together into the one transaction or contract. A borrower's collar is normally a bought "cap" above current market rates and a sold "floor" below current rates. Over the term of the collar contract, if rates go above the cap the borrower is protected and pays an interest cost no more than the cap rate. Likewise, if market rates fall below the floor, the borrower pays the floor rate and does not participate in the lower market rates.

Collateral: A legal term that means "security".

Commercial Paper: The debt security instrument issued by a prime (and normally credit-rated) borrower to raise short-term funds (30, 60, 90, 180, 365 days). Also called "one-name paper" and "promissory notes" issued by competitive public tender to investors or by private treaty to one investor.

Convertible Bonds: A debt instrument issued to investors by a borrower that has a fixed interest rate for a period and then converts (under a strict pricing formula) to shares in the issuing company.

Current Ratio: A liquidity measure to determine how quickly the Council can generate cash. Current assets are divided by current liabilities.

Debenture: A debt instrument similar to a bond whereby a borrower (normally a finance company) borrows for a longer term at a fixed rate. Also, a legal instrument provided as security to a lender.

Derivative(s): A "paper" contract whose value depends on the value of some "underlying" referenced asset e.g. share market stocks, bank bills, bonds or foreign currency. Also called a "synthetic." The value of the assets will change as its market price changes; the derivative instrument will correspondingly change its value.

Exchange – Traded: A currency, debt or financial instrument that is quoted and traded on a formal exchange with standardised terms, amounts and dates.

Floating Rate Note ("FRN"): The security instrument that is issued by a borrower whereby they promise to repay the principal and interest on the due dates. A FRNs margin is fixed for the life of the FRN but the underlying base rate (almost always the 3 month bank bill rate) can change on any of the quarterly resets.

Floor: The opposite of a "cap." An investor will buy a floor, or a series/strip of call options (the right to buy) to protect against falling interest rates but be able to invest at higher interest rates if rates move upwards. A borrower may sell a floor as part of a collar structure to generate premium to pay for the "linked" bought cap.

Funding Risk: The risk that a borrower cannot re-finance its debt at equal or better terms at some date in the future, in terms of lending margin, bank fees and funding time commitment. Funding risk may increase due to the Council's own credit worthiness, industry trends or adverse banking market conditions.

Hedging: The action of reducing the likelihood of financial loss by entering into forward and derivative contracts that neutralise (or set) the price risk on underlying financial exposures or risks. The gain or loss due to future price movements on the underlying exposure is offset by the equal and opposite loss and gain on the hedge instrument.

Inverse Yield Curve: The slope of the interest rate yield curve (90-days to multiple years) is “inverse” when the short-term rates are higher than the long-term rates. The opposite, when short term rates are lower than long-term interest rates is a normal curve or “upward sloping.” In theory, a normal curve reflects the fact that there is more time, therefore more time for risk to occur in long term rates; hence they are higher to build in this extra risk premium.

Liability Management: The policy, strategy and process of pro-actively managing the treasury exposures arising from a portfolio of debt.

Liquidity Risk: The risk that the Council cannot obtain cash/funds from liquid resources or bank facilities to meet foreseen and unforeseen cash requirements. The management of liquidity risk involves working capital management and external bank/credit facilities.

Open Position: Where a Council has purchased or sold an asset, currency, financial security or instrument unrelated to any physical exposure, and adverse/favourable future price movements will cause direct financial loss/gain.

Revaluation: The re-stating of financial instruments and option/forward contracts at current market values, different from historical book or carrying values. If the contracts were sold/bought back (closed-out) with the counterparty at current market rates, a realised gain or loss is made. A revaluation merely brings the contract/instrument to current market value (mark to market).

Spot Rate: The current market rate for currencies, interest rates for immediate delivery/settlement, and normally two business days after the transaction is agreed.

S&P Global Ratings: A credit rating agency that measures the ability of an organisation to repay its financial obligations.

Strike Price: The rate or price that is selected and agreed as the rate at which an option is exercised.

Swap to Government Spread: The interest rate margin (in basis points) that interest rate swap rates trade above Government bond yields.

Swaption: An option on an interest rate swap that if exercised the swap contract is written between the parties. The option is priced and premium paid similar to bank bill and bond interest rate options.

Treasury: Generic term to describe the activities of the financial function within the Council that is responsible for managing the cash resources, transactional banking, financial investments, debt, and interest rate risk.

Treasury Bill: A short term (<12 months) financing instrument/security issued by a Government as part of its debt funding program.

Yield: Read-interest rate, always expressed as a percentage.

2. Principles

Mackenzie District Council borrows as it considers appropriate and exercises its flexible and diversified borrowing powers as outlined within the Local Government Act 2002. The Council approves borrowing by resolution arising from the Long Term Plan (LTP) and Annual Plan process. Projected debt levels are ascertained from cash flow forecasts prepared during these planning processes.

Mackenzie District Council acknowledges that there are various financial risks such as interest rate risk, liquidity risk and credit risk arising from its borrowing. Council is a risk averse entity and does not wish to incur additional risk from its treasury activities.

The Council's finance function in relation to its treasury activities is a risk management function focused on protecting the Council's budgeted interest costs and stabilising the Council's cashflows. The Council does not normally undertake any treasury activity which is unrelated to its underlying cashflows or is purely speculative in nature unless with formal prior approval of Council.

The finance function is broadly charged with the following responsibilities:

- To manage the Council's borrowings within its strategic objectives.
- To manage the impact of market risks such as interest rate risk on the Council's borrowings by undertaking appropriate hedging activity in the financial markets.
- To minimise adverse interest rate related increases on ratepayer charges and maintain overall interest expenditure within budgeted parameters.
- To provide timely and accurate reporting of treasury activity and performance.

The Council raises debt for the following primary purposes:

- General debt to fund the Council's balance sheet, including borrowing to fund Council Controlled Organisations (CCO's) etc.
- Specific debt associated with "special one-off" projects and capital expenditure
- To fund assets with intergenerational qualities.

The Council is able to borrow through a variety of market mechanisms including:

- Commercial Paper
- Local Authority Bonds
- Medium Term Notes
- Floating Rate Notes
- From the Local Government Funding Agency ("LGFA")
- Funding from internal sources.

The Council incurs risks arising from its borrowing and associated interest rate risk activity. In evaluating any new or renewal of existing borrowings (in relation to source, term, size and pricing) Mackenzie District Council will take into account the following:

- The size and the economic life of any specific project being funded
- The impact of the new debt on overall borrowing limits.

Relevant margins under each borrowing source:

- Overall debt maturity profile
- Prevailing interest rates
- Available term from bank and capital markets issuance
- Legal documentation and financial covenants.

This policy document details how the Council will manage its borrowing with regard to key risks faced including:

- Interest rate exposure
- Liquidity and funding risk
- Credit exposure
- Provision of security.

3. Policy Objectives

The objectives of the Liability Management Policy are:

- To minimise the cost of borrowing (including interest, contracted services, staff time and administration)
- To minimise the exposure to the risks associated with borrowing
- To maintain strong financial ratios
- To consider long term indebtedness as a means of creating intergenerational equity
- To maintain the integrity of Council's Long Term Plan (LTP)
- Maintain dialogue and information flows to the Council's funding providers to enhance the commercial relationship between the parties
- Evaluate on an ongoing basis, the appropriateness of the current risk management processes
- Maintain adequate internal controls to minimise operational risk while recognising the limited number of personnel who participate in the Council's treasury activities
- Control cash in an effective and efficient manner.

The objectives of the Management of Liquidity and Funding Risk are:

- To ensure Council's continued ability to meet its debts in an orderly manner as and when they fall due in both the short and long term, through appropriate liquidity and funding risk management
- To arrange appropriate funding facilities for Council, ensuring they are at market related margins utilising bank debt facilities and/or capital markets as appropriate
- To maintain lender relationships and Council's general borrowing profile in the local debt and capital markets, so that Council is able to fund itself appropriately at all times.

The objectives relating to Reporting are:

- To produce accurate and timely information that can be relied on by senior management and the full Council for control, exposure monitoring and performance measurement purposes in relation to treasury activity.

4. Borrowing

(For these purposes 'borrowing' does not include hire purchase, deferred payment or the giving of credit for goods and services where the transaction is for less than 91 days or does not exceed \$500,000). Note that guidelines for Borrowing Limits are in the Financial Strategy document.

Council will monitor and report:

- The ratio of equity to debt
- Debt per rateable property
- Net interest will not exceed 20% of total revenue
- Net debt will not exceed 175% of total revenue
- Net interest will not exceed 25% of annual rates

4.1 Internal Borrowing

Council may, from time to time, instead of raising loans or borrowing on overdraft, internally borrow from any Special Fund accounts on such terms and conditions as it thinks appropriate in any instance, but without interrupting the normal cash flow requirements of any such fund. Such terms and conditions may include, amongst other matters, a nil rate of interest and deferral or future waiving of repayments.

Repayments may be made directly to the source fund or through an Internal Loan Repayment Fund. Internal borrowing arrangements will not be subject to clause 10.2 (Borrowing) of the Financial Strategy document.

The interest rate for internal borrowing will be the sum of the current three year swap bid rate as quoted by market sources such as Bloomberg, plus a margin (which includes a commitment fee) of 1.50%.

5. Interest Rate Exposure

Interest is incurred on any bank funding facility, issuance of local authority bonds and other borrowing arrangements. This policy recognises that the longer the term of borrowing, the greater the sensitivity to interest rate movements. Longer term borrowings may be of benefit if the market interest rates rise, but equally may not allow Council to take advantage of periods of low interest rates.

Interest rate risks may be managed by the use of derivative instruments, and by issuing fixed rate bonds or sourcing fixed rate bonds from the Local Government Funding Agency (LGFA).

The table below outlines the minimum and maximum hedged or fixed rate exposure requirements within various time buckets. The actual hedging percentages in place, within these bands, will be determined, and reviewed on a regular basis.

Fixed Rate Hedging Percentages

	Minimum Fixed Rate	Maximum Fixed Rate
Less than 2 years	40%	100%
2 years to 4 years	20%	80%
4 years to 8 years	0%	60%

Adherence to these percentages is not required if the debt is less than \$5.0 million.

When managing the interest rate risk of the Council the hedging percentages above relate to total core debt. Core debt cannot exceed borrowing projections as per the Annual Plan or Long Term Plan with the actual quantum used for policy parameters to be reviewed annually by the General Manager – Corporate Services and then approved by the Chief Executive Officer.

The hedging parameters are cumulative. For example, if total debt was \$25 million, \$5 million of hedging entered into for a period of five years would increase the hedging profile for all time buckets up to five years, by 20%.

Fixed rate debt is defined as any debt that has an interest rate reset beyond 3 months. The hedging parameters are dependent on the Reserve Bank of New Zealand continuing to implement monetary policy through adjustments to the Official Cash Rate (OCR).

The Council decides the interest rate risk management strategy by monitoring the interest rate markets on a regular basis, evaluating the outlook for short term rates in comparison to the rates payable on fixed rate borrowing.

The following interest rate risk management derivative instruments may be used for interest rate risk management activity.

- Forward rate agreements
- Interest rate swaps
- Swaptions
- Fixed Rate Bonds
- Fixed Rate Term Loans
- Interest rate collar type option strategies in a ratio not exceeding 1:1.

Selling interest rate options for the primary purpose of generating premium income is not permitted because of its speculative nature.

The use of Interest rate risk management instruments must have the formal prior approval of the General Manager - Corporate Services.

6. Benchmarking

The Council shall evaluate the performance of the interest rate management policy itself (i.e. the success and continued appropriateness of the risk control limits stipulated in the Liability Management Policy document) and their implementation at an operational level. This is achieved by measuring actual results (i.e. weighted average funding cost) against a market benchmark provided by an external source.

The benchmark standard shall consist of the following:

- 30% Average 90 day bank bill rate for the reporting month;
- 10% Average 1 year swap rate for the reporting month;
- 10% Average 1 year swap rate for the reporting month, 1 year ago;
- 10% Average 3 year swap rate for the reporting month;
- 10% Average 3 year swap rate for the reporting month, 3 years ago;
- 15% Average 7 year swap rate for the reporting month;
- 15% Average 7 year swap rate for the reporting month, 7 years ago.

The above percentages are predicated off the midpoints of the risk control bands contained in the 'Fixed Rate Hedging Percentages' table in Section 5.

The Council's cost of funds for benchmarking purposes is exclusive of margin. For reporting of interest rate comparisons, rates rather than dollar values should be used. Benchmarking is not required if total external borrowings are less than \$10 million.

7. Liquidity and Funding Risk Management

The Council's ability to readily attract cost effective borrowing is largely driven by its ability to rate, maintain a strong balance sheet as well as its ability to manage its relationship with its banker(s) and the capital markets.

To minimise the risk of large concentrations of debt maturing or being reissued in periods where credit margins are high for reasons within or beyond the Council's control, the Council ensures material debt

maturities are spread over a number of years. The Council manages this by aiming where practical to have no more than 33% of its outstanding borrowings subject to refinancing in any rolling twelve month period.

The Council's treasury operation must also ensure that there are sufficient resources or "liquidity" to provide the funds to meet its immediate obligations such as creditors and current debt maturities.

Appropriate cash flow reporting mechanisms will be maintained to monitor the Council's estimated liquidity position over the next 12 months. In any case funding facilities must be in place to give headroom of at least 110% over and above the maximum net debt requirement as estimated in the Annual Plan or Long Term Plan.

8. Credit Exposures (Treasury)

The management of counterparty credit risk in relation to the Council's borrowing and interest rate risk management activities has the objective of minimising financial loss through the default of a financial counterparty, usually a financial institution, due to the financial insolvency of the counterparty, the inability of the counterparty to perform due to country decree, or any other circumstance such as an adverse market event. The purpose of counterparty credit limits is to limit the loss that the Council may incur if a counterparty was to default or be unable to meet its obligations.

The Council's exposure to counterparty credit risk will be managed by entering into financial market transactions and funding arrangements with only approved counterparties. Approved counterparties are defined as follows:

- An approved counterparty must be a New Zealand Registered Bank or financial institution with a long term credit rating of 'A-' or above by S&P Global Ratings or the Moody's Investors Service ("Moody's") or Fitch Ratings ("Fitch") equivalents.

9. Operations and Procedures

Arranging and agreeing transactions with external counterparties must occur within a framework of control and accuracy. It is vital to the internal control of the Council that all transactions are captured, recorded, reconciled and reported in a timely manner within a process that has the necessary checks and balances so that unintentional errors and/or fraud are identified early and clearly. Movements in financial market variables can be rapid and exposures to such movements that are not known due to inadequate transaction recording and reporting systems should not be allowed to occur.

9.1 Transaction Origination

The following authorities shall apply in respect of the execution of treasury transactions on behalf of the Council that may commit it to all the related contractual obligations under these transactions. All such transactions are generally originated and agreed either verbally via the telephone or by email. Therefore it is important that procedures are in place to control the activity.

9.1.1 Funding from Banks, the LGFA and the Capital Markets and Entering into Financial Market Investment Transactions

- Funding from bank facilities, the capital markets and the LGFA or entering into financial market investment transactions with an approved counterparty entails the personnel of the Council, who are authorised to undertake these activities, verbally or by email agreeing with the counterparty the amount, type of debt or investment instrument, term selection and rate accepted.

- Once the deal is agreed details of the transaction shall be entered on the relevant internal system.
- Once the confirmation of the transaction is received the details should then be checked by someone other than the person who entered into the transaction in the first place to ensure that the external confirmation is in accordance with the details on the Council's internal system.

Any discrepancies in the above procedures should be immediately communicated to the counterparty so that the correct details of the deal can be agreed. A report on the error shall be prepared by the person who transacted the deal in the first place and submitted to the General Manager Corporate Services for sign-off. Where the General Manager Corporate Services has transacted the deal, the report shall be submitted to the Chief Executive Officer. In this way there, is a clear division of responsibility and a self-checking system.

9.1.2 Interest Rate Derivative Products

Transacting interest rate derivative products with an approved counterparty entails the personnel of the Council who are authorised to undertake these activities, verbally or by email agreeing with the counterparty the amount, term selection and rate accepted.

- Once the deal is agreed details of the transaction shall be entered on the relevant internal system.
- Once the bank confirmation of the transaction is received, the details should be checked by someone other than the person who entered into the transaction in the first place to ensure that the bank confirmation is in accordance with the details on the internal system.

Any discrepancies in the above procedures should be immediately communicated to the counterparty so that the correct details of the deal can be agreed. A report on the error shall be prepared by the person who transacted the deal in the first place and submitted to the General Manager Corporate Services for sign-off. Where the General Manager Corporate Services has transacted the deal, the report shall be submitted to the Chief Executive Officer. In this way there, is a clear division of responsibility and a self-checking system.

9.1.3 Settlement Procedures

All transactions are to be confirmed and reconciled to external confirmations and internal documentation before settlement. All transactions processed through the company bank accounts must conform to the Council's internal procedures and controls, and be reconciled to internal documentation and external confirmation(s).

10. Cash Management

The General Manager Corporate Services and the Finance Manager are responsible for day to day cash and short term debt management activities. Specifically this will include the following:

- To ensure that appropriate cashflow projections are maintained, with the objective of managing an optimal cash position within approved parameters.
- To undertake short term borrowing functions as required, thus minimising overdraft costs.
- To ensure efficient cash management through improvements to the accuracy of forecasting.
- To minimise fees and bank charges by optimising bank accounts, facility structures and merchant service agreements.

When operating as a net borrower, surplus funds will normally only be permitted only to be invested on a short term basis, usually until the next opportunity to repay debt. However exceptions to this

may occur where it is prudent to do so, for example, the pre-funding of debt which is placed on term deposit until the funds are required.

11. Provision of Security

For its general borrowing programme the Council offers security under its debenture trust deed, for which security is a charge over all rates.

In unusual circumstances, with the prior consent of the Council, security may be offered by providing a charge over one or more of the Council's assets.

12. Repayment

The Council repays borrowings from general or targeted rates, general funds or renewal loans.

13. Local Government Funding Agency (LGFA)

Despite anything earlier in this Liability Management Policy, the Council may borrow from the New Zealand Local Government Funding Agency Limited (LGFA) and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:

- To contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA;
- To provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself;
- To commit to contributing additional equity (or subordinated debt) to the LGFA if required;
- To subscribe for shares and uncalled capital in the LGFA; and
- To secure its borrowing from the LGFA, and the performance of other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue.

Because of the dual objective, the Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternate investments.

If required in connection with the investment, the Council may subscribe for un-called capital in the LGFA.

14. Management and Reporting Procedure

Mackenzie District Council's Finance Committee oversees and monitors the risks arising from its treasury activities to ensure consistency with the Council's Long Term Plan and to evaluate the finance function's effectiveness in achieving its objectives. The Finance Committee is responsible for approving strategy and for monitoring compliance and performance of the Council's treasury activities.

The General Manager Corporate Services has financial management responsibility over the Council's borrowing and investments. The Council is able to appoint an independent advisor to assist in the management of the financial market exposures that the council is subjected to. The scope of the appointment and the parameters within which the advisor operates, will be determined by the General Manager Corporate Services and at all times will operate within the parameters of this policy

document. The Council's borrowing and cash management activities are managed centrally through its finance function.

The Management of the Council's borrowing portfolio is carried out under delegated authority to the General Manager Corporate Services (who has delegated the day to day operation to the Council's Finance Manager and Management Accountant). Reports on the Council's borrowings are prepared on a quarterly basis for the Council.

A quarterly Funding and Debt Profile report shall be prepared which contains the following:

- Total debt facility utilisation, including any debt sourced from a bank, the capital markets and the LGFA
- Interest rate maturity profile against percentage hedging limits
- New hedging transactions completed - interest rate risk management
- Weighted average cost of funds
- Funding profile against the policy limits
- Liquidity profile against the policy limits
- Exception reporting as required
- Summary of any unresolved exception reports
- Statement of policy compliance
- Commentary on economic conditions and the debt markets.

15. Clarification and Breaches

This policy represents the formal policy and expected standards of the Mackenzie District Council. Appropriate approvals need to be obtained prior to any deviation from the policy. Elected Members and employees are reminded of their obligations under the Council's Code of Conduct to give full effect to the lawful policies, decisions and practices of the Council.

15.1 Clarification

Clarification regarding this policy can be sought from the Mackenzie District Council General Manager Corporate Services.

15.2 Breaches

The Mackenzie District Council General Manager Corporate Services is responsible for monitoring compliance with this policy. All identified breaches will be escalated to the Chief Executive Officer and the Manager People and Culture, and will be treated as misconduct which may result in disciplinary action.

15.3 Exceptions

The Mackenzie District Council General Manager Corporate Services (being the policy owner) will need to authorise any deviations from this policy.



Mackenzie District Council

Risk Appetite Statement

STATUS:	Draft
VERSION:	2020-03-10
POLICY OWNER:	Group Manager Corporate Services
POLICY APPROVER / S:	Chief Executive Officer, Mackenzie District Council
DATE:	2020-03-10

“Fostering Our Community”

RISK APPETITE STATEMENT

Purpose	This Risk Appetite Statement describes the level of risk Mackenzie District Council is prepared to accept in pursuit of its objectives. The Risk Appetite Statement summarises the accepted risk levels across each of the Council categories to guide decision-making.
Key Points	To accomplish the Risk Management Policy's purpose, the Mackenzie District Council must establish a Risk Appetite Statement, to guide risk management. This document is understood in the context of Mackenzie District Council's Risk Management Framework and policy guidance in the Risk Management Policy.
Scope	This policy applies to all Mackenzie District Council employees, contractors, and Elected Members.
Date of Issue	TO BE UPDATED
File Retention	Mackenzie District Council intranet Laserfiche
Review	Annual Review

1. Background

The Chief Executive Officer, Senior Management and Elected Members of the Mackenzie District Council ("the Council") recognise the importance and value of risk management and the ongoing benefits to its community.

Consequently, the Council is committed to a policy of Risk Management to protect its employees, assets, liabilities and its community against potential losses and to minimise uncertainty in achieving its goals and objectives.

The Risk Management Policy describes the Council's approach to risk management, defines the roles and responsibilities, outlines the key aspects of the risk management process, and provides methods to revise and continually improve the way the Council manages risk.

This Risk Appetite Statement aligns with the Risk Management Policy and expressly describes the level of risk Council will tolerate in carrying out its activities.

2. Applying the Risk Appetite Statement

In the process of risk assessment, where risks are assessed as exceeding the tolerances described in this Risk Appetite Statement:

- Consider additional mitigations (treat); or

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- Cease the activity (avoid); or
- Seek Council approval to continue (escalate).

All Elected Members, council employees, Contractors, and Council sub-committees will have regard to Councils Risk Appetite Statement in their decision-making. As such this Risk Appetite Statement becomes as essential part of the Council's risk management framework.

The Risk Appetite Statement will be subject to annual review.

3. Risk Appetite Statement

Category	Appetite Statement
Overall Risk Statement	<p>Council has a LOW to MODERATE risk appetite across its operations in general.</p> <p>Council has minimal tolerance for injuries to persons. It is committed to creating and maintaining a safe living and working environment for its employees and the community.</p> <p>Council is a provider of services to the community and regulates development activities within the district. The Council is aware of its environmental impacts and endeavours to adopt a sustainable approach to its activities. However, the Council recognises that the community is complex and subject to many external factors beyond Council's control or influence.</p> <p>Council operates within the laws and regulatory framework to which it is subject and also has a role to play in enforcing these laws. It is important to Council that its systems and services operate efficiently and effectively. Risks need to be effectively managed and balanced in this area to ensure sustainable delivery.</p>
Injury to persons (including Health, Safety and Wellbeing)	<p>Council has a LOW risk appetite for injury to members of the public and its employees. Council has a target risk of zero, wanting all persons to arrive home safely. However, the Council recognises that incidents happen and reflects this in the low tolerance stated.</p>
Regulatory, Compliance and Legal	<p>Council has a LOW risk appetite for non-compliance with legislation, regulations and professional standards. This includes laws and regulations that Council administers. Council has NIL tolerance for illegal activities including fraud and corruption.</p>

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Category	Appetite Statement
Environment and Sustainability	Council has a MODERATE risk appetite for environmental and sustainability risks. The Council recognises its operations have an environmental impact and seeks to minimise these impacts. Council complies with its regulatory obligations regarding sustainable development.
3 Waters	Council has a LOW risk appetite for delivery and integrity of all drinking water, storm water, and waste water services.
Local Economic Growth	Council has a MODERATE risk appetite to ensure it can promote local economic growth. However, the Council notes the local economy is subject to many external factors outside of Council's control.
Operations	<p>Council has LOW appetite for operational risks arising from failure to meet customer commitments and/or suitability of advice.</p> <p>Council has a MODERATE risk appetite in terms of the operational risk associated with the implementation of change and key strategic plans.</p> <p>Council has a LOW appetite for third-party (Contractors) failures.</p>
Information and Communications Technology	Council has a LOW appetite for system failures or information and data security breaches.
Reputation	Council has a MODERATE risk appetite for reputational risk. Council notes at times it is necessary to make the "right" decision and not the "most popular" decision. Council is focussed on developing sound policy.
Business Continuity	Council has a MODERATE risk appetite for business disruption. The Council acknowledges that severe weather events and cyber risks are possible and seeks to minimise disruption where possible.
Workforce	Council has a MODERATE risk appetite for staffing losses in the context of business continuity, given "High" is assessed at 10% to 15% of its employees.
Loss of Financial Funds / Assets	<p>Council has a MODERATE risk appetite for financial / asset risks in both its strategic and operational functions. This equates to 5% to 10% of the annualised budget.</p> <p>There is no appetite for decisions having a negative impact on council's long term financial sustainability.</p>

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4. Definitions

Low, Moderate, High: These thresholds describe the levels of appetite for risk that Council agrees to guide decision-making. These thresholds are independent from the Likelihood, Consequence and Risk Level thresholds within the Risk Management Policy.

Risk: The effect of uncertainty on objectives (AS/NZS ISO 31000:2009). It can be understood as any deviation (positive or negative) from the objectives caused by lack of understanding, knowledge or information about a potential event. Risk is often described by reference to potential events and Impact. The Council has a broad role in delivering services to the population of Mackenzie. Uncertainties that impact on the Council's ability to deliver these services are risks. These can include but are not limited to, risks that have a financial, environmental, operational, health and safety, legislative and/or reputational impact to the Council.

Risk Appetite: The amount and type of risk that Council is prepared to seek, accept or tolerate.

Risk management: Coordinated activities to direct and control an organisation with regard to risk. (AS/NZS ISO 31000:2009). Risk Management involves the combination of specialist and general activities undertaken to methodically address risks. Risk Management activities culminate in the identification, assessment, treatment, monitoring and reporting of risks across the Council. Risk Management helps decision makers understand and deal with the uncertainties they face in pursuit of their objectives and should be integrated into operational and strategic decision-making.

Risk capacity: The level of impact that Council can bear in the event of the risk occurring. There may be measures in place to manage and monitor risks, but there is always a degree of uncertainty, and the chance that objectives may not be met. It is important to know the capacity so risks that exceed our ability to absorb the impact are not taken. For instance, if the Council sets a high appetite to accept the risks in taking commercial opportunities, we should be able to absorb the financial losses in the event of them failing.

End