

Audit and Risk Management Committee AGENDA

Notice of Meeting:

An ordinary meeting of the Audit and Risk Management Committee will be held on:

Date: Monday 14 February 2022
Time: 2pm
Venue: Council Chambers, Level 2, Civic Offices,
53 Hereford Street, Christchurch

Under the current provisions of the Covid-19 Protection Framework (the Traffic Alert system) people holding a current vaccine pass may attend the meeting in person. Attendance is also available by an audio-visual link, please request access details from Mark.Saunders@ccc.govt.nz. Attendance capacity may be limited.

Membership

Chairperson	Ms Kim Wallace
Deputy Chairperson	Councillor Sam MacDonald
Members	Mayor Lianne Dalziel
	Ms Jacqueline Robertson Cheyne
	Mr Michael Rondel
	Councillor Pauline Cotter
	Deputy Mayor Andrew Turner

8 February 2022

Acting Principal Advisor

Leah Scales

Acting GM Resources/Chief Financial Officer

Mark Saunders

Committee and Hearings Advisor

941 6436

mark.saunders@ccc.govt.nz

www.ccc.govt.nz

Note: The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted. If you require further information relating to any reports, please contact the person named on the report.

To view copies of Agendas and Minutes, visit:

<https://www.ccc.govt.nz/the-council/meetings-agendas-and-minutes/>

Developing Resilience in the 21st Century

Strategic Framework



Whiria ngā whenu o ngā papa,
honoa ki te maurua tāuiki

Bind together the strands of each mat and join
together with the seams of respect and reciprocity

Ōtautahi–Christchurch is a city of opportunity for all

Open to new ideas, new people and new ways of doing things – a city where anything is possible

Principles

Being open,
transparent and
democratically
accountable

Promoting
equity, valuing
diversity and
fostering inclusion

Taking an inter-generational approach
to sustainable development,
prioritising the social, economic
and cultural wellbeing of
people and communities
and the quality of the
environment, now
and into the
future

Building on the
relationship with
Te Rūnanga o Ngāi Tahu
and the Te Hononga–Council
Papatipu Rūnanga partnership,
reflecting mutual understanding
and respect

Ensuring
the diversity
and interests of
our communities
across the city and the
district are reflected in
decision-making

Actively collaborating and
co-operating with other
local, regional
and national
organisations

Community Outcomes

Resilient communities

Strong sense of community
Active participation in civic life
Safe and healthy communities
Celebration of our identity
through arts, culture, heritage,
sport and recreation
Valuing the voices of all cultures
and ages (including children)

Liveable city

Vibrant and thriving city centre
Sustainable suburban and
rural centres
A well connected and accessible
city promoting active and
public transport
Sufficient supply of, and
access to, a range of housing
21st century garden city
we are proud to live in

Healthy environment

Healthy water bodies
High quality drinking water
Unique landscapes and
indigenous biodiversity are
valued and stewardship
exercised
Sustainable use of resources
and minimising waste

Prosperous economy

Great place for people, business
and investment
An inclusive, equitable economy
with broad-based prosperity
for all
A productive, adaptive and
resilient economic base
Modern and robust city
infrastructure and community
facilities

Strategic Priorities

Enabling active
and connected
communities
to own their future

Meeting the challenge
of climate change
through every means
available

Ensuring a high quality
drinking water supply
that is safe and
sustainable

Accelerating the
momentum
the city needs

Ensuring rates are
affordable and
sustainable

Ensuring we get core business done while delivering on our Strategic Priorities and achieving our Community Outcomes

Engagement with
the community and
partners

Strategies, Plans and
Partnerships

Long Term Plan
and Annual Plan

Our service delivery
approach

Monitoring and
reporting on our
progress

AUDIT AND RISK MANAGEMENT COMMITTEE - TERMS OF REFERENCE NGĀ ĀRAHINA MAHINGA

Chair	Kim Wallace (Independent)
Deputy Chair	Councillor Sam MacDonald
Membership	Mayor Lianne Dalziel Deputy Mayor Andrew Turner Councillor Pauline Cotter External Members: Mr Michael Rondel Ms Jacqueline Robertson Cheyne
Quorum	Half of the members if the number of members (including vacancies) is even, or a majority of members if the number of members (including vacancies) is odd.
Meeting Cycle	Quarterly and as required
Reports To	Council

Purpose

To assist the Council to discharge its responsibility to exercise due care, diligence and skill in relation to the oversight of:

- the robustness of the internal control framework;
- the integrity and appropriateness of external reporting, and accountability arrangements within the organisation for these functions;
- the robustness of risk management systems, process and practices;
- internal and external audit;
- accounting policy and practice;
- compliance with applicable laws, regulations, standards and best practice guidelines for public entities; and
- the establishment and maintenance of controls to safeguard the Council's financial and non-financial assets.

The foundations on which this Committee operates, and as reflected in this Terms of Reference, includes: independence; clarity of purpose; competence; open and effective relationships and no surprises approach.

Procedure

- In order to give effect to its advice the Committee should make recommendations to the Council and to Management.
 - The Committee should meet the internal and the external auditors without Management present as a standing agenda item at each meeting where external reporting is approved, and at other meetings if requested by any of the parties.
 - The external auditors, the internal audit manager and the co-sourced internal audit firm should meet outside of formal meetings as appropriate with the Committee Chair.
-

- The Committee Chair will meet with relevant members of Management before each Committee meeting and at other times as required.

Responsibilities

Internal Control Framework

- Consider the adequacy and effectiveness of internal controls and the internal control framework including overseeing privacy and cyber security.
- Enquire as to the steps management has taken to embed a culture that is committed to probity and ethical behaviour.
- Review the processes or systems in place to capture and effectively investigate fraud or material litigation should it be required.
- Seek confirmation annually and as necessary from internal and external auditors, attending Councillors, and management, regarding the completeness, quality and appropriateness of financial and operational information that is provided to the Council.

Risk Management

- Review and consider Management's risk management framework in line with Council's risk appetite, which includes policies and procedures to effectively identify, treat and monitor significant risks, and regular reporting to the Council.
- Assist the Council to determine its appetite for risk.
- Review the principal risks that are determined by Council and Management, and consider whether appropriate action is being taken by management to treat Council's significant risks. Assess the effectiveness of, and monitor compliance with, the risk management framework.
- Consider emerging significant risks and report these to Council where appropriate.

Internal Audit

- Review and approve the annual internal audit plan, such plan to be based on the Council's risk framework. Monitor performance against the plan at each regular quarterly meeting.
- Monitor all internal audit reports and the adequacy of management's response to internal audit recommendations.
- Review six monthly fraud reporting and confirm fraud issues are disclosed to the external auditor.
- Provide a functional reporting line for internal audit and ensure objectivity of internal audit.
- Oversee and monitor the performance and independence of internal auditors, both internal and co-sourced. Review the range of services provided by the co-sourced partner and make recommendations to Council regarding the conduct of the internal audit function.
- Monitor compliance with the delegations policy.

External Reporting and Accountability

- Consider the appropriateness of the Council's existing accounting policies and practices and approve any changes as appropriate.
 - Contribute to improve the quality, credibility and objectivity of the accounting processes, including financial reporting.
-

- Consider and review the draft annual financial statements and any other financial reports that are to be publicly released, make recommendations to Management.
- Consider the underlying quality of the external financial reporting, changes in accounting policy and practice, any significant accounting estimates and judgements, accounting implications of new and significant transactions, management practices and any significant disagreements between Management and the external auditors, the propriety of any related party transactions and compliance with applicable New Zealand and international accounting standards and legislative requirements.
- Consider whether the external reporting is consistent with Committee members' information and knowledge and whether it is adequate for stakeholder needs.
- Recommend to Council the adoption of the Financial Statements and Reports and the Statement of Service Performance and the signing of the Letter of Representation to the Auditors by the Mayor and the Chief Executive.
- Enquire of external auditors for any information that affects the quality and clarity of the Council's financial statements, and assess whether appropriate action has been taken by management.
- Request visibility of appropriate management signoff on the financial reporting and on the adequacy of the systems of internal control; including certification from the Chief Executive, the Chief Financial Officer and the General Manager Corporate Services that risk management and internal control systems are operating effectively;
- Consider and review the Long Term and Annual Plans before adoption by the Council. Apply similar levels of enquiry, consideration, review and management sign off as are required above for external financial reporting.
- Review and consider the Summary Financial Statements for consistency with the Annual Report.

External Audit

- Annually review the independence and confirm the terms of the audit engagement with the external auditor appointed by the Office of the Auditor General. Including the adequacy of the nature and scope of the audit, and the timetable and fees.
 - Review all external audit reporting, discuss with the auditors and review action to be taken by management on significant issues and recommendations and report to Council as appropriate.
 - The external audit reporting should describe: Council's internal control procedures relating to external financial reporting, findings from the most recent external audit and any steps taken to deal with such findings, all relationships between the Council and the external auditor, Critical accounting policies used by Council, alternative treatments of financial information within Generally Accepted Accounting Practice that have been discussed with Management, the ramifications of these treatments and the treatment preferred by the external auditor.
 - Ensure that the lead audit engagement and concurring audit directors are rotated in accordance with best practice and NZ Auditing Standards.
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Compliance with Legislation, Standards and Best Practice Guidelines

- Review the effectiveness of the system for monitoring the Council's compliance with laws (including governance legislation, regulations and associated government policies), with Council's own standards, and Best Practice Guidelines.

Appointment of Independent Members

- Identify skills required for Independent Members of the Audit and Risk Management Committee. Appointment panels will include the Mayor or Deputy Mayor, Chair of Finance & Performance Committee and Chair of Audit & Risk Management Committee. Council approval is required for all Independent Member appointments.
- The term of the Independent members should be for three years. (It is recommended that the term for independent members begins on 1 April following the Triennial elections and ends 31 March three years later. Note the term being from April to March provides continuity for the committee over the initial months of a new Council.)
- Independent members are eligible for re-appointment to a maximum of two terms. By exception the Council may approve a third term to ensure continuity of knowledge.

Long Term Plan Activities

Consider and review the Long Term and Annual Plans before adoption by the Council. Apply similar levels of enquiry, consideration, review and management sign off as are required above for external financial reporting.

Audit and Risk Management Committee Forward Work Programme 2022

2022	Feb	Apr	Jun	Sep	Annual Report	Dec
Update Reports		<ul style="list-style-type: none"> • Risk and Assurance • Procurement • Capital Delivery Risk • Cyber Security • Fraud • Health, Safety & Wellbeing • Litigation 	<ul style="list-style-type: none"> • Risk and Assurance • Procurement • Capital Delivery Risk • Health, Safety & Wellbeing • Litigation 	<ul style="list-style-type: none"> • Risk and Assurance • Procurement • Capital Delivery Risk • Cyber Security • Fraud • Health, Safety & Wellbeing • Litigation 		<ul style="list-style-type: none"> • Risk and Assurance • Procurement • Capital Delivery Risk • Health, Safety & Wellbeing • Litigation
Other Reports		<ul style="list-style-type: none"> • Terms of Reference Review 	<ul style="list-style-type: none"> • Climate Change / Resilience • Internal Audit Plan 			<ul style="list-style-type: none"> • Climate Change / Resilience • Committee Business
Annual Report		<ul style="list-style-type: none"> • External Audit Plan for current year • Critical judgments, estimates & assumptions for current year 	<ul style="list-style-type: none"> • Audit NZ Management Letter for current year interim audit 	<ul style="list-style-type: none"> • Update on critical judgments, estimates & assumptions • Financial Statements Update - Valuations 	<ul style="list-style-type: none"> • Financial Statements and Annual Report 	<ul style="list-style-type: none"> • Debenture trust audit report • Audit NZ Management Letter from prior year's audit
Annual Plan	<ul style="list-style-type: none"> • Draft Annual Plan 		<ul style="list-style-type: none"> • Final Annual Plan 			

Part A	Matters Requiring a Council Decision
Part B	Reports for Information
Part C	Decisions Under Delegation

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1. Apologies Ngā Whakapāha

At the close of the agenda no apologies had been received.

2. Declarations of Interest Ngā Whakapuaki Aronga

Members are reminded of the need to be vigilant and to stand aside from decision making when a conflict arises between their role as an elected representative and any private or other external interest they might have.

3. Confirmation of Previous Minutes Te Whakaāe o te hui o mua

That the minutes of the Audit and Risk Management Committee meeting held on [Friday, 3 December 2021](#) be confirmed (refer page 11).

4. Public Forum Te Huinga Whānui

There were no public forum requests received at the time the agenda was prepared

5. Deputations by Appointment Ngā Huinga Whakaritenga

There were no deputations by appointment at the time the agenda was prepared.

6. Petitions Ngā Pākikitanga

There were no petitions received at the time the agenda was prepared.

Audit and Risk Management Committee OPEN MINUTES

Date: Friday 3 December 2021
Time: 1.02pm
Venue: Council Chambers, Level 2, Civic Offices,
53 Hereford Street, Christchurch

Present

Chairperson	Ms Kim Wallace
Deputy Chairperson	Councillor Sam MacDonald
Members	Mayor Lianne Dalziel
	Ms Jacqueline Robertson Cheyne
	Councillor Pauline Cotter
	Deputy Mayor Andrew Turner

Principal Advisor
Miles McConway
General Manager Resources
Tel: 941 8999

Mark Saunders
Committee and Hearings Advisor
941 6436
mark.saunders@ccc.govt.nz
www.ccc.govt.nz

- Part A Matters Requiring a Council Decision**
Part B Reports for Information
Part C Decisions Under Delegation
-

The agenda was dealt with in the following order.

1. Apologies Ngā Whakapāha

Part C

Committee Resolved ARCM/2021/00041

That the apology for absence received from Mr Rondel, and the apologies for lateness received from Mayor Dalziel and Councillor MacDonald, be accepted.

Ms Wallace/Deputy Mayor

Carried

2. Declarations of Interest Ngā Whakapuaki Aronga

Part B

Chair Kim Wallace in relation to Item 9, Audit Management Report 2021 and Debenture Trust Deed Audit 2021, noted her declared interest in Waka Kotahi as an independent advisor.

3. Confirmation of Previous Minutes Te Whakaāe o te hui o mua

Part C

Committee Resolved ARCM/2021/00042

That the minutes of the Audit and Risk Management Committee meeting held on Wednesday, 22 September 2021 be confirmed.

Ms Wallace/Deputy Mayor

Carried

4. Public Forum Te Huinga Whānui

Part B

There were no public forum presentations.

5. Deputations by Appointment Ngā Huinga Whakaritenga

Part B

There were no deputations by appointment.

6. Presentation of Petitions Ngā Pākikitanga

Part B

There was no presentation of petitions.

Councillor MacDonald joined the meeting at 1.05pm, left at 1.31pm, and re-joined at 1.33pm, during the consideration of the following item.

7. Capital Project Risk Report - Major Projects (>\$50m)

Committee Resolved ARCM/2021/00043 (Original Staff Recommendations Accepted without Change)

Part C

That the Audit and Risk Management Committee:

1. Receives the information in the Capital Project Risk Report – Major Projects (>\$50m).

Councillor Cotter/Deputy Mayor

Carried

Mayor Dalziel joined the meeting at 1.48pm during the consideration of the following item.

8. Consistency of Council-controlled organisations' strategic objectives with the Council's strategic directions and community outcomes

Committee Resolved ARCM/2021/00044 (Original Staff Recommendations Accepted without Change)

Part C

That the Audit and Risk Management Committee:

1. Notes the information contained in this report.

Ms Wallace/Deputy Mayor

Carried

9. Audit Management Report 2021 and Debenture Trust Deed Audit 2021

Karina Page and Chantelle Gernetzky of Audit New Zealand (via audio-video link) joined staff in presenting this item.

Committee Resolved ARCM/2021/00045 (Original Staff Recommendations Accepted without Change)

Part C

That the Audit and Risk Management Committee:

1. Receives the information and considers the recommendations made by Audit New Zealand in the Audit New Zealand Management Report relating to the audit of the financial statements and annual report for the year ended 30 June 2021 and management's responses to these.
2. Notes the contents of the audit engagement letter and limited assurance audit opinion for the Debenture Trust Deed.

Ms Wallace/Deputy Mayor

Carried

Committee Decided ARCM/2021/00046

Part A

That the Audit and Risk Management Committee recommends that the Council:

1. Receives the Audit New Zealand Management Report relating to the audit of the financial statements and annual report for the year ended 30 June 2021.

Ms Wallace/Deputy Mayor

Carried

10. Health, Safety and Wellbeing Dashboard

Committee Resolved ARCM/2021/00047 (Original Staff Recommendations Accepted without Change)

Part C

That the Audit and Risk Management Committee:

1. Notes the Christchurch City Council Health, Safety and Wellbeing Dashboard as received and considered by the Health, Safety and Wellbeing Committee (HSWC).
2. Notes that Chief Executive Dawn Baxendale has been appointed as a member of the HSWC.
3. Notes that the Council has tasked the HSWC with assisting it to discharge its due diligence responsibilities as a Person Conducting a Business or Undertaking (PCBU), and the Audit and Risk Management Committee does not replicate HSWC's task, but notes that there are risk management and assurance processes in place.

Ms Wallace/Deputy Mayor

Carried

11. Committee Business

Committee Resolved ARCM/2021/00048 (Original Staff Recommendations Accepted without Change)

Part C

That the Audit and Risk Management Committee:

1. Approves a Committee Evaluation process be undertaken by the Chair during the next quarter.
2. Notes that a Committee Terms of Reference review be initiated.
3. Notes that a process for independent member recruitment and appointment is to be scheduled for the continuity of the Committee.

Councillor MacDonald/Councillor Cotter

Carried

12. Resolution to Exclude the Public

Committee Resolved ARCM/2021/00049

Part C

That the following persons remain after the public have been excluded for the following items of the public excluded agenda as they have knowledge that is relevant to these items and will assist the Committee:

- Andrew Simpson of KPMG for:
 - Item 14, Lyttelton Harbour Wastewater Project;
 - Item 15, Litigation – Building Act 2004;
 - Item 16, Holidays Act Remediation Programme Update;
 - Item 17, Quarterly Procurement Report; and
 - Item 18, Risk and Assurance.

AND

That at 2.30pm the resolution to exclude the public set out on pages 114 to 117 of the agenda be adopted.

Councillor Cotter/Ms Wallace

Carried

The public were re-admitted to the meeting at 3.35pm.

Meeting concluded at 3.37pm.

CONFIRMED THIS 14th DAY OF FEBRUARY 2022

**KIM WALLACE
CHAIRPERSON**

7. Consideration of the Council's Draft Annual Plan 2022/23

Reference Te Tohutoro: 22/11117

Report of Te Pou Matua: Peter Ryan, Head of Performance Management,
Peter.Ryan@ccc.govt.nz

General Manager
Pouwhakarae: Lynn McClelland, Assistant Chief Executive

1. Brief Summary



- 1.1 The purpose of this report is to enable the Audit & Risk Management Committee to review the process for preparation of the Draft Annual Plan 2022/23.
- 1.2 The Long Term Plan (LTP) 2021-31 was approved by Council in June 2021. It followed a comprehensive process that reviewed operational expenditure, levels of service and the capital programme in a highly detailed way.
- 1.3 The purpose of the Draft 2022/23 Annual Plan is to clarify any changes that need to be made to the LTP to keep it current. It has been developed from the information contained in the LTP for the 2022/23 financial year, as well as recent advice from the Mayor and Councillors.
- 1.4 As the draft Annual Plan evolved between September and December 2021, Council staff held a series of workshops with the Mayor and Councillors to obtain overall direction and to fine-tune specific details.
- 1.5 This included an open (public) briefing on 14 December. In a first for the Council, this gave elected members an opportunity to debate annual plan choices in a public, non-decision-making setting.
- 1.6 This provided opportunities for them to consider their priorities for the draft Annual Plan for 2022/23 and their expectations for matters such as rates increases and level of debt. The draft Annual Plan contains no significant changes to levels of service.
- 1.7 Having obtained specific advice from councillors, staff proceeded to build a report and attachments for the Draft Annual Plan 2022/23. The process for preparing information has been the subject of a detailed series of management sign offs – including signoffs by members of the Executive Leadership Team - that demonstrate compliance with the Council's statutory, financial, and legal obligations.
- 1.8 The management and significant assumptions checklists and sign-off schedules are attached to this report (**Attachments A and B**).
- 1.9 Current drafts of Annual Plan documents are in **Attachment C** (to be public-excluded until the Draft Annual Plan 2022/23 agenda to Council is released).
- 1.10 Staff do not anticipate any significant or material changes between the ARMC meeting (14 February) and the expected release date of the Council Annual Plan agenda (17 February).
- 1.11 Council will meet to consider the draft Annual Plan on 24 February 2022, to be followed by community consultation. The Consultation Document is the primary mechanism for this and will reflect the decisions made on 24 February.
- 1.12 Consultation will include the traditional submissions process as well as feedback generated on social media. There will also be an opportunity to present directly to councillors.
- 1.13 After all submissions, feedback and hearings have been received, staff will prepare analysis for councillors to consider when adopting the final Annual Plan in late June 2022.

2. Officer Recommendations Ngā Tūtohu

That the Audit and Risk Management Committee:

1. Notes it has reviewed the general checklist and sign-off by management, including significant forecasting assumptions, in respect of the information that provides the basis for the Draft 2022/23 Annual Plan.
2. Advises the Council that in the Committee's opinion an appropriate process has been followed in the preparation of this information.
3. Notes that the Draft 2022/23 Annual Plan will be released when it is published in the Council Agenda for its meeting commencing 24 February 2022.

Attachments Ngā Tāpirihanga

No.	Title	Page
A 	Draft Annual Plan 2022/23 - Management Sign-off for Process	19
B 	Draft Annual Plan 2022/23 - Management Sign-off for Significant Assumptions	28
C	Draft Annual Plan 2022/23 (<i>Under Separate Cover</i>) - CONFIDENTIAL	

Additional background information may be noted in the below table:

Document Name	Location / File Link
Not applicable	Not applicable

Confirmation of Statutory Compliance Te Whakatūtutanga ā-Ture

Compliance with Statutory Decision-making Requirements (ss 76 - 81 Local Government Act 2002).

(a) This report contains:

- (i) sufficient information about all reasonably practicable options identified and assessed in terms of their advantages and disadvantages; and
- (ii) adequate consideration of the views and preferences of affected and interested persons bearing in mind any proposed or previous community engagement.

(b) The information reflects the level of significance of the matters covered by the report, as determined in accordance with the Council's significance and engagement policy.

Signatories Ngā Kaiwaitohu

Author	Boyd Kedzlie - Senior Business Analyst
Approved By	Peter Ryan - Head of Performance Management Lynn McClelland - Assistant Chief Executive Strategic Policy and Performance

SIGN-OFF BY MANAGEMENT FOR THE DRAFT 2022/23 ANNUAL PLAN PROCESS

Initial	Signatory's Position	Number of sign-offs
ACE	Assistant Chief Executive, Strategic Policy and Performance	6
CFO/HFM	Chief Financial Officer / Head of Finance	40
MPR	Manager Planning and Reporting	15
MRR	Manager Rates Revenue	10
MERG	Manager External Reporting and Governance	4
HSPR	Head of Strategic Policy and Resilience	3
HPMU	Head of Performance Management	2
HLDS	Head of Legal and Democratic Services	2
HPMO	Head of Programme Management Office	1

Initial	Signatory's Position	Number of sign-offs
H3W	Head of Three Waters	1
HTW	Head of Transport and Waste	1
HPC	Head of Planning and Consents	1
HRC	Head of Regulatory Compliance	1
HBC	Head of Building Consenting	1
HPA	Head of Parks	1
HRSE	Head of Recreation, Sports and Events	1
HLI	Head of Libraries and Information	1
DAG	Director Art Gallery	1
HOCE	Head of Office of Mayor and Chief Executive	1

AREA	COMMENTS	ASSESSMENT	
		Responsibility	Sign-Off
1. Financial Strategy and Infrastructure Strategy			
1.1. Does the Annual Plan comply with the Financial Strategy in the 2021-31 Long Term Plan?		ACE	☒
		CFO/HFM	☒
1.2. Does the Annual Plan comply with the Infrastructure Strategy in the 2021-31 Long Term Plan?		ACE	☒
		CFO/HFM	☒
		HSPR	☒
1.3. Are the “stories” that the financial and infrastructure strategies tell still consistent? A robust financial strategy cannot be developed in isolation from intended levels of service and the operational expenditure and capital expenditure programs associated with these.		ACE	☒
		CFO/HFM	☒
		HSPR	☒
2. Revenue and Financing Policy			
2.1. Does the Annual Plan comply with the revenue and financing policy in the 2021-31 Long Term Plan?	RFP will have some relatively minor amendments in the AP. The AP complies with the (slightly) amended RFP.	CFO/HFM	☒
		MRR	☒
2.2. If not, have you planned a review of the RFP so that it is adopted before the Annual Plan?	RFP is being amended in a relatively minor way. The new RFP will be adopted before the AP.	CFO/HFM	☒
		MRR	☒

AREA	COMMENTS	ASSESSMENT	
		Responsibility	Sign-Off
3. Funding Impact Statement			
3.1. Does the Annual Plan contain a funding impact statement for the whole of council? (LGA 2002, sch 10 cl 20 (2)/Financial Reporting Regulations 2014)		CFO/HFM	<input checked="" type="checkbox"/>
		MRR	<input checked="" type="checkbox"/>
3.2. Does the funding impact statement contain two components: 3.2.1. a financial statement 3.2.2. information about funding sources. (LGA 2002, sch 10 cl 20(3))	Yes	CFO/HFM	<input checked="" type="checkbox"/>
		MPR	<input checked="" type="checkbox"/>
3.3. Does the whole-of-council funding impact statement have a nil balance (Financial Reporting Regulations 2014)?	Yes	CFO/HFM	<input checked="" type="checkbox"/>
		MPR	<input checked="" type="checkbox"/>
3.4. Does the funding disclosure contain details of each of the rates your local authority proposes to set and how these will be calculated (including specifying the relevant matters from Schedule Two and factors from Schedule Three of the Rating Act)?		CFO/HFM	<input checked="" type="checkbox"/>
		MRR	<input checked="" type="checkbox"/>
3.5. Is the funding disclosure specified with enough particularity that ratepayers can, for example, determine whether they are liable for any particular rate and what differential categories they are in?	Map of the wheelie bin serviced area to be inserted	CFO/HFM	<input checked="" type="checkbox"/>
		MRR	<input checked="" type="checkbox"/>
3.6. Does the funding disclosure include sample models of the impact of the rating proposals for the annual plan?	Yes	CFO/HFM	<input checked="" type="checkbox"/>
		MRR	<input checked="" type="checkbox"/>
3.7. Has the entire funding impact statement, but especially the funding disclosure, been reviewed for legal compliance by someone conversant with the LGA 2002 and the Rating Act?		CFO/HFM	<input checked="" type="checkbox"/>
		HLDS	<input checked="" type="checkbox"/>
		MRR	<input checked="" type="checkbox"/>

AREA	COMMENTS	ASSESSMENT	
		Responsibility	Sign-Off
3.8. Has the funding disclosure been checked for consistency with the revenue and financing policy set out in the long term plan?	Yes	CFO/HFM	<input checked="" type="checkbox"/>
		MRR	<input checked="" type="checkbox"/>
3.9. Is the funding disclosure complete (i.e., is every rate that your local authority proposes to set included)?	Yes	CFO/HFM	<input checked="" type="checkbox"/>
		MRR	<input checked="" type="checkbox"/>
4. Financial Statements			
4.1. Does the Annual Plan include forecast financial statements for the financial year covered by the plan? (LGA 2002, sch 10 cl 18)	Yes	CFO/HFM	<input checked="" type="checkbox"/>
		MPR	<input checked="" type="checkbox"/>
4.2. Has the Annual Plan included the financial statements for the year preceding the annual plan? If yes, are these in the same format as the financial statements for the Annual Plan? (LGA 2002, sch 10 cl 19).	Yes	CFO/HFM	<input checked="" type="checkbox"/>
		MPR	<input checked="" type="checkbox"/>
4.3. Do all of the forecast financial statements comply with Generally Accepted Accounting Practice? (LGA 2002, s 111) + (Section 18 of part 2 of Schedule 10, of the LGA 2002) GAAP = applicable accounting standard = PBE FRS 42	Reviewed of the forecast financial statements completed. Financial Statements conforms to the minimum disclosure requirements for GAAP. (see checklist)	CFO/HFM	<input checked="" type="checkbox"/>
		MERG	<input checked="" type="checkbox"/>
4.4. Has the Annual Plan included the rating base disclosures? (LGA 2002, sch 10 cl 20A)	Yes	CFO/HFM	<input checked="" type="checkbox"/>
		MRR	<input checked="" type="checkbox"/>
4.5. Has the Annual Plan included a statement showing the objectives for reserves, the starting and end balance for reserves and any movements in reserves? (LGA 2002, sch 10 cl 21)	Yes	CFO/HFM	<input checked="" type="checkbox"/>
		MPR	<input checked="" type="checkbox"/>

AREA	COMMENTS	ASSESSMENT	
		Responsibility	Sign-Off
4.6. Have disclosures been made with respect to the Council's intended level of performance against fiscal benchmarks and indicators? (Financial Reporting Regulations 2014)?	Yes	CFO/HFM	<input checked="" type="checkbox"/>
		MPR	<input checked="" type="checkbox"/>
4.7. Are the prospective financial statements in the Annual Plan prepared in accordance with the appropriate financial reporting standards? <ul style="list-style-type: none">LGA 2002, Schedule 10, Section 18 – Forecast financial statementsPBE FRS 42	LvH / RM Policies done	CFO/HFM	<input checked="" type="checkbox"/>
		MERG Accounting Policies Only	<input checked="" type="checkbox"/>
4.8. Has review of required disclosures in the prospective financial statements been performed? LGA 2002, Schedule 10	LvH / RM policies done	CFO/HFM	<input checked="" type="checkbox"/>
		MERG Accounting Policies Only	<input checked="" type="checkbox"/>
		MPR	<input checked="" type="checkbox"/>
5. Balanced Budget Statements			
5.1. Is the Council running a balanced budget in the Annual Plan? (LGA 2002, s 100)	Yes	CFO/HFM	<input checked="" type="checkbox"/>
		MPR	<input checked="" type="checkbox"/>
5.2. If there is an unbalanced budget does the Annual Plan explain the reasons for the unbalanced budget, and the implications of the decision? (LGA 2002, s 10 cl 14)	n/a	CFO/HFM	<input checked="" type="checkbox"/>
		MPR	<input checked="" type="checkbox"/>
5.3. Is running an unbalanced budget prudent? (NB: Assessing prudence will necessitate consideration of the impacts beyond the life of the plan)	n/a	CFO/HFM	<input checked="" type="checkbox"/>
		MPR	<input checked="" type="checkbox"/>

AREA	COMMENTS	ASSESSMENT	
		Responsibility	Sign-Off
5.4. Has the Council resolved to operate an unbalanced budget?	n/a	CFO/HFM	<input checked="" type="checkbox"/>
		MPR	<input checked="" type="checkbox"/>
5.5. Has the necessary analysis been performed with respect to the levels of service and the financial impacts in order to provide the Council and the auditors with assurance that the unbalanced budget is prudent?	n/a	CFO/HFM	<input checked="" type="checkbox"/>
		MPR	<input checked="" type="checkbox"/>
5.6. Are appropriate disclosures considered and / made in the Annual Plan regarding the unbalanced budget?	n/a	CFO/HFM	<input checked="" type="checkbox"/>
		MPR	<input checked="" type="checkbox"/>
5.7. Is an unbalanced budget an issue that warrants inclusion in the financial strategy?	n/a	CFO/HFM	<input checked="" type="checkbox"/>
6. Forecasting Assumptions – See also Sign-off for Forecasting Assumptions where individual assumptions are signed off			
6.1. Has the Annual Plan identified all of the significant forecasting assumptions and risks? (LGA 2002, sch 10 cl 17(a))		CFO/HFM	<input checked="" type="checkbox"/>
6.2. Has the Annual Plan disclosed the useful life of significant assets and funding sources for the replacement of significant assets? (LGA 2002, sch 10 cl 17(b))	Useful life of significant assets is part of the accounting policies.	CFO/HFM	<input checked="" type="checkbox"/>
		MERG	<input checked="" type="checkbox"/>
6.3. Are there any disconnects between the assumptions disclosed in this section and those disclosed in the infrastructure strategy and the financial strategy in the 2021-31 Long Term Plan?		CFO/HFM	<input checked="" type="checkbox"/>
		HSPR	<input checked="" type="checkbox"/>
6.4. Did management review the assumptions and their significance afresh, or did it “roll over” the assumptions from the 2021-31 Long Term Plan?		CFO/HFM	<input checked="" type="checkbox"/>

AREA	COMMENTS	ASSESSMENT	
		Responsibility	Sign-Off
6.5. Has management checked economic assumptions with those others are making (e.g., is there a reason management is assuming interest rates of 10 percent when others are assuming 6-7 percent)?		CFO/HFM	<input checked="" type="checkbox"/>
6.6. Should Council undertake scenario modelling of the impact if significant assumptions fail to materialise or are significantly different from those you expected? For example, a local authority reliant on central government funding for a particular large project might consider whether it needs a "plan B"; a growth council might want to forecast different scenarios for the receipt of development contributions revenue.		CFO/HFM	<input checked="" type="checkbox"/>
6.7. Does the Annual Plan include the following (if not, should it)? 6.7.1. service level assumptions		CFO/HFM	<input checked="" type="checkbox"/>
6.7.2. demand assumptions (note that this includes demand driven by population growth and change, economic growth and transformation, and changing preferences)		CFO/HFM	<input checked="" type="checkbox"/>
		HPMU	<input checked="" type="checkbox"/>
6.7.3. economic assumptions (interest rates both for council investments and council borrowing, investment/dividend flows from council assets, forecast changes in key costs.		CFO/HFM	<input checked="" type="checkbox"/>
7. Capital Expenditure			
7.1. Does the capital expenditure show the following detail for each group of activity? (LGA 2002, sch 10 cl 3) <ul style="list-style-type: none">amount to meet additional demandamount to improve levels of performanceamount to replace existing assets	Not required for an Annual Plan	CFO/HFM	<input checked="" type="checkbox"/>
		MPR	<input checked="" type="checkbox"/>
		HPMO	<input checked="" type="checkbox"/>

AREA	COMMENTS	ASSESSMENT	
		Responsibility	Sign-Off
8. Proposed changes to levels of service			
8.1. Do proposed changes to levels of service include significant or material differences from the content of the 2021-31 Long Term Plan (LGA 2002 Section 95 2A)	No material or significant changes have been proposed to LOS by councillors or staff. There is a small number of minor amendments.	ACE	<input checked="" type="checkbox"/>
		HPMU	<input checked="" type="checkbox"/>
9. Proposed Fees and Charges			
9.1. Fees and charges schedules - have these been prepared in line with LGA 2002 Section 12 and LGA 2002 Section 150 or other relevant legislation (eg. Dog Control Act 1990, Building Act 2004, Food Act 2014, etc.)	Yes	ACE	<input checked="" type="checkbox"/>
		CFO/HFM	<input checked="" type="checkbox"/>
		MPR	<input checked="" type="checkbox"/>
		H3W	<input checked="" type="checkbox"/>
		HTW	<input checked="" type="checkbox"/>
		HPC	<input checked="" type="checkbox"/>
		HRC	<input checked="" type="checkbox"/>
		HBC	<input checked="" type="checkbox"/>
		HPA	<input checked="" type="checkbox"/>
		HRSE	<input checked="" type="checkbox"/>
		HLI	<input checked="" type="checkbox"/>

AREA	COMMENTS	ASSESSMENT	
		Responsibility	Sign-Off
		DAG	<input checked="" type="checkbox"/>
		HOCE	<input checked="" type="checkbox"/>
10. Significance and Engagement Policy			
10.1. Does the process proposed to be used for adopting 2022/23 Annual Plan comply with the requirements of the LGA2002 and the Council's significance and engagement policy?		ACE	<input checked="" type="checkbox"/>
		HLDS	<input checked="" type="checkbox"/>

SIGN-OFF BY MANAGEMENT FOR SIGNIFICANT FORECASTING ASSUMPTIONS IN THE DRAFT 2022-23 ANNUAL PLAN

Initial	Position	Number of sign-offs	Initial	Position	Number of sign-offs	Initial	Position	Number of sign-offs
CFO/HFM	Chief Financial Officer / Head of Financial Management	33	HPMU	Head of Performance Management	4	H3W	Head of Three Waters	4
MPR	Manager Planning & Reporting	3	HLDS	Head of Legal and Democracy Services	3	HTW	Head of Transport and Waste	4
GT	Group Treasurer	2	HPMO	Head of Programme Management Office	1	HFPP	Head of Facilities, Property and Planning	4
MRR	Manager Rates Revenue	1	HSPR	Head of Strategic Policy and Resilience	1	FBP-IPRS	Finance Business Partner for Infrastructure, Planning & Regulatory Services	1
MERG	Manager External Reporting and Governance	2	HPC	Head of Planning and Consents	1	FBP-Res	Finance Business Partner for Resources	1
			HPA	Head of Parks	3			

In preparing this Draft Annual Plan it was necessary for Council to make a number of assumptions about the future. The following tables identify those forecasting assumptions which are significant in that if actual future events differ from the assumptions, it will result in material variances to this Plan. The table also identifies the risks that underlie those assumptions, the reason for that risk, and an estimate of the potential impact on the Plan if the assumption is not realised.

A number of assumptions have such a high level of uncertainty the financial impact of a change in the assumption is not able to be quantified. In these situations a description of the impact has been provided.

AREA	COMMENT	ASSESSMENT	
		Person Responsible	Sign-Off
Forecasting Assumptions			
Has management considered the level of uncertainty in each of the significant forecasting assumptions and risks?	Yes	CFO/HFM	<input checked="" type="checkbox"/>
Where levels of uncertainty are high then the LTP must disclose: <ul style="list-style-type: none"> the fact of the uncertainty an estimate of the uncertainty on the financial estimate (Cl. 17, Sch. 10, LGA). 		CFO/HFM	<input checked="" type="checkbox"/>

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty	Responsibility	Sign-Off
1. Capital Programme and infrastructure assets					
1.1 Capital Works. Programmes and projects are assumed to be delivered within budget and on time. The capital programme is generally managed within overall budget allocations requiring changes to programme or project budget to be found within available budgets. At a corporate level provision is made for delayed delivery by forecasting an annual capital budget carry forward based on delivery trends. There may also be some projects delivered ahead of forecast and these will be managed within borrowing allowances via bring backs.	Actual costs will vary from estimates, due to higher input prices and/or delivery delays, resulting in budget shortfalls. These are partially offset by the delay in borrowing. However, Council has tendered significant work and estimates are based on the best available information. Delays could also be due to consenting and consultation requirements. See also 3.8 for Covid impact.	Moderate/ Low	To the extent possible Council staff seek to proactively manage the delivery of capital works, substituting projects within a programme where necessary. Those that are unable to be completed as planned in the Annual Plan may be carried forward. The implications of this are: <ul style="list-style-type: none"> possible additional reactive opex; not all delays lead to additional costs. possible reduction in opex if the delay relates to a new facility. projects may cost more than planned due to inflation. less funds will need to be borrowed in the short term. Delaying new borrowing 	CFO/HFM	<input checked="" type="checkbox"/>
				HPMO	<input checked="" type="checkbox"/>

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty	Responsibility	Sign-Off
			<p>will impact on the timing of financing costs.</p> <ul style="list-style-type: none"> possible reduction to levels of service. Any inflationary increase in Council's costs that is not offset by efficiency gains or revenue is likely to impact the timing of future works or increase borrowing. 		
1.2 Sources of funds for replacing assets. The sources of funds will occur as projected.	Funding does not occur as projected and borrowing is required.	Low	Council is well placed to borrow funds as required and remain within its LGFA benchmarks. The impact to ratepayers of every \$10 million of additional borrowing for capital works is a 0.11% increase to rates spread over two years. This increase accounts for the interest cost and repayment of the borrowing over 30 years.	CFO/HFM	☑
1.3 Asset life. Useful life of assets is as recorded in asset management plans or based upon professional advice (the Accounting Policies detail the useful lives by asset class).	Useful live of an asset/s is significantly shorter than expected.	Moderate	<p>Council maintains -its databases with the latest condition information. However, piped networks are below ground making remaining life more difficult to assess.</p> <p>Ideally assets need to be replaced just in time. Earlier replacement would put more pressure on the Council's capital programme, leading to higher depreciation expense and financing costs. Late replacement leads to more expensive replacements costs plus generally greater impacts on the operational costs, community and the environment.</p>	CFO/HFM	☑
				HTW	☑
				H3W	☑
				HPA	☑
				HFPP	☑

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty	Responsibility	Sign-Off
1.4 Carrying value of assets. The opening statement of financial position reflects the correct asset values. The carrying value of assets are revalued on a regular basis.	Asset revaluations will differ to that planned and change projected carrying values of the assets and depreciation expense.	Low	Land and buildings were revalued as at 30 June 2021. Waste water, water supply and stormwater, were revalued at 30 June 2020. Roading assets were revalued at 30 June 2019. The valuation of the Council's facilities and infrastructural assets at optimum depreciated replacement cost involves a significant amount of judgement in estimating the replacement unit cost, asset condition (for underground assets) and the remaining useful life of the assets. <i>Note: That the asset values of three waters, roads and footpaths assets include additions (at cost less depreciation) and disposals since the last valuation.</i>	CFO/HFM	☒
				MPR	☒
				MERG	☒
				New note added 28 January 2022	
2. Inflation. Growth and Population					
2.1 Inflation. The price level changes projected will occur. Council has considered both information provided by Business Economic Research Limited to all local authorities and a weighted mix of its own cost inputs in determining appropriate inflators. Different forecast inflation figures for capital and operational items are used in developing the plan due to the differing mix of cost inputs in each. Inflation adjustments used are: 2022/23	Inflation will be materially higher or lower than anticipated. Inflation on costs will not be offset by inflation on revenues.	Moderate	Any short term impact will be managed by managing costs to budget without impacting levels of service where possible.	CFO/HFM	☒
		Low		MPR	☒

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty	Responsibility	Sign-Off
Capital 2.3%					
Opex 2.1%					
2.2 Economic Environment. It is difficult to predict the future economic environment for Christchurch, Canterbury and New Zealand with a high degree of certainty as Covid-19 continues to impact on economic life. Treasury's Half Year Economic and Fiscal Update 2021 (issued in December) highlights the complex economic situation: <ul style="list-style-type: none"> • Strong demand leading up to the Delta outbreak resulted in stronger-than-expected economic activity, tax revenues exceeding forecasts and record-low unemployment. GDP rose by 4.1% over the first half of 2021 and unemployment fell to 3.4% in the September 2021 quarter. • Unemployment is expected to fall to 3.1% in the March 2022 quarter before slowly increasing to 4.1%. Wage inflation is expected to be above 4.0% throughout the forecast period. • Supply chain disruptions and strong demand has seen capacity pressures intensify, contributing to higher inflation, which is forecast to peak at 5.6% in the March 2022 quarter, before trending down. As a result, interest rates are expected to 	That there are further unexpected local, national or international economic shocks such as further restrictions on movement and economic activity from future waves of the COVID-19 virus. This would further exacerbate the uncertainty around future economic activity.	Moderate	A significant deterioration in Christchurch's economic environment could impact on ratepayers' ability to pay rates. If revenue was negatively impacted it could lead the Council to decide to borrow more heavily or cut facilities and services provided to reduce the rate requirement. However, this is unlikely to eventuate within a single rating year and any decision to cut services or increase debt to reduce rates would be more likely to be addressed in a future Annual Plan or Long Term Plan.	CFO/HFM	<input checked="" type="checkbox"/>
				HPMU	<input checked="" type="checkbox"/>

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty	Responsibility	Sign-Off
<p>rise faster and to a higher level than previously forecast.</p> <p>At a regional level the Canterbury economy is performing well with the ASB Regional Economic Scoreboard for December 2021 showing Canterbury as the best performing region with strong results across the range of metrics used.¹</p> <p>Council has prepared this Plan on the basis that the current predictions about the economy will prove correct.</p>					
<p>2.3 Development contributions revenue.</p> <p>Council collects development contributions from property developers to fund the capital costs of providing infrastructure capacity to service growth development.</p> <p>Development contribution charges are based on apportioning the cost of providing growth infrastructure to the forecast number of new residential, commercial, industrial and other properties. This forecast is based on Council's Growth Model.</p> <p>The Council has assumed development will reflect the population and business growth model growth forecasts and has budgeted its development contributions revenue accordingly.</p>	<p>If the number of new properties paying development contributions is significantly less than forecast over the funding life of assets then revenue from development contributions will not be sufficient to fund the growth component of the Council's capital programme.</p> <p>If the timing of growth differs significantly from forecast this will impact on Council's cash flows and may necessitate changes to planned borrowing.</p> <p>The location and timing of development is determined by a number of factors such as market forces which are outside the control of the council.</p>	<p>Low</p> <p>Low</p>	<p>The timing of growth, and its impact on Council's development contributions revenue, will have a low impact on the borrowing and interest expense assumptions in this Plan.</p> <p>Any shortfall in development contributions revenue must be funded initially by borrowing which is funded from rates over the relevant debt financing term.</p>	CFO/HFM	☒
				HPMU	☒

¹ See [Regional Scoreboard: Canty's back baby \(asb.co.nz\)](https://www.asb.co.nz/Regional-Scoreboard-Cantys-back-baby).

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty	Responsibility	Sign-Off
2.4 Population. Planning for activities, and thus the likely cost of providing those activities assumes that the population of Christchurch will increase at the rate forecast by Council's growth model.	That population growth is higher than projected, and Council will need to provide additional unplanned services and infrastructure.	Low	Population projections are based upon a standard set of demographic assumptions. The level of risk is low but could impact the cost of providing activities.	CFO/HFM	<input checked="" type="checkbox"/>
	That population growth is lower than projected, and the Council will be required to support excess levels of infrastructure and service delivery.	Low	The impact of COVID-19 on migration is unknown at this stage.	HPMU	<input checked="" type="checkbox"/>
2.5 Rating Base. The capital value of the city increases annually due to subdivisions and development which leads to an increase in the rating base. Growth in the number of rating units and their capital value is expected to increase the rating base for 2022/23 by \$7.2 million (1.2%) compared to 2021/22.	Rating base grows at a materially different rate from that projected.	Low	Actual growth in the rating base is never known until year end because of the process by which it's measured. Council staff work closely with QV in the period leading up to year end in order to have as accurate an assessment as possible. Variances between the forecast and actual growth in the rating base will cause changes to the total rates revenue collected.	CFO/HFM	<input checked="" type="checkbox"/>
2.6 Aging population. The number of people over the age of 65 is expected to increase by 80% by 2051 to 117,800 (24%). By 2051 the number of people over the age of 80 is expected to be around 10% of the population, compared to around 4% in 2021.	If the mix of ages within the population is significantly different from that forecast the range and types of services that have factored in the needs of older persons may need to change.	Low	Age projections are provided by Statistics New Zealand on a nation-wide basis. The projections for people who will be in post-retirement age groups is determined by the current population structure which does not change significantly, especially in the ages from 45 to 65 years, which will be the retirement age group in the next 20 years.	CFO/HFM	<input checked="" type="checkbox"/>
				HPMU	<input checked="" type="checkbox"/>
3. Impact of policies and external factors					
		Low		CFO/HFM	<input checked="" type="checkbox"/>

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty	Responsibility	Sign-Off
3.1 Council policy. Given the significant extent of government reform, there will be regular updates to Council policy in response to legislative changes and emerging strategic issues.	New legislation is enacted that requires a significant policy response or business change from Council or, Department of the Prime Minister and Cabinet (DPMC) uses its statutory powers such that a change is required to Council policy.		Dealing with changes in legislation is part of normal Council operations.	HLDS	<input checked="" type="checkbox"/>
3.2 Waka Kotahi subsidies. The Current Funding Assistance Rate (FAR) of 51% on qualifying expenditure will not change. We will receive the total amount of subsidy that we have assumed we will receive.	Changes in the FAR, changes to the overall amount in the National Land Transport Fund, changes to government transport priorities, and changes to eligibility criteria for projects could impact on the amount of subsidy we receive from Waka Kotahi.	Moderate	Changes to government funding priorities and Waka Kotahi funding decisions are outside Council control and the risk varies from project to project. The maximum financial impact would be the elimination of the subsidy, which is extremely unlikely. Decisions on what projects will be funded through the National Land Transport Fund will not likely be confirmed until after 30 June 2022, and this means there is some uncertainty around funding for some projects. The Council is regularly in discussions with Waka Kotahi to gain more clarity on which projects will receive funding.	CFO/HFM	<input checked="" type="checkbox"/>
				HTW	<input checked="" type="checkbox"/>
				FBP-IPRS	<input checked="" type="checkbox"/>
3.3 Resource Consents. Conditions of resource consents held by Council will not be significantly altered.	Conditions required to obtain/maintain the consents will change, leading to the costs to obtain resource consents and/or implement consent conditions being higher than anticipated. These costs would not be covered by planned funding.	Moderate/Low	Advance warning of likely changes is anticipated. The financial impact of failing to obtain/renew resource consents cannot be quantified.	CFO/HFM	<input checked="" type="checkbox"/>
				H3W	<input checked="" type="checkbox"/>

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty	Responsibility	Sign-Off
	Council is currently working through the Akaroa wastewater consent issues.				
3.4 Legislative and Regulatory change. The Government has initiated three significant reform programmes that will in time impact on the legislative and regulatory frameworks within which local government currently operates. These reform programmes are; three waters reform, resource management reform and the future for local government review. Given the expected timelines of the review processes the Council has assumed that no significant legislative or regulatory change will impact on the Council in the coming year, although this might change if the government follows through on its intention to enact the water service entities bill this year. The reform programmes are each covered in more detail below.	Should the local government legislative environment change, the activities and services the Council plans to provide over the period of this Plan could change which could impact on Council's costs and revenue requirements.	Low	The Government has several review programmes in progress which will significantly change the roles and responsibilities of local government as changes are implemented over time. At the time of preparing this Plan the Council is unable to determine how any potential legislative change might impact its operations or quantify the potential financial impact. Expected costs relating to enactment of the RMA (Housing Bill) and to the Council's involvement in Government reform processes have been incorporated in this Plan.	CFO/HFM	<input checked="" type="checkbox"/>
				HLDS	<input checked="" type="checkbox"/>
3.5 Three Waters Reform. The Council will continue to deliver three waters services over the life of the Annual Plan.	The Crown is proposing to establish publicly-owned water service delivery entities of significant scale to deliver three waters services. The entities are proposed to take ownership of Council three waters assets with councils retaining nominal ownership of the entities. This will significantly affect Council assets, liabilities, debt limits and	High	These activities have planned direct costs in the 2023 financial year of \$98.7 million, with a further \$14.4 million of debt servicing and \$7.9 million of other internal charges/overheads. Operating revenues total \$7.6 million. The closing book value of these assets at 30 June 2021 was \$5.9 billion, with a replacement cost of \$10.2 billion.	CFO/HFM	<input checked="" type="checkbox"/>
				H3W	<input checked="" type="checkbox"/>

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty	Responsibility	Sign-Off
	<p>operating expenditure and revenues from 2024/25.</p> <p>The following water activities are affected:</p> <ul style="list-style-type: none"> • Water Supply • Wastewater Collection, Treatment and Disposal • Stormwater Drainage • Land Drainage 		<p>Council does not borrow separately for these activities, but estimates debt relating to these activities is in the order of \$1 billion at 30 June 2021.</p> <p>There will be probable second order impacts, which Council will assess as part of its analysis of the reform proposal.</p>		
<p>3.6 Potential climate change impacts. The Ministry for the Environment and Stats NZ Environment Aotearoa 2019 report states all aspects of life in New Zealand will be impacted by climate change. The Council has developed a draft climate change strategy, which identifies action programmes to respond to the impacts of climate change and the legislative requirements to consider the impacts of climate change.</p> <p>The projected local changes to climate that we must prepare for are:</p> <p>a. 0.5 metre rise in sea-level by 2075 and 1 metre sea-level rise by 2120;</p> <p>b. average temperatures will rise 0.5°C – 1.5°C by 2040 and by 3°C by 2090</p> <p>c. changes in rainfall and extreme weather events.</p>	<p>The timing or severity of any climate change impacts could be worse than expected, meaning the Council is not sufficiently prepared.</p>	Low	<p>Variability in changes to the climate and its impacts and how we respond could result in different financial impacts.</p> <p>We have significant work to do to have a better understanding of our exposure and vulnerability to the impacts of climate change on our assets and how we adapt, to determine the financial impacts.</p>	CFO/HFM	☑
				HSPR	☑
<p>3.7 Future for Local Government Review. The Minister of Local Government has established a Ministerial Inquiry into the Future for Local Government.</p>	<p>While the review could recommend significant change to what local government is and does, there is no information</p>	Moderate	<p>If the Government fast-tracked one or more of the reform programmes so that change was required in the 2022/23 year this could</p>	CFO/HFM	☑
				HLDS	☑

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty	Responsibility	Sign-Off
<p>The overall purpose of the review is to “<i>identify how our system of local democracy needs to evolve over the next 30 years, to improve the well-being of New Zealand communities and the environment, and actively embody the treaty partnership.</i>”</p> <p>The review includes, but is not limited to, the following:</p> <ul style="list-style-type: none">• roles, functions, and partnerships• representation and governance and• funding and financing <p>The review panel is scheduled to present its final report to the Minister in April 2023.</p> <p>The Council has assumed the reform programmes will not materially impact on its costs or financial position in the 2022/23 year.</p> <p>Changes to what services local government delivers and how these are delivered will be implemented from the 2024/25 year onwards.</p>	<p>available on the likely direction for the review at this time, although detailed review timelines have been provided.</p>		<p>have a significant impact on work programmes and budgets.</p> <p>Council considers it unlikely that any recommendations could take effect before 1 July 2024 – particularly for changes to roles or functions. Any changes that are made will be incorporated in the 2024-34 long-term plan.</p> <p>Unless specifically stated otherwise, Council has prepared the plan on the assumption its existing role and functions will continue for the life of the plan.”</p>		
<p>3.8 Impact of Covid – 19</p> <p>Operational and Capital Programme delivery will be able to occur without further significant financial, staffing or deliverability issues due to Covid-19.</p>	<p>Multiple risks around lockdowns, access to facilities and availability of vaccinated staff to continue delivering services.</p> <p>Also risks in securing external goods and services in a timely manner as required to deliver services and the capital programme.</p>	High	<p>Councils Covid-19 vaccination policy aims to minimise risk to staff and the public while continuing to provide services. Deliverability is a key factor in determining the Councils overall capital programme, taking into account a number of strategies to minimise costs and delay.</p> <p>However the future impact, or any Government or Council response cannot be pre-determined.</p>	CFO/HFM	<input checked="" type="checkbox"/>
				HTW	<input checked="" type="checkbox"/>
				H3W	<input checked="" type="checkbox"/>
				HPA	<input checked="" type="checkbox"/>
				HFPP	<input checked="" type="checkbox"/>
4. Borrowing Related					

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty	Responsibility	Sign-Off
4.1 Credit Rating. The current rating is maintained.	Council's credit rating with Standard and Poor's is downgraded as a result of the additional borrowing required to meet the capital programme.	Low	<p>Council's credit rating with Standard and Poor's was upgraded from A+ to AA- on 10 December 2019 with a stable outlook. The outlook was upgraded to positive in December 2021. There is low risk of a credit downgrade given the additional borrowing required to meet the capital programme planned for the next four years. If the Council falls one notch from its current credit rating (i.e. from AA- to A+) the cost of new borrowing and refinanced borrowing will increase by 5 basis points (0.05 percentage points) for the life of the borrowing.</p> <p>In such an event, interest costs in 2022/23 could increase by \$0.20 million. This could increase to \$1.5 million annually by 2027/28.</p>	CFO/HFM	<input checked="" type="checkbox"/>
4.2 Borrowing Costs. Net cost of ratepayer funded borrowing (i.e. including current and projected debt) is projected to be 4.3% in 2022/23.	Interest rates will vary from those projected.	Moderate	Projections are based on assumptions about future market interest rates. Projected debt is mostly hedged to reduce exposure to market rate fluctuations, but a moderate amount of risk remains. Market interest rates 0.5% higher than projected would increase interest costs by around \$3m in 2022/23. Council manages interest rate exposure in accordance with its Liability Management Policy, and in line with advice from an independent external advisor.	CFO/HFM	<input checked="" type="checkbox"/>
4.3 Securing External Funding. New, or renewal of existing borrowings on acceptable terms can be achieved.	That new borrowings cannot be accessed to refinance existing	Low	The Council minimises its liquidity risk by maintaining a mix of current and non-	CFO/HFM	<input checked="" type="checkbox"/>

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty	Responsibility	Sign-Off
	debt or fund future capital requirements.		current borrowings in accordance with its Liability Management Policy.		
4.4 LGFA Guarantee. Each of the shareholders of the LGFA is a party to a deed of Guarantee, whereby the parties to the deed guarantee the obligations of the LGFA and they guarantee obligations of other participating local authorities to the LGFA, in the event of default.	In the event of a default by the LGFA, each guarantor would be liable to pay a proportion of the amount owing. The proportion to be paid by each respective guarantor is set in relation to each guarantor’s relative rates income.	Low	The Council believes the risk of the guarantee being called on and any financial loss arising from the guarantee is remote. The likelihood of a local authority borrower defaulting is extremely low and LGFA has recovery mechanisms that would be applied prior to any call on the Guarantee. All of the borrowings by a local authority from the LGFA are secured by a rates charge.	CFO/HFM	☒
4.5 Opening Debt: The opening debt of \$2,250 million is made up of; \$222 million of equity investments, mainly in CCTOs (Venues Ōtautahi Ltd (formally Vbase) \$185 million), \$661 million of money borrowed for on-lending, (in accordance with the Council’s Liability Management Policy), \$1,278 million of capital works and earthquake related borrowing. There is an additional \$71.5 million borrowed internally from the Capital Endowment Fund. \$89 million finance lease (Civic Building).	Actual opening debt differs from forecast.	Low	Council's debt requirements are well understood and closely managed. It is unlikely that opening debt will be significantly different to forecast.	CFO/HFM	☒
				MPR	☒
				GT	☒
5. Investment related					
5.1 Return on investments. Interest received on cash and general funds invested is projected to be 1.5% for 2022/23.	Interest rates will vary from those projected.	Low	Financial impact is unlikely to be significant.	CFO/HFM	☒
				GT	☒

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty	Responsibility	Sign-Off
The return on the Capital Endowment Fund (most of which is currently invested internally) is calculated at 3.0% for 2022/23.					
5.2 Value of Investment in Subsidiaries The opening statement of financial position reflects the correct investment values. The carrying value of CCO investments are revalued on a regular basis.	CCO revaluations will differ to that planned and change projected carrying values of the investments.	Low	The valuation of the Council's investments in subsidiary and associated companies at fair value has a material impact on the amounts recognised in these prospective financial statements and involves a significant amount of judgement. Independent valuers are commissioned to perform these valuations on a periodic (currently annually) basis, at intervals sufficient to ensure that the fair value of these investments does not differ materially from their carrying value.	CFO/HFM	<input checked="" type="checkbox"/>
5.3 CCTO Income. CCHL will deliver dividend income at the levels forecast in this Plan.	CCHL will deliver a lower than projected dividend and Council will need to source alternate funding.	Low	CCTOs are monitored by their Statements of Intent and a quarterly reporting process. Returns are expected to be as forecast in this Plan. Should additional dividend income be received the level of borrowing forecast in this Plan will be reduced.	CFO/HFM	<input checked="" type="checkbox"/>
5.4 Tax planning. The Council (parent) will be operating at a tax loss for the period covered by this Plan due to the availability of tax deductions on some Council expenditure. This allows the Council's profit-making subsidiaries to make payments (known as subvention payments) to Council instead of tax payments.	Subvention payments will be lower than planned.	Low	CCTOs are monitored by the Statement of Intent and a quarterly performance reporting process. Returns are expected to continue as forecast in this Plan.	CFO/HFM	<input checked="" type="checkbox"/>
				MERG	<input checked="" type="checkbox"/>

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty	Responsibility	Sign-Off
6. Services and Operations					
6.1 Community housing. Community housing assets are leased to Otautahi Community Trust, who are responsible for operations, maintenance and renewals. Council retains the asset ownership.	Community housing remains ring-fenced from rates, through a separate Housing Fund. The ongoing revenue source for this fund is the lease payments from the Otautahi Community Housing Trust. Modelling for the Housing Fund indicates that its sustainability is sensitive to small changes and there is a risk that: <ul style="list-style-type: none">The lease payments are not sufficient to enable the social housing portfolio to be financially viable in the long term.Higher than expected expenditure (e.g. due to asset failure or external events) reduces the financial sustainability in the short term (2 years).	Medium	With a focus on repairing earthquake damage, lifting quality standards and addressing deferred maintenance, there has been significant expenditure from the fund over the last 5 years. The fund is now in a depleted state, and is not anticipated to accumulate until 2026/27. During this period it is at a heightened risk, albeit this is mitigated by the ability to defer programmes if necessary.	CFO/HFM	<input checked="" type="checkbox"/>
				HFPP	<input checked="" type="checkbox"/>
				FBP-Res	<input checked="" type="checkbox"/>
6.2 Contract Rates. Re-tendering of major contracts will not result in cost increases other than those comparable with the rate of inflation. There is currently some post covid increase in cost around the supply chain. Additionally some contracts are impacted by the Council's 2021 living wage decision.	There is a significant variation in price from re-tendering contracts.	High	Where possible Council would review the appropriate scope of work, or alternatively adjust the budget between services to free up additional funding. Inflation is currently running at 5.9%. On its own, this presents a real risk. However, there also remains volatility in the supply chain and shortages of construction	CFO/HFM	<input checked="" type="checkbox"/>
				HTW	<input checked="" type="checkbox"/>
				H3W	<input checked="" type="checkbox"/>
				HPA	<input checked="" type="checkbox"/>
				HFPP	<input checked="" type="checkbox"/>

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty	Responsibility	Sign-Off
			<p>materials, which will undoubtedly place further upward pressure on costs. The 'post covid increase' appears greater now than a few months ago, with no sign of its influence diminishing anytime soon. Similarly, the labour market is also under considerable pressure, with organisations routinely increasing wages to retain and secure staff. Inevitably this will impact contract rates.</p> <p>Some potential cost increases may be mitigated or offset through the negotiation period by revising the scope of services or accepting a lower level of services, such as inspections and cleaning frequencies. We will also be challenging/tasking Contractors to identify and suggest cost savings and improved efficiencies and consolidating services within existing contracts where possible. However, it is unlikely that any potential savings will outweigh increased contractor and supply costs, so some budgetary adjustments may be necessary.</p>		
7. Insurance cover and natural disaster financing					
7.1 Insurance cover. The Council has adequate Material Damage cover for all above ground buildings which are undamaged and fire cover for significant unrepaired buildings.	Risk of major loss through fire	Low	The results of external and independent modelling carried out during 2019 suggests that the cover taken is sufficient to meet two times the maximum loss. This modelling will be updated prior to 30 June	CFO/HFM	<input checked="" type="checkbox"/>

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty	Responsibility	Sign-Off
			2022. Any financial impact is not expected to be significant.		
7.2 Natural disaster financial implications. The Christchurch region is susceptible to further damage from earthquake, flooding and tsunamis.	Council has limited insurance cover in place for damage to infrastructure networks from flooding, tsunami and earthquake events and relies on the strength of its statement of financial position plus access to central government emergency funding in the event of another major event.	Moderate	Financial implications of another significant event are large, particularly when our ability to borrow may be limited due to the high debt to revenue ratios forecast. This risk is considered in preparing forecasts and particular attention is paid to the financial headroom for each year. Financial headroom is a measure of Council's ability to borrow in the event of an emergency.	CFO/HFM	<input checked="" type="checkbox"/>

8. External Reporting and Audit Programme for 2021/22

Reference Te Tohutoro: 22/67586

Report of Te Pou Matua: Leah Scales, Chief Financial Officer, Leah.Scales@ccc.govt.nz

General Manager

Pouwhakarae:

Leah Scales, Acting GM Resources

1. Brief Summary

- 1.1 The purpose of this report is to update the Audit and Risk Management Committee on external reporting requirements for 2022 and the proposed external audit programme for the 2022 annual report. The report has been written following discussions with Audit New Zealand on resourcing of assignment in 2022.

Local Authority Elections 2022

- 1.2 The pre-election report is prepared pursuant to Section 99A of the Local Government Act 2002 (LGA02) by the Chief Executive of the Christchurch City Council.
- 1.3 The Council's 2022 reporting timetable is impacted by the triennial local authority elections that will be taking place in October 2022. In addition to the traditional annual report for the year ended 30 June 2022, a pre-election report is prepared to provide information to promote public discussion about the issues facing the Council (refer S99A (4) of LGA02).
- 1.4 The pre-election report is prepared and issued by Chief Executive of the Council rather than the elected members who normally adopt the annual report.
- 1.5 The pre-election report is required to be issued two weeks prior to the nomination date, expected to be 15 July 2022. The pre-election report will include unaudited forecast financial information for the year ended 30 June 2022.
- 1.6 The 2022 elections may also impact the adoption date for the Annual and Summary Annual Report for 2021/22.

Annual Report 2022

- 1.7 Council staff will be working closely with Audit New Zealand to complete the annual report prior to the final meeting of the outgoing Council. However there are a number of risks that may crystallise that prevents this goal being achieved and therefore Council staff will endeavour to receive a verbal audit clearance on the content of the annual report prior to the dissolution of the outgoing council.
- 1.8 The risks that Council staff and Audit New Zealand have identified to date include resourcing of the audit team, material changes to CCHL subsidiary valuations and Council asset valuations.
- 1.9 Audit New Zealand will update Council staff in late January 2022 on resourcing matters following an update by the Office of the Auditor General to Audit New Zealand. In November 2021, the government has set aside 180 places in managed isolation quarantine for international audit staff.
- 1.10 Another risk the Council faces is in the valuation of assets. This year is year two of the three waters valuation cycle and the continuing impact of COVID-19 and its variants on the supply chain has resulted in increased costs for infrastructure development.
- 1.11 If the fair value analysis being completed as at 31 December 2021 results in a material variance in the three water assets or land and buildings, Council will need to procure additional services to undertake these valuations.

- 1.12 Council staff have approached the current pool of valuers to determine availability for assignments and there already appears to be pressures and constraints in the market due to more entities requiring these services given the movements in the underlying asset values.

Critical Assumptions, Decisions and Judgements

- 1.13 Council staff will be working closely with Audit New Zealand staff to ensure that the adoption of two accounting standards, IPSAS 41 Financial Instruments and FRS 48 Service Performance, meets the necessary disclosure requirements.
- 1.14 IPSAS 41 is less problematic than FRS 48 which has increased the level of disclosure for service performance measures.
- 1.15 Changes in what the Council is required to disclose under FRS 48 may result in a change in the format of the Council's annual report.

2. Officer Recommendations Ngā Tūtohu

That the Audit and Risk Management Committee:

1. Receives the information in the External Reporting and Audit Programme for 2021/22 Report.
2. Requests Council staff to update the Committee on critical judgements, assumptions and decisions made that affect the financial statements of Council at the next ARMC meeting in April.

Attachments Ngā Tāpirihanga

There are no attachments to this report.

Additional background information may be noted in the below table:

Document Name	Location / File Link
Not applicable	Not applicable

Confirmation of Statutory Compliance Te Whakatūtutanga ā-Ture

Compliance with Statutory Decision-making Requirements (ss 76 - 81 Local Government Act 2002).

(a) This report contains:

- (i) sufficient information about all reasonably practicable options identified and assessed in terms of their advantages and disadvantages; and
- (ii) adequate consideration of the views and preferences of affected and interested persons bearing in mind any proposed or previous community engagement.

(b) The information reflects the level of significance of the matters covered by the report, as determined in accordance with the Council's significance and engagement policy.

Signatories Ngā Kaiwaitohu

Author	Len Van Hout - Manager External Reporting & Governance
Approved By	Leah Scales - Head of Financial Management and Chief Financial Officer Miles McConway - General Manager Resources

9. Resolution to Exclude the Public

Section 48, Local Government Official Information and Meetings Act 1987.

I move that the public be excluded from the following parts of the proceedings of this meeting, namely items listed overleaf.

Reason for passing this resolution: good reason to withhold exists under section 7.

Specific grounds under section 48(1) for the passing of this resolution: Section 48(1)(a)

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.”

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public are as follows:

ITEM NO.	GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED	SECTION	SUBCLAUSE AND REASON UNDER THE ACT	PLAIN ENGLISH REASON	WHEN REPORTS CAN BE RELEASED
7.	CONSIDERATION OF THE COUNCIL'S DRAFT ANNUAL PLAN 2022/23				
	ATTACHMENT C - DRAFT ANNUAL PLAN 2022/23	S7(2)(B)(II)	PREJUDICE COMMERCIAL POSITION	THE INFORMATION IN THE CURRENT DRAFT VERSION OF THE COUNCIL'S ANNUAL PLAN REMAINS SUBJECT TO CHANGE. PREMATURE RELEASE OF THIS INFORMATION COULD PREJUDICE THOSE PEOPLE AND ENTITIES THAT MAY BE AFFECTED BY ANY CHANGES MADE.	THE DRAFT ANNUAL PLAN WILL BE PUBLISHED IN THE COUNCIL AGENDA FOR ITS MEETING COMENCING 24 FEBRUARY 2022.
10.	PUBLIC EXCLUDED AUDIT AND RISK MANAGEMENT COMMITTEE MINUTES - 3 DECEMBER 2021			REFER TO THE PREVIOUS PUBLIC EXCLUDED REASON IN THE AGENDAS FOR THESE MEETINGS.	