AGENDA

Audit and Risk Committee Meeting
Monday, 23 June 2025

Date	**Monday, 23 June 2025**
Time	**9:00 am**
Location	**Council Chambers Timaru District Council King George Place Timaru**
File Reference	**1765652**

Timaru District Council

Notice is hereby given that a meeting of the Audit and Risk Committee will be held in the Council Chambers, Timaru District Council, King George Place, Timaru, on Monday 23 June 2025, at 9:00 am.

Audit and Risk Committee Members

Bruce Robertson (Chairperson), Clr Scott Shannon (Deputy Chairperson), Janice Fredric, Clr Peter Burt, Clr Michelle Pye, Clr Stacey Scott and Mayor Nigel Bowen

Quorum – no less than 3 members including at least one external member

Local Authorities (Members' Interests) Act 1968

Committee members are reminded that if you have a pecuniary interest in any item on the agenda, then you must declare this interest and refrain from discussing or voting on this item, and are advised to withdraw from the meeting table.

Nigel Trainor
Chief Executive

Order Of Business

1 Apologies

2 Identification of Items of Urgent Business

3 Identification of Matters of a Minor Nature

4 Declaration of Conflicts of Interest

5 Confirmation of Minutes

5.1 Minutes of the Audit and Risk Committee Meeting held on 3 March 2025

Author: **Jessica Kavanaugh, Team Leader Governance**

Recommendation

That the Minutes of the Audit and Risk Committee Meeting held on 3 March 2025 be confirmed as a true and correct record of that meeting and that the Chairperson's electronic signature be attached.

Attachments

1. Minutes of the Audit and Risk Committee Meeting held on 3 March 2025

MINUTES

Audit and Risk Committee Meeting

Monday, 3 March 2025

Ref: 1765652

Minutes of Timaru District Council
Audit and Risk Committee Meeting
Held in the Council Chambers, Timaru District Council, King George Place, Timaru
on Monday, 3 March 2025 at 9:02 am

Present: Bruce Robertson (Chairperson), Clr Scott Shannon (Deputy Chairperson), Mayor Nigel Bowen, Janice Fredric, Clr Peter Burt, Clr Michelle Pye, Clr Stacey Scott

In Attendance: Nigel Trainor (Chief Executive), Paul Cooper (Group Manager Environmental Services), Stephen Doran (Group Manager Corporate and Communications), Nicole Timney (Manager of Property Services and Client Representative), Andrew Dixon (Group Manager Infrastructure), Andrea Rankin (Chief Financial Officer), Elliot Higbee (Legal Services Manager), Narayan Swamy (Assurance Officer), Sam Esterhuyse (Continuous Improvement Business Partner), Steph Forde (Corporate and Strategic Planner), Maddison Gourlay (Marketing and Communications Advisor), Jessica Kavanaugh (Team Leader Governance)

1 Apologies

No apologies were received.

2 Identification of Items of Urgent Business

No items of urgent business were received.

3 Identification of Matters of a Minor Nature

No matters of a minor nature were raised.

4 Declaration of Conflicts of Interest

No conflicts of interest were declared.

5 Confirmation of Minutes

5.1 Minutes of the Audit and Risk Committee Meeting held on 17 December 2024

Resolution 2025/277

Moved: Mr Bruce Robertson
Seconded: Mayor Nigel Bowen

That the Minutes of the Audit and Risk Committee Meeting held on 17 December 2024 be confirmed as a true and correct record of that meeting and that the Chairperson's electronic signature be attached.

Carried

6 Reports

6.1 Audit and Risk Committee Work Programme

The Group Manager Corporate and Communications and Assurance Officer spoke to the report to outline the programme of work for the Audit and Risk Committee (ARC).

Discussion included the delay of the Risk Management quarterly report. It is requested to have a demonstration of flowingly at the Risk Workshop in June 2025.

It is confirmed the Draft Key Accounting Policies were not presented at this meeting and it is expected these will not have any major changes. It is requested to include this in the June Audit and Risk Meeting and distributed to members once finalised.

Further discussion included the Audit NZ Interim audit and the timing of this to be undertaken.

Resolution 2025/278

Moved: Mr Bruce Robertson
Seconded: Clr Scott Shannon

That the Audit and Risk Committee receives and notes the Audit and Risk Committee Work Programme update.

Carried

6.2 External Auditors Open Recommendations

The Group Manager Corporate and Communications and Assurance Officer spoke to the report to provide the Audit and Risk Committee (ARC) with an update on outstanding recommendations made from external audits.

Discussion included the approval process for the sale of assets and impairment assessment for investment and subsidiaries.

It is confirmed there is a project plan to complete the 17 outstanding actions.

Resolution 2025/279

Moved: Clr Michelle Pye
Seconded: Clr Peter Burt

That the Audit and Risk Committee receives and notes the Outstanding Recommendations Record update from External Auditors.

Carried

6.3 Internal Audit Activities

The Group Manager Corporate and Communications and Assurance Officer spoke to the report to provide the Audit and Risk Committee (ARC) with an update on the Internal Audit (IA) activities since the last meeting on 17 December 2024, and to seek input and approval for the internal audit plan for 2025.

Discussion included the Resource/Building Consent Process and the value of this with the uncertainty of the section 17a review being undertaken in Building Control activity. The difference between internal and external audits in this activity. It is confirmed the term of reference will be brought back to the committee prior to the audit taking place.

It is suggested that the Internal Audit Work Programme should be a rolling three-year indicative programme with a firm 18-month programme. It is requested that as the new Internal Audit Standards have come into effect the Audit and Risk Committee be presented with the Charter and reflect what has been a change in the Charter as a result of the Internal Audit Standards.

Further discussion included raising awareness internally for better collaboration and the importance of the Contractor Management review.

Resolution 2025/280

Moved: Mr Bruce Robertson
Seconded: Clr Scott Shannon

That the Audit and Risk Committee:

1. Receive the update of completed and upcoming Internal Audit activities; and
2. Confirm the upcoming areas for internal audit in 2025; and
3. Provide officers guidance on their audit priorities for the upcoming year.

Carried

6.4 Continuous Improvement Update

The Continuous Improvement Business Partner spoke to the report to provide the Committee with an update on the Continuous Improvement Work Programme and outline the next steps.

Discussion included the use of MagiQ alongside the current and proposed financial systems and the level of detail in the reporting of the financials. There was clarity sought on the delay of the user testing and the imperative delivery of this project. It was confirmed the need for an IT Strategy.

The process for project management and prioritisation was discussed. There was further clarification on the workflow of the Esker Procure to Pay system.

Resolution 2025/281

Moved: Mayor Nigel Bowen
Seconded: Clr Peter Burt

That the Audit and Risk Committee receives and notes the Continuous Improvement Update report.

Carried

6.5 Sensitive Expenditure Policy Review

The Senior Policy Advisor spoke to the report to facilitate a discussion about the suitability of the current Sensitive Expenditure Policy and identify potential amendments to be incorporated into the revised policy.

It is confirmed the Sensitive Expenditure Policy is being adhered to by officers and that there is a separate Governance Remuneration Policy for Elected Members.

Discussion included the use of Purchase Cards, preapproval and reimbursements. The Audit and Risk Committee confirm the Policy and Procedure should be separate. Further discussion was had on the process to amend the procedures, it was requested that the Audit and Risk Committee be made aware of any amendments to the procedures.

Feedback was received on the use of titles, and statements are correct in relation to fuel cards.

At 10:11 am, Clr Scott Shannon left the meeting.

Resolution 2025/282

Moved: Clr Michelle Pye
Seconded: Mayor Nigel Bowen

That the Audit and Risk Committee:

1. Receive a verbal update from officers about the Sensitive Expenditure Policy review; and
2. Provided officers with feedback about the current policy to inform the review.

Carried

6.6 Credit Rating Review

The Chief Financial Officer spoke to the report to present the Committee with the 2024 Final Credit Rating Report (attachment 1) and the announcement of Council's 2025 credit rating action (attachment 2) from Fitch Ratings (Fitch).

At 10:13 am, Clr Scott Shannon returned to the meeting.

The process of engaging a credit rating agency was discussed along with the benefits and risks of changing to another provider. The ability to utilise the information included in the report to get value for money.

It was suggested a meeting with Fitch and the Audit and Risk Committee to continue to build the relationship.

Resolution 2025/283

Moved: Mr Bruce Robertson
Seconded: Mayor Nigel Bowen

That the Audit and Risk Committee receives and notes the 2024 Final Credit Rating Report and the announcement of Council's Credit Rating action for 2025 from Fitch Ratings.

Carried

Due to the time constraints of AON the Audit and Risk Committee moved into Public Excluded

10.2 Exclusion of the Public

Resolution 2025/284

Moved: Mr Bruce Robertson
Seconded: Clr Scott Shannon

That the public be excluded from the following parts of the proceedings of this meeting at 10.24am, namely, —

10.2 Insurance Programme Update

10.2 - Insurance Programme Update	s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities s7(2)(i) - The withholding of the information is necessary to enable the Council to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	To enable Council to carry out commercial activities To enable Council to carry out commercial or industrial negotiations

Carried

10.2 Readmittance of the Public

Resolution 2025/285

Moved: Mr Bruce Robertson
Seconded: Mayor Nigel Bowen

That the meeting moves out of Closed Meeting into Open Meeting at 11.28am.

Carried

6.7 Debenture Trust Audit Report

The Chief Financial Officer spoke to the report to inform the Audit and Risk Committee of the contents of the Audit Report prepared pursuant to the requirements of the Debenture Trust Deed.

Resolution 2025/286

Moved: Mr Bruce Robertson
Seconded: Clr Peter Burt

That the Audit and Risk Committee:

1. Receive the content in the Audit New Zealand Report on the Debenture Trust; and

2. Note that Audit New Zealand have issued an unqualified opinion.

Carried

6.8 Sensitive Expenditure Quarterly Report

The Chief Financial Officer spoke to the report to update the Committee on sensitive expenditure for the period 1 October 2024 to 31 December 2024.

Discussion included the use of purchase cards which require prior approval of expenditure. The process of using, monitoring and accounting for the purchase cards was clarified.

Resolution 2025/287

Moved: Mr Bruce Robertson
Seconded: Clr Scott Shannon

That the Audit and Risk Committee receives and notes the Sensitive Expenditure report.

Carried

6.9 Confirmation of Strategic Risk Workshop to follow 16 June meeting

The Group Manager Corporate and Communications spoke to the report to seek the Audit and Risk Committee guidance on the organisation's strategic and corporate risks, how the committee would like these risks to be measured and reported and the council’s risk tolerance levels.

Items identified are an annual refresh of the risks, and a closer look at the risk appetite, the Chair and Group Manager Corporate and Communications will discuss items to cover offline.

Attendance of the workshop is confirmed to be compulsory and to include the Senior Leadership Team and the Audit and Risk Committee, with the Chair reporting to the Council. The invite will be extended to other councillors.

Discussion included how the risk framework flows into the Council. It is advised to also include what the Senior Leadership do around risk management and the relationship between the risk framework and planning.

Resolution 2025/288

Moved: Mr Bruce Robertson
Seconded: Mayor Nigel Bowen

That the Audit and Risk Committee note that a strategic risk workshop will be organised following the 16 June Committee meeting and to confirm committee priorities for that workshop.

Carried

6.10 Conflict of Interest Annual Report

The Group Manager Corporate and Communications and Assurance Officer spoke to the report to provide the Committee with the actions taken to manage identified Conflicts of Interest.

It is confirmed this is only for council officers, elected members are separate.

There was clarification sought on the process and mitigation after a risk is identified.

Resolution 2025/289

Moved: Mayor Nigel Bowen
Seconded: Mr Bruce Robertson

That the Audit and Risk Committee receives and notes the Conflict of Interest report

Carried

7 Consideration of Urgent Business Items

No items of urgent business were received.

8 Consideration of Minor Nature Matters

No matters of a minor nature were raised.

9 Exclusion of the Public

Resolution 2025/290

Moved: Mr Bruce Robertson
Seconded: Mayor Nigel Bowen

That the public be excluded from the following parts of the proceedings of this meeting, namely,—

10.1 Public Excluded Minutes of the Audit and Risk Committee Meeting held on 17 December 2024

10.3 Issues Watch Register

10.4 Internal Audit Quarterly Report

10.5 Cyber Security Report

10.6 Health and Safety Performance Report

10.7 Committee and Auditor only time (Agenda Placeholder)

10.8 Committee and Chief Executive only time (Agenda Placeholder)

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows at 11.44am:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Plain English Reason
10.1 - Public Excluded Minutes of the Audit and Risk Committee Meeting held on 17 December 2024 **Matters dealt with in these minutes:** **10.6 - Committee and Auditor only time (Agenda Placeholder)** **10.1 - Public Excluded Minutes of the Audit and Risk Committee Meeting held on 9 September 2024** **10.2 - Health and Safety Performance Report** **10.3 - Internal Audit Quarterly Report** **10.4 - Issues Watch Register** **10.5 - Cyber Security Report** **10.7 - Committee and Chief Executive only time (Agenda Placeholder)** **10.1 - List of Significant Contracts**	Section 48(1) of the Local Government Official Information and Meetings Act 1987.	The public excluded minutes of the meeting held on 17 December 2024 are considered confidential pursuant to the provisions of the LGOIMA Act of 1987. The specific provisions of the Act that relate to these minutes can be found in the open minutes of the meeting held on 17 December 2024.
10.3 - Issues Watch Register	s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	To protect all communications between a legal adviser and clients from being disclosed without the permission of the client To enable Council to carry out commercial activities
10.4 - Internal Audit Quarterly Report	s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information	To protect commercially sensitive information To protect the effective conduct of public affairs To enable Council to carry out commercial activities

	s7(2)(f)(ii) - The withholding of the information is necessary to maintain the effective conduct of public affairs through the protection of such members, officers, employees, and persons from improper pressure or harassment s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	
10.5 - Cyber Security Report	s7(2)(j) - The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage	To prevent use of the information for improper gain or advantage
10.6 - Health and Safety Performance Report	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information	To protect a person's privacy, including the privacy of deceased persons To protect commercially sensitive information
10.7 - Committee and Auditor only time (Agenda Placeholder)	s7(2)(c)(i) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source and is in the public interest that such information should continue to be supplied	To protect information that is subject to an obligation of confidence and/or that was required by law to be provided; and to ensure that the supply of such information is not affected in the future, when it is in the public interest for it to be provided To enable Council to carry out commercial activities

	s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	
10.8 - Committee and Chief Executive only time (Agenda Placeholder)	s7(2)(f)(i) - The withholding of the information is necessary to maintain the effective conduct of public affairs through free and frank expressions of opinion by or between or to members or officers or employees of any local authority in the course of their duty	To maintain the effective conduct of public affairs

Carried

Note
Section 48(4) of the Local Government Official Information and Meetings Act 1987 provides as follows:

- "(4)Every resolution to exclude the public shall be put at a time when the meeting is open to the public, and the text of that resolution (or copies thereof)—
  - (a)shall be available to any member of the public who is present; and
  - (b)shall form part of the minutes of the local authority."

10 Public Excluded Reports

10.1 Public Excluded Minutes of the Audit and Risk Committee Meeting held on 17 December 2024

10.6 Committee and Auditor only time (Agenda Placeholder)

10.1 Public Excluded Minutes of the Audit and Risk Committee Meeting held on 9 September 2024

10.2 Health and Safety Performance Report

10.3 Internal Audit Quarterly Report

10.4 Issues Watch Register

10.5 Cyber Security Report

10.7 Committee and Chief Executive only time (Agenda Placeholder)

10.1 List of Significant Contracts

10.2 Insurance Programme Update

10.3 Issues Watch Register

10.4 Internal Audit Quarterly Report

10.5 Cyber Security Report

10.6 Health and Safety Performance Report

10.7 Committee and Auditor only time (Agenda Placeholder)

10.8 Committee and Chief Executive only time (Agenda Placeholder)

11 Readmittance of the Public

Resolution 2025/291

Moved: Clr Michelle Pye
Seconded: Mr Bruce Robertson

That the meeting moves out of Closed Meeting into Open Meeting.

Carried

The meeting closed at 1.58pm.

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Bruce Robertson

Chairperson

6 Reports

6.1 Audit and Risk Committee Work Programme

Author: **Narayan Swamy, Assurance Officer**

Authoriser: **Stephen Doran, Group Manager Corporate and Communications**

Recommendation

That the Audit and Risk Committee receives and notes the Audit and Risk Committee Work Programme update.

Purpose of Report

1 The purpose of this report is to outline the programme of work for the Audit and Risk Committee (ARC).

Assessment of Significance

2 This matter has been assessed as having low significance under the Council's Significance and Engagement Policy as there is no impact on levels of service, strategic assets or rates and no deviation from the Long-Term Plan (LTP).

Discussion

3 Below is the proposed ARC Work Programme which shows the items scheduled for each quarter. This information aims to provide an indication to the Committee of upcoming items.

4 This report has been split into the following areas: Standing agenda items, other agenda items, Audit and Assurance agenda items, and updated calendars for 2025 with any changes highlighted.

Standing Agenda Items – 2025

Noted changes

5 Note that there have been no updates to Strategic Risk register, which is subject to a workshop immediately following this meeting. A fully updated strategic risk register and operational risk register pulled from flowingly will be presented at the September meeting.

1. Standing Agenda Items	Mar 25	Jun 25	Sep 25	Oct 25*	Dec 25
Minutes and actions from the prior meeting	✓	✓	✓		✓
Risk Management quarterly report	☒	☒	✓		✓
Health and Safety update	✓	✓	✓		✓
Internal audit quarterly report	✓	✓	✓		✓
External auditors open findings	✓	✓	✓		✓
Issues Watch Register	✓	✓	✓		✓
Cyber Security Report	✓	✓	✓		✓
Employee matters (as required)	✓	✓	✓		✓

1. Standing Agenda Items	Mar 25	Jun 25	Sep 25	Oct 25*	Dec 25
Probity update (Report will be provided only if any probity matters arise)	✓	✓	✓		✓
Quarterly Sensitive Expenditure report	✓	✓	✓		✓
Auditor only time	✓	✓	✓		✓
CE only time	✓	✓	✓		✓

*October 2025 meeting is for the purpose of "Adoption of the Annual Report 2024/25".

Other Agenda Items – 2025

Noted Changes

6 Operational Risk Register has been moved to September 25 to follow the risk management workshop and to allow for extra time commissioning the Flowingly system.

7 The legislative compliance report will be presented at the September meeting to bring it ahead of the Annual Report Process.

2. Other Agenda Items	Mar 25	Jun 25	Sep 25	Oct 25	Dec 25
Operational Risk Register – all operational risks – Flowingly Report			✓		
Annual Legislative Compliance report – realigned with Annual Report Process			✓		
Insurance program update	✓ Renewal		✓ Endorse		
Annual Report to ARC on Conflicts of Interest	✓				
Credit rating review	✓				

Audit and Assurance Agenda Items - 2025

3. Audit and Assurance Agenda Items	Mar 25	Jun 25	Sep 25	Oct 25	Dec 25
Audit plan and engagement letters	✓				
Annual Plan update	✓	✓			
Draft Key Accounting Judgement – Accounting Policies	✓ 2024/25				
Adoption annual report				✓ 2024/25	
Adoption audit representation letters				✓ 2024/25	
Audit NZ Interim management report			✓ 2024/25		
Audit NZ Final management report					✓ 2024/25
Debenture Trust audit report	✓ 2023/24				✓ 2024/25

3. Audit and Assurance Agenda Items	Mar 25	Jun 25	Sep 25	Oct 25	Dec 25
Workshop		✓ Risk Management			

Attachments

Nil

6.2 External Auditors Open Recommendations

Author: **Narayan Swamy, Assurance Officer**

Authoriser: **Stephen Doran, Group Manager Corporate and Communications**

Recommendation

That the Audit and Risk Committee receives and notes the Outstanding Recommendations Record update from External Auditors.

Purpose of Report

1 The purpose of this report is to provide the Audit and Risk Committee (ARC) with an update on outstanding recommendations made from external audits.

Assessment of Significance

2 Reporting on the Risk and Assurance activities is considered of low significance in terms of the Council's Significance and Engagement Policy as this matter is operational in nature. There is no impact on service provision or impact on the district as a whole.

Discussion

3 The Risk and Assurance team maintains a record of the recommendations arising from external audits and undertakes regular follow-ups with all business units to ensure recommendations have been actioned.

4 There are 24 open recommendations from the external auditors. The full details are in the attached record (attachment 1), which includes management comments.

Attachments

1. External audit open findings May 2025 ⇩

External Auditors recommendations record

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
	Audit NZ Report 30/06/2024					
1	Delegations register information not matching There is only one delegation register with the correct information that can be relied upon as the "one source of truth"; and that the register is updated in an appropriate timeframe to reflect any changes in staff movement.	Finance	CFO	30/06/25	Necessary	-**May 25:** Completed. Uploaded as Audit NZ Dashboard Item -**Feb 25:** Still to be completed Noted – this will be reconciled once the new delegations have been approved.
2	Separation of duties risk (creditors master file changes) Potentially remove the CFO's ability to make changes to the creditors Masterfile. Alternatively consider removing the CFO's ability to review and sign off the master file changes report.	Finance	CFO	30/06/25	Necessary	-**May 25:** Recommended for close. -**Feb 25:** Completed We are happy to make this change according to best practice and will make a request for the CFO's access to the Creditor Masterfile to be amended to "view only". Request has been made and access changed to read/view only has been applied for the CFO role as of 26 November 24.
3	Review of the manual journals Ensure that the Excel listings for all manually reviewed journals include a date field. A listing from Authority containing manual journals processed, should also be reconciled, or checked to the reviewed Excel listing. This will allow for accurate tracking and verification.	Finance	CFO	30/06/25	Necessary	-**May 25:** Recommended for close. -**Feb 25:** Completed Process as of July 2024: The signed and dated hard copy of the Excel journal template sheet is attached to a hardcopy of the posted Authority Journal. These are then again peer reviewed before being filed.
4	Asset stock count / existence Implement a periodic physical verification of a sample of assets, especially high value or critical ones to ensure assets recorded in the FAR actually exist.	Finance	CFO	30/06/25	Necessary	-**May 25:** Physical asset checks are being undertaken for the Art Gallery, Library, Airport & Parks "statues & monuments" -**Feb 25:** Asset classes and locations for physical asset checks have been designated for 2025. This process is now embedded, and it is recommended that it now be closed. The PPE process documentation is being updated for the 2025 interim audit to reflect this process. We initiated a program of physical asset checks in 2024, based on asset classes, which will continue in future. This is now an ongoing process which will roll out over all asset classes over future periods.
5	FAR reconciliations Introduce a regular reconciliation process between the asset management systems and the FAR.	Finance	CFO	30/06/25	Necessary	- **May 25:** Work is continuing to update Asset Management databases in a number of areas and so these reconciliations are still developing. Finance are working with asset managers through those process. -**Feb 25:** Quarterly reconciliations are now being completed however the process is still being finalised refined and therefore this item should remain open. We plan to perform quarterly reconciliations following the WIP review process.

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
6	Trade receivables aging Implement a process to ensure an aging listing and other details are able to be generated at 30 June.	Finance	CFO	30/06/25	Necessary	-**May 25:** Recommended for close. -**Feb 25:** The aged listing is now being undertaken. It is recommended that this item now be closed. Aged listings from Bookable are available each month. We will ensure these are saved each month going forward.
7	FBT compliance processes Implement a process to record these benefits for staff, ensuring they are correctly treated as being exempt from FBT; and develop a procedures manual for the calculation of FBT to be used when the usual FBT preparer is unavailable.	Finance	CFO	30/06/25	Necessary	-**May 25:** A review of where staff related benefits were being coded has been undertaken and it is anticipated that standardisation of theis will be completed during 2025 with a review of the costs for the year also being completed. A full review of vehicle usage has been completed and improved processes established for monitoring this. -**Feb 25:** FBT process continue to be worked on particularly focused on vehicles. It is anticipated that the coding for personal expenditures will be finalised in Q3 2025 and Q1 & Q2 transactions reviewed. The guidance on preparation of the FBT is being embedded into the calculation spreadsheet. Agreed and planned for 2025.
8	Revenue classification Ensure that different types of revenue are correctly classified, for example, fees and charges are being correctly coded to fees and charges and not other revenue.	Finance	CFO	30/06/25	Necessary	-**May 25:** Will be reviewed again prior to year end. -**Feb 25:** Planned Noted and planned for 2025.
9	Fully depreciated assets Conduct regular reviews of the useful lives of assets. This practice will ensure that the useful lives align with the anticipated consumption of economic benefits derived from these assets.	Finance	CFO	30/06/25	Necessary	-**May 25:** A full review of useful lives has been undertaken and thiose assets with a nil value assessed as to whether they are still being utilised. USeful livfe extensions are limited to 12 months for fully depreciated assets and no additional value attributed to them. -**Feb 25:** The useful lives of Water and Roading assets will be comprehensively reviewed as part of the respective revaluations. Other assets are generically reviewed as part of the year-end asset processes. A review of useful lives was conducted in 2024 and is intended to be undertaken semi-annually, as well as greater standardisation of useful lives for equivalent assets. Assets may be utilised beyond their assessed useful lives and unless material it is not justified to increase the useful life but rather recognise that there is a degree of uncertainty surrounding the assessment of specific assets' useful lives.
10	Combined bank accounts in the GL Each bank account should be recorded in a separate general ledger account. This will facilitate proper reconciliations on an individual account basis.	Finance	CFO	30/06/25	Necessary	-**May 25:** Completed -**Feb 25:** Will be completed before interim audit. We will move and separate these.
11	Uncalled capital in subsidiary	Finance	CFO	30/06/25	Necessary	-**May 25:** Completed Evidence provided.

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
	Perform a detailed reconciliation of shares issued over the years to support the value and number of shares issued and uncalled.					-**Feb 25:** Reconciliation to be conducted for the 2025 interim audit. This is something that has not been previously requested, including in 2024, however we will provide this reconciliation in future.
12	Assessment of year-end WIP Ensure that all costs in the WIP account at year end are costs that are capital in nature. Regularly perform a review of costs entered into WIP to ensure staff are capitalising appropriate costs in a timely manner. Perform a regular review of projects included in WIP to identify amounts that should be expensed due to contracts cancelled, delayed or significantly over budget (impairment required).	Finance	CFO	30/06/25	Necessary	-**May 25:** As noted previously WIP is reviewed in detail quarterly. Costs are expensed where this is deemed appropriate. -**Feb 25**: Recommended WIP processes are now being conducted as part of the quarterly review of WIP. This will be highlighted as an extra check during the quarterly reviews of WIP.
13	Approval for sale of assets We recommend that the Council implement a standardised approval process for asset disposals that includes written authorisation.	Finance	CFO	30/06/25	Necessary	-**May 25:** Assets disposal from CVR requires specific agreement from the appropriate manager with sufficient delegated authority for the particular disposal. This can be reviewed as part of the year-end process for 2025 which will provide the proof that this process is in place. -**Feb 25:** Asset documentation amended for 2025 interim audit. Process to be promulgated to Council formally in Q3 2025 as part of the quarterly review. Quarterly review of disposals to be undertaken to ensure that it is complied with. There are different types of disposals, however as a general principle we would agree that the relevant authorised manager should sign off on disposals. We will see to it that this is implemented going forward.
14	Impairment assessment for investment in subsidiaries and associates Complete the assessment of whether or not impairment indicators exist, at an individual assets and investment in subsidiaries and associates' level.	Finance	CFO	30/06/25	Necessary	-**May 25:** The review process has not yet gone to ARC -**Feb 25:** Current practical processes as documented to be reviewed for ARC agreement. We review the impairment of investments in subsidiaries & associates at least annually. We do not get external assessment advice under normal circumstances. We start with a high-level assessment and then would only do a more detailed assessment if there were negative indicators. Perhaps we should get ARC to explicitly sign off on our process and if they think that we need to do more we can do so. The impairment indicators as set out in our process were sourced from the standards and extant practice.
15	Consolidation process Review the consolidation model to ensure that any flaws in the model are rectified before the preparation of the FY25 financial statements. Consider establishing an automated process for the consolidation model, which can limit the number of errors and manual updates. Consider establishing "standing journals". Ensure sufficient quality checks and reviews are performed over the consolidation model while preparing the FY25 financial statements.	Finance	CFO	30/06/25	Necessary	-**May 25:** The proposed new Group fund in Authority has not yet been established, however it is intended that any Template journals have specific journal requests prepared as if these are being entered into the GL. -**Feb 25:** A new Group "fund" is to be established in Authority for Group transactions and the reporting Template updated accordingly for the 2025 year-end process. The current Excel model and system that we operate does not allow for consolidations to be done automatically within it. We are investigating whether to set up a separate fund within

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
	Key members of the management team and potentially the Audit and Risk Committee should perform an internal quality review of the draft annual report and evidence this review, before it is provided to the auditors for the annual audit.					Authority so that journals can be passed through it.
16	Sensitive expenditure not in line with good practice Ensure expense reimbursements are approved on a one-up basis. Update corporate policies to include a claimable amount for breakfast.	Finance	CFO	30/06/25	Necessary	-**May 25:** Policy being brought to ARC meeting June 25 for discussion. -**Feb 25:** Policy is being reviewed. Approval is essential for all expenses processed through the newly implemented AP system. Audit and Risk Committee Chair’s expenses will be no exception. The transaction that was referred to in regard to the GM – Corporate and Communications happened prior to him being appointed as a GM. This went via the correct approval process. Policy will be reviewed and updated to include a breakfast expense amount.
17	Legislative compliance Breach of legislation – hearing fees Seek legal advice and/or ask the Remuneration Authority for a ruling on the appropriateness of Council’s resolution and the next steps required.	Finance	CFO	30/06/25	Necessary	-**May 25:** Currently audit dashboard query assigned to GM Corporate and Communications. -**Feb 25:** Awaiting feedback. Remuneration Authority were not interested in the matter. Legal advice sought and advice from Chair Audit and Risk is being sought as to possible next steps.
18	High annual leave balances: Strengthen processes to review and monitor staff annual leave balances and continue to work with and implement leave management plans for staff with excessively high annual leave balances.	People & Capability	GM People & Capability	~~31-Dec-22~~ ~~31-Mar-23~~ 31-Dec-23	Necessary	-**May 25:** P&C continue to support where required. GM's provided quarterly statistics to work with staff to reduce balances. Slight reduction observed. -**February 25:** Slight reduction in high leave balances. Leave reporting quarterly continues.GM's working with staff to reduce balances. Supported by P&C where required. -**November 24:** Leave reporting quarterly continues.GM's working with staff to reduce balances. Supported by P&C where required. The updated process is now implemented but full documentation of the process is to be completed. -**Aug24:** Leave reporting provided quarterly. Leaders expected to proactively engage with team members to reduce leave balances in excess of 5 weeks. Letters setting expectations being issued where required and guidance given on when to escalate to a managed leave programme. - **May 24:** Regular leave reporting is provided to people leaders who are actively working to reduce team members leave before 30 June 2024.

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
						- Jan 24: Undertaking regular reporting to managers to increase oversight and management of leave balances. The most recent leave report was sent January 2024. - Payroll is undertaking quarterly leave reporting which will be sent to GMs to discuss with affected parties. (Currently running this report). Due to the nature of the system, this is a manual checking process and takes some time. The report will include the employee leave balance, accrued leave, long service and special leave, Christmas leave, and the monetary value based on ordinary earnings. **- Sep 23/Nov 23:** Planed quarterly reporting to SLT on the annual leave balances. - We continue to monitor this area and work with employees to reduce balances. The impacts of Covid-19 have heightened the issue. Managers receive reporting on employees with high balances and work with individual employees to put plans in place. - Engagement & Culture continue to develop plans on how to address this issue. **AUDIT NZ updated comment** Some progress However, noted there are still few employees with high annual leave balances. **Previous comments** No progress No Change in Status from previous report. December24: Open
19	Annual report preparation: • Ensure that the annual report is complete and ready for audit upon the date agreed in the Audit Proposal letter. • Establish a robust quality review process over the financial and non-financial information presented to audit.	Corporate Communications & Finance	GMCC & CFO	~~31 Dec 22~~ ~~31 Mar 23~~ ~~31 Dec 23~~ 30 Oct 25	Necessary	**-May 25:** The annual plan has not required Audit and is on track to by adopted by year end. A project plan is in place to deliver the Annual Report to the expectations of the new Audit Team. A templated approach to the document should make this a more straightforward process. **-February 25:** We are in ongoing dialogue to ensure that a robust project plan is in place for 24/25. This can stay open for final review following adoption of 24/25 AR. Interim audit has been loaded onto dashboard early, and we are working through it currently. There is a significant dependency on the Annual Plan not requiring Audit. **-November24:** Annual Report 2023/24 was adopted by council on 31 October 2024, and although challenging and requiring significant work on both Audit New Zealand and TDC side and concerns over quality of information gained an unmodified opinion. A debrief and improvement process will be followed in January guided by audit feedback to ensure that we continue to improve processes and have a robust project plan in place for 24/25. **-August 24:** Interim Audit was completed; team is working to finish Annual Report / Audit ontime this year. **- May 24:** Interim and Annual Audit now underway, team is using dashboard to manage requests in a timely manner. **-Dec 23:** The Annual Report 2022/23 was approved by Council (Resolution 2023/76) November 2023. Regular communication between Audit NZ and TDC is in place to reduce the number of issues or any delays from either organisation.

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
						-**Nov 23**: The Annual report 2022/23 will be presented to the Council on 14 Nov 2023. - A detailed project plan has been developed to ensure the 2021/22 annual report is complete and ready for Audit. In addition, a Project Steering Group meets weekly and there are regular status updates to the Senior Leadership Team. Microsoft Teams is being used to manage internal information and Audit Dashboard for communication with Audit NZ. - Regular review of both financial and non-financial information is also being undertaken. Further Quality Assurances processes will be in place for the 2022 Annual Report. - The revised timing of the 2021/22 Audit led to pressures of multiple deliverables being required at the same time. A lesson learned session will be held with Audit NZ. **AUDIT NZ updated comments** Some progress The draft annual report provided to the audit team was not fully complete and due to time constraints, not subject to a full quality review process. The financial and non-financial information presented to audit, still contained misstatements. **Previous comments** Some progress: However, the draft annual report provided to the audit team was subject to a quality review process. However, financial and non-financial information presented to audit, still contained many misstatements. **December24: In progress**
20	Publication of council-controlled organisations (CCO) information: Ensure that the CCO information, required by the Local Government Act 2002 (LGA), is published on the Council's website within the stipulated timeframe.	Corporate Communication	GMCC	~~31-Dec-22~~ ~~31-Mar-23~~ 31-Dec-23	Necessary	-**May 25:** -**February 25:** A process is in place to ensure all CCO information is uploaded in the correct places in a timely manner. Suggest that this can be closed. -**November 24:** We have made improvements to the website to be more clear as to where CCO and associate annual reports are housed. All current CCO and associate reports are on the website here: https://www.timaru.govt.nz/council/publications/reports/other-reports -**August 24:** Completed - **May 24:** To be completed in next quarter. - **Dec 23:** The Annual Report was adopted 14 November 2023. The Report was loaded on the Council website on 14 December 2023. Following changes in staff, the process for this has been reviewed and compliance is anticipated from 2024. - **Sep 23/Nov 23**: Management note copies of all CCO information are held on the TDC website. The first three years have an individual page for Venture Timaru, then previous years are available by searching the reports and documents from the agendas when these were presented to Council, or the relevant Committee. For TDHL, information is available on the TDC website from back to 2015/16 financial year. All was added within statutory timeframes and are available to view by the public.

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
						- A review of this process has led to CCO information and documents now being published on the Council's website within stipulated timeframes. **AUDIT NZ updated comment** No progress No change in status from previous report. **Previous comments** During 2022/23 there were further organisational restructures and changing personnel, the previously centralised function to publish these to Council website within statutory timeframes has again been overlooked. December24: Open
	Audit NZ Report 2021/2022					
21	Implement the revaluation improvements recommendations: Take steps to implement the revaluation improvement points raised in 2019/20.	Finance	CFO	31 Dec 25	Necessary	**-May 25:** The revaluations for 2025 are being undertaken as at this time for the year-end reporting. **-February 25:** Working on the process as part of this annual audit. We have begun the revaluation process for both Water and Roading. **-November24:** A comprehensive Water assets revaluation is due for 2025 so we will ensure that these points are specifically included in that process. **-August24:** Still work in progress. **- May 24**: Still work in progress. **- Sep 23/Nov 23:** As noted in the Outstanding Risk Register presented to the Audit and Risk Committee on 3 July 2023, this is part of a program of work to prepare for a full valuation. The action has a proposed due date of 31 December 2025. **AUDIT NZ updated comment** In progress December24: Open
	Waka Kotahi - Investment Audit Report (Aug 21)					
22	Develop a clear and consistent audit trail to support claims for funding assistance.	Infrastructure	Land Transport Manager	30-Jun-24	Medium	**-May 25:** As above. Proposed changes to the financial system will further support direct alignment. Likely we will be able to close out new financial year. **- February 25:** Works to tidy alignment between NZTA Work Category/Council GL and Council Work Orders are practically complete. Some minor changes to tasking and budget allocations outstanding that will be resolved 25/26 financial year. -**November 24:** Work is still ongoing in this area, the Finance team are working on moving the final few Work Orders that need moved to the correct NZTA work category which will ensure complete clear line of sight. **-August24:** Work in Progress - **May 24:** Work is ongoing in this area, there are a number of reports and spreadsheets coming from the finance team which are bridging this gap. The budget codes and headers

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
						submitted in the Long Term Plan are much more simple to follow which will provide for further transparency over the life of the coming LTP . Work is being undertaken in conjunction with the Finance team to improve the reporting out of the finance system. This will remove the need for a bespoke system/report.
23	**<u>Audit NZ Report 2022/2023</u>** Capitalisation dates of additions: Capitalise assets within a month of their completion rather than all on 30 June.	Finance	CFO	1st July 2024	Necessary	-**May 25:** Majority of categories now up to date, water assets still a couple of months behind. - **February 25**: Continuing to monitor. -**November24:** Assets are now capitalised at the date of acquisition or completion, unless there are exceptional reasons to do otherwise. This item should be closed. -**August24:** Quarterly capitalisation procedure will be implemented from 2024-2025 financial year. - **May 24**: This has made some progress this year with assets being capitalised earlier than year end. Will capitalise more regularly and will use the period close off date **December 24: In progress**
24	Useful lives alignment with accounting policy: Ensure the useful lives are consistent with the accounting policy.	Finance	CFO	1st July 2024	Necessary	-**May 25:** All useful lives are being reviewed to ensure that they comply with accounting policy. -**February 25:** Continuing to review. -**November24:** Useful lives are consistently in line with accounting policy with the only exceptions being occasional errors. This item should be closed**.** -**August24:** Reviewed - **May 24**: Reviewed Yes, we will review for consistency **AUDIT NZ updated comment** **December 24: Open,** We noted that there are still assets with useful lives that are not consistent with the Accounting Policy.

6.3 Internal Audit Activities

Author: **Narayan Swamy, Assurance Officer**

Authoriser: **Stephen Doran, Group Manager Corporate and Communications**

Recommendation

That the Audit and Risk Committee:

1. Receives the update of completed and upcoming Internal Audit activities; and
2. Confirms the upcoming areas for internal audit in 2025.

Purpose of Report

1 To provide the Audit and Risk Committee (ARC) with an update on the Internal Audit (IA) activities since the last meeting on 03 March 2025, and to seek input and approval for the internal audit plan for 2025.

Assessment of Significance

2 Reporting on the Risk and Assurance activities is considered of low significance in terms of the Council's Significance and Engagement Policy as this matter is operational in nature. There is no impact on service provision or impact on the district as a whole.

Discussion

3 ARC endorsed the Internal Audit 3-year plan at their meeting on 3 July 2023. Council remains broadly on track with this plan.

4 The planned audits for 2025 and their status are as follows:

Assignment	Status
Contract Management Audit	The audit is completed and the report is included in Public Excluded .
Review of Health and Safety process at Timaru Wastewater.	In Progress to be completed by 08/07/25.
Review of Land Information Memorandum (LIM) process.	To be undertaken in July 25 by internal resource. Terms of Reference is included in the Internal Audit quarterly report in Public Excluded.
Internal Audit 3 Year Plan	To be undertaken after the restructure is finalised for next ARC meeting submission.
Awareness of the Internal Audit Functions	To be undertaken after the restructure is finalised and approval of the Internal Audit Charter.

5 The assignments for 2025/26 are subject to be discussed as item 9.10 will be finalised by next ARC meeting scheduled for September based on the consultation with Senior Leadership Team, Audit NZ and the Audit and Risk Committee.

Attachments

Nil

6.4 Internal Audit Forward Works Programme

Author: **Stephen Doran, Group Manager Corporate and Communications**

Authoriser: **Nigel Trainor, Chief Executive**

Recommendation

That the Audit and Risk Committee:

1. confirms the amended work plan for the Internal Audit in 2025/26.
2. receives and notes officer advice on priority areas for future Internal Audit activities.
3. indicates its priority areas for attention for future Internal Audit activities.

Purpose of Report

1 This report reconfirms the audit work plan for 2025/26, suggests some priority areas and seeks guidance from the Audit and Risk committee on areas it thinks should be a priority going ahead.

2 This information will be used to present a full plan of work for adoption to a future Audit and Risk Meeting.

Assessment of Significance

3 While Internal Audit is an important part of governance oversight, it is considered of low significance in relation to the Council's Significance and Engagement Policy.

Background

4 Council is at the end of year two of the attached three-year Internal Audit Plan proposed by Deloitte and adopted by the audit and Risk Committee in July 2023.

5 Progress against this plan has overall been going well, with a number of improvement recommendations coming out of the reports being adopted as council practice.

6 With a focus on reducing operational cost across council, the unit has been internally resourcing delivery of internal audits where possible, unless they require specific technical knowledge.

7 Some items in the list, for example Accounts Payable Controls, have been postponed due to known deficiencies with the system and the planned adoption of replacement tools in the near future as part of the Authority upgrade.

8 The unit has also added in specific audits where requested by council officers in discussion with the Audit and Risk Chair.

9 With the need for financial prudence, we would request that the committee provides guidance over which areas they feel are a priority for the department, and if they feel that any can be postponed.

Discussion

10 The next two audits being undertaken are:

10.1 Review of Health and Safety process at Timaru Waste Water Treatment Plants (As a short, reactive audit requested by Health and Safety and agreed with chair).

10.2 Review of Land Information Memorandum process (starting in July 2025). This is timely following the launch of the new LIM preparation system this year.

11 The remaining audit engagements in the plan cover the following areas:

11.1 Operational Expenditure and Policy Review.

11.2 Treasury and Cash Flow Management.

11.3 Accounts Payable Controls.

11.4 Resource / Building Consent Process.

11.5 Water Utilities Management (specifically Wastewater)

11.6 Infrastructure Renewals.

11.7 Financial Compliance.

Lower Priority

12 We would suggest that with significant water reform likely to be starting in FY25/26 it would not be best value for council to continue with item 11.5 Water Utilities Management, as the utility will be entering into a more tightly regulated environment, and is likely to be out of direct operational control of Council. We suggest it could be postponed.

13 We would also suggest that, while important, the Accounts Payable Controls audit is postponed until such time as the Authority update is completed, which will likely replace the current Purchase and Invoice processing system, Esker. The shortcomings of our current processes are already known, so we suggest it could be postponed so that the new process could be audited once it was in place.

Higher priority

14 We would suggest that the Resource / Building Consent Process would be an area where there would be value in prioritising. While both are subject to standards and external auditing, this looks more at standards of work as opposed to processes.

15 With the current focus on reducing Operational Expenditure, we suggest there is value in the Operational Expenditure and Policy review, to ensure that council has a good control environment around the recording, collating, monitoring, managing and reporting of financial spending and operational environments. Any findings from this could be used to inform the upgrade of council financial systems.

Options and Preferred Option

16 The preferred option is that the Audit and Risk Committee confirms the priorities for the internal audit work plan for FY 25/26.

17 The committee can also elect to discard the current work plan and suggest priorities for an amended plan to be adopted at the next committee meeting.

Consultation

18 This is an internal oversight process, so no external consultation is required.

Relevant Legislation, Council Policy and Plans

19 Local Government Act 2002

Financial and Funding Implications

20 This plan is proposed to be primarily internally resourced, but will be delivered within existing budgets.

Other Considerations

21 None.

Attachments

1. TDC Internal Audit Plan ⇩

Deloitte.

Timaru District Council

Internal Audit Plan – Review

Draft Report

June 2023

MAKING AN IMPACT THAT MATTERS since 1845

Contents

1. Executive Summary

1.1 Introduction

Timaru District Council ('TDC' or 'you') is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital role in providing visibility over the extent to which these arrangements are in place and operating effectively. TDC acknowledges that its response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to achieving its strategic direction.

Therefore, TDC requested Deloitte review its draft internal audit plan (the Plan) for the three-year period to 2025, and update the Plan to ensure it is dynamic, risk focused and has appropriate assurance coverage while continuing to align to the objectives of TDC.

This report captures the findings of this review, which was carried out between April to June 2023 in accordance with the Terms of Reference dated 26 March 2023 (ToR).

1.2 Background

TDC is recruiting for the positions of Risk and Assurance Manager and Risk and Assurance Officer, but progress has been slower than expected. Therefore, there is current need for external assistance and support from Deloitte to progress risk and assurance related matters.

One such matter that TDC required assistance with, and which was discussed at the Audit and Risk Committee (ARC) meeting (held on 6 March 2023) relates to the Internal Audit function, specifically:

- Phase 1: Review and update the Plan; and
- Phase 2: Delivery of Internal Audits (as required).

1.3 Use of Report

We have prepared this report solely for the exclusive use of TDC. This report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written express consent. We accept or assume no duty, responsibility, or liability to any other party in connection with the report or this engagement, including, without limitation, liability for negligence in relation to the factual findings expressed or implied in this report.

1.4 Acknowledgement

We take this opportunity to thank the TDC team for their time and assistance during the course of this review.

2. Approach and Work Performed

2.1 Scope and Approach

In completing Phase 1, which was to review and update (as appropriate) TDC's current Plan to help ensure it remains dynamic and risk focused with appropriate assurance coverage, we have.

- Reviewed the Plan (as outlined in Appendix A), taking into consideration any prior years' internal audits / reviews that have been undertaken (as outlined in Appendix B) and identifying potential duplication and / or internal audits / reviews that could be consolidated for efficiency purposes;
- Reviewed other relevant documentation, including the Long Term Plan (LTP) 2021 – 31 and Operational and Strategic risk heat maps and risk registers;
- Held discussions with relevant TDC General Managers and/or Directors in addition to the Chief Executive (CE), Chair of the Audit and Risk Committee and your external auditors (as outlined in Appendix C);
- Identified possible gaps and /or inclusions to the Plan in line with the current best practice for the Public Sector and our knowledge / insight of comparative entities;
- Scanned for emerging risks and/or opportunities to consider;
- Considered the practicality of the p in terms of budget and the impact on TDC resourcing; and
- Considered the size, scale and coverage of the plan at comparable entities.

2.2 Out of Scope

The following areas were out of scope for this review:

- Any assurance over the validity, accuracy and completeness of underlying source data provided;
- Assertions made by TDC; and
- Delivery of the internal audits as per the proposed internal audit plan (Phase 2).

3. Proposed Internal Audit Plan

3.1 Summary of Proposed Internal Audit Plan for 2023/24 to 2025/26

The table below outlines areas of review that we propose TDC considers completing for the three-year period to 2026.

Arriving at the proposed internal audit plan, we have considered the draft Plan provided by TDC (refer Appendix A). It should be noted that given we are nearing the end of the 2023 financial year, we have refreshed and reprioritised the Plan below for the three-year period to 2026.

Our plan also considers TDC's LTP, operational and strategic heat maps and risk registers, consultation with various stakeholders, plus horizon scanning to consider emerging risks and opportunities.

This identified potential internal audits, which we have then prioritised. Factors taken into account in this prioritisation exercise include materiality; public sector importance, vulnerability, risks, and opportunities. The overall aim is to add value by providing comfort, improving controls and reducing risk.

We remind TDC that internal audit is only one source of assurance. Accordingly, the delivery of the Plan, will not cover all risks and processes within the organisation. Assurance from other external parties is also a consideration and as we have not specifically reviewed what may have been completed externally in detail (noting where external reviews being completed were discussed with stakeholders), TDC will need to reflect upon this in light of the proposed plan.

We are cognisant of the need to have a flexible approach to planning, to align to the needs of TDC in the continually changing risk and control environment. We understand that assurance priorities may change as your internal audit function matures, and consequently note the importance of periodically reviewing and monitoring the proposed plan to ensure areas being reviewed remain relevant and focused on key assurance priorities at that point in time.

3.2 Proposed Internal Audit Plan

#	Area of Review	Ref	Year 1 FY 2023/24	Year 2 FY 2024/25	Year 3 FY 2025/26
1.	Probity / Sensitive Expenditure	[A]	✓		
2.	Waste Management Contract – Billing Process	[B]	✓		
3.	Capital Expenditure / Project Management	[C]	✓		
4.	IT / Cyber Security *	[D]	✓		
5.	Asset Management	[E]	✓		
6.	Legislative Compliance / Integrity Framework *	[F]		✓	
7.	Operational Expenditure and Policy Review *	[G]		✓	
8.	Contract Management	[H]		✓	
9.	Treasury and Cash Flow Management	[I]		✓	
10.	Employee recruitment and end employment review	[J]		✓	
11.	Accounts Payable Controls *	[K]		✓	
12.	LIM Process	[L]			✓
13.	Resource / Building Consent Process	[M]			✓
14.	Water Utilities Management (specifically Wastewater)	[N]			✓
15.	Infrastructure Renewals	[O]			✓
16.	Financial Compliance	[P]			✓
17.	General Financial Activities *	[Q]			✓
18.	Follow up reviews *	[R]			✓

** Indicates new and/or varied internal audit / review*

For those internal audits that Deloitte will complete independently for TDC, we will agree the detailed scope with the Project Sponsor (who will be responsible for reviewing and signing off the scope). This will include the review, the control objectives to be tested, scope and approach along with the estimated fees.

3.3 Rationale for proposed 2023/24 internal audits

The areas below are suggested internal audits in the 2023/24 proposed plan. The sequence of these are listed in the proposed order of completion for the year to June 2024.

[A] Probity / Sensitive Expenditure

This internal audit is in progress and for the most part has been completed with a draft report having been prepared. Therefore, from a pragmatic and efficiency perspective, we suggest completing this in the first instance. TDC has requested Deloitte to facilitate finalisation of this.

[B] Waste Management Contract (Billing Process)

We understand that following the implementation of the new Waste Management Contract with Envirowaste, there may be some uncertainty with respect to the terms of the contract, specifically billing. This engagement will assist in providing visibility and certainty over the billing process to consider if the charges being applied are in accordance with the terms and obligations of the new contract. Again, we understand from TDC, that Deloitte will facilitate this.

[C] Capital Expenditure / Project Management

The focus of this audit will be on major capital projects as opposed to renewals. Given a draft ToR has already been completed, we recommend this is included in the FY24 proposed plan. We understand from TDC that Deloitte will complete this.

[D] IT / Cyber Security (New)

This is a rapidly evolving risk area that continues to generate headlines and is on virtually every ARC agenda. Cyber security has a "high" residual risk rating in TDC's operational risk register with software failure having a "very high" rating.

We suggest completing an IT / Cyber Security review which focuses on TDC's current capability to detect and respond to major IT and Cyber related events. Implementing effective safeguards and defences against potential outages and attacks can significantly reduce the risk of data breaches and other disruptive and damaging events.

We note that TDC's draft Plan included a scheduled review of IT software license management in the 2024 year. We suggest consideration is given to this as part of the IT / Cyber Security review for efficiency purposes.

[E] Asset Management

During discussions with key stakeholders a common discussion point was around the obligation for TDC to effectively manage its physical assets on behalf of its community. This is to determine that such assets meet the needs (current and future focused) of the community. We also highlight that there may be an inherent expectation of TDC to deliver services and manage assets to a higher standard given Timaru is a mature and established provincial city.

Considering this, we suggest a review to assess the adequacy and effectiveness of TDCs asset management planning processes to manage, monitor and maintain its key assets. In addition to council wide asset management functions other portfolios may be considered for assessment, including but not limited to:

- Corporate Property;
- Reserves/Parks and Facilities; and
- Transport.

This internal audit will predominantly focus on TDC's above ground assets and acknowledge TDC's draft Plan included scheduled internal audits of Facilities maintenance in 2024 and Parks management in 2025, and this will form part of this Asset Management internal audit.

3.4 Subsequent internal audits

The areas below have been identified for internal audit review in the following years. We recognise that assurance priorities may change and consequently these can be rescheduled and replaced with others to remain relevant and focused on key assurance priorities as required.

3.4.1 Proposed 2024/25 internal audits

[F] Legislative Compliance / Integrity Framework (New)
TDC is responsible for ensuring compliance with a variety of laws and regulations that are aimed at achieving positive outcomes. A key role in ensuring compliance is carrying out compliance monitoring and responding to notifications of potential breaches or incidents thus, it is crucial that TDC maintains public trust and confidence as it is accountable for the management and delivery of public services and outcomes. In light of this, we suggest a review of legislative compliance be completed, and part of this may also include consideration be given to the Integrity Framework for the Public Sector released by the Office of the Auditor-General in June 2022.

[G] Operational Expenditure and Policy Internal Audit (Varied)
A strong control environment around the recording, collating, monitoring, managing and reporting of financial spending on operational activities by the Council is essential. This is to determine that spending is appropriate, in line with TDC's LTP and approved budgets.

We would suggest the internal audit of Operational Spending also includes review and updating (as appropriate) of (1) Delegation of Authority Policy, (2) Financial Delegation Matrix and (3) Conflict of Interest Policy. Stakeholders have referenced these as being either out of date and/or inaccurate and thus require alignment with each other and updating.

[H] Contract Management
Assessment of the effectiveness of the controls and processes with respect to contract management.

[I] Treasury and Cash Flow Management
Prudent investment of cash balances which are not needed immediately, gives the Council an additional source of income. This would cover Treasury Management, Borrowing, Lending and Investment Policy, strategy and procedures operated to determine that they are appropriate, adhered to and compliant as applicable.

[J] Employee Recruitment / Retention Strategy Review
We note a key risk to TDC is around the inability to attract and retain a skilled and competent workforce. This has been highlighted in conversations with key stakeholders as well as this being documented as having a "very high" residual rating in TDC's strategic risk register. As such, TDC's current recruitment and retention activities / strategies are proposed for review.

[K] Accounts Payable (New)
We suggest a review Accounts Payable control procedures across selected sites / locations (as applicable). This is suggested in response to the implementation of Esker (noting a review was scheduled but was delayed with no record of this having been completed to date).

3.4.2 Proposed 2025/26 reviews

[L] LIM Process
We agree with the suggested review of the adequacy and effectiveness of the process associated with preparing, billing and issuing of LIMs at TDC given the regulatory risk associated with this. This is further confirmed through discussions with stakeholders where reference was made to potential inefficiencies within current LIM processing.

[M] Resource / Building Consent Process

We agree with the suggested review of the adequacy and effectiveness of the process at TDC associated with the billing, issuing and enforcing of resource and building consents given the regulatory risk associated with this.

[N] Water Utilities Management (specifically Wastewater)

We suggest a review of TDC's management of water utilities, with a specific focus on wastewater. Management of water utilities is a vital approach to protect water resources and it is suggested to be completed at this time as there will be more certainty around the three waters transition.

[O] Infrastructure Renewals Planning and Prioritisation

We suggest a review of the adequacy and effectiveness of TDC's planning and prioritisation of infrastructure renewals as they represent core infrastructure and the provision of services required to meet current and future needs and to enhance the wellbeing of communities.

[P] Financial Compliance

We understand that PwC have completed a full review of GST and will be completing a review of FBT once the annual report for 2023 is completed. In addition to this we suggest that PwC also review indirect taxes.

[Q] General Financial Activities (New)

We suggest that the following be completed to encompass (1) other specific areas that have been raised by stakeholders to be considered and (2) other areas included in TDC's draft Plan that have not been captured already (where these are regarded as appropriate):

- Leases;
- Asset valuations / purchases / disposals;
- Animal control (billing, issuing and enforcement); and
- Development contributions.

[R] Follow up on prior reviews (New)

We suggest consideration be given to following up on any prior reviews and implementation of any recommendations (as appropriate).

Appendix A: Draft Internal Audit Plan

TDC shared with Deloitte the prepared draft Plan below, which was also tabled at the ARC meeting on 6 March 2023. This has been considered in our review.

#	Review / Internal Audit	FY 2022/23	FY2023/24	FY 2024/25
1.	Treasury and cash flow management		✓	
2.	Independent audit of the Engagement and Culture Directorate *(Completed)*	✓		
3.	Waste Management billing from contractors (Envirowaste)	✓		
4.	Capital spend/project management	✓	✓	✓
5.	Operational spend monitoring/management	✓		
6.	Probity/sensitive expenditure controls	✓		
7.	Contract management		✓	
8.	Review asset management	✓		
10.	Employee recruitment and end employment review		✓	
11.	LIMs preparation, billing and issuing			✓
12.	Resource consent and building consent			✓
13.	Animal control - billing, issuing, & enforcement			✓
14.	Management of forestry *(Completed)*		✓	
15.	On boarding/induction process and exit process *(Completed)*	✓		
16.	Lockdown key controls assurance (if applicable)	✓	✓	✓
17.	Wastewater review (dependent on 3 Waters transition)			
18.	Cash controls review			✓
19.	Facilities maintenance and security		✓	
20.	GST, PAYE and FBT tax compliance evaluation			✓

21.	IT software licence management		✓	
22.	Asset purchase and disposal (non-construction)			✓
23.	Infrastructure renewals planning and prioritisation		✓	
24.	Parks management/operations			✓

Appendix B: Completed Internal Audit and Reviews 2021 - 2023

The table below sets out the completed internal audits and reviews for the three-year period to 2023. This work has been considered when preparing the proposed plan.

#	Review / Internal Audit	FY2020/21	FY2021/22	FY2022/23
1.	Credit Card Review (Completed internally)	✓		
2.	Debenture Trust Audit Report (Completed by Audit NZ)		✓	
3.	Cash Control Review (Completed internally)		✓	
4.	Waka Kotahi Investment Procedural Audit (Completed by Waka Kotahi)		✓	
5.	Debenture Trust Audit Report (Completed by Audit NZ)		✓	
6.	Caroline Bay Operations Review (Completed internally)		✓	
7.	Contract Management (Completed by Opportune)		✓	
8.	Indirect Taxes and GST Review (Completed by Crowe (now Findex))		✓	
9.	On boarding/induction process and exit process (Completed internally)			✓
10.	Engagement and Culture Directorate review (Completed by Deloitte)			✓
11.	Forestry Internal Audit (Completed by Opportune)			✓
12.	Payroll Internal Audit (Completed internally)			✓
13.	Rates Control Review (Completed by Deloitte)			✓
14.	Fraud and Corruption Gap Analysis (Completed by Deloitte) Noting the following key recommendations from this are currently being completed by Deloitte: *(1) Fraud focused Analytics;* *(2) Development of a Fraud Control Plan; and* *(3) Review of Fraud, Bribery and Corruption Draft Policy.*			✓

Appendix C: List of Interviewees

As part of our review of TDC's draft Plan we had discussions with the following TDC key stakeholders:

Name	Position / Organisation
Bede Carran	Chief Executive, TDC
Bruce Robertson	Chairperson, Audit & Risk Committee, TDC
Jason Rivett	Financial Adviser, TDC (previously Acting GM Commercial & Strategy)
John Mackey	Audit Director, Audit New Zealand
John Creagh	Acting Risk and Assurance Manager (Consultant), TDC
Nigel Ingram	Group Manager – Recreation and Cultural Services, TDC
Paul Cooper	Group Manager – Environmental Services, TDC
Andrew Dixon	Group Manager – Infrastructure, TDC
Beth Stewart - Wright	Group Manager – User Experience and Community Engagement, TDC
Erik Barnes (TBC)	Group Manager (Acting) – Engagement and Culture, TDC

Statement of Responsibility

The procedures that we performed did not constitute an assurance engagement in accordance with New Zealand Standards for Assurance engagements, nor did it represent any form of audit under New Zealand Standards on Auditing, and consequently, no assurance conclusion or audit opinion is provided. The work was performed subject to the following limitations:

- Our assessments are based on observations from our review and sample testing undertaken in the time allocated. Assessments made by our team are matched against our expectations and best practice guidelines. This includes comparison with other similar processes we have assessed. This report offers recommendations for improvements and has taken into account the views of management, with whom these matters have been discussed.
- Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. The procedures were not designed to detect all weaknesses in control procedures as they were not performed continuously throughout the period and the tests performed are on a sample basis.
- Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.
- The matters raised in the deliverable are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our deliverable to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.

We have prepared this report solely for the use of Timaru District Council. The report contains constructive suggestions to improve some practices which we identified during our review procedures. These procedures are designed to identify control weaknesses but cannot be relied upon to identify all weaknesses. We would be pleased to discuss any items mentioned in this report and to review the corrective action implemented by management.

6.5 Sensitive Expenditure Policy

Author: **Brendan Madley, Senior Policy Advisor**
Nigel Howarth, Procurement Lead

Authoriser: **Andrea Rankin, Chief Financial Officer**

Recommendation

That the Audit and Risk Committee endorse the draft Sensitive Expenditure Policy to enable it to proceed to consultation.

Purpose of Report

1 The purpose of this report is for the Audit and Risk Committee to provide feedback on the draft Sensitive Expenditure Policy, and endorse a draft policy as the basis of consultation.

Assessment of Significance

2 This report is considered as being of low significance when assessed against the Significance and Engagement Policy. This is because it does not seek any final decisions, and consultation is scheduled to occur as the next stage in the review process.

Background

3 Officers received feedback on prospective changes to the policy at the Committee meeting on 3 March 2025.

4 The indicative policy review timeframe presented in that report has been, in consultation with the Chair, amended since the meeting.

    4.1 It is now proposed to undertake internal consultation on the draft policy in July and August.

    4.2 A summary of the internal consultation, officer commenting and a proposed final policy will be presented to the Committee in September for consideration, amendment where deemed necessary, and endorsement.

    4.3 The Chief Executive will then sign off the final policy.

Discussion

5 Through this Policy, Council recognises that dealing with public money means that expenditure should be subject to the exemplary standards of probity and financial prudence expected of a public entity. These expectations are necessarily higher than those that exist in the private sector.

6 Prudent sensitive expenditure policies and processes are strongly endorsed by the Office of the Auditor General (OAG), and the definitions, principles and standards set out in this Policy are in accordance with the advice from the OAG.

7 Officers do not consider that Council currently experiences significant issues with sensitive or improper expenditure. Therefore, few material changes are proposed to the Sensitive Expenditure Policy.

8 The material changes are considered to be:

8.1 The removal of non-policy aspects which were previously included for contextual or educational purposes. The removal is part of a Council desire to simplify policy documents and “just get to the actual policy”. An example is the former 2.2 and 2.3 of the “Scope”, which are deemed more appropriate in a covering report.

8.2 The inclusion of the accompanying Expenditure Guidelines and Procedures as an Appendix within the policy, rather than as a stand-alone document. This is to create a “one-stop” document and because feedback was received that it was confusing to have to cross-reference a separate document. Proposed changes to the Appendix are not track changed in the attachment as the guidelines are not endorsed or approved by the Committee. Regardless, officers can provide a verbal update, if desired, and welcome feedback on any aspects Committee members may wish to raise.

8.3 The streamlining of, and in a couple of instances addition to, responsibilities to more accurately represent the relative roles of the Chief Executive, Senior Leadership Team and Chief Financial Officer.

8.4 Specifically stating policy breaches to remove any ambiguity for officers, and to enable disciplinary action to be taken where necessary.

8.5 The addition of indicators to enable better tracking of and reporting about the performance of the policy.

9 Non-material changes, for instance to simplify language and update position titles, have also been made.

10 All changes are identified in the attached draft policy via track changes.

Options and Preferred Option

11 Option 1 – Endorse the proposed draft Sensitive Expenditure Policy as attached (Preferred Option).

12 This option incorporates the proposed changes to the policy, for the rationale outlined in the Discussion section of this report.

13 Option 2 – Endorse an amended draft Sensitive Expenditure Policy.

14 Committee members may consider that changes to the proposed draft policy are desirable. The advantages and disadvantages of this option are dependent on the specific changes that may be sought.

15 Depending on the significance and complexity of any potential changes being sought, it may be appropriate for officers to be given the opportunity to prepare advice on them prior to any decisions being made.

Consultation

16 It is proposed that consultation will occur following the Committee’s endorsement of a draft policy.

17 As an internal corporate policy, standard practice is that all staff and the Public Service Association (PSA) are the only parties invited to submit.

Relevant Legislation, Council Policy and Plans

18 Corporate Management Policy Manual: This manual contains a number of policy statements and procedures relating to sensitive expenditure. These have been consolidated into the new policy, guidelines and procedures. Note: this manual is scheduled to be significantly over-hauled in the second half of 2025 to eliminate duplication and some inconsistencies with this and other policies.

19 Governance Remuneration, Allowances and Expenses Policy: This Policy sets out entitlements and requirements relating to remuneration, allowances and expenses for all Elected Members. The Policy is set in accordance with the Remuneration Authority determination and rules.

20 Local Government Act 2002 (LGA): Section 101 of the LGA requires Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. The draft Policy presented is designed to ensure Council is managing expenses in a prudent manner in accordance with the LGA.

21 Public Services Act 2020: Sets out the values and principles necessary of public servants to maintain the integrity of the public sector. The principles-based approach of the draft Sensitive Expenditure Policy is derived from these principles.

Financial and Funding Implications

22 This report, being the endorsement of a draft policy, has no financial implications. The policy review is utilising and being undertaken within existing budgets.

Other Considerations

23 There are no other considerations.

Attachments

1. Draft Sensitive Expenditure Policy ⇩

Sensitive Expenditure Policy

Endorsed by:	Audit and Risk Committee
Approved by:	Chief Executive
Group:	Finance
Responsibility:	Chief Financial Officer
Date adopted:	TBC The policy becomes effective the day after the date of adoption, unless otherwise specified
Review:	This policy will be fully reviewed every six years. The Audit and Risk Committee will be invited to review the draft policy and make recommendations. The policy can then be approved under delegated authority by the Chief Executive, who must have regard to the feedback provided by the Audit and Risk Committee. This Policy does not cease to have effect because it is due for review or being reviewed.
Consultation:	Internal consultation (employees, Public Service Association (PSA))
Policy Type	Internal Corporate Management

Introduction

1. Purpose

1.1. To provide Timaru District Council's (Council) Officers and Agents acting on Council's behalf with a clear principles-based framework for reviewing, approving, managing and entering into sensitive expenditure and other financial transactions on behalf of Council.

1.2. To provide for the identification of potential improprieties and the mechanisms to formally address any instances that may occur.

1.3. To ensure that Council takes a consistent approach regarding sensitive expenditure.

2. Scope

2.1. The Sensitive Expenditure Policy applies to all Council Officers and Agents of Council who are employed and/or have financially delegated authority to spend public money.

2.2. This Policy should be read in conjunction with the Expenditure Guidelines and Procedures (contained within Appendix A of this policy and referred to as "Appendix") – where greater situation-specific detail is contained –, and considered with reference to the Conflicts of Interest Policy.

2.3. For the avoidance of doubt, sensitive expenditure by Elected Members is covered by the Governance Remuneration, Allowances and Expenses Policy.

3. Definitions

Approving Manager	A Council officer's line manager, or a manager higher in the financial delegation approval hierarchy.
Community Partnerships	Collaborations between Council and individuals, organizations, businesses, and other entities within a community to address common goals, solve problems, or enhance the well-being of the community as a whole.
Conflict of Interest	A conflict of interest is any situation where the duties or responsibilities an Officer or Agent of Council conflict, or could be seen to conflict, with some other interest they might have outside of work. The other interest and/or duty might be: • A financial conflict – where the officer or agent's own financial or business affairs or those of a family member or close associate may influence, affect or compromise the fair and impartial discharge of their duties and/or responsibilities; or • A non-financial conflict – where a relationship or personal connection (family or otherwise) may influence, affect or compromise the fair and impartial discharge of your duties and/or responsibilities; or • A conflict of roles – another role held by the officer or agent (paid or otherwise) which may influence, affect or compromise the fair and impartial discharge of their duties and/or responsibilities; or Predetermination on an issue – an opinion or view held by the officer or agent that does not permit an impartial and objective assessment of an issue.
Council Officers and Agents	Any representative (excluding Elected Members) of Council including all employees, volunteers, contractors, consultants and others with financial delegations acting on behalf of Council and incurring or committing Council to expenditure.
Credit Card	Includes vehicle fleet cards, purchase cards and equivalent cards used to obtain goods and services before payment is made.
Entertainment Expenses	Expenditure on food, beverages, tickets for events, and related supplies for events, involving one or more Council officers and/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 Group Manager.
One-Up Principle	Where approval or a decision is required in relation to sensitive expenditure, this must be made by a more senior officer than the

	officer incurring the expenditure, and must be at Tier 3 or above and wherever possible prior to the expenditure being incurred.
	•
Sensitive Expenditure	Any expenditure using Council funds that provides, or has the potential (perceived or real) to provide, a private benefit to a Council officer or agent in addition to the business benefit to Council. It also includes expenditure by Council that could be considered unusual for Council's purpose and/or functions. Travel, accommodation, gifts and hospitality are examples of sensitive expenditure, while training fees would normally not be considered a sensitive expenditure.
Supplier	A current or potential provider of goods or services to the Council.

Policy Statements

4. Principles

4.1. Timaru District Council has adopted the principles-based approach to making sensitive expenditure as recommended by the Officer of the Auditor-General New Zealand (OAG).

4.2. Although the principles-based approach requires careful judgement from Council officers or agents spending and approving sensitive expenditure, it is also flexible and more enduring and practical to administer than a large number of prescriptive and prohibitive rules.

4.3. The principles that underpin Council's decision-making about sensitive expenditure are as follows:

- Have a justifiable business purpose. This is ensuring it is consistent with Council's objectives. The reason for the spend must make clear sense, and is supported by evidence of the need for the spending and different options have been considered.
- Preserve impartiality. This denotes that spending decisions are based on objective criteria, rather than based on any sort of bias, preference, or improper reason. All sensitive expenditure must adhere to Council's Conflict of Interest Policy.
- Be made with integrity and exercising power in a way that is true to the values, purposes, and duties for which that power is entrusted to Council officers and its agents.
- Be moderate and conservative. This is when the spending is viewed from the standpoint of the public and given the circumstances, it is considered to not be excessive. This includes considering if the justifiable business purpose is at a reasonable cost.

- Be made transparently. This is being open about the spending and willing to explain any spending decisions or have them reviewed.
- Be made with proper authority. This means being in accordance with Council's financial delegations and with the Sensitive Expenditure Guidelines and Procedures.

4.4. These principles are to be applied together in all cases of sensitive expenditure and all carry the same importance.

4.5. In deciding what appropriate sensitive expenditure is, Council officers and agents need to take account of both individual transactions and the total amount of sensitive expenditure.

4.6. 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, Council could be criticised for extravagance and waste.

5. Responsibilities

5.1. Chief Executive

- Making it clear to the Senior Leadership Team (SLT) what is and is not 'acceptable sensitive expenditure' and model those behaviours to the highest standard.
- Overall responsibility for this policy rests with the Chief Executive.

5.2. SLT

- Making it clear to all Council officers and agents what is and is not acceptable sensitive expenditure, and for modelling these behaviours to the highest standards.
- Ensure transparency in both sensitive expenditure and remuneration reimbursements, 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.
- In the absence of a specific rule for a given situation, the SLT are expected to exercise good judgement by taking the principles in this policy into account in the context of the given situation.

5.3. Chief Financial Officer

- Ensuring transparency in sensitive expenditure through regular auditing, and reporting to the Audit and Risk Committee.

5.4. Exceptions to this Policy and the supporting Guidelines and Procedures may be made under exceptional circumstances at the discretion of the Chief Executive.

6. Approval of Sensitive Expenditure and Breach of Policy

6.1. Approval of sensitive expenditure must be:

6.1.1. Given only when the manager approving the expenditure is satisfied that the expenditure is for a justified business purpose and is in accordance with this policy;

6.1.2. Given before the expenditure is incurred for any expenditure over the limits identified in the Appendix wherever practicable;

6.1.3. Ensure that all budgetary considerations include the Fringe Benefit Tax impact;

6.1.4. Made only when budgetary provisions and delegated authority exist; and

6.1.5. Given by an Approving Manager at Tier 3 or above in Council's financial delegation in alignment with the one-up principle. Without exception the authoriser must not be partaking in the sensitive expenditure or any of the benefits arising. If any doubt exists, the relevant SLT member or Chief Executive is required to review the expenditure and authorise if appropriate.

6.2. Any sensitive expenditure incurred by the Chief Executive will be reviewed jointly by the Mayor and the Chair of the Audit and Risk Committee.

6.3. Policy breaches include:

6.4.

- Any incurred sensitive expenditure that is deemed to not meet the requirements of this policy;
- Any request for reimbursement of sensitive expenditure that is declined because it is deemed to not meet the requirements of this policy; and
- Any breach of process or responsibility stated in this policy or Appendix.

6.5. A breach of this policy may be considered misconduct or serious misconduct and give rise to disciplinary action under the Disciplinary Policy as set out in the Corporate Management Policies Manual (Manual). Any breach of the policy will be considered on its merits on a case-by-case basis.

6.6. Any complaints regarding a breach of the Policy should be directed to a member of the SLT or the Chief Executive. A complaint regarding a breach of the Policy by the Chief Executive should be directed to the Mayor and the Chair of the Audit and Risk Committee.

7. Sensitive Expenditure Payment and Reimbursement

7.1. Where reimbursement is sought by any officer or agent for any sensitive expenditure it is to be supported by appropriate documentation; including GST invoices as required by law or receipts, details of the business activity undertaken (including reference to why the activity may be considered sensitive), and names of officers, agents and external parties involved, as required.

8. Monitoring, Auditing and Reporting of Sensitive Expenditure

8.1. The Chief Financial Officer will monitor sensitive expenditure monthly and maintain the register for Council. Any significant descrepancies shall be raised to the SLT as and when they arise.

8.2. Reimbursement claims are required to be submitted in writing (or a form capable of being produced in writing) with appropriate supporting evidence and approved in same way as sensitive expenditure is approved. Reimbursement claims made by the Chief Executive must be approved jointly by the Mayor and the Chair of the Audit and Risk Committee.

8.3. Sensitive expenditure is a standing agenda item for the Audit and Risk Committee quarterly meetings. The Chief Financial Officer will conduct a review of sensitive expenditure and report the following to the Audit and Risk Committee:

8.3.1. Sensitive expenditure disclosures for the Chief Executive, SLT and officers as appropriate (for extraordinary instances where the expenditure does not align with any of the principles identified in 4.3);

8.3.2. Any instances of non-compliance with this Policy;

8.3.3. Exceptions to the Policy granted by the Chief Executive;

8.3.4. Any business cases for significant sensitive expenditure approved by the Chief Executive;

8.3.5. Any matters or recommendations arising from the Annual Report relating to sensitive expenditure; and

8.3.6. Any other issues arising from the Policy.

8.4. Sensitive expenditure disclosures will be available via the Audit and Risk Committee Agenda on Council's website. This policy will be monitored in line with Council's Policy Monitoring Framework.

8.5. Indicators of whether this policy is achieving its stated purposes include:

8.5.1. The number of policy breaches;

8.5.2. The number of disciplinary cases relating to sensitive expenditure;

8.5.3. Feedback from Council officers and agents, and other stakeholders; and

8.5.4. Recommendations from internal or external audits.

Delegations, References and Revision History	
Delegations Identify here any delegations related to the policy for it to be operative or required as a result of the policy	
Delegation	**Delegations Register Reference**
References Include here reference to any documents related to the policy or Appendix (e.g. operating guidelines, procedures)	
Title	**Document Reference**
Conflicts of Interest Policy	Find the latest version of the policy in the Master Policy Register #1539671
Information Management Policy	Find the latest version of the policy in the Master Policy Register #1539671

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Sensitive Expenditure Policy

Communication and Mobile Device Policy			Find the latest version of the policy in the Master Policy Register #1539671		
Office of the Auditor General Advice			Controlling Sensitive Expenditure: Guide for Public Organisations https://oag.parliament.nz/good-practice/sensitive-expenditure		
Revision History Summary of the development and review of the policy					
Revision	**Owner**	**Date Approved**	**Approval By**	**Next Review**	**Doc Ref**
1	Group Manager Commercial & Strategy	28 November 2022	Chief Executive	Q4 2025	#1549508
2	Chief Financial Officer	TBC	Chief Executive	TBC	#1734208

Appendix A – Expenditure Guidelines and Procedures

1. Group controls

All claims must be submitted promptly, on the relevant expense reimbursement form, 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, compliant with this and any other relevant policies, and has been incurred directly in relation to the Timaru District Council business.

Valid, original GST compliant tax invoices/receipts and other supporting documentation must be maintained/submitted for all sensitive expenditure. Details of the business activity undertaken (including reference to why the activity may be considered sensitive), and names of officers, agents and external parties involved, should be included as required. Credit card statements and EFTPOS receipts do not constitute adequate documentation for reimbursement.

Claims relating to sensitive expenditure need to be in English and clearly state the business purpose of the expenditure where it is not clear from the supplier documentation supporting the claim.

2. Council credit cards

2.1 Bank Credit Cards

Council operates credit card accounts solely for the procurement of low risk/low value goods or services. The credit card spending limits are stated in Council's delegation documents.[2].

Changes to any spending limits are required to be approved by the Chief Executive.

The credit card is to be stored securely and the card details - such as card number and expiry date - restricted to the Council officers involved in its use and administration.

Card holders making Internet purchases will ensure that:

a) Purchases are made only from established reputable companies.
b) Purchases are made only from secure Internet sites with reputable vendors.
c) The procurement complies with Council's procurement policy and manual controls.
d) A copy of the online order form and invoice is printed to support the payment, and is submitted to the Finance Unit at the end of the month along with the Card statement.

The delegated Finance Council officer shall provide a report to the Chief Financial Officer on transactions made on the credit card during the previous month. Such reports shall include the nature and quantum of expenditure and copies of relevant documentation.

Should the credit card be lost or misplaced, the card is to be cancelled immediately and a replacement sought.

Where approval is given by the Chief Executive to cancel the credit card, the delegated Finance Council officer shall promptly destroy the card and advise the issuing bank of its cancellation.

The credit card is not to be used for cash advances and is not available for private use.
If any misuse of the credit card is identified, the Fraud Policy will apply and Council will pursue recovery of the debt wherever possible and practicable in accordance with the Fraud, Bribery, and Corruption Control Policy.

The Chief Executive will authorise the issuance of any further credit cards on recommendation from the Chief Financial Officer who must be satisfied that the issuance of any extra card(s) is essential for administrative efficiencies. In recommending the issue of a card the Chief Financial Officer will also include the requested credit limit for approval.

2.2 Fleet Fuel Cards

Fuel cards are provided in each Council-owned vehicle for the sole purpose of re-fuelling the fleet vehicle. When purchasing fuel, at designated service stations, the driver must provide the current odometer reading (therefore self-service cannot be used).

Fleet fuel cards shall not be used for car washes, for fuelling private vehicles, or for any other private expenditure such as purchasing food at service stations.

2.3 Purchasing Cards (PCards)

Council operates PCard accounts solely for the procurement of low risk/low value goods or services.

The PCard spending limits are stated in Council's delegation documents.

[2] Currently stated in the Financial Delegations Matrix #1417286, but this is subject to change without notice.

Changes to any spending limits are required to be approved by the Chief Finance Officer.

The PCard are individually assigned to Council Officers and are to be kept secure and the use to the PCard restricted solely to the Council Officer to whom the PCard is assigned.

PCard holders making Internet purchases will ensure that:

a) Purchases are made only from established reputable companies.
b) Purchases are made only from secure Internet sites with reputable vendors.
c) The procurement complies with Council's procurement policy and manual controls.
d) A copy of the online order form and invoice is required to support the payment and is required to be submitted to the Finance Unit at the end of the month along with the fully reconciled Card statement.

The delegated Finance Council officer shall provide a report to the Chief Financial Officer on transactions made on the credit card during the previous month. Such reports shall include the nature and quantum of expenditure and copies of relevant documentation.

Should the PCard be lost or misplaced, the card is to be cancelled immediately and a replacement sought.

Where approval is given by the Chief Executive to cancel the credit card, the delegated Finance Council officer shall promptly destroy the card and advise the issuing bank of its cancellation.

PCard security protocols do not allow for cash advances and is entirely for business needs only and not available for private use.

If any misuse of the credit card is identified, the Fraud Policy will apply and Council will pursue recovery of the debt wherever possible and practicable in accordance with the Fraud, Bribery, and Corruption Control Policy.

The Chief Executive will authorise the issuance of any further credit cards on recommendation from the Chief Financial Officer who must be satisfied that the issuance of any extra card(s) is essential for administrative efficiencies. In recommending the issue of a card the Chief Financial Officer will also include the requested credit limit for approval.

3. Travel and accommodation

3.1 Travel Decision Criteria

Council officers and agents that need to meet with groups or contributors not based in Timaru should utilise technology-enabled solutions rather than physical travel where possible. Where this solution is not appropriate, travel and accommodation costs will be incurred in order to conduct legitimate Council business elsewhere in New Zealand or overseas. Expenditure should be economical and efficient, having regard to purpose, distance, time, urgency and personal health, security and safety considerations.

Reimbursement for costs incurred during travel on Council business shall be submitted for review and will be subject to standard reimbursement claim procedures. For Council officers and agents, line managers will review claims.

Domestic travel should be undertaken in the most cost effective, practical and efficient manner. For example, travel within most parts of the South Island are likely to be more efficient by car. Travel to the upper South Island or the North Island will usually be by air.

In assessing the best method of travel, consideration should be given to distance, timetable constraints, urgency, personal health, security and safety.

As stated in the Safe Driving Policy, any fines (parking or traffic offences) incurred in using motor vehicles are the responsibility of the driver, not Council. This clause does not include any offences in relation to a Warrant of Fitness or the registration of Council fleet vehicles.

The use of communication technology (e.g., mobile phones, telephones, email, and internet access) should be moderate. Reasonable private use to clear email and communicate with family members, while travelling on council business, is permitted. If the expense is to be incurred by Council, then Council officers and agents must, where possible, use Wi-Fi networks or pre-paid data packages and avoid using cellular network roaming services.

Council officers and agents will be permitted to take annual leave in conjunction with Council business only if the annual leave is incidental to the travel. In other words, there must be a clear business purpose for the travel and this is the primary reason for the travel. Council will not fund any costs associated with private travel or annual leave (other than utilisation of accumulated annual leave for Council officers).

Council will not reimburse Council officers or agents for tipping while they are on business in New Zealand. Council will reimburse Council officers and agents for low to moderate tipping during international travel only in places where tipping is local practice.

Unless approved by the Chief Executive, the cost of spouses, partners or other family members accompanying Council Officers or agents on business activities are a personal expense and will not be reimbursed by Council.

3.2 Private Vehicle
Council will reimburse for travel by private motor vehicle provided its use is compliant with the current Safe Driving Policy.

3.3 Air travel

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

All travel bookings are to be made in accordance with the specified forms provided by Group Administrators.

All air travel shall be booked through a Group Administrator to ensure that competitive prices are obtained.

Standard Seat or Seat and Bag Fares should be the first choice for journeys, before Flexichange or Flexirefund fares are sought.

The Chief Executive may consider an upgrade to another travel class - for Council officers - in special circumstances, if:

a) there is no additional cost to Council; or

b) the additional cost is covered by the person travelling; or
c) where the work schedule on arrival, or personal health, safety or security reasons make another class preferable.

The cost of stopovers will be reimbursed where they are pre-approved and have a clear business purpose, or where it occurs due to circumstances outside of Council's control (for example a cancelled flight).

The Mayor and Chief Executive will be entitled to Koru Club or equivalent airline membership to reflect the need for travel on Council business. Council will pay for the membership. The Chief Executive may approve membership of such airline travel clubs for other Council officers provided there is a clear business purpose for the membership. Such approval will be reviewed annually. The payment of airline fees for membership clubs is not considered to be remuneration.

Loyalty rewards from air points (or other loyalty schemes) accruing to Council officers or agents carrying out their official duties may remain with the relevant Council officer or agent provided the use of airlines supplying air points does not result in Council incurring additional costs.

Any proposed international travel on Council business, or for training or personal development of the Chief Executive at the cost of Council, must receive prior approval from the Mayor. Details of estimated cost the expected benefit to the organisation and residents, and other relevant information must be provided as part of this application.

This requirement does not apply to international travel undertaken for the purposes of training and personal development of Council officers (other than the Chief Executive) if the travel has been approved by the Chief Executive and the overall cost has been approved through the Annual Plan or Long-Term Plan process.

Any person travelling internationally on Council business must provide a report to the Mayor or Chief Executive upon their return detailing the benefits of the trip.

3.4 Meals and accommodation whilst travelling on Council business

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 (which should be modest). The use of '5 star' or 'luxury' accommodation requires the express approval of the Chief Executive, prior to the booking being confirmed.

All accommodation bookings are to be made in accordance with the specified forms provided by Group Administrators.

Wherever possible, use is to be made of Council's preferred suppliers and negotiated corporate rates. Where any Council officer chooses to stay in private accommodation, reimbursement will be made up to $50 with the expectation that this is forwarded in full or substantially to the accommodation provider.

Reasonable meal costs will be met except where a meal has been provided as part of the meeting, conference, training etc.

Council will meet the cost of the following expenses whilst Council officers are away from their normal place of work on Council business:

a) Meals – Where meals are required whilst travelling, actual and reasonable meal expenses may be claimed. Indicative ranges of reasonable meal expenses are as follows:
   a. Breakfast – $30-$40
   b. Lunch – $40-$50
   c. Dinner – $60-$70
b) Maintaining business related and family communication (any personal use to be in accordance with this policy);
c) Reasonable expenses for unexpected events, e.g. overnight expenses due to a cancelled plane flight.

Council will not reimburse the following expenses:

a) Any alcoholic drinks, including zero % alcoholic drinks
b) Use of hotel minibar or pay per view.

Accommodation checkout times are to be observed and Council will not meet any additional costs because of the Council officer failing to check out on time except in the case of extenuating circumstances.

3.5 Rental Cars and On Call transport services (Taxis, Uber and similar providers)

Rental cars are only to be used if it is impracticable or uneconomic to use a Council vehicle. Council requires that the most economical type and size of rental car be used, consistent with the requirements of the trip.

Personal use of a rental car is only permitted in accordance with the Safe Driving Policy. All additional costs as a result of private use are the responsibility of the Council officer or agent.

Council expects the use of any taxis to be moderate and cost effective relative to other transport options. Wherever practicable, shuttle, train or bus services are to be used in lieu of taxis.

4. Entertainment and hospitality

Entertainment and hospitality can cover a range of items, from tea, coffee and biscuits to meals and alcohol. It also includes non-catering related items, such as Council funded entry to sporting or cultural events.

There are four business purposes for Council funding entertainment and hospitality:

a) Building relationships.
b) Representing the organisation.
c) Reciprocating hospitality where there is a clear business purpose and is within normal bounds.
d) Recognising significant Council or community achievement.

All entertainment and hospitality expenditure must be pre-approved in line with the One-Up Principle, and always supported by clear documentation. This documentation must identify the date, venue, costs, recipients and benefits derived and/or reasons for the event. The most senior person present (with delegated authority) should approve and confirm the expenditure as being appropriate and within the budget limits.

Spending public money to support Council's internal organisational development and promoting positive culture, such as team building can be a legitimate business purpose. In such cases, pre-approval by the relevant SLT member is required if the budget used has not been explicitly created for such initiatives.

5. Council officer support and welfare expenditure

Other than official uniforms and health and safety clothing, Council officers and agents will not be clothed at the Council's expense when they are engaged in a normal business activity.

Council may make a prudent and reasonable monetary contribution to the Council's Social Club, or similar workplace entity. The contribution may be in the form of an all-purpose grant towards their annual budget, or it may be a grant or subsidy for a specific event or item.

Council will provide an annual budget for the COSI Committee to support employee wellbeing initiatives and activities. Any expenditure will be moderate and conservative and have a justifiable business purpose.

Council, through the COSI Committee, may sponsor a sports team comprising of employees. This sponsorship will normally be in the way of clothing, equipment, or competition entry fees. Applications for sponsorship are to be made in writing to the COSI Committee. Any sponsorship will be made within the Committee's annual budget and will be moderate and conservative and have a justifiable business purpose.

Expenditure on functions, farewells, long service and retirements should not be extravagant or inappropriate to the occasion. Any Council funded gift is required to be approved by the relevant SLT member.

Council will not provide alcoholic drinks at employees events, except under special circumstances and with the prior written approval of the Chief Executive.

Professional development and training are predominantly offered to Council officers who are full-time or fixed term employees, with SLT approval. Any requests for professional development and training should be made through an employees' personal development plans with their line manager, in the first instance. When appropriate, advice may be sought from the People and Capability Group.

Membership to a professional body is deemed to be sensitive expenditure due to the personal nature. Payment of professional fees by Council on behalf of an employee must be covered by an employment agreement, approved by a SLT member, and no longer than one year in duration (unless discounts are available to Council for a longer duration).

6. Civil Defence

Spending on Civil Defence emergencies can, in some cases, be considered sensitive expenditure. The rules for this expenditure is set out in the Delegations Manual, and the current version should be referred to for the most current rules.

As of the adoption of this policy, the Delegations Manual states:

In the event of a Civil Defence Emergency, the Chief Executive, in consultation with the Mayor (or their representative) can approve unbudgeted expenditure up to $2,000,000. Civil Defence Controller(s) can approve unbudgeted expenditure up to $100,000 in a declared state of emergency.

The Civil Defence Logistics Team Leader can approve up to $1,000 per individual transaction to purchase items for the delivery of Timaru District Council welfare functions and running of the Emergency Operations Centre. This excludes the hire or purchase of items of plant or air transport which require specific Civil Defence Controller approval.

7. Other types of expenditure

7.1 Donations & Koha

A donation/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.

Council requires donations to be:

a) Lawful in all respects.
b) Consistent with Council's business purposes
c) Be appropriate to the circumstances
d) Appropriately documented and disclosed
e) Disclosed in aggregate in the Council's annual report.
f) Made to a recognised organisation by normal commercial means (not to an individual).
g) Non-political.

The amount of koha given on behalf of Council should reflect the occasion and the prestige of Council in its relations with Tangata Whenua. Approval is required by the Chief Executive or relevant Group Manager on advice from the local Iwi and Community Partnerships.

The following payments are not donations/koha and as such will likely have PAYE/withholding tax and/or GST implications:

a) A payment in response to providing a service (e.g. lecturing or presenting).
b) A payment to a marae for the use of their premises. This may involve accommodation, food and drink, or other related services.
c) A payment made for Maori or iwi participation at a hui or a blessing undertaken by Kaumatua.

7.2 Gifts

The Council's gift-giving policy revolves around maintaining transparency, avoiding conflicts of interest (potential, perceived or actual), and upholding ethical standards.

A gift is something given voluntarily without expectation of payment or anything in return. It is typically a tangible item, service, or benefit that is presented to another person as an expression of goodwill, gratitude, affection, celebration, or generosity.

All gifts and benefits, with the exception of Long Service awards provided to staff (paid for by the Council), are to be approved by the appropriate SLT member and be part of their discretionary allowance. The Chief Financial Officer is to be advised of these payments to ensure the correct tax treatment is applied.

All gifts and benefits provided to volunteers are to be approved by the appropriate SLT member and charged to the operating expenses of the appropriate Unit. The Chief Financial Officer is to be advised of these payments prior to the gift/benefit being provided to ensure the correct tax treatment. This includes petrol and gift vouchers and cash payments.

If a Runanga is providing a commercial service, it is expected that a tax invoice will be received relating to the service. However Koha might be appropriate in various other circumstances.

7.3 Loyalty reward scheme benefits/prizes

Except in the cases of airline loyalty rewards (covered earlier in this appendix) and fuel loyalty schemes (such as AA Rewards), Council treats loyalty rewards accruing to Council officers carrying out their official duties as the property of Council.

Where a reward/prize to the value of less than $100 is obtained by chance and without inducement, it may be retained by the individual. Rewards or prizes greater than this value should be forfeited to the Council’s Executive Support Team to be listed on Council’s Gift Register and, at the discretion of the Chief Executive, either provided to the original recipient, or raffled off or randomly donated to staff.

In situations where receiving a prize or loyalty reward could be perceived as inappropriate, even if Council rather that the individual would benefit from it, Council expects the prize or reward to be declined.

8. Private use of Council assets

8.1 Council Assets
Any physical item owned, leased or borrowed by Council is considered an asset for the purpose of 8.1. This includes photocopiers, telephones, laptops, tablets, cell phones, cameras, means of accessing the internet, vehicles, equipment and stationery.

The cost to Council of personal use of any asset will be recovered wherever possible unless it is impractical or uneconomic to separately identify those costs.

Personal use of photocopiers is permitted in limited circumstances. Such use should be restricted to non-peak periods, and payment for copies taken must be paid for in accordance with the current photocopy charges listed in the fees and charges.

Personal use of telephones and mobiles is permitted in reasonable circumstances, but use should be limited.

Council officers/ agents who take Council-issued devices overseas on personal trips must cover their own roaming and/or call charges.

Personal use of other assets will only be permitted for reasonable use in limited circumstances. It is strictly prohibited for Council assets to be used for non-Council business activities.

8.2 Council Vehicles

Employees are to use Council vehicles in accordance with the Safe Driving Policy and, if applicable, their Employment Agreement.

8.3 Private use of Council suppliers

Council does not object to the private use of Council suppliers by Council officers and agents, however must not use the Council as a source of credit.

Council officers and elected members should not privately benefit from any discount because they are a Council employee, unless a formal offer has been made.

8.4 Council use of private assets

Council may decide that reimbursing Council officers and agents 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.

Pre-approval by the Chief Executive or relevant SLT member is required. In assessing the request, the Chief Executive or SLT member will pay particular attention to the principles of a justified business purpose and preserving impartiality and integrity.

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

Note: 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 Council officer or agent.

8.5 Disposal of surplus assets

An asset is defined as an item listed on Council's Asset Register for the purposes of 8.5.
Assets Over $500 per item: Without the express prior approval of the Chief Executive, no surplus assets with a market value of more than $500 per item will be sold directly to Council officers/ Elected members or their acquaintances. In any event, the sale of surplus assets must:

a) Maximise the return to Council;
b) Be sold at no less than the market value determined by an appropriate valuation; and
c) Be documented by the issuance of a tax invoice and receipt.

Assets under $500 per item: For disposal all items valued under $500 contact must be made with The Crow's Nest Recycle and Reuse Shop to arrange collection of the disposal items for resale to the general public. Council staff may purchase these items from the store, however they will not receive preferential pricing relative to the general public.

9. Review

The Financial Expenditure Procedures will be reviewed by the Chief Financial Officer as part of the review of the Sensitive Expenditure Policy, and sooner if deemed necessary. Any amendments will be approved by the Chief Executive, in consultation with the SLT. The Audit and Risk Committee will be advised of changes.

These Procedures do not cease to have effect because they are due for review, or are being reviewed.

6.6 Sensitive Expenditure Quarterly Report

Author: **Ashlea Whyte, Finance Manager**
Authoriser: **Andrea Rankin, Chief Financial Officer**

Recommendation

That the Audit and Risk Committee receives and notes the Sensitive Expenditure report.

Purpose of Report

1 To update the Committee on sensitive expenditure for the period 1 January 2025 – 31 March 2025.

Assessment of Significance

2 This matter is of low significance under the Council's Significance and Engagement Policy. It will be a regular report to the Committee to report on any expenditure of a sensitive nature as per the Sensitive Expenditure Policy.

Discussion

3 This report provides summarised details of expenditure of a potentially sensitive nature.

4 Information has been extracted from Councils financial system from relevant cost centres and expenditure codes where sensitive expenditure is highly likely to be coded to.

5 The list of the transactions for the three months from 1 January 2025 – 31 March 2025 is outlined in Attachment 1. All transactions were approved within the appropriate delegations and budgets.

6 The senior leadership team have reviewed and are comfortable that there are no significant transactions.

Attachments

1. Sensitive expenditure Q3 2024-25 ⇩

Summary of Sensitive Expenditure 01 January 2025 to 31 March 2025

Position	Amount excl GST	Payee	Type of expenditure	Method	Business Purpose	Description
Business Support	$ 227	Xcm Group Timaru	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	TDC branded sports tops for social events
Business Support	$ 184	WOOLWORTHS NZ/233 EVANS S	Staff Welfare	Credit Card	Wellbeing strategy and programme	Two prezzy cards for long service staff members
Business Support	$ 17	TDC Cashiers	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Parking ticket received during Citenzenship Ceremony by TGHS performers
Business Support	$ 61	LOUK GERALDINE NZ	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Gift for Sister cities Eniwa Chaperone from Mayor
Business Support	$ 59	Joosh Ltd	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Gift for Sister cities chaperone Eniwa students
Business Support	$ 183	BARKER'S	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Lunch for six Sister cities exchange students
Business Support	$ 73	Caltex Stafford Street	Travel	Credit Card	Learning & devlopment strategy	Fuel in mini van for Sister cities airport collection and District tour
Business Support	$ 18	Vips Minimart	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Afternoon tea for six sister cities exchange students
Business Support	$ 56	BARKER'S	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Gift for Sister cities chaperone and three students from Mayor
Business Support	$ 57	New World Timaru	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Drinks for the Mayoral International welcome event at Caroline Bay Hall
Business Support	$ 37	PAK N SAVE TIMARU	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Items for Mayoral welcome morning tea at Caroline Bay Hall
Business Support	$ 58	New World Timaru	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Morning / Afternoon tea and snacks for District Planning panel
Business Support	$ 16	New World Timaru	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Citizenship singers gift of thank you
Business Support	$ 50	COUPLAND'S BAKERIES GREY	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Catering supplies for Dignitories and invited guests
Business Support	$ 61	COUPLAND'S BAKERIES GREY	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Catering supplies for Dignitories and invited guests
Business Support	$ 15	New World Timaru	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Thank you gift for singers at the February Citizenship ceremony
Business Support	$ 31	CHILLI'S & MORE LTD	Staff Welfare	Credit Card	Wellbeing strategy and programme	TDC contribution for staff leaving gift
Business Support	$ 217	WOOLWORTHS NZ/233 EVANS S	Staff Welfare	Credit Card	Learning & devlopment strategy	COSI All star five vouchers
Business Support	$ 39	BBB Online	Staff Welfare	Credit Card	Learning & devlopment strategy	Prizes for COSI summer competition
SLT	$ 54	New World Timaru	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Food items for St Johns Café Program
Mayor	$ 46	KIWI CABS	Travel	Credit Card	Learning & devlopment strategy	Taxifare in Wellington for Seismic Review Steering Group meeting
Mayor	$ 9	UBER* TRIP	Travel	Credit Card	Learning & devlopment strategy	Uber fare from accomodation for Seismic Review Steering Group meeting
Mayor	$ 75	CHRISTCHURCH AIRPORT	Travel	Credit Card	Learning & devlopment strategy	Carpark at Christchurch Airport while at the Seismic Review Steering Group meeting
Mayor	$ 40	UBER* TRIP	Travel	Credit Card	Learning & devlopment strategy	Uber fare to Wellington airport from Seismic Review Steering Group meeting
Mayor	$ 59	WGTN COMBINED TAXIS	Travel	Credit Card	Learning & devlopment strategy	Taxifare from Wellington airport to airport prior to LGNZ Conference
Mayor	$ 33	UBER* TRIP	Travel	Credit Card	Learning & devlopment strategy	Uber fare from accomodation to Lower Hutt-Council for Social Housing meet and greet
Mayor	$ 16	WGTN COMBINED TAXIS	Travel	Credit Card	Learning & devlopment strategy	Taxifare from accomodation to LGNZ conference
Mayor	$ 194	Chow Tory & Pravda	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Dinner in Wellington for Mayor and Councillor
Mayor	$ 34	Timaru Airport Parking	Travel	Credit Card	Learning & devlopment strategy	Carparking at Timaru Airport while at LGNZ conference
SLT	$ 52	CAPITAL TAXIS WELLINGTON	Travel	Credit Card	Learning & devlopment strategy	Taxifare while at RBRG meeting
SLT	$ 194	AIRBNB	Travel and Accomodation	Credit Card	Learning & devlopment strategy	Air BNB for staff as no accomodation available in Invercargill and Gore for BOINZ Southern Branch Training
SLT	$ 5	COINMAX	Staff Welfare	Credit Card	Recruiment and retention strategy	20 years LS card for staff
SLT	$ 100	FLORAL HARVEST	Staff Welfare	Credit Card	Wellbeing strategy and programme	Bereavment gift (flowers and gift pack) for staff
SLT	$ 10	DOLLARAMA TIMARU 2023	Staff Welfare	Credit Card	Wellbeing strategy and programme	Cards for general use for Environmental services eg bereavement etc
SLT	$ 70	FLORAL HARVEST	Staff Welfare	Credit Card	Wellbeing strategy and programme	Bereavment flowers for staff
SLT	$ 10	2talk Limited	Travel	Credit Card	Learning & devlopment strategy	Airport parking
SLT	$ 210	WOOLWORTHS NZ/9 BROWNE ST	Staff Welfare	Credit Card	Recruiment and retention strategy	Prezzy cards for long service 15 and 20 years
SLT	$ 5	WHITCOULLS TIMARU 053	Staff Welfare	Credit Card	Recruiment and retention strategy	Thank you card for staff Long service
SLT	$ 68	THE STATION CAFE	Staff Welfare	Credit Card	Recruiment and retention strategy	Long Service GM Infrastructure (20 years)
SLT	$ 10	2talk Limited	Travel	Credit Card	Learning & devlopment strategy	Airport parking
Business Support	$ 209	HARLAU HOUSE CAFE	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Lunch for friends of Art Gallery - thank you for the donation
Business Support	$ 50	DOMINO'S TIMARU	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Fooddstuffs ordered for staff and volunteers working through Retro Rock evening event
SLT	$ 55	WOOLWORTHS NZ/9 BROWNE ST	Staff Welfare	Credit Card	Recruiment and retention strategy	Staff - 10 year long service gift card
Councillor	$ 122	PIER 64	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Dinner with Sister cities Eniwa exchange Chaperone
Mayor	$ 61	KIWI CABS	Travel	Credit Card	Learning & devlopment strategy	Taxifare from Wellington airport to airport for MTJF Core Group workshop
Mayor	$ 11	Timaru Airport Parking	Travel	Credit Card	Learning & devlopment strategy	Carparking at Timaru Airport due to travel to Wellington for MTJF Core Group workshop
Mayor	$ 23	UBER* TRIP	Travel	Credit Card	Learning & devlopment strategy	Taxifare from LGNZ Office for MTFJ Core Group workshop to Wellington Airport
Mayor	$ 75	SAIKOU	Entertainment & hospitality	Credit Card	Learning & devlopment strategy	Welcome dinner with Eniwa exchange chaperone
CEO	$ 184	BOOKING.COM	Travel and Accomodation	Credit Card	Learning & devlopment strategy	Accomodation while at LGNZ conference Wellington
Business Support	$ 387	Tradeinn Retail Services	Staff Welfare	Credit Card	Recruiment and retention strategy	4 x Temp Trainer Pro watch
	$ 3,931					

6.7 Credit Rating Update

Author: **Andrea Rankin, Chief Financial Officer**
Authoriser: **Nigel Trainor, Chief Executive**

Recommendation

That the Audit and Risk Committee receives and notes the Credit Rating Update report.

Purpose of Report

1 To update the Committee on the final published credit rating report undertaken by Fitch Ratings (Fitch), and to report back on work undertaken by Bancorp Treasury Services (Bancorp) which reviewed how Timaru District Council (TDC) sits with its peers and ways in which TDC can look to improve its credit rating.

Assessment of Significance

2 This matter is of low significance under the Council's Significance and Engagement Policy. The credit rating is an annual rating received from Fitch Ratings and Council continues to maintain its 'AA-' Outlook Stable rating. However, it is noted that the credit rating received from Fitch is of significant interest to a range of stakeholders.

Discussion

3 In February 2025 Fitch conducted its annual review of Council's credit rating. The draft Fitch report was presented to the 3 March 2025 Audit and Risk Committee meeting. The final published report is attached to this report as Attachment 1.

4 A credit rating carries considerable weight as it is an independent assessment of an entity's ability (in this case Council) to repay its borrowings.

5 Following its rating assessment Fitch has reaffirmed Council's rating as ''AA-' Outlook Stable, which means Council maintains its investment grade rating. The rating reflects the strong institutional framework for local and regional councils in New Zealand, sound management and fiscal performance, the stable local economic environment and moderate debt levels offset by large reserves and solid financial flexibility.

6 The Fitch report includes a Peer Comparison against some other New Zealand Councils, and how Compares with and against its peers.

7 The anticipated capital expenditure and increased borrowings are effectively already priced into Council's current credit rating, so unless there are unanticipated and significant financial surprises, Council's rating sits comfortably within the 'AA-' grade.

8 It should also be noted that Council appears to have a significant buffer within the current 'AA-' rating grade, meaning it could support higher levels of debt than forecasted. Effectively based on current information, it is secure within an 'AA-' rating grade and all things being equal, it is a timing issue relating to an improvement to an 'AA' rating grade.

9 One-way Council can look to optimise its credit rating relates to the maturity profile of its investments. Fitch's three debt sustainability metrics uses net adjusted debt as critical factors in calculations. Net adjusted debt is effectively debt, less cash/bank investments of less than twelve months; this debt offset is helpful from a rating perspective. On this basis, there is an incentive for Council to keep its investment maturity profile at no longer than twelve months.

10 The level of uncertainty for the local government sector is significant, with 3 Waters and Infrastructure Cost escalations introducing significant risks and altering forecasts materially.

11 When compared with Selwyn District Council (SDC) and Ashburton District Council (ADC), from a credit rating perspective, both SDC and ADC have AA+ ratings compared with TDC's AA-. This remains unchanged from last year.

Attachments

1. Final Fitch Credit Rating Report 2025 ⇩

FitchRatings

Public Finance
Local and Regional Governments
New Zealand

Timaru District Council

This report does not constitute a new rating action for this issuer. It provides more detailed credit analysis than the previously published Rating Action Commentary, which can be found on www.fitchratings.com.

Timaru District Council's Long-Term Local-Currency Issuer Default Rating (IDR) is based on its Standalone Credit Profile (SCP) of 'aa-', reflecting a 'High Midrange' risk profile and 'aa' category financial profile. Fitch Ratings does not incorporate any other risk or support factors in the rating, so the IDR reflects the SCP.

Key Rating Drivers

'High Midrange' Risk Profile: The assessment reflects Fitch's view that there is low risk of Timaru's ability to cover debt-service with the operating balance weakening unexpectedly over the scenario horizon – fiscal year ending June 2025 (FY25) to FY29 – due to lower revenue, higher expenditure, or an unexpected rise in liabilities or debt-service requirements.

'aa' Financial Profile: The financial profile is driven by the primary rating metric, the payback ratio, over Fitch's rating-case scenario for FY25-FY29. We expect the council's deleveraging to continue, with the payback ratio falling to 8.4x by FY29, after a decrease to 10.1x in FY24, from 11.3x in FY23. This downward trajectory relies on the council's ability to control costs to support a projected rise in the operating balance as property rate increases drive revenue higher. Our rating case positions the payback ratio within the 'aa' category of 5.0x-9.0x.

Secondary metrics include a synthetic debt-service coverage ratio (DSCR) of 1.3x in FY28 and a fiscal debt burden of 212%, in the 'bbb' and 'bb' categories, respectively. The combination of metrics leads to the financial profile at the weaker end of the 'aa' category.

Other Rating Factors: Fitch has not identified any extraordinary support factors relevant to Timaru's IDR. The rating also does not reflect any additional risk factors.

Ratings

Local Currency

Long-Term IDR	AA-

Outlooks

Long-Term Local-Currency IDR	Stable

Issuer Profile Summary

Timaru is a district on the east coast of New Zealand's South Island. It has a population of around 50,100 and a diverse economy, including its principal industries of dairy, beef cattle and sheep farming, food product processing, healthcare and social assistance.

Financial Data Summary

(NZDm)	FY24	FY29r
Payback ratio (x)	10.1	8.
Synthetic coverage (x)	1.1	1.
Fiscal debt burden (%)	193.3	212.
Net adjusted debt	198	33
Operating balance	20	3
Operating revenue	103	15
Debt service	10	5
Mortgage-style debt annuity	19	3

rc: Fitch's rating-case scenario
Source: Fitch Ratings, Fitch Solutions, Timaru District Council

Applicable Criteria

International Local and Regional Governments Rating Criteria (August 2024)

Related Research

Fitch Affirms New Zealand's Timaru District Council at 'AA-'; Outlook Stable (January 2025)

Analysts

Paul Norris
+61 2 8256 0326
paul.norris@fitchratings.com

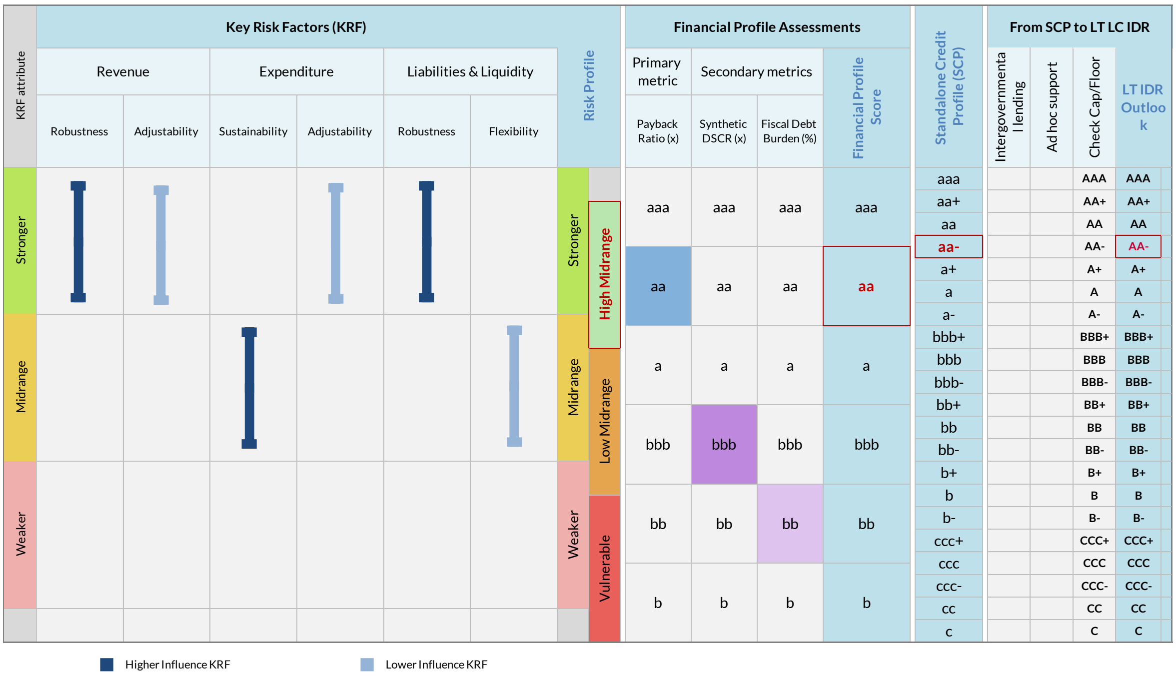
Ethan Lee
+65 6796 2726
ethan.lee@fitchratings.com

FitchRatings

Public Finance
Local and Regional Governments
New Zealand

Rating Synopsis

Timaru District Council LT IDR Derivation Summary



Source: Fitch Ratings

The six key risk factors, combined according to their relative importance, collectively represent the risk profile of Timaru. The risk profile and debt sustainability assessment, which measures Timaru's debt burden and debt service requirements amid a reasonable economic or financial downturn over the rating horizon, are combined in the SCP. The SCP, together with some additional factors not captured in the SCP, such as extraordinary support or rating cap, produces the IDR.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upward revision of the SCP could lead to positive rating action. The SCP may be raised by a positive reassessment of the council's risk profile or a sustained improvement in the payback ratio to below 7.0x and a DSCR closer to 2.0x in our rating-case scenario.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A weakening of the SCP could lead to negative rating action. This could be caused by a negative reassessment of the council's risk profile or a sustained deterioration in the payback ratio to more than 9.0x in our rating-case scenario.

Issuer Profile

The Timaru district, situated on the eastern coastline of New Zealand's South Island, covers an area of 2,737 square km and is home to a population of around 50,100. Timaru has a diverse economy with a strong emphasis on agriculture, manufacturing, and transport. The region's land and climate supports farming, particularly dairy, sheep, and grain production. Agricultural activities are supported by an extensive network of processing facilities, which contribute significantly to the local economy. The district's port in the city of Timaru plays a vital role in exporting agricultural products and importing essential goods for the community.

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Population growth is low but steady, rising at an annual average of 0.9% in the 10 years to 2024. GDP rose by 2.0% annually on average between 2014-2024, compared to 2.9% nationally. GDP per capita was similar to the national average at NZD79,828 in 2024.

Timaru District also has a well-established manufacturing sector, including food processing, machinery and textiles, which provide employment for residents. The transport and logistics sector is another key component of Timaru's economy, supported by the district's strategic location. The port of Timaru serves as a significant hub for shipping and logistics, facilitating the movement of goods domestically and internationally. The district's well-developed road and rail networks enhance its connectivity, making it attractive to businesses reliant on efficient supply chains.

Socioeconomic Indicators

	Issuer	Sovereign
Population, 2024 (m)	0.05	5.3
Average annual population growth, 2014-2024 (%)	0.9	1.7
GDP per capita, 2024 (NZD)	79,828	78,453
Real GRP growth, 2024 (%)	-0.6	1.4
Unemployment rate, 2024 (%)	3.2	4.0

Source: Fitch Ratings, Infometrics, Timaru District Council

Risk Profile Assessment

Risk Profile: High Midrange

Fitch assesses Timaru's risk profile at 'High Midrange', reflecting the combination of assessments:

Risk Profile Assessment

Revenue robustness	Revenue adjustability	Expenditure sustainability	Expenditure adjustability	Liabilities & liquidity robustness	Liabilities & liquidity flexibility	Implied operating environment score	Risk profile
Stronger	Stronger	Midrange	Stronger	Stronger	Midrange	aa	High Midrange

Source: Fitch Ratings

The assessment reflects Fitch's view that there is a low risk of an unexpected weakening in Timaru's ability to cover debt service with the operating balance over the scenario horizon due to lower revenue, higher expenditure, or an unexpected rise in liabilities or debt-service requirements.

Revenue Robustness: Stronger

The assessment is based on the stability of property taxes in the form of property rates, alongside a consistent framework of central government transfers and Timaru's prospects for sustained economic growth. Rates accounted for 71% of operating revenue in FY24 and rose at a CAGR of 6.8% in the five years to FY24, underpinning a 5.5% rise in operating revenue. We anticipate this revenue growth to persist in the medium term, bolstered by government transfers aimed at offsetting the cost of developing and maintaining the district's road network as well as fees for local public services.

Timaru benefits from financial assistance from the central government via grants and subsidies, which are mainly sourced from the New Zealand Transport Agency (NZTA) and directed towards maintaining, upgrading and improving the council's extensive road network. Grants and subsidies made up 4.6% of the council's operating revenue in FY24. Typically, the NZTA subsidy covers around half of the expenses for road and footpath maintenance and renewal. Fitch views these grants as a reliable income source that enhances Timaru's ability to meet its financial obligations.

The 'Stronger' rating for Timaru's revenue robustness reflects Fitch's expectation that rates revenue will continue to increase, while other key revenue streams, like government grants, fees, charges, and dividends from council-controlled entities, remain stable. This view highlights the financial resilience and sustainability of Timaru's revenue sources.

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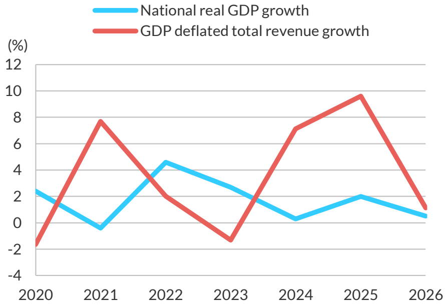
Real Total Revenue and GDP Growth



Source: Fitch Ratings, Timaru District Council

Revenue Breakdown, FY24

	Operating revenue (%)	Total revenue (%)
Rates	71.3	61.0
Fees and charges	18.1	15.5
Transfers	4.6	3.9
Other operating revenue	6.1	5.2
Operating revenue	**100.0**	**85.6**
Interest revenue	-	3.9
Capital revenue	-	10.5
Total revenue	**-**	**100.0**

Source: Fitch Ratings, Fitch Solutions, Timaru District Council

Revenue Adjustability: Stronger

Councils possess considerable flexibility in adjusting revenue to align with expenditure commitments. Rates typically account for about 3%-4% of household income for residential ratepayers in New Zealand, which Fitch views as low compared with international peers. This suggests that rate hikes would not pose significant affordability issues. Councils generally establish limits on rate increases within their budgets, but can exceed these limits to address budgetary pressure, which provides substantial funding flexibility.

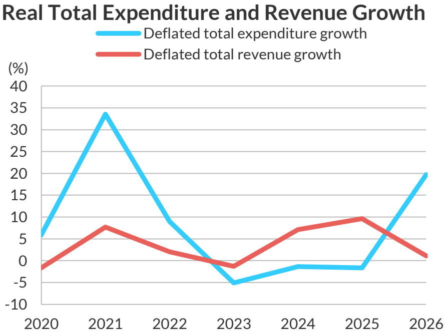
We assess Timaru's revenue adjustability under a hypothetical scenario where operating revenue falls by 3%. We consider this as a reasonably expected decline based on past revenue performance. Timaru would need to raise its rates revenue by around 9% to cover over 200% of such a decline. This suggests a 'Stronger' assessment for revenue adjustability according to Fitch's *International Local and Regional Governments Rating Criteria*.

Expenditure Sustainability: Midrange

Timaru is responsible for expenditure related to local services, including water supply, sewerage, stormwater infrastructure, roads, waste collection and area development, many of which are non-cyclical. Operating expenditure is usually predictable and covered by operational revenue through a well-planned budgeting system, while a significant share of capital expenditure is financed through borrowings.

Timaru's disciplined budgeting strategy, which typically aligns revenue growth with corresponding expenditure growth, has led to the council receiving a 'Midrange' rating for expenditure sustainability according to our criteria. This assessment indicates a balanced fiscal position where the growth of revenue and expenditure is largely in sync.

Real Total Expenditure and Revenue Growth



Source: Fitch Ratings, Timaru Disctrict Council

Expenditure Breakdown, FY24

	Operating expenditure (%)	Total expenditure (%)
Staff cost	31.6	17.2
Other operating expenditure	68.4	37.4
Operating expenditure	**100.0**	**54.6**
Interest expenditure	-	6.6
Capital expenditure	-	38.8
Total expenditure	**-**	**100.0**

Source: Fitch Ratings, Fitch Solutions, Timaru District Council

Expenditure Adjustability: Stronger

Councils are typically mandated to balance their operating budgets annually under the sector's policy framework. This requirement is integral to councils' annual and long-term planning and reporting. Councils are required to justify any budget deficit, which limits the risk of significant or prolonged deficits. Councils have moderate flexibility in adjusting operating expenditure, whereas capex is highly flexible.

A significant portion of Timaru's operating expenditure is somewhat inflexible, with personnel costs making up 31.6% of adjusted operating expenses for FY24. These costs are generally fixed and less amenable to quick adjustments. In contrast, capex, which made up over one-third of total spending in FY24, offers more flexibility. We expect capex to be equivalent to around one-third of Timaru's total revenue over the five years to FY29.

Timaru's proven capacity to adjust its capex and fiscal strategy to suit economic conditions, combined with the sector's effective balanced budget regulations, supports Fitch's 'Stronger' assessment for expenditure adjustability.

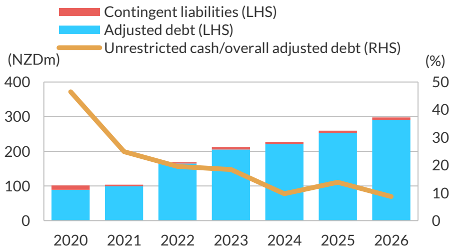
Liabilities and Liquidity Robustness: Stronger

Timaru relies on the New Zealand Local Government Funding Agency Limited (LGFA) (AA+/Stable) for financing. This channel enables Timaru to borrow at low interest rates and benefit from the liquidity offered by LGFA's established access to domestic and international debt markets. The council borrows at various tenors, maintaining a smooth maturity profile. The borrowings are all in local currency. Internal controls cap net debt at 250% of operating revenue, stricter than LGFA's 280% ceiling. Off-balance-sheet liabilities are limited and present low risk.

Approximately 75% of Timaru's NZD220.5 million debt at FYE24 carried fixed interest rates, offering protection against market fluctuations. The debt maturity is evenly spread through 2030, with an average weighted life of around 3.0 years. Timaru's treasury management policy reduces refinancing risk by stipulating that no more than one-third of the debt should mature within any 12-month period.

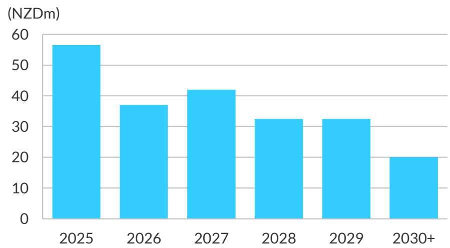
Timaru's access to low-cost funding through the LGFA, combined with the agency's strong credit rating and the council's prudent treasury management practices, including a solid track record in managing debt and liquidity, leads to a 'Stronger' assessment.

Overall Adjusted Debt Structure



Source: Fitch Ratings, Timaru District Council

Debt Maturity Profile



Source: Fitch Ratings, Timaru District Council

Liabilities and Liquidity Flexibility: Midrange

The LGFA borrowing framework supports Timaru's liquidity access and is complemented by robust cash and short-term deposit holdings exceeding NZD20 million for the five years to FY24, along with a NZD5 million committed bank facility. The liquidity provided by the LGFA mitigates refinancing risk for maturing debt. We do not expect the council to be constrained by the LGFA's 280% debt ceiling, measured by net debt/revenue, in the medium term, though an unexpected rise in borrowings, potentially due to capex demands, could challenge the limit in the longer term.

These elements, coupled with the absence of an emergency liquidity support mechanism or explicit central government guarantee, lead to a 'Midrange' assessment.

Debt Analysis

	FYE24
Fixed rate (% of direct debt)	75
Debt in foreign currency (% of direct debt)	0
Apparent cost of debt (%)	4.7
Weighted average life of debt (years)	3.0

Source: Fitch Ratings, Timaru District Council

Liquidity

(NZDm)	FYE24
Total cash, liquid deposits and sinking funds	22
Restricted cash	0
Cash available for debt service	22
Undrawn committed credit lines	5

Source: Fitch Ratings, Timaru District Council

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Financial Profile Assessment

Financial Profile: aa category

Financial Profile Score Summary

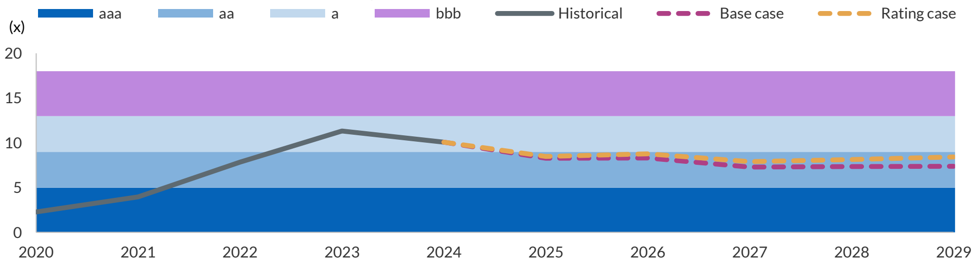
	Primary metric	Secondary metrics	
	Payback ratio (x)	Coverage (x)	Fiscal debt burden (%)
aaa	X ≤ 5	X >= 4	X ≤ 50
aa	5 < X ≤ 9	2 ≤ X < 4	50 < X ≤ 100
a	9 < X ≤ 13	1.5 ≤ X < 2	100 < X ≤ 150
bbb	13 < X ≤ 18	1.2 ≤ X < 1.5	150 < X ≤ 200
bb	18 < X ≤ 25	1 ≤ X < 1.2	200 < X ≤ 250
b	X > 25	X < 1	X > 250

Note: Yellow highlights show metric ranges applicable to Issuer
Source: Fitch Ratings

The financial profile is driven by the primary rating metric, the payback ratio (net adjusted debt/operating balance), over Fitch's rating-case scenario for FY25-FY29. We expect the council's deleveraging to continue, with the payback ratio falling to 8.4x by FY29, after a decrease to 10.1x in FY24, from 11.3x in FY23. This downward trajectory relies on the council's ability to control costs to support a projected rise in the operating balance as property rate increases drive revenue higher. Our rating case positions the payback ratio within the 'aa' category of 5.0x-9.0x.

Secondary metrics include a synthetic debt-service coverage ratio (DSCR) of 1.3x in FY28 and a fiscal debt burden of 212%, in the 'bbb' and 'bb' categories, respectively. The combination of metrics leads to the financial profile at the weaker end of the 'aa' category.

Payback Ratio - Fitch's Base and Rating Case Scenarios



Source: Fitch Ratings, Timaru District Council

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Fitch's financial profile assessment is based on the following assumptions:

Scenario Assumptions Summary

Assumptions	Five-year historical average	FY25 - FY29 average Base case	FY25 - FY29 average Rating case
Operating revenue growth (%)	5.5	8.8	8.7
Tax revenue growth (%)	6.8	9.5	9.5
Current transfers received growth (%)	6.0	8.1	7.5
Operating expenditure growth (%)	8.2	6.5	7.0
Net capital expenditure (average per year; m)	-46	-50	-50
Apparent cost of debt (%)	3.7	4.7	4.8

Outcomes	FY24	FY29 Base case	FY29 Rating case
Payback ratio (x)	10.1	7.4	8.4
Synthetic coverage ratio (x)	1.1	1.5	1.3
Fiscal debt burden (%)	193.3	202.0	212.1

Source: Fitch Ratings, Timaru District Council

SCP Positioning and Peer Comparison

Analytical Outcome Guidance

Risk Profile	Financial Profile					
Stronger	aaa or aa	a	bbb	bb	b	
High Midrange	aaa	aa	a	bbb	bb	b
Midrange		aaa	aa	a	bbb	bb or below
Low Midrange			aaa	aa	a	bbb or below
Weaker				aaa	aa	a or below
Vulnerable					aaa	aa or below
Suggested analytical outcome (SCP)	**aaa**	**aa**	**a**	**bbb**	**bb**	**b**

Source: Fitch Ratings

The table below shows a mix of domestic and international peers with SCPs of 'aa' and 'aa-'. All entities have 'High Midrange' risk profiles. Three New Zealand council peers with 'aa-' SCPs – Waipa District Council, Hauraki District Council and Rotorua Lakes Council – have similar primary metrics between 8.2x and 8.7x (in the 'aa' category). Secondary metrics are more varied but fall between the 'bbb' and 'bb' categories for all issuers. Far North District Council's stronger 'aa' SCP reflects its lower payback ratio of 7.4x.

Compared with the French peers, Timaru has weaker primary and secondary metrics than Region of Occitanie, which has a 'aa' SCP, and a similar primary metric to Aix-Marseille-Provence Metropolis, which has a 'aa-' SCP.

The peer comparison supports a final SCP of 'aa-' for Timaru based on the relative positioning of each of the rating metrics.

Peer Comparison

	Risk Profile	Financial Profile Score	SCP	LT IDR
Timaru District Council	High Midrange	aa	aa-	AA-/Stable
Waipa District Council	High Midrange	aa	aa-	AA-/Stable
Hauraki District Council	High Midrange	aa	aa-	AA-/Stable
Rotorua Lakes Council	High Midrange	aa	aa-	AA-/Stable
Far North District Council	High Midrange	aa	aa	AA/Stable
Occitanie, Region of	High Midrange	aa	aa	AA-/Negative
Aix-Marseille-Provence Metropolis	High Midrange	Aa	aa-	AA-/Negative

Source: Fitch Ratings

Long Term Rating Derivation

From SCP to LT LC IDR: Factors Beyond the SCP

		Support					
SCP	Sovereign LT LC IDR	Intergovern. Financing	Ad hoc Support	Floor	Rating Cap	Leeway above Sovereign (notches)	LT LC IDR
aa-	AA+	-	-	-	-	-	AA-

Source: Fitch Ratings, Timaru District Council

Timaru District's final IDR is driven by its 'aa-' SCP. No other rating factor affects the final rating.

ESG Considerations

The highest level of ESG credit relevance is a score of '3'. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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Appendix A: Financial Data

Timaru District Council

(NZDm)	FY20	FY21	FY22	FY23	FY24	FY25rc	FY26rc	FY27rc	FY28rc	FY29rc
Fiscal performance										
Taxes	54.9	55.9	62.4	66.0	73.2	84.0	93.9	105.1	110.1	115.3
Transfers received	3.6	9.2	4.2	4.8	4.7	8.3	6.1	6.2	6.5	6.7
Fees, fines and other operating revenues	21.1	22.5	22.3	24.1	24.8	26.7	28.9	30.4	32.1	33.4
Operating revenue	79.6	87.6	88.9	94.9	102.7	119.0	128.9	141.7	148.7	155.4
Operating expenditure	-61.1	-69.0	-72.1	-80.2	-83.0	-93.5	-98.8	-104.7	-110.4	-116.3
Operating balance	18.5	18.6	16.8	14.7	19.7	25.5	30.1	37.0	38.3	39.1
Interest revenue	1.9	1.0	1.3	3.4	4.7	3.9	3.9	3.8	3.8	3.7
Interest expenditure	-3.5	-2.9	-4.1	-7.4	-10.0	-12.3	-13.3	-14.8	-15.1	-15.3
Current balance	16.9	16.7	14.0	10.6	14.4	17.1	20.7	26.1	26.9	27.6
Capital revenue	7.6	9.3	14.1	10.6	12.6	11.6	6.0	5.7	6.0	6.2
Capital expenditure	-31.6	-59.0	-72.9	-62.0	-58.9	-47.1	-74.6	-59.6	-52.6	-51.3
Capital balance	-24.0	-49.7	-58.8	-51.4	-46.3	-35.4	-68.6	-53.9	-46.6	-45.1
Total revenue	89.1	97.9	104.4	108.8	120.0	134.5	138.8	151.3	158.4	165.4
Total expenditure	-96.2	-130.9	-149.2	-149.6	-151.9	-152.8	-186.7	-179.1	-178.1	-182.9
Surplus (deficit) before net financing	-7.1	-33.0	-44.8	-40.7	-31.9	-18.3	-47.9	-27.8	-19.7	-17.5
New direct debt borrowing	0.0	10.0	65.4	40.7	15.0	88.7	80.1	69.6	64.7	49.6
Direct debt repayment	-5.0	0.0	0.0	0.0	0.0	-56.6	-42.4	-48.1	-44.3	-35.8
Net direct debt movement	-5.0	10.0	65.4	40.7	15.0	32.2	37.7	21.5	20.4	13.8
Overall results	-12.1	-23.0	20.5	0.0	-16.9	13.9	-10.2	-6.3	0.7	-3.8
Debt and liquidity										
Short-term debt	42.6	38.5	44.8	40.5	56.6	42.4	48.1	44.3	35.8	38.4
Long-term debt	46.9	61.0	120.0	165.0	164.0	210.3	242.3	267.7	296.6	307.7
Intergovernmental debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct debt	89.5	99.5	164.8	205.5	220.5	252.7	290.4	312.0	332.4	346.1
Other fitch-classified debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted debt	89.5	99.5	164.8	205.5	220.5	252.7	290.4	312.0	332.4	346.1
Guarantees issued (excluding adjusted debt portion)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Majority-owned GRE debt and other contingent liabilities	12.5	4.6	3.6	7.5	7.2	7.3	7.5	7.6	7.6	7.9
Overall adjusted debt	102.0	104.1	168.4	213.0	227.7	260.0	297.9	319.6	340.0	354.1
Total cash, liquid deposits, and sinking funds	47.4	25.9	33.0	39.3	22.2	36.0	25.8	19.6	20.3	16.5
Restricted cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unrestricted cash	47.4	25.9	33.0	39.3	22.2	36.0	25.8	19.6	20.3	16.5
Net adjusted debt	42.1	73.6	131.9	166.2	198.4	216.7	264.6	292.4	312.1	329.6
Net overall debt	54.6	78.2	135.5	173.7	205.6	224.0	272.1	300.0	319.7	337.6
Enhanced net adjusted debt	42.1	73.6	131.9	166.2	198.4	216.7	264.6	292.4	312.1	329.6
Enhanced net overall debt	54.6	78.2	135.5	173.7	205.6	224.0	272.1	300.0	319.7	337.6

rc - rating case
Source: Fitch Ratings, Timaru District Council

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Appendix B: Financial Ratios

Timaru District Council

	FY20	FY21	FY22	FY23	FY24	FY25rc	FY26rc	FY27rc	FY28rc	FY29rc
Fiscal performance ratios										
Operating balance/operating revenue (%)	23.2	21.2	18.9	15.5	19.2	21.5	23.4	26.1	25.8	25.2
Current balance/current revenue (%)	20.7	18.9	15.5	10.8	13.4	13.9	15.6	17.9	17.7	17.3
Operating revenue annual growth (%)	1.5	10.1	1.5	6.6	8.2	15.9	8.4	9.9	4.9	4.5
Operating expenditure annual growth (%)	9.1	12.9	4.6	11.1	3.5	12.6	5.7	6.0	5.4	5.4
Surplus (deficit) before net financing/total revenue (%)	-8.0	-33.7	-42.9	-37.4	-26.6	-13.6	-34.5	-18.4	-12.4	-10.6
Surplus (deficit) before net financing/GDP (%)	-0.2	-1.0	-1.3	-1.1	-0.8	-0.5	-1.1	-0.6	-0.4	-0.4
Total revenue annual growth (%)	1.4	9.9	6.6	4.3	10.3	12.1	3.2	9.0	4.7	4.4
Total expenditure annual growth (%)	9.2	36.1	14.0	0.2	1.6	0.6	22.2	-4.1	-0.5	2.7
Debt ratios										
Primary metrics										
Payback ratio (x) (net adjusted debt to operating balance)	2.3	4.0	7.8	11.3	10.1	8.5	8.8	7.9	8.2	8.4
Enhanced payback ratio (x)	2.3	4.0	7.8	11.3	10.1	8.5	8.8	7.9	8.2	8.4
Overall payback ratio (x)	3.0	4.2	8.1	11.8	10.4	8.8	9.0	8.1	8.4	8.6
Enhanced overall payback ratio (x)	3.0	4.2	8.1	11.8	10.4	8.8	9.0	8.1	8.4	8.6
Secondary metrics										
Fiscal debt burden (%) (net debt-to-operating revenue)	52.9	84.0	148.3	175.3	193.3	182.1	205.2	206.3	209.9	212.1
Synthetic debt service coverage ratio (x)	5.0	3.0	1.5	1.0	1.1	1.2	1.2	1.3	1.3	1.3
Actual debt service coverage ratio (x)	2.2	6.4	4.1	2.0	2.0	0.4	0.5	0.6	0.6	0.8
Other debt ratios										
Liquidity coverage ratio (x)	8.7	22.8	10.3	6.4	5.9	0.7	1.2	1.0	1.0	1.2
Direct debt maturing in one year/total direct debt (%)	47.6	38.7	27.2	19.7	25.7	16.8	16.6	14.2	10.8	11.1
Direct debt (annual % change)	-5.3	11.2	65.7	24.7	7.3	14.6	14.9	7.4	6.6	4.1
Apparent cost of direct debt (interest paid/direct debt) (%)	3.8	3.1	3.1	4.0	4.7	5.2	4.9	4.9	4.7	4.5
Revenue ratios										
Tax revenue/total revenue (%)	61.6	57.1	59.8	60.7	61.0	62.4	67.7	69.4	69.5	69.7
Current transfers received/total revenue (%)	4.0	9.4	4.0	4.4	3.9	6.1	4.4	4.1	4.1	4.1
Interest revenue/total revenue (%)	2.1	1.0	1.3	3.1	3.9	2.9	2.8	2.5	2.4	2.3
Capital revenue/total revenue (%)	8.5	9.5	13.5	9.8	10.5	8.7	4.3	3.8	3.8	3.8
Expenditure ratios										
Staff expenditure/total expenditure (%)	20.6	16.0	15.1	16.6	17.2	-	-	-	-	-
Current transfers made/total expenditure (%)										
Interest expenditure/total expenditure (%)	3.6	2.2	2.8	5.0	6.6	8.1	7.1	8.2	8.5	8.4
Capital expenditure/total expenditure (%)	32.9	45.1	48.9	41.4	38.8	30.8	40.0	33.3	29.5	28.1

rc - rating case
Source: Fitch Ratings, Timaru District Council

Appendix C: Data Adjustments

Net Adjusted Debt Calculations

FY24 net adjusted debt of NZD198.4 million = Direct debt of NZD220.5 million + Other Fitch-classified debt (nil) – Fitch-calculated, unrestricted cash, liquid deposits and sinking funds of NZD22.2 million.

Synthetic Coverage Calculation

Fitch's synthetic coverage calculation assumes a mortgage-style amortisation over 15 years of the entity's net adjusted debt, using its average cost of debt. This synthetic calculation is used to assess New Zealand LRGs' debt sustainability.

Specific Adjustments

Gains or losses on revaluation, depreciation and amortisation, gains or losses on disposals, impairment of non-financial assets and other non-cash items are excluded from revenue and expenses. Term deposits are also considered as cash. Some non-recurring operating expenditure items are reclassified as capex.

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SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

6.8 Continuous Improvement Update

Author: **Sam Esterhuyse, Continuous Improvement Business Partner**
Authoriser: **Andrea Rankin, Chief Financial Officer**

Recommendation

That the Audit and Risk Committee receives and notes the Continuous Improvement Update report.

Purpose of Report

1 The purpose of this report is to provide the Committee with an update on the Continuous Improvement Work Programme and outline the next steps.

Assessment of Significance

2 Reporting on Continuous Improvement activities is considered of low significance in terms of the Council's Significance and Engagement Policy as this matter is operational in nature. The matters raised in this report do not affect strategic assets or rates.

Discussion

Financial Planning, Reporting and Budgeting (MagiQ)

3 This software proposes to standardise the finance operating model, while delivering improved financial analysis to better enable Council Officers to make informed key business decisions.

4 Budget planning and monitoring expenses can be effectively managed through the system, and it has a comprehensive reporting tool that tracks and analyses financial requirements.

5 MagiQ has been utilised to model the Annual Plan. The finance team are currently in the process of mapping the Annual Report finance structure to enable an automated generation of the annual report.

6 In the interim, a request has been made to MagiQ for a module that provides easy access to General Ledger (GL) transactions at the click of a button. This is currently being reviewed, and an update will be provided at the next Audit & Risk Committee meeting.

Community Funding Project

7 'Smartygrants' is an online platform for all TDC community funding applications designed to reduce administration time and costs. It offers visibility of past, current, and draft applications, while improving transparency, accounting, and audit trails.

8 The development of templates has been completed, and user testing is in progress with both internal and external stakeholders.

9 The planned go-live date for Smartygrants is end of June and an update will be presented at the next Audit & Risk Committee meeting.

Flowingly

10 Flowingly is used as a process management platform designed to help organisations automate, manage, and optimise workflows and processes. It provides tools to create, track, and streamline processes.

11 A review of the migrated processes is in progress and is being carried out by designated champions within Council's different business units. This review also includes identifying processes that can be automated.

12 The risk module is designed for risk recording, management and visualisation. This module is currently under development, and once user testing is complete, it will be implemented across the organisation.

Pulse HRIS

13 Pulse HRIS is a Human Resource system designed to streamline and integrate various HR functions. It offers a comprehensive suite of modules that cater to the entire employee lifecycle, enhancing efficiency in HR operations.

14 The system is currently under development, consisting of several modules, with the HR Core Implementation being the starting point.

OneReg

15 OneReg is a New Zealand based digital compliance platform designed to streamline regulatory and safety reporting processes within the aviation sector.

16 The business case to implement OneReg at Timaru Airport has been approved, and project implementation is scheduled to begin end of June 2025. This system will replace the current 'Veocci' system that is US based.

Attachments

1. **Continuous Improvement - Project Summary - June 2025** ⇩

Project Status Summary Report

Reporting Period: June 2025

Project	Schedule	Financials	Scope	Resources	Stakeholders	Overall	Forecast Completion Date	Overall Commentary
MagiQ							Oct 2025	This project is in progress
Smartygrants							Jul 2025	This project is in progress
Flowingly							Sept 2025	This project is in progress
OneReg							Sept 2025	This project is in progress
HRIS Pulse							Mar 2026	This project is in progress

Progress this Period	
MagiQ	A model of the Annual Plan has been recorded in Magiq. The Annual Report structure has been mapped out. A review of the GL transaction module in Flowingly is currently underway.
Smartygrants	Templates have been built, and user testing is currently underway.
Flowingly	Processes are currently under review to identify opportunities for automation. The Risk Module is under development next steps would be user testing to be completed. New processes are also currently in progress such as CRMs, LGOIMA’s and public place trading.
Pulse HRIS	The HR Core implementation phase is currently underway this includes build work and training being provided to users.
OneReg	Project implementation is scheduled to begin in June 2025.

Risks Watch List

Project	Risk		Status	Description	Action/Mitigation

6.9 Accounting Policies 2025 Annual Report

Author: **John Liddiard, Senior Accountant**

Authoriser: **Andrea Rankin, Chief Financial Officer**

Recommendation

1. That the Audit and Risk Committee receive and agree to the accounting policies for the 2025 annual report and the 2026 financial year.
2. That the Audit and Risk Committee agree that the accounting policies apply to Timaru District Council and the Council Controlled Organisations and the Council Controlled Trading Organisations that comprise the Timaru District Council Group.

Purpose of Report

1 The purpose of this report is to present the draft accounting policies for inclusion in the 2024/25 annual report.

Assessment of Significance

2 This matter has been assessed as having a low significance under the Council's Significance and Engagement Policy as there is no impact on levels of service, strategic assets or rates.

Discussion

3 The accounting policies are reviewed on an annual basis as part of the preparation of the annual report. They are subject to review by Audit New Zealand and may change as a consequence of the audit. Issues may arise during the preparation of the annual report which results in the accounting policy relating to that issue being changed in the policy statement.

4 The policies are intended to be Group policies which apply to Timaru District Council (TDC); Timaru District Holdings Limited (TDHL); Venture Timaru (VT). There is currently no process or practice for application of the agreed Group policies across the Group except by the specific agreement of each Group entity. Where a Group entity applies materially different policies adjustments are made at the Group level to comply with agreed Group policies.

5 The policies are based on Public Benefit Entity (PBE) accounting standards, guided by the Audit NZ model accounts with modifications based on the specific situation of Timaru District Council and its Group.

6 The policies applied in the 2025 annual report will be applied to all Council financial reporting in future, including annual plans, except where they are changed as part of this annual review.

7 There have been no significant material changes between 2024 and 2025.

8 A full revaluation for roading is being undertaken and an indices adjustment for Water.

9 A substantive review of assets has been undertaken this year including changes to the structure of the Authority CVR asset register to assist with analysis and capitalisation of assets. In concert with this, assets were disposed of which should have been disposed of previously, most at nil value; useful lives were reviewed, which has been an audit point for some time; and where necessary the classification and business allocation of assets was corrected.

10 The depreciation policy has been amended to useful lives only.

Relevant Legislation, Council Policy and Plans

11 The accounting policies are based on Generally Accepted Accounting Principles (GAAP) as promulgated by the External Reporting Board (XRB) as Accounting Standards, primarily under the authority of the Financial Reporting Act 2013 and the Financial Reporting (Amendments to Other Enactments) Act 2013.

Attachments

1. Full draft Accounting Policies 2025 ⇩

Summary of 2025 Note numbering (note that this list is not included in Note 1):

Note 1: Statement of Accounting Policies

Note 2: Summary revenue and expenditure for groups of activities

Note 3: Revenue

Note 4: Personnel costs

Note 5: Finance costs

Note 6: Other expenses

Note 7: Tax

Note 8: Cash and cash equivalents

Note 9: Reconciliation of net surplus/ (deficit) after tax to net cashflow from operating activities

Note 10: Receivables

Note 11: Inventories

Note 12: Non-current assets held for sale

Note 13: Derivative financial instruments

Note 14: Other financial assets

Note 15: Investments in associates

Note 16: Investment in joint operations

Note 17: Property, plant and equipment

Note 18: Cultural and heritage assets

Note 19: Intangible assets

Note 20: Depreciation and amortisation expense by group of activity

Note 21: Forestry

Note 22 Investment property

Note 23: Payables and deferred revenue

Note 24: Borrowings and other financial liabilities

Note 25: Employee entitlements

Note 26: Provisions

Note 27: Contingencies

1. Statement of Accounting Policies

REPORTING ENTITY

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

The financial statements of Timaru District Council include the Council's 82% share of Downlands Water Supply, which has been assessed as a joint arrangement.

The Group consists of the ultimate parent, Timaru District Council (including Downlands Water Supply), and its subsidiaries: Timaru District Holdings Limited (100% owned) and Venture Timaru Limited (100% owned) and 100% of the council controlled organisation, the charitable trust, Aorangi Stadium Trust, which ceased operation in the year ended 30 June 2024.

Timaru District Holdings Limited's share of its associate companies PrimePort Timaru Limited (50% owned) and Alpine Energy Limited (47.5% owned) are equity accounted into the Group financial statements.

All of these entities are domiciled and operate in New Zealand.

The Council and Group provide infrastructure, local public services and regulatory functions to the community. The Council does not operate to make a financial return.

The reporting date of the Council, controlled entities and the joint arrangement is 30 June as is that of PrimePort Timaru Limited, however the reporting date for Alpine Energy Limited is 31 March.

The Council has designated itself and the Group as public benefit entities (PBEs) for the purpose of complying with generally accepted accounting practice (GAAP).

The financial statements of the Council and Group are for the year ended 30 June 2025.

The financial statements were authorised for issue by the Council on XXXX 2025.

BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the year.

Statement of compliance

The financial statements of the Council and Group have been prepared in accordance with the requirements of the LGA and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R), which include the requirement to comply with New Zealand Generally Accepted Accounting Principles (NZ GAAP), which are primarily based on reporting standards as promulgated by the External Reporting Board (XRB) and the NZ Accounting Standards Board (NZASB).

The financial statements have been prepared in accordance with and comply with PBE Accounting Standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000), other than the remuneration and severance details in Note 4, contingencies in Note 26, related party transactions in Note 28, which are rounded to the nearest dollar. Contingencies in Note 26 are as stated in the Note.

Changes in accounting policies and disclosures

Changes in accounting policies

There have been no significant changes in accounting policy.

Changes in disclosures

Omnibus amendments to PBE Standards

An omnibus set of amendments to various standards was issued in October 2024 which has been adopted, including:

Amendments to PBE IPSAS 1: Presentation of Financial Reports relating primarily to the presentation of current and non-current assets and liabilities. No changes result from this amendment.

Amendments to PBE IAS 12: Income taxes relating to compliance with Pillar 2 income tax disclosures. No changes result from this amendment.

Disclosures for fees for services from audit and review firms

Amendments to PBE IPSAS 1: Presentation of Financial Reports requiring the disclosure of fees incurred for services received from each audit or review firm for, separately, the audit of the financial reports and each type of other service performed by an entity's audit firm for audit or review related services; other assurance services and other agreed-upon procedures engagements; taxation services; and other services. No changes are anticipated this financial year from this amendment.

Standards issued and not yet effective and not adopted early

There are no standards and amendments issued but not yet effective.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies which do not relate to a specific note are outlined below.

Basis of consolidation

The consolidated financial statements are prepared by adding together like items of assets, liabilities, equity, revenue, expenses and cash flows of entities in the Group on a line-by-line basis. Intra-Group balances, transactions, revenues and expenses are eliminated on consolidation.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. The consolidation of an entity begins from the date when the Council obtains control of the entity and ceases when the Council loses control of the entity.

Control over an entity is determined when the Council or Group has exposure, or rights, to variable benefits from its involvement with the entity and has the ability to affect the nature or amount of those benefits through its power over the other entity. The Council considers all relevant facts and circumstances in assessing whether it has power over another entity, for example, the ability to appoint or remove a majority of the entity's governance and management, binding arrangements the Council enters into, Group voting rights, and pre-determination mechanisms. The Council reassesses whether or not it controls another entity if facts and circumstances change.

The Council and Group will recognise goodwill where there is an excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If the consideration transferred is lower than the net fair value of the Council or Group's interest in the identifiable assets acquired and liabilities assumed, the difference will be recognized immediately in the surplus or deficit.

Where a member of the Group does not comply with Group accounting policies appropriate adjustments are made on consolidation.

Foreign currency transactions

Foreign currency transactions (including those subject to forward foreign exchange contracts) are translated into New Zealand Dollars (the functional currency) using the spot exchange rate at the dates of the transactions. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation at year-end exchange rates or monetary assets and liabilities denominated in foreign currencies are recognised in surplus or deficit.

Goods and Services Tax

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

Budget figures

The Budget figures presented in this report are those approved by the Council in its 2024/34 long term plan unless stated otherwise. The budget figures have been prepared in accordance with GAAP, using accounting policies that are consistent with those adopted by the Council in preparing these financial statements.

Critical accounting estimates and assumptions

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

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

- Assumptions regarding investments in other financial assets, including subsidiaries and other entities (see Notes 14 and 15).
- Estimating the fair value of property, plant and equipment (see Note 17).
- Estimating the landfill aftercare provision (see Note 26).
- Estimating the fair values of debt (see Note 24).
- Estimating the fair values of financial instruments (see Notes 13 and 14).
- Estimating the fair value of forestry assets (see Note 21)
- Estimating the retirement and long service leave obligations (see Note 25)

Critical judgments in applying accounting policies

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

- Classification of property (see Note 17)
- Valuation methodology for property, plant and equipment, cultural and heritage assets and intangible assets (see Notes 17, 18 and 19)
- Donated or vested land and buildings with use or return conditions (see Notes 3, 17 and 18)

Service performance reporting (PBE FRS 48)

The statement of service performance is formally classified from pages x to y.

The relevant legislation governing the requirement of reporting of the Council's service performance is Part 3 of Schedule 10 of the Local Government Act 2002.

The statement of service performance of the Council has been prepared in accordance with PBE standards and is for the year ended 30 June 2025. The statement was authorised for issue by the Council on XXXX 2025.

In preparing the statement of service performance, the Council has made judgements on the application of reporting standards and has made estimates and assumptions concerning the measurement of certain service performance targets. The main judgements are discussed below.

The service performance measures in this annual report are intended to compare the actual results of activities delivered by Timaru District Council against the forecast levels of service. The service performance measures were originally adopted in the 2024-2034 Long-Term Plan and continued in the 2024/2025 Annual Plan.

The service performance measures are reported on to Council each quarter during the relevant annual period. The annual results are then reported in the relevant Annual Report for the year to 30 June.

The performance measures were selected to cover quantitative measurement of progress towards the Council's Long-Term Plan and Annual Plan. The final measures included in this Annual Report are broken down into the 9 groups of activities, providing a holistic set that give a rounded picture of the non-financial performance of the Council. Each group has a set of metrics that were identified through the 2024-2034 Long-Term Plan involving Council and management. This process ensured the selected measures best reflect the Council's performance and are available in a timely and accurate manner.

There are a number of performance measures identified in the Service Performance tables that are mandatory performance measures set under section 261 B of the Local Government Act 2002. The Secretary for Local Government promulgated the Non-Financial Performance Measures Rules 2013 to enable a reasonable comparison across all councils.

Council is legally required to meet specific timeframes under certain legislation. These timeframes are reported on to provide transparency to the public. For activities where there are legislative requirements through various Acts or through the mandatory performance measures, there are few significant judgements to make. Council is required to report on these measures and to meet specific standards. The measures are integral to the function of the activity.

Where actions within an activity do not fall within the three areas previously described, but can be qualitatively measured, Council has chosen to include these within the performance measures. These measures directly relate to the levels of service for the activity, such as measurements relating to the diversion of waste from landfill in the Waste Minimisation activity. These measures describe the fundamentals required to undertake these activities. The measure is reported as achieved or not achieved, with little judgement to be made.

Note 2: Summary revenue and expenditure for groups of activities

The cost of service for each significant activity of the Council has been derived using the following cost allocation principles:

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers, and floor area.

There have been no changes to the cost allocation methodology during the year.

Note 3: Revenue

Revenue is measured at fair value.

The specific accounting policies for significant revenue items are explained below:

Rates revenue

The following policies for rates have been applied:

• General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivable and subsequent recognition of interest revenue.

• Rates arising from late payment penalties are recognised as revenue when rates become overdue.

• Rates remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its Rates Remission Policy.

• Rates collected on behalf of Environment Canterbury (Ecan) are not recognised in the financial statements, as the Council is acting as an agent for Ecan.

Development and financial contributions

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

Waka Kotahi (NZ Transport Agency) roading grants

The Council receives funding assistance from Waka Kotahi, which subsidises part of the costs of maintenance and capital expenditure on the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

Other government grants

The Council receives funding assistance from government agencies subsidising costs, including expense and capital costs, for various projects. Such grants or subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

Other grants received

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

Building and resource consent revenue

Fees and charges for building and resource consent services are recognised on the issuance of the consent at the rate applicable at the time of application.

Entrance fees

Entrance fees are fees charged to users of the Council's local facilities and is recognised upon entry to such facilities.

Landfill fees

Fees for disposing of waste at the Council's landfill sites are recognised upon waste being disposed by users.

Provision of commercially based services

Revenue derived through the provision of services to third parties in a commercial manner is recognised in proportion to the stage of completion at balance date. Generally, this is determined by the proportion of costs incurred to date bearing to the estimated total costs of providing the service.

Sales of goods

Revenue from the sale of goods is recognised when a product is sold to the customer.

Infringement fees and fines

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

Vested, found, abandoned or donated physical assets

For assets received for no or nominal consideration, the asset is recognised at its fair value when the Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset. A determination is made at recognition as to whether the revenue will be included in the calculation of the surplus or treated as comprehensive revenue.

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

Following the assessment of initial fair value an additional consideration is made for potential impairment of the asset.

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

Donated and bequeathed financial assets

Donated and bequeathed financial assets are recognised as revenue unless provided for a specified purpose. A liability is recorded if provided for a specified purpose and the liability is released to revenue as the funds are spent for the nominated purpose.

Crown suspensory loans

The Council considers that suspensory loans from the Crown are, in substance, a grant with conditions, and so recognises funds received as a liability and releases the liability to revenue on a straight-line basis over the 20-year term of the agreement.

Interest and dividends

Interest revenue is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established. Dividends are recognised in surplus or deficit unless the dividend clearly represents a recovery of part of the cost of the investment.

Agency revenue

Where revenue is derived by acting as an agent for another party, the revenue that is recognised is the commission or fee on the transaction.

Note 4: Personnel costs

Salaries and wages

Salaries and wages are recognised as an expense as employees provide services.

Defined contribution superannuation schemes

Employer contributions to defined contribution superannuation schemes, including KiwiSaver and the Government Superannuation Fund, are expensed in the surplus or deficit as incurred.

Note 5: Finance costs

Borrowing costs are recognised as an expense in the financial year in which they are incurred.

Note 6: Other expenses

Grant expenses

The Council's grants awarded have no substantive conditions attached.

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

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as an expense when approved by the Council and the approval has been communicated to the applicant.

Operating leases

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

Note 7: Tax

Income tax expense includes components relating to current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit not taxable profit.

Current tax and deferred tax are measured using tax rates and laws that are effective at balance date.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to items recognised in other comprehensive revenue and expense or directly in equity.

Note 8: Cash and cash equivalents

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

Note 9: Reconciliation of net surplus/(deficit) after tax to net cashflow from operating activities

Cashflow statement

Operating activities include cash received from all revenue sources of the Council and Group, and cash expenditure payments made for the supply of goods and services. Agency transactions such as collection of regional council rates are not recognised as receipts and payments in the Statement of Cash Flows.

Investing activities are those activities relating to the acquisition and disposal of current securities not included in cash and cash equivalents and non-current securities and any non-current assets.

Financing activities are those activities relating to the changes in equity and debt structure of the Council.

Note 10: Receivables

Short-term receivables are recorded at the amount due, less an allowance for expected credit losses (ECL).

The Council and Group apply the simplified model of recognising lifetime ECL for short-term receivables.

In measuring ECLs, receivables have been grouped into rates receivable and other receivables and assessed on a collective basis as they possess shared credit risk characteristics. They have then been grouped based on the days past due. A provision matrix is then established based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Rates receivable

The Council does not provide for ECLs on rates receivable. Council has various powers under the Local Government (Rating) Act 2002 (LG(R)A 2002) to recover any outstanding debts. These powers allow the Council to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the Court's judgment, then the Council can apply to the Registrar of the High Court to have the judgment enforced by sale or lease of the rating unit. Ratepayers can apply for payment plan options in special circumstances.

Rates are "written-off":

- when remitted in accordance with the Council's rates remission policy; and

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

Other receivables

Other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation or the receivable being more than one year overdue.

Note 11: Inventories

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

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

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

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

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

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

Note 12: Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs are recognised in surplus or deficit.

Any increases in fair value, less costs to sell, are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale, including those that are part of a disposal group.

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

Costs directly attributable to the developed land are expensed.

Note 13: Derivative financial instruments

Derivative financial instruments are used to manage exposure to foreign exchange risks arising from the Council and Group's operational activities and interest rate risks arising from the Council and Group's financing activities. The Council and Group do not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged.

The associated gains or losses on derivatives that are not hedge accounted are recognised in surplus or deficit.

The full fair value of a hedge accounted derivative is classified as non-current if the remaining maturity of the hedged item is more than 12 months, and as current if the remaining maturity of the hedged item is less than 12 months.

The full fair value of a non-hedge accounted foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date, otherwise foreign exchange derivatives are classified as non-current. The portion of the fair value of a non-hedge accounted interest rate derivative that is expected to be realised within 12 months of balance date is classified as current, with the remaining portion of the derivative classified as non-current.

Hedge accounting

The Council and Group designates certain derivatives as either:

• hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or

• hedges of highly probable forecast transactions (cash flow hedge).

The Council and Group have elected to not adopt the hedge accounting requirements of PBE IPSAS 41 as permitted under the transitional provisions of PBE IPSAS 41, which was substantively adopted for the year ended 30 June 2022. This means the Council and Group continues to apply the hedge accounting requirements of PBE IPSAS 29 Financial Instruments: Recognition and Measurement.

The Council and Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Council and Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedge

The gain or loss from remeasuring the hedging instrument at fair value, along with the changes in the fair value on the hedged item attributable to the hedged risk, is recognised in surplus or deficit. Fair value hedge accounting is applied only for hedging fixed interest risk on borrowings.

If the hedge relationship no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to surplus or deficit over the period to maturity.

Cash flow hedge

The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised in other comprehensive revenue and expense, and the ineffective portion of the gain or loss on the hedging instrument is recognised in surplus or deficit as part of "finance costs".

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive revenue and expense are reclassified into surplus or deficit in the same period or periods during which the asset acquired or liability assumed affects the surplus or deficit. If it is expected that all or a portion of a loss recognised in other comprehensive revenue and expense will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified to surplus or deficit.

When a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated gains and losses that were recognised in other comprehensive revenue and expense will be included in the initial cost or carrying amount of the asset or liability.

If a hedging instrument expires or is sold, terminated, exercised, or revoked, or it no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense from the period when the hedge was effective will remain separately recognised in equity until the forecast transaction occurs.

When a forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense from the period when the hedge was effective is reclassified from equity to surplus or deficit.

Hedge ineffectiveness

Hedge ineffectiveness in a hedge relationship can arise from:

• differences in the timing of cash flows of the hedged items and hedging instruments.

• changes to the forecasted amount of cash flows of hedged items and hedging instruments.

• the counterparties' credit risk effecting fair value movements of hedging instruments and hedged items.

Note 14: Other financial assets

Other financial assets (other than shares in subsidiaries) are initially recognised at fair value. They are then classified as, and subsequently measured under, the following categories:

- amortised cost;
- fair value through other comprehensive revenue and expense (FVTOCRE); and
- fair value through surplus and deficit (FVTSD).

Transaction costs are included in the value of the financial asset at initial recognition unless they have been designated at FVTSD, in which case they are recognised in surplus or deficit.

The classification of a financial asset depends on its cash flow characteristics and the Council and Group's management model for managing them.

A financial asset is classified and subsequently measured at amortised cost if it gives rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal outstanding and is held within a management model whose objective is to collect the contractual cash flows of the asset.

A financial asset is classified and subsequently measured at FVTOCRE if it gives rise to cash flows that are SPPI and held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets that do not meet the criteria to be measured at amortised cost or FVTOCRE are subsequently measured at FVTSD. The Council and Group may elect at initial recognition to designate an equity investment not held for trading as subsequently measured at FVTOCRE.

Subsequent measurement of financial assets at amortised cost

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

Subsequent measurement of financial assets at FVTOCRE

Financial assets in this category that are debt instruments are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense, except ECL and foreign exchange gains and losses are recognised in surplus or deficit. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified to surplus and deficit.

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

Subsequent measurement of financial assets at FVTSD.

Financial assets in this category are subsequently measured at fair value with fair value gains and losses recognised in surplus or deficit.

Interest revenue and dividends recognised from these financial assets are separately presented within revenue.

Expected credit loss allowance (ECL)

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

ECLs are recognised in two stages: ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL), however, if there has been a significant increase in credit risk since initial recognition, the loss allowance is based on losses possible for the remaining life of the financial asset (a Lifetime ECL).

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

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

Council measure ECLs on loan commitments at the date the commitment becomes irrevocable. If the ECL measured exceeds the gross carrying amount of the financial asset, the ECL is recognised as a provision.

Term deposits

Term Deposits are classified as Loans and Receivables and measured at amortised cost.

Investments in debt and quoted equity securities

Investments in debt and quoted equity securities are financial instruments classified as held for trading and are measured at fair value at balance sheet date. Any resultant gains or losses are recognised in the surplus or deficit for the period.

Investments in subsidiaries

Investments in subsidiaries are included in the parent entity at cost.

Other financial assets, including unquoted equity investments

Other financial assets held by Council and Group are stated at the lower of cost or net realisable value, with any resultant gain or loss being recognised directly in other comprehensive revenue or expense, except for impairment losses. When these assets are derecognised, the cumulative gain or loss is recognised through the surplus or deficit.

Impairment

Financial assets are potentially impaired if the obligation is unlikely to be fully met. An assessment is made regarding each asset based on the assessed credit risk of the investment and when there was objective evidence of impairment. For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment; and for debt investments, significant financial difficulties of the debtor, probability the debtor would enter into bankruptcy, receivership or liquidation, and default in payments were indicators the asset is impaired.

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

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

The main differences for the prior year policies was that impairment was recorded only when there was objective evidence of impairment, including, for debt investments, significant financial difficulties of the debtor, probability that the debtor would enter into bankruptcy, receivership or liquidation, and default in payments were indicators that the asset is impaired.

Note 15: Investments in Associates

An associate is an entity over which the Council or a member of the Group has significant influence and that is neither a subsidiary nor an interest in a joint arrangement. The Council or Group's associate investment is accounted for in the Group financial statements using the equity method. The investment in an associate is initially recognised at cost and the carrying amount in the Group financial statements is increased or decreased to recognise the Group's share of the surplus or deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment in the Group financial statements.

If the share of deficits of an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further deficits. After the Group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the Group will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Where the Group transacts with an associate, surpluses or deficits are eliminated to the extent of the Group's interest in the associate.

The investment in the associate is carried at cost in the Council's parent entity financial statements.

Note 16: Investment in joint operations

A joint arrangement is a binding arrangement that confers enforceable rights and obligations on the parties to the arrangement that is subject to joint control. Joint control is the agreed sharing of control where decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as a joint operation or a joint venture. The classification depends on the rights and obligations of each party under the joint arrangement. The legal form, terms of the binding agreement, and other facts and circumstances relevant to determining the classification of the joint arrangement are reviewed to determine the classification.

For joint operations, the Council and Group recognises a direct right to the assets, liabilities, revenues and expense of joint operations and the share of any jointly held or incurred assets, liabilities, revenue, and expenses. Assets, liabilities, revenues, and expenses relating to Council and Group's interest in a joint operation are accounted for in line with the Council and Group accounting policies and included in the relevant line items of the Council and Group financial statements.

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

Note 17: Property, plant and equipment

Property, plant, and equipment consist of:

Operational assets, which include all assets not specifically included elsewhere utilised by the Council and Group to deliver services both directly and indirectly. Assets held for sale are not included with operational assets even if there is a continued use until sale.

Infrastructure assets, which are the fixed utility systems owned by the Council and Group and each asset class encompasses all items that are required for the network to function including: sewer, stormwater and water systems; roads, bridges, lighting, and land under roads; footpaths; and unoccupied land held specifically for infrastructure purposes.

Infrastructure assets composed of multiple components may be treated as being conglomerated individual assets where part of an interconnected network, where separate parts of the network or facility composed of multiple individuated assets for asset management purposes are jointly treated as single assets notwithstanding other practice and policy specifications.

Restricted assets which are mainly parks and reserves owned by the Council and Group that provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions. Restricted assets may be operational or relating to infrastructure.

Unless specifically stated, acquisitions are initially valued at cost. Prior to 1 July 2005 a number of valuations were undertaken for several asset classes, separately outlined which have become the opening cost value for that class, some of which have subsequently been revalued at fair value.

Revaluations

For asset classes where revaluations are performed regularly, assets are revalued with sufficient regularity to ensure that their carrying value does not differ materially from fair value which is defined as no greater than 10% cumulatively based on an annual assessment of fair value, however it may be determined that a revaluation is required despite not exceeding 10%; and at least every three years with revaluation movements accounted for on a class by class basis. Revaluations are conducted by an independent valuer at least triennially, by valuations derived directly from external markets or independently derived costs (including actual costs). Internal valuations are prepared utilising the best available cost or market information.

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

The net revaluation results for assets that are valued annually are included in the calculation of the surplus or deficit for the year.

Land

Land, other than airport land, has been stated at deemed cost, which is the fair value as assessed by I Fairbrother ANZIV of QV Valuations at 1 July 2005.

Airport land has been stated at deemed cost, which is the fair value as assessed by B Dench ANZIV of QV Valuations at 1 July 2005.

Buildings and Building Improvements

Buildings and Building Improvements have been stated at deemed cost less depreciation and impairment losses, which is fair value as valued by I Fairbrother ANZIV of QV Valuations as at 1 July 2005.

Buildings acquired and Building Improvements following that date are included at cost except where they are acquired for no or nominal consideration when they are valued at fair value less assessed impairment.

Airport Improvements

Airport improvements, including runway, have been stated at deemed cost less depreciation and impairment losses, which is optimised depreciated replacement cost as valued by B Dench ANZIV of QV Valuations as at 1 July 2005.

Plant and Equipment

Plant and equipment for parks and pools is stated at deemed cost less depreciation and impairment losses, which is the optimised depreciated replacement cost as assessed by Maunsell Limited, Valuers, at 1 July 2005.

Other plant and equipment (including motor vehicles) are at cost less depreciation and impairment losses.

Furniture and Office Equipment

Furniture and office equipment have been stated at cost less depreciation and impairment losses.

Sewer, Stormwater, Water

Sewer, Stormwater and Water assets are stated at their fair value using standard unit rates as per the depreciated replacement cost methodology, however acquisitions subsequent to 30 June 2022 are valued at cost, until future revaluations are performed.

The assets were revalued on 30 June 2022 by Timaru District Council officers and peer reviewed by B. Smith, CA, of Brian Smith Advisory Services Limited. Due to recent cost increases, revaluations based on price index movements have been completed in 2023 and 2025 by Jennifer Fox of Waugh Infrastructure Management Limited.

Sewerage, Stormwater and Water infrastructural assets are valued using the depreciated replacement cost method. There are a number of estimates and assumptions exercised when valuing infrastructural assets using this method, including:

• The replacement costs where appropriate reflect optimisation due to over-design or surplus capacity. No opportunities for optimisation were identified within the 2022 revaluation.

• Estimating the replacement cost of the asset: the replacement cost of an asset is based on recent construction contracts in the region for modern equivalent assets, from which unit rates are determined. Unit rates have been applied to components of the network based on size, material, depth, and location.

If recent contract cost information is considered out of date, it is indexed using Statistics New Zealand’s Capital Goods Price Index for civil constructions to convert them to current dollar value at the valuation date.

• Estimates of the remaining useful life over which the asset will be depreciated which can be affected by the local condition, for example, pipe material or wall thickness.

If useful lives do not reflect the actual consumption of the benefits of the asset, then the Council and Group could be over- or under-estimating the annual depreciation charge recognised as an expense in the statement of comprehensive revenue and expense. To minimise this risk, infrastructural asset useful lives have been determined with reference to the New Zealand Infrastructure Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group and have been adjusted for local conditions based on past experience.

Acquisitions are measured at their fair value using standard unit rates.

Roads, Bridges, Footpaths, Street Furniture and Lighting

Roading assets were revalued as at 30 June 2025 by Mark Gordon MBA, BE (Hons), CPEng, CMEngNZ of IAM Consulting (M Gordon) Limited.

Acquisitions subsequent to a revaluation are valued at cost until a future valuation.

Road pavements, bridges, footpaths, drainage, street lighting and a range of other assets used for delivering roading services are valued using the depreciated replacement cost method. There are a number of estimates and assumptions made when valuing infrastructural assets using this method, including:

- The unit rates used in estimating the replacement cost value of the asset which reflect commercial costs for provision of modern equivalent assets by contract and assume realistic quantities of assets within contracts to ensure cost effective allowances and rates. Where appropriate, replacement value also reflects optimisation due to over-design or surplus capacity. No opportunities for optimisation were however identified in the 2022 revaluation.

- Unit rates have been applied to components of the road network based on the type of asset, its size, and material type. Rates are derived from TDC unit rate information for recent contract-based construction and maintenance work and recent valuation information from similar local authority infrastructure, indexed to the valuation date using Statistics New Zealand's Capital Goods Price Indices for Transport Ways. Where detailed asset component information is not available, estimations are made on an aggregate basis.

- Estimates of the remaining useful life over which the asset will be depreciated can be affected by local conditions, for example, traffic use or climatic conditions. If useful lives do not reflect the actual consumption of the benefits of the asset, then the Council could be over- or under-estimating the annual depreciation charge recognised as an expense in the statement of comprehensive revenue and expense. To minimise this risk, infrastructural asset useful lives have been determined with reference to the New Zealand Infrastructure Valuation and Depreciation Guidelines, issued by the National Asset Management Steering Group (NAMS) of IPWEA NZ, and have been adjusted for local conditions based on past experience.

Land Under Roads

Land under roads has been stated at cost less impairment losses at an average of adjacent "undeveloped land value" valued at 1 July 2005 by Maunsell Limited, Valuers. Subsequent acquisitions are stated at cost less impairment losses.

Additions

The cost of an item of property, plant, and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and Group and the cost of the item can be measured reliably and is greater than $1,500, subject to individual asset assessment and with specified exceptions. Unless each individual asset exceeds the cost threshold, bulk purchases which exceed the specified cost threshold do not constitute an asset purchase and are either expensed immediately or treated as inventory, as appropriate.

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

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

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and Group and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised in surplus or deficit as they are incurred.

Disposals

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

Leased assets

Leases in which substantially all of the risks and rewards of ownership are transferred are classified as finance leases. At inception, finance leases are recognised as assets and liabilities on the statement of financial position at the lower of the fair value of the leased property and the present value of the minimum lease payments. Any additional direct costs of the lessee are added to the amount recognised as an asset. Subsequently, assets leased under a finance lease are depreciated as if these assets are owned.

Where the value of an individual leased asset is assessed as being outside of the asset capitalisation parameters the lease is treated as an operating lease (see Note 6: Other Expenses) in accordance with the asset capitalisation materiality specifications.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant, and equipment other than specified asset classes or types, including land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. Where the value and utilisation of an asset is contingent on another asset, its useful life will normally be set to not exceed the useful life of the asset upon which it is contingent. The useful lives of major classes of assets have been estimated as follows:

Airport runways (seal)	20 years
Airport runways (basecourse)	80 to 100 years
Bridges	40 to 100 years
Buildings, building improvements and land improvements	3 to 100 years
Capped landfill cells	100 years
Computers and electronic equipment	5 to 10 years

Furniture and office equipment	10 years
General plant and equipment	10 to 20 years
Land	Indefinite (No depreciation)
Land under roads	Indefinite (No depreciation)
Lighting	10 to 20 years
Playground equipment and undersurfacing	10 to 30 years
Roading	10 to 100 years
Sewerage: plant and facilities	2 to 100 years
Stormwater: plant and facilities	2 to 100 years
Water: plant and facilities	2 to 100 years

Landfill assets

Physical landfill assets include earthworks, buildings and plant and machinery which are stated at cost less any accumulated depreciation or impairment. Unless specifically included under another asset class, landfill assets are depreciated based on the utilised capacity of the landfill. The physical landfill assets have been reviewed for fair value on the same basis as equivalent asset types.

A provision is made over the life of the landfill for post-closure costs and consequently an asset is generated representing the future economic benefits of this provision. This asset is amortised based on the utilised capacity of the landfill following its reassessment annually, contingent on the revised estimation of the concomitant provision (see Note 25 Provisions).

Impairment of property, plant, and equipment

Property, plant, and equipment and cultural and heritage assets are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. For revalued assets included in comprehensive revenue and expense where a revaluation reserve has been generated, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in surplus or deficit.

For assets where there is no revaluation reserve, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on an asset included in comprehensive revenue and expense credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. To the extent that an impairment loss for that class of asset was previously recognised in surplus or deficit, a reversal of the impairment loss is also recognised in surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in surplus or deficit.

Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

Note 18 Cultural and heritage assets

Cultural and heritage assets have a unique nature or are specifically related to the retention of cultural knowledge; assets built or made as unique works of art; or intended primarily for educational purposes or combinations of these. They may include any of the traditional and cultural elements for the District.

Cultural and heritage assets are capitalised regardless of their acquisition value.

This asset type includes statues and monuments, artworks, museum collections and the library collections.

Changes in the valuation of cultural and heritage assets are included in the surplus/(deficit).

Heritage buildings which are in operational use are included in the buildings asset class.

The general principles applying to property, plant and equipment apply to cultural and heritage assets.

Statues and Monuments

Individually recognised statues and monuments are stated at deemed cost or acquisition cost less impairment losses. Valued at optimised depreciated replacement cost as at 1 July 2005 by Maunsell Limited (Valuers), subsequent acquisitions were previously stated at cost, less depreciation and impairment losses, however it has been determined that statues and monuments will not be subject to depreciation as they are individually unique pieces of art and architecture. Previously applied depreciation was reversed in 2024, except for the assumed depreciation included in the 2005 valuations, and the assets are stated at either their valuation as determined at 1 July 2005 or at cost subsequent to that date, subject to assessment for impairment.

Library Collections

Library collections, excluding permanent retentions, are valued annually at depreciated replacement cost calculated in accordance with guidelines outlined in “Valuation Guide for Cultural and Heritage Assets”, published by the Treasury Accounting Policy Team, November 2002 and the Library Collection Valuation Guidelines prepared by the New Zealand Library Association, May 1992.

Elements of the library collection which are retained for permanent retention are not included in the valuation as they are not readily measurable on a replacement cost basis and are not depreciated. Additions to the collection for permanent retention are valued at cost, or fair value if donated.

The costs relating to the use of electronic books (eBooks) are immediately expensed.

Artworks

Art works are stated at deemed cost being the assessed fair value at 1 July 2005 based on the 1 April 1992 insurance value by the Art Gallery Director, with acquisitions from 1 April 1992 at cost.

The art collection is valued annually at fair value based on the estimated current market value, by the Council’s Art Gallery Director, in accordance with guidelines outlined in “Valuation Guide for Cultural and Heritage Assets”, published by the Treasury Accounting Policy Team, November 2002. The collection is valued externally triennially.. The assessed value is included as a note but not used as a basis for the valuation of Artworks in the Statement of Financial Position.

Museum collections

Museum collections, primarily held by the South Canterbury Museum, have not been valued.

The useful lives of major classes of cultural and heritage assets are as follows:

Art works	Indefinite (No depreciation)
Library collection: permanent retention	Indefinite (No depreciation)
Library collection: current	8 years
Museum collection	Indefinite (No depreciation)
Statues and monuments	Indefinite (No depreciation)

Note 19: Intangible assets

Software acquisition and development

Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software, except that annual licenses are recognised as an expense when they are incurred, as are Software as a Service (SaaS) costs.

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

Staff training costs relating to the introduction and utilisation of software are recognised in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

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

Other intangible assets

Other intangible assets are amortised based on the particular characteristics of the asset.

Carbon credits

Carbon credits are not acquired or held for trading purposes and are expected to be utilised as part of the annual operational requirements of the Council, except that carbon credits which were received from the Crown were recognised as non-current intangible assets valued at fair value at acquisition. Carbon credits are treated as a current intangible asset and valued through surplus/deficit at cost or fair value. They are initially valued at cost and subsequently valued at fair value as at balance date based on the market value at balance date. Carbon credits have an indefinite life and therefore are not amortised.

Amortisation

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

Intangible assets are capitalised regardless of their initial acquisition value.

The useful lives of major classes of intangible assets are as follows:

Carbon credits	Indefinite (not amortised)
Computer software	3 to 5 years
Other intangible assets	3 to 50 years

Impairment of intangible assets

Intangible assets, including those which have an indefinite useful life, or are not yet available for use which are not subject to amortisation, are tested annually for impairment.

For further details, refer to the policy for impairment of property, plant, and equipment as the same approach applies to the impairment of intangible assets.

Note 21: Forestry assets

Standing forestry assets are independently revalued annually at fair value less estimated costs to sell for one growth cycle. Potential future carbon credit liabilities which may occur in the event of permanent deforestation are not included in the valuation.

Gains or losses arising on initial recognition of forestry assets at fair value less costs to sell and from a change in fair value less costs to sell are recognised in surplus or deficit.

Forestry maintenance costs are recognised in surplus or deficit when incurred.

Forests are not depreciated and any permanent diminution in value is included in the valuation.

The generation of carbon credits from the forestry holdings are separately identified and valued as current intangible assets as required however currently no carbon credits are being generated as the forests are all pre-1990.

Note 22: Investment property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, all investment property is measured at fair value at each reporting date.

Gains or losses arising from a change in the fair value of investment property are recognised in surplus or deficit.

Note 23: Payables and deferred revenue

Short-term creditors and other payables are measured at the amount payable.

Payables are generally non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of payables approximates their fair value.

Deferred revenue represents receipts the conditions of which have not yet been fulfilled but which are expected to be recognised as revenue within 12 months.

Note 24: Borrowings and other financial liabilities

Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs. Interest due on the borrowings is subsequently accrued and added to the borrowings balance.

Borrowings are classified as current liabilities unless the Council or Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Finance leases

A finance lease transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the start of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item and the present value of the minimum lease payments.

The finance charge is charged to surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty as to whether the Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Note 25: Employee entitlements

Short-term employee entitlements

Employee benefits that are expected to be settled wholly within twelve months after the end of the year in which the employee provides the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date and annual leave earned to, but not yet taken at balance date.

A liability and an expense are recognised for bonuses where the Council or Group has a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Long-term employee entitlements

Employee benefits that are not expected to be settled wholly before twelve months after the end of the reporting period in which the employee provides the related service, such as retirement and long service leave, have been calculated on an actuarial basis. The calculations are based on:

• likely future entitlements accruing to employees, based on years of service, years to entitlement, the likelihood that employees will reach the point of entitlement, and contractual entitlement information; and

• the present value of the estimated future cash flows.

Unrecognised employee entitlements

Outstanding sick leave entitlements are not recognised as a liability as there is no settlement obligation related to the entitlement.

Presentation of employee entitlements

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

Note 26: Provisions

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

• there is a present obligation (either legal or constructive) as a result of a past event;

• it is probable that an outflow of future economic benefits will be required to settle the obligation; and

• a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation and discounted using market yields on government bonds at balance date with terms to maturity that match, as closely as possible, the estimated future cash flows. The increase in the provision due to the passage of time is recognised as an interest expense and is included in “finance costs” (see Note 5).

Provision for landfill post-closure costs

A provision for post-closure costs is recognised, at the inception of the landfill, for post-closure remediation and monitoring costs.

The provision is measured based on the present value of the future cashflows expected to be incurred, considering future events including new legal requirements and known improvements in technology and including all costs associated with landfill post-closure.

The value provided for landfill post-closure is capitalised as an asset as it relates to future economic benefits. This asset is amortised based on the expected utilisation of the capacity the landfill and is reviewed annually based on actual capacity usage and relevant movements in any revision of the post-closure costs.

The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the Council.

Provisions for climate change related obligations and remediation

No provisions are currently made for potential events, obligations, compensation or remediation related to climate change or climate change induced or related events. While the effects of climate change are directly related to past events and that there will be financial consequences and implications relating to future events, no reliable estimate can currently be made for the amount of the potential or likely obligations.

Note 28: Equity

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

• retained earnings;

• restricted reserves;

• designated reserves;

• asset revaluation reserves.

Restricted reserves

Restricted reserves are a component of equity representing a particular use to which equity has been assigned.

Restricted reserves are those subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or a third party, however these do not represent cash funds maintained for such purposes. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met. Donations or bequeathed financial assets treated as liabilities, which are for a specified purpose are not identified as restricted reserves but are also restricted in their use.

They also include reserves maintained for targeted rates charged for a specific purpose.

Designated reserves

Designated reserves are maintained for self-funded activities which Council determines require particular focus. A separate account is maintained for each reserve to identify that the funds are held and used for the specific purpose intended, however these do not represent cash funds maintained for such purposes. Transfers from these reserves may be made only for their specified purposes or when specified conditions are met however Council may change designated reserves without reference to the Courts or a third party.

Asset revaluation reserves

These reserves relate to the revaluation of particular property, plant, and equipment classes to fair value.

Note 29: Related party transactions

Intra-Group and internal transactions

All transactions occurring within the Group are eliminated on consolidation however within each Group entity they will be reflected within the appropriate categorisation. Intra-entity transactions are not generally eliminated within that entity as the transactions allocate costs and revenue within the entity to reflect an accurate economic picture however they will eliminate against each other within the net surplus or deficit.

Note 31: Financial instruments

The Council and Group elected to early adopt PBE IPSAS 41 in the 2021/22 financial year.

In accordance with the transitional provisions in PBE IPSAS 41, the Council and Group elected not to restate the comparative information. The comparative information prior to 2021/22 continues to be reported under PBE IPSAS 29. Adjustments arising from the adoption of PBE IPSAS 41 were recognised in opening equity at 1 July 2021 (the date of initial application).

Note 33: Local Water Done Well

Note 34: Events after balance date

Events which are deemed to actually or potentially have a material impact on the Council or Group but which occur after balance date are disclosed including why they have been assessed as being of significant materiality.

7 Consideration of Urgent Business Items

8 Consideration of Minor Nature Matters

9 Exclusion of the Public

Recommendation

That the public be excluded from—

- *(a)the whole of the proceedings of this meeting; or
- *(b)the following parts of the proceedings of this meeting, namely,—

10.1 Public Excluded Minutes of the Audit and Risk Committee Meeting held on 3 March 2025

10.2 Issues Watch Register

10.3 Internal Audit Quarterly Report

10.4 Cyber Security Report

10.5 Insurance Renewal Update

10.6 Health and Safety Performance Report

10.7 Committee and Auditor only time (Agenda Placeholder)

10.8 Committee and Chief Executive only time (Agenda Placeholder)

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Plain English Reason
10.1 - Public Excluded Minutes of the Audit and Risk Committee Meeting held on 3 March 2025 **Matters dealt with in these minutes:** 10.1 - Public Excluded Minutes of the Audit and Risk	Section 48(1) of the Local Government Official Information and Meetings Act 1987.	The public excluded minutes of the meeting held on 3 March 2025 are considered confidential pursuant to the provisions of the LGOIMA Act of 1987. The specific provisions of the Act that relate to these minutes can be found in the open minutes of

Committee Meeting held on 17 December 2024 10.2 - Insurance Programme Update 10.3 - Issues Watch Register 10.4 - Internal Audit Quarterly Report 10.5 - Cyber Security Report 10.6 - Health and Safety Performance Report 10.7 - Committee and Auditor only time (Agenda Placeholder) 10.8 - Committee and Chief Executive only time (Agenda Placeholder)		the meeting held on 3 March 2025.
10.2 - Issues Watch Register	s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	To protect all communications between a legal adviser and clients from being disclosed without the permission of the client To enable Council to carry out commercial activities
10.3 - Internal Audit Quarterly Report	s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information s7(2)(f)(ii) - The withholding of the information is necessary to maintain the effective conduct of public affairs through the protection of such members, officers, employees, and persons from improper pressure or harassment s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry	To protect commercially sensitive information To protect the effective conduct of public affairs To enable Council to carry out commercial activities

	out, without prejudice or disadvantage, commercial activities	
10.4 - Cyber Security Report	s7(2)(j) - The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage	To prevent use of the information for improper gain or advantage
10.5 - Insurance Renewal Update	s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	To enable Council to carry out commercial activities
10.6 - Health and Safety Performance Report	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information	To protect a person’s privacy, including the privacy of deceased persons To protect commercially sensitive information
10.7 - Committee and Auditor only time (Agenda Placeholder)	s7(2)(c)(i) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source and is in the public interest that such information should continue to be supplied s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or	To protect information that is subject to an obligation of confidence and/or that was required by law to be provided; and to ensure that the supply of such information is not affected in the future, when it is in the public interest for it to be provided To enable Council to carry out commercial activities

	disadvantage, commercial activities	
10.8 - Committee and Chief Executive only time (Agenda Placeholder)	s7(2)(f)(i) - The withholding of the information is necessary to maintain the effective conduct of public affairs through free and frank expressions of opinion by or between or to members or officers or employees of any local authority in the course of their duty	To maintain the effective conduct of public affairs

*I also move that [name of person or persons] be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of [specify]. This knowledge, which will be of assistance in relation to the matter to be discussed, is relevant to that matter because [specify]
.

*Delete if inapplicable.

Note

Section 48(4) of the Local Government Official Information and Meetings Act 1987 provides as follows:

- “(4)Every resolution to exclude the public shall be put at a time when the meeting is open to the public, and the text of that resolution (or copies thereof)—
    - (a)shall be available to any member of the public who is present; and
    - (b)shall form part of the minutes of the local authority.”

10 Public Excluded Reports

11 Readmittance of the Public