

**Committee Members**

Cr Frank Dooley (Chair)  
Cr Allan Birchfield  
Cr Andy Campbell  
Cr Brett Cummings  
Cr Peter Ewen  
Cr Peter Haddock  
Cr Mark McIntyre

Heather Mabin (CEO)



**PUBLIC COPY**

**Meeting of the Risk & Assurance Committee**  
*(Te Huinga Tu)*

**Friday, 25 November 2022**

**West Coast Regional Council Chambers, 388 Main South Road, Greymouth**  
**and**

**Live Streamed via Council's Facebook Page:**

**<https://www.facebook.com/WestCoastRegionalCouncil>**

**Commencing at 10.30 a.m.**

# **RISK & ASSURANCE COMMITTEE MEETING**

# RISK & ASSURANCE COMMITTEE

## A G E N D A (*Rarangī Take*)

1. Welcome (*Haere mai*)
2. Apologies (*Ngā pa pouri*)
3. Declarations of Interest
4. Minutes – Risk and Assurance Committee meeting 28 July 2022
5. Notification of Extraordinary and Urgent Business (*He Panui Autaia hei Totoia Pakihi*)
6. Questions (*Patai*)
7. Chairperson’s Report – Verbal Update (*Nga Purongo-a-Tumuaki me nga Kaunihera*)
8. **Reports**
  - 8.1 Risk Register
  - 8.2 Quarterly Financial Report
  - 8.3 Investment portfolio
  - 8.4 Quarterly Performance Report
  - 8.5 Quarterly LGOIMA Report
  - 8.6 Final Report to Governors & Limited Independent Assurance Report (Council’s Debenture Trust Deed) 2021 Audit
  - 8.7 Investment Property Valuation Report
  - 8.8 Grant of Electricity Easement, 8 Centrum Lane, Rolleston (*information to be provided separately*)
9. **General Business**
10. **Public Excluded Business** (*He hui Pakihi e hara mo te iwi*)
  - 10.1 Confidential Minutes -28 July 2022 Risk and Assurance Committee meeting
  - 10.2 Health & Safety Report
  - 10.3 Cyber Security Report
  - 10.4 Working Capital
  - 10.5 RSHL Director Appointments

H Mabin  
Chief Executive Officer

**Purpose of Local Government**

The reports contained in this agenda address the requirements of the Local Government Act 2002 in relation to decision making. Unless otherwise stated, the recommended option promotes the social, economic, environmental and cultural well-being of communities in the present and for the future.

**Health and Safety Emergency Procedure**

In the event of an emergency, please exit through the emergency door in the Council Chambers. If you require assistance to exit, please see a staff member. Once you reach the bottom of the stairs make your way to the assembly point at the grassed area at the front of the building. Staff will guide you to an alternative route if necessary.

**THE WEST COAST REGIONAL COUNCIL**

**MINUTES OF THE MEETING OF THE RISK & ASSURANCE COMMITTEE,  
HELD ON 28 JULY 2022 AT THE OFFICES OF THE WEST COAST REGIONAL COUNCIL,  
388 MAIN SOUTH ROAD, GREYMOOUTH, COMMENCING 10.31 AM**

**PRESENT:**

D Magner (Chairperson), A Birchfield, S Challenger, J Hill, B Cummings, L Coll McLaughlin (via Zoom).

**IN ATTENDANCE:**

Marc Ferguson (Acting Corporate Services Manager), Rachel Vaughan (Acting Planning and Resource Science Manager), Daniel Jackson (IT Manager) via zoom, S Hoare (IRG Project Manager from 11:14am), Amie Drnasin (Minute taker), Kim Hibbs (Manager People and Capability), Philip Jones (Risk Register consultant).

Also in attendance: B McMahon (Grey Star)

**1. WELCOME**

Cr Magner welcomed everyone to the meeting.

**2. APOLOGIES**

H Mabin (CEO).

**Moved** (Birchfield/Cummings) *that the apology be accepted.*

*Carried*

**3. DECLARATIONS OF INTEREST**

Cr Hill declared he had a potential conflict of interest with the matters contained public excluded agenda item 10.5, in that he had written a submission on the proceedings covered in that report.

**4. MINUTES**

The Chair asked the meeting if there were any changes to the minutes of Risk & Assurance Committee Meeting held on 24 May 2022. There were no changes to the minutes of 24 May 2022.

**Moved** (Challenger / Cummings) *That the minutes of the meeting held on 24 May 2022 be confirmed as correct.*

*Carried*

**Matters Arising**

There were no matters arising.

## 5. NOTIFICATION OF EXTRAORDINARY AND URGENT BUSINESS

There was none.

## 6. QUESTIONS

There were no questions.

## 7. CHAIRPERSON'S REPORT (VERBAL)

Chair Magner advised that she had not had any formal meetings in her role as Committee Chair since the last Risk & Assurance Committee meeting and had nothing further to report.

## 8. REPORTS

### 8.1 RISK REGISTER

Philip Jones took his report as read, stating it was the first report since the completion of Step 3 of the risk process – *Identify Risks*. P Jones noted he was not surprised with the number of high risks considering the controls and any future mitigation are yet to be identified.

Cr Coll McLaughlin asked for further detail regarding the 90 operational risks noted in the appendix. P Jones will circulate the interim register stating it is a work in progress. Cr Coll McLaughlin further enquired if risks that have been identified through the Quarry review will be added, P Jones confirmed identifying operational risks directly relating to the Quarries will be a focus in the future.

Cr Cummings asked for a timeline regarding how long the risk register will take. P Jones advised it is an ongoing process and can take up to 2 years for such plans to be embedded in a council. The Chair agreed it was an ongoing process.

Cr Birchfield referred to Appendix 1, item 3 – *Inability to retain knowledge to undertake Council's functions*, noting this was a concern of his with recent resignations within the council. He thought it should be rated highly in the register.

**Moved** (Coll McLaughlin / Hill)

*That the committee receive the report.*

*Carried*

### 8.2 QUARTERLY FINANCIAL REPORT

M Ferguson took the report as read, noting this information is provisional at this stage. He noted the cashflow model will be completed in the next few weeks, and this tool will be used as a resource to reformulate forecasts on a monthly basis going forward.

Cr Cummings asked for clarification regarding consents and compliance costs. M Ferguson replied it depends on timing and phasing, as to when consents come in and when they are approved. Cr Cummings asked what the Health and Safety costs of \$77,000 covered. R Vaughan replied some of the costs relate to compliance costs for

some of their projects, such as compliance with procedures and regulations relating to audits. She advised there had been some training as well.

Cr S Challenger requested clarification regarding overdue rates and if this is a reoccurring issue. M Ferguson was unable to advise if this is a historic trend and there were a variety of reasons, including hardship. Going forward staff were looking at a different mechanism of following up outstanding debts, rather than going to a collection agency, perhaps a more personal approach. The Chair agreed from rate payers the feedback had been for a more personal approach.

Cr Cummings asked about the figure of \$242,000 of increased unbudgeted costs relating to Camelback Quarry. M Ferguson was unsure of the reason for this, and he and R Vaughan would advise committee members post meeting. Cr Coll McLaughlin requested that the information on the Camelback Quarry overspend, the biosecurity programme budget difference, and a breakdown of overdue rates and the timeframe within which it has accumulated be circulated to members.

Cr Birchfield asked whether there were staff replacing those staff that have left, to keep VCS going. R Vaughan advised they were currently recruiting for an Operations Manager. He flagged that this is also a risk to Council, that if competent staff are not recruited to run VCS then this will show up on the next balance sheet.

**Moved** (Hill/Challenger)

*That the Committee receive the provisional balance sheet and draft financial operating results to 30 June 2022.*

*Carried*

### **8.3 INVESTMENT PORTFOLIO**

M Ferguson spoke to the report and took it as read. Between March Quarter and June Quarter has shown a devaluation. Chair Magner noted that the scales in Attachment 2 were not consistent and did not accurately reflect the value of the portfolio. M Ferguson advised that staff could provide information showing a trend over time, and that an updated graph will be presented in the next meeting.

**Moved** (Birchfield/Challenger)

*That the Committee receive the report and note the attachments.*

*Carried*

### **8.4 LGFA STATEMENT OF INTENT**

M Ferguson spoke to the report and took it as read.

Cr Birchfield said that if the Council did pull out of LGNZ then this finance would still be available to Council. M Ferguson confirmed that.

**Moved** (Challenger/Cummings)

*That the Committee receive the report and note the attachments.*

*Carried*

## 8.5 ANNUAL GIFTS REPORT

M Ferguson spoke to the report and took it as read.

Cr Coll McLaughlin thought it would be useful if an extra column showing the approximate value of the gift was included for full transparency. R Vaughan confirmed that staff were required to make this disclosure in the register itself at the time of receiving the gift. Questions arose regarding what determines a gift to be disclosed. R Vaughan undertook to circulate the policy.

**Moved** (Hill/Cummings)

*That the Committee receive the report.*

*Carried*

## 8.6 QUARTERLY PERFORMANCE REPORT

M Ferguson spoke to the report and took it as read. Cr Coll McLaughlin had a query about the staff preparedness for CDEM response measure. M Ferguson noted he would ask the relevant manager to respond to the Councillor.

Cr Cummings asked what the reference to Pokeka meant. R Vaughan advised that this was the office that the Rūnanga had formed to work on environmental and resource management matters.

Cr Hill referred to the attendances of the Runanga members being low and whether or not F Tumahai in particular was too stretched. The EA was asked to follow this up. R Vaughan noted that the stewardship land review has been very involved, and it has been extraordinary times, including the TTPP process.

Cr Birchfield referred to Lake Brunner performance measures in relation to the trophic state. He felt that there should have been a baseline taken from all the lakes in the region, and then compare Lake Brunner to it. He does not accept that the Council is not on track with that measure. R Vaughan confirmed it was a very difficult performance measure to manage. R Vaughan further advised that this measure would be changed at the next opportunity for review.

**Moved** (Challenger/Hill)

*That the Committee note the attached Service Performance Measures Report for the quarter to 30 June 2022.*

*Carried*

## 8.7 QUARTERLY LGOIMA REPORT

M Ferguson spoke to the report and took it as read. No questions arising.

**Moved** (Birchfield/Cummings)

*That the Committee note the requests received under the Local Government Official Information and Meetings Act 1987.*

*Carried*

## 8.8 IT PROGRESS AND BUDGET

D Jackson spoke to the report and took it as read, highlighting the successful upgrade of the council's Authority System and roll over in to the new year. Upgrades including the security upgrade and audit are completed. Cr Coll McLaughlin noted it was good to see all projects came under budget especially when it was an unbudgeted spend, and thanked staff.



In response to a question from the Chair, D Jackson advised that the priorities moving forward are to appoint a permanent Manager and complete the road map already started to improve efficiencies.

**Moved** (Cummings/ Challenger)

*That the Committee receive the report.*

*Carried*

## **9. GENERAL BUSINESS**

From her discussions and involvement with the community Cr Coll McLaughlin has found that there is limited community awareness of flood protection structures on public land and what she felt was a widespread assumption that the Regional Council manages and maintains such structures. She felt that there was not a great understanding that any works carried out by the Regional Council were tied to Rating District structures, and not any more than that.

Cr Coll McLaughlin felt that in future there should be a scoping exercise of flood protection structures that are not in any of the Council's Asset Management Plans that perhaps should be. She felt this assessment of other structures should be provided for in the next LTP/annual planning round. She said that the Council suffered credibility and reputational damage if these structures are damaged and the Council is not in a position to repair them, and it could not access NEMA funding to do so. She asked that a report be tabled to the next Council meeting as a matter of urgency about Reefton, and identified a risk associated with the non-existence of a Reefton rating district.

R Vaughan responded that this could have been due to residents choosing not to have a rating district. This choice is sometimes made because people do not want to pay additional rates, until an event happens. R Vaughan also advised that there needs to be a lot of education to address misconceptions that the Council can keep funding capital works. She acknowledged it was a good time to go out and assess the 'orphan' assets that are not managed, as staff had just completed the assessment of Council's existing assets. Cr Cummings referred to an example of existing works that were built by NZTA, and are now maintained by the community. R Vaughan said that in some cases in the region there was not a clear record of whether assets had been transferred to the Regional Council when it was formed.

M Ferguson advised that the provisional timetable for the Ernest Young audit of the Annual Report is the last week in September, with final sign-off in the second week in December. The Chair expressed a preference that the matter come to the Audit & Risk Committee prior to the Council meeting in December.

## **10. ITEMS TO BE CONSIDERED IN PUBLIC EXCLUDED SESSION**

**Moved** (Magner / Birchfield)

1. *that the public be excluded from the following parts of the proceedings of this meeting, namely, -*
  - *Items 10.1 – 10.6 (inclusive)*

<b>Item No.</b>	<b>General Subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under section 7 of LGOIMA for the passing of this resolution</b>
10.1	Confirmation of Confidential Minutes – R&A C meeting 24 May 2022	The item contains information relating to commercial, privacy and security matters	To protect commercial and private information and to prevent disclosure of information for improper gain or advantage (s 7(2)(a), s7(2)(b) and s7(2)(j)).
10.2	Health & Safety report	The item contains information relating to privacy and security matters	To protect private information and to prevent disclosure of information for improper gain or advantage (s 7(2)(a) and 7(2)(j)).
10.3	Health & Safety at Work Roles & Duties	The item contains information relating to privacy and security matters	To protect private information and to prevent disclosure of information for improper gain or advantage (s 7(2)(g)
10.4	Contract Matters	The item contains information relating to commercial matters	To protect commercial information (s 7(2)(b)).
10.5	Consultants	The item contains information relating to commercial matters	To protect commercial information (s 7(2)(b)).
10.6	Working Capital Report	The item contains information relating to commercial matters	To protect commercial information (s 7(2)(b)).
10.7	Regional Software Holdings Limited - Deemed Dividend Final advice	The item contains information relating to commercial matters	To protect commercial information (s 7(2)(b)).
10.8	IRIS NextGen Programme	The item contains information relating to commercial matters	To protect commercial information (s 7(2)(b)).
10.9	EPA Enquiry Report	The item contains information relating to legal compliance	To avoid prejudice to the maintenance of the law

2. *And that:*

- *Kim Hibbs, Daniel Jackson, Marc Ferguson, Colin Helem and Scott Hoare be permitted to remain at this meeting after the public has been excluded, because of their knowledge on these subjects. This knowledge will be of assistance in relation to the matter to be discussed; and*
- *The Minutes Clerk also be permitted to remain at the meeting.*

*Carried*

The meeting moved in to a public-excluded session at 11:24 a.m.

.....

Signed

.....

Date

Unconfirmed

<b>Report to:</b> Risk & Assurance Committee	<b>Meeting Date:</b> 25 November 2022
<b>Title of Item:</b> Risk register	
<b>Report by:</b> Marc Ferguson, Acting Corporate Services Manager	
<b>Reviewed by:</b> Heather Mabin, Chief Executive Officer	
<b>Public excluded?</b> No	

## Report Purpose

The purpose of this report is to update the Committee on the progress of the implementation of its Corporate Risk Management Policy (CRMP) (Attachment 2), and to bring to the Committee's attention, any emerging risks e.g., resource shortages nationally in New Zealand affecting the delivery of services.

## Report Summary

This paper tables the progress made to date, highlights the next steps, and subsequent reporting to the committee.

The policy requires that significant risks will be monitored and reviewed by the Chief Executive and the Risk and Assurance Committee on a quarterly basis. The risk register currently has 94 identified risks (previously, ELT had identified a further four risks which have now been included in the risk register) which are broken down into the following categories:

- High 64
- Significant 20
- Medium 6
- Low 4

These are detailed in Table 1 and Attachment 1 in the body of the report.

## Recommendations

**It is recommended that the Committee resolve to:**

1. *Receive the risk update report; and*
2. *Note the progress on the development of a risk register.*

## Issues and Discussion

### Background

In 2021, Council adopted its Corporate Risk Management Policy (CRMP). Subsequent to this, Philip Jones, PJ & Associates, has been working with the Executive Leadership Team (ELT) to develop Council's risk register and is further working with the acting Corporate Services Manager to transition the management of the risk register going forward. This is step three of a seven step process.

As mentioned in the previous paper, A proactive risk management process comprises the following seven steps.

**Steps 1 & 2** consist of communication, consultation and establishing the context and these two steps have been completed as part of the development of the CRMP.

**Step 3 - To identify the risks.** - The first part of the implementation is the development of a risk register and the first step in that development is the identification of strategic risks and operational risks.

*As noted previously, the identification of the initial strategic risks has been completed and considered against the operational risks. This will be further reviewed by ELT in conjunction with the workshop being held on the 23 November 2022 to progress step 4.*

**Step 4 - Risk Assessment** - Risk analysis aims to understand the level of significance of a risk and ways to control and/or mitigate it. This step considers the following:

- determine existing controls
- reconsideration of the risk likelihood with controls in place
- reconsideration of the consequence of the risk

As noted below, a workshop is being undertaken by ELT on the 23 November 2022 to progress this step.

**Step 5 - Risk evaluation** - After the likelihood and consequence factors have been determined, the level of risk is calculated by multiplying the Probability/Likelihood of the risk occurring (Table 1 of CRMP) with the Consequence or Impact Levels (Table 2 of CRMP). The final outcome is the risk rating (Table 3 of CRMP).

It is envisaged that the risk register will then be updated following:

- Stage 1: Inherent risk - the risk exposure prior to management controls being put in place;
- Stage 2: Managed risk – the risk exposure with the current level of management controls;
- Stage 3: Residual risk – when no further controls are required and the level of risk is tolerable.

**Step 6 - Risk Treatment** - this will involve identification of risks where the managed risk can be reduced to the residual risk identified in step 5.

**Step 7 - Monitoring and review** – this step acquires ongoing monitoring and review of both the risk register and the risk policy. As noted above, because of the significantly high number of high risks (64), a consideration of the introduction of an extreme risk category would be appropriate as part of this process. As would be the use of a multiplier methodology.

As noted above, an initial assessment has been undertaken of the known operational risks. This included the following:

- Confirmation of linkage to appropriate strategic risk
- The risk likelihood
- The consequence of the risk
- Risk evaluation

It is important to note that the work done is only the first step in the risk management journey. Further steps that will follow over the next few months will include refining operational risks, and linking the corporate risk register with other registers, for example the Health and safety register.

As part of the analysis and categorisation of the risks the following observations were made:

1. The number of high risks (64) and the inability to immediately prioritise those risks, and as part of the ongoing evaluation the following will be considered by management:
  - The introduction of an extreme risk category should be considered as part of the next review of the policy.
  - The use of a multiplier matrix was used to prioritise risk within the various categories. This is detailed in Attachment 1. Multiplier matrix uses the existing risk rating but then uses a number each category of likelihood and consequences with the higher number being allocated to the greater degree of risk. Generally, the greater the number, the greater the

overall risk, however, it is possible for some high risks to have a lower overall rating than a significant risk. This is a drawback of using a multiplier matrix to rank all risks.

2. As discussed above, ELT identified additional risks which have now been included within the risk register, however, the appropriateness of the current risks, and any further risks which are identified at the workshop on the 23 November 2022, will be added to the register.
3. Not all operational risks were easily allocated into the strategic risks as identified previously by Council. The two strategic risks being; *Loss of Council's assets* and *Loss or inaccurate corporate data*, have at this stage been incorporated into other risks which broadly fall into risk 2 *Failure to deliver agreed levels of service to our community*. Again, the next review of the risk register will consider these strategic risks.
4. There are a number of risks associated with strategic risk 5 *Failure to deliver robust planning policies* and as the regional plan (TTPP) is implemented, a number of these risks will reduce. For example, risk of not notifying the plan in a timely manner is a recorded risk, however as the plan has been now notified, this risk will be deleted from the register in the next review.

Set out below in table 1 is a summary table of the 94 operational risks identified to date. A more detailed list is provided in attachment 1.

Also, in the table below, the numbers in brackets reflect what was tabled at the previous meeting.

**Table 1**

Probability/ likelihood	Consequences				
	In-significant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
5 <b>Almost certain</b>	Medium	Significant	High 1	High 3	High
4 <b>Likely</b>	Medium	Significant 1	Significant 2 (1)	High 20 (19)	High
3 <b>Moderate</b>	Low 1	Medium 2	Significant 5 (4)	High 12	High 7
2 <b>Unlikely</b>	Low 1	Low 2	Medium 3 (2)	Significant 9	High 15
1 <b>Rare</b>	Low	Low	Medium 1	Significant 3	High 6

#### Current situation

#### Future reporting to Council

This will provide Council with assurance that all risks are being proactively managed, without the need to interrogate the full risk register. It is also anticipated that at a future Risk and Assurance Committee meetings, the entire risk register will be made available.

#### Next steps

1. A workshop with ELT will be held on the 23/11/22 to re-evaluate the risks identified (add or amend) and to identify the controls necessary to mitigate the risks.

The policy requires the identification of the following:

- Stage 1: Inherent risk - the risk exposure prior to management controls being put in place;
- Stage 2: Managed risk – the risk exposure with the current level of management controls;
- Stage 3: Residual risk – when no further controls are required, and the level of risk is tolerable.

The next step in addition to that discussed above will include an initial assessment for a number of high risks using these 3 stages. This will assist in determining the Inherent risk, Managed risk and Residual risk.

This will result in establishing the revised risk rating for each high risk.

## **Considerations**

### **Significance and Engagement Policy Assessment**

There are no issues within this report which trigger matters in this policy.

### **Attachments**

Attachment 1: Details of allocation of Strategic Risks

Attachment 2: Corporate Risk Management Policy

## Attachment 1 – Details of allocation of strategic risks

STRATEGIC RISKS	No of Operational risks	PROBABILITY LEVEL	IMPACT LEVEL	RISK LEVEL	Risk level score	Number in group
1. Failure to keep people safe	1	Unlikely 2	Catastrophic 5	High	10	1
2. Failure to deliver the agreed levels of service to our community	10	Likely 4	Major 4	High	16	1
		Moderate 3	Catastrophic 5	High	15	2
		Moderate 3	Major 4	High	12	3
		Unlikely 2	Catastrophic 5	High	10	1
		Unlikely 2	Major 4	Significant	8	1
		Likely 4	Moderate 3	Significant	12	1
		Moderate 3	Moderate 3	Significant	9	1
3. Inability to retain knowledge to undertake Council's functions.	18	Likely 4	Major 4	High	16	14
		Moderate 3	Major 4	High	12	4
4. Failure to adequately plan for a natural disaster	10	Likely 4	Major 4	High	16	1
		Unlikely 2	Catastrophic 2 5	High	10	2
		Unlikely 2	Catastrophic 5	High	10	7
5. Failure to deliver robust planning policies	28	Almost certain 5	Major 4	High	20	3
		Likely 4	Major 4	High	16	2
		Almost certain 5	Moderate 3	High	15	1
		Moderate 3	Major 4	High	12	4
		Unlikely 2	Catastrophic 5	High	10	1
		Rare 1	Catastrophic 5	High	5	1
		Likely 4	Moderate 3	Significant	12	1
		Moderate 3	Moderate 3	Significant	9	1
		Unlikely 2	Major 4	Significant	8	4
		Unlikely 1	Major 4	Significant	4	2
		Rare 1	Major 4	Significant	4	1
		Unlikely 1	Minor 2	Significant	2	2
		Moderate 3	Minor 2	Medium	6	1
		Unlikely 1	Moderate 3	Medium	3	2
		Moderate 3	Insignificant 1	Low	3	1
Unlikely 2	Insignificant 1	Low	2	1		
6. Failure to implement adopted planning policies	10	Moderate 3	Major 4	High	12	1
		Rare 1	Catastrophic 5	High	5	3
		Moderate 3	Moderate 3	Significant	9	1
		Likely 4	Minor 2	Significant	8	1
		Rare 1	Major 4	Significant	4	2
		Moderate 3	Minor 2	Medium	6	1
		Rare 1	Moderate 3	Medium	3	1
7. Financial mis- management	10	Likely 4	Major 4	High	16	2
		Moderate 3	Catastrophic 5	High	15	2
		Unlikely 2	Catastrophic 5	High	10	1
		Rare 1	Catastrophic 5	High	5	2
		Unlikely 1	Catastrophic 5	High	5	1
		Moderate 3	Moderate 3	Significant	9	2
8. Council's information used for other than intended purposes	3	Unlikely 2	Catastrophic 5	High	10	1
		Unlikely 2	Major 3	Significant	6	2
9. Failure to fulfil statutory obligation	3	Moderate 3	Catastrophic 5	High	15	2
		Unlikely 2	Moderate 3	Medium	6	1
10. Failure of Council's relationships and partnerships	1	Moderate 3	Catastrophic 5	High	15	1
	<b>94</b>					<b>94</b>



## Attachment 2

### West Coast Regional Council

# Corporate Risk management policy

## 1.0 Executive summary and purpose

Risk management is recognised as an integral part of good management practice and as an important aspect of corporate governance.

WCRC has a strong commitment towards the principles of risk management. The intent of this document is to formalise Council's corporate risk policy (CRP) on the conduct of risk identification, assessment and minimisation practices across the organisation. The CRP also defines the broad accountabilities and structures the Council will maintain in order to manage risk. The CRP is the governing framework with respect to WCRC risk management.

The principles and risk management practices supporting this policy and CRP are based on the *AS/NZS ISO31000:2018 Risk Management Guidelines*

## 2.0 Context

Risk management is defined by AS/NZ ISO 31000 as the effect of uncertainty on objectives, and in the context of West Coast Regional Council (WCRC) this is further identified as realising opportunities for gains, whilst minimising losses. Council cannot anticipate every circumstance or risk event. Thus, the first line of defence against a preventable risk event is to provide guidelines clarifying Council's values and goals.

The Council establishes strategic and operational plans including the CRP consistent with the mission statement.

And so, the broadest context of Council's risks is that of not achieving the region's vision and Community and Council Outcomes. Council sets its risk exposure such that all high or extreme risks are managed.

West Coast Regional Council's overall risk appetite and tolerance towards risk exposure is medium to low. This is expanded in section 7.5.

## 3.0 Policy Statement

The West Coast Regional Council is actively committed to the effective and efficient management of risk that realises opportunities for gains, whilst minimising losses. Council identifies all key risks that could impact on the viability of its responsibilities and operations and has contingencies in place to avoid, minimise, mitigate and/or accept risks within its sphere of control or influence.

By this commitment to risk management, WCRC aims to achieve the following objectives:

- a) define risk in the context of Council;

- b) articulate Council’s commitment to risk management;
- c) introduce the fundamental principles and measures of risk;
- d) promote and support risk management and hazard identification practices and priorities throughout the organisation;
- e) provide broad guidance to elected members, Council’s managers, employees, contractors and other stake-holders which will be relevant to their risk management responsibilities with the following sub-outcomes
  - A more confident and rigorous basis for decision-making and planning
  - Stronger identification of opportunities and negative consequences
  - Obtaining value from uncertainty and variability
  - Environmental protection
  - Effective allocation and use of resources
  - Improved incident management, reducing loss and risk costs
  - Improved stakeholder confidence and trust
  - Improved compliance with legislative requirements
  - Better corporate governance
  - Contingency planning for foreseeable emergency situations;
- f) recognise that successful risk management relies on input from all employees;
- g) recognise that successful risk management involves the community, ratepayers, and other external stakeholders of the West Coast Region
- h) protect Council’s corporate image

## 4.0 Risk Strategy

Council identifies all key risks that could impact on the viability of its responsibilities and operations and has contingencies in place to avoid, minimise, mitigate and/or accept risks within its sphere of control or influence.

### 4.1 Outcome 1:

All significant risks faced by the organisation and the region are identified, understood and proactively managed, within the limits of Council’s risk appetite, including appropriate monitoring and review.

#### *Strategy a) Develop and Maintain a Corporate Risk Management policy*

This will define risk in the context of Council, articulate Council’s commitment to risk management, introduce and provide a platform for the fundamental principles of the risk management; Communication and consultation, establishing the context, laying the foundation for risk assessment including risk identification, risk analysis, risk evaluation, risk treatment, and finally monitoring and review.

#### *Strategy b) Corporate Risk Register Development*

Develop and maintain a comprehensive Corporate Risk Register which captures all risks pertinent to the organisation and to the Region and enabling effective decision-making in the allocation of competing resources. On a high level this involves:

- Capturing risk data

- the identification of risk
- the probability
- the consequence
- risk factor
- Inherent or raw or inherent raw (risk with no controls)
- Consideration of risk appetite
- Controls currently in place
- Current residual risk
- Target residual risk
- Notes including changes and when controls were last reviewed

#### ***Strategy c) Agree Councils accepted risk appetite***

This document has set the corporate risk appetite based on an initial assessment. To support good governance and subsequent monitoring and control of risks, agreement is required from Council to confirm acceptable risk to West Coast region and the organisation.

#### ***Strategy d) Pro-actively manage risk in an efficient and effective way***

Actively managing risk involves the development of other strategies and plans to manage risk exposure from all sources. This is so Council can develop a cost-effective and efficient corporate approach to risk management. Evaluation of the suitability of options involves the costing of risk reduction treatment and the savings from risk reduction.

- Reduce the risk by ensuring all Council core assets have asset management plans and through capital or maintenance expenditure reduce the probability of failure
- Reduce the impact of a failure by preparing emergency response plans
- Reduce risk through health and safety management including hazard management
- Reduce risk through business and continuity planning
- Accept some risk and carry the consequential costs
- Insure against the consequential costs
- Ensure actions required from risk assessments are embedded in the Ten Year and Annual Plans
- Monitor
- A combination of the above

#### ***Strategy e) Involvement by the Audit and Risk Committee***

The Council's ability to conduct effective risk management is dependent on good governance of risk and internal controls. The monitoring of the Corporate Risk Management Policy of WCRC will be a key responsibility of the Audit and Risk Committee.

#### ***Strategy f) Validate and Monitor 'Significant' and 'High' risks and the adequacy of existing controls***

Senior management and the Audit and Risk Committee validate those risks considered to be significant or high and regularly monitor the adequacy of existing controls for these risks.

**4.2 Outcome 2:** Risk is managed in a consistent way throughout the organisation, with Departments working together to share their experience and knowledge to provide an integrated response.

***Strategy a) Ensure comprehensive coverage of all risk categories***

Keep the scope of, and departmental responsibility for, risk categories closely aligned to Councils Outcomes, and ensure the risks identified within each category are sufficient in scope to address the category properly.

***Strategy b) Ensure all 'Significant' and 'High' profile risks with insufficient controls are actively managed and reported in accordance with the policy.***

Where control adequacy ratings are less than an agreed scale, develop an appropriate risk management strategy and ensure corporate planning system projects are in place by the responsible department to improve the level of control for each such risk.

**4.3 Outcome 3:** A risk conscious culture is fostered, ensuring all staff and elected representatives are aware of their responsibilities in the minimising of losses and maximizing of opportunities.

***Strategy b) Mitigate 'Low' and 'Moderate' profile risks through business planning***

Where control adequacy ratings are less than an agreed scale for 'Low' and 'Moderate' profile risks, review the value of adopting enhancements in Standard Operating Procedures and policies as a way of improving levels of control and mitigating the impact of these risks.

***Strategy c) Regularly communicate to staff the organisations overall performance in Risk Management***

Integrate risk reporting and communications to the culture and internal reporting of the organisation.

***Strategy d) Communicate success in taking opportunities that have a managed risk***

Showcase examples of risks that are taken where significant benefits to the organisation and Region accrue. This could involve wither internal and/or external communications.

## **5.0 Definitions**

Definitions sourced from AS/NZS ISO31000

**Risk** – effect of uncertainty on objectives

**Risk Management** – coordinated activities to direct and control an organisation with regards to risk

**Risk management process** – systematic application of management policies, procedures and practices to activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risks (see figure 1.1)

- Communicate and consult – with internal and external stakeholders at all stages of the risk consideration and decision-making processes
- Establish the context – determine the criteria against which the risk is to be evaluated and managed, considering both internal and external stakeholders
- Identify the Risk – consider the range of potential likelihood and consequence of the occurrence of risk events

- Analyse the Risk – consider the range of potential likelihood and consequence of the occurrence of risk events
- Evaluate the Risk – by comparison of pre-established criteria, and consideration of the balance between benefits and adverse outcomes
- Treat the Risk – develop cost-effective strategies, options, and action plans for the treatment of risks that show both positive and negative outcomes
- Monitor and Review the Risk – monitor the effectiveness of all steps, and measures taken in order to achieve improvements, to react to changes in circumstances, and to ensure priorities are still relevant
- Record the Process – all relevant data pertaining to decision-making should be recorded, to satisfy legal and business needs, and to serve as a data-base for re-use. The scale and maintenance of such records should be cost-effective

Other definitions

**Consequence** - the impact on an organisation should an event occur. Details contained in Table 2

**Contractor** – An independent entity that agrees to furnish certain number or quantity of goods, materials, equipment, personnel, and/or services that meet or exceed stated requirements or specifications, at a mutually agreed price and within a specified timeframe.

**Co-ordinators** – all third line managers

**Employee** – Includes all permanent and temporary employees of Council within the meaning of the *Employment Relations Act 2000*

**Senior management Team** –Comprises of the Chief Executive and Direct Report Managers

**Environmental Sustainability Risk** – Risks include

- Climate change
- Energy Management
- Environmental Quality
- Flood hazards from rivers

**Senior Manager** – All second level Managers

**Hazard Risk** – Is a source of potential harm or a situation with a potential to cause injury, damage or loss. The main types of hazards identified for West Coast region include:

- Natural Hazards – Earthquake, land subsidence associated with earthquakes
- Flood Hazard from rivers and, Electrical Storms
- Other risks – power supply failure, equipment failure, sea level rise

**Likelihood** – The probability of an event occurring. Details contained in Table 1

**Managerial and Corporate Risk** – this category includes (but not limited to) risks associated with

- Compliance (legal) risk – risks to meet statutory or regulatory obligations
- Commercial– risk such as failed contract or business relationship
- Human resources

- Health and Safety
- Insurance liability
- Governance
- Information technology
- Financial and Systems Risk – Risk such as financial controls and systems such as fraud
- Records management
- Financial management
- Reputational exposure
- Management reporting
- Security
- Professional advice

**Managers** – all direct reports to the Senior Managers

**Monitor** -To check, supervise, observe critically, or record progress of an activity, action, or system on a regular basis in order to identify change

**Operational and maintenance risk** – Risk which occurs in, hampers, or effects an individual division or area of an organisation. This includes risks associated with service delivery and maintenance.

**Risk Analysis** – A systematic use of available information to determine how often specified events may occur and the magnitude of their consequences

**Risk Appetite** – Is the level of risk that Council is prepared to accept, before action is deemed necessary to reduce it. Acceptable risk levels represent a balance between the potential benefits of calculated risk and the threats that it inevitably brings.

**Risk Assessment** – The overall process of risk analysis and risk evaluation

**Risk control** – That part of risk management which involves the implementation of policies, standards, procedures and physical changes to a thing, work process or system of work to eliminate or minimise both adverse and moderate risks

**Risk Coordinator** – a nominated person or persons who has the primary responsibility of administrating risk management for the organisation

**Risk evaluation** – The process used to determine risk management priorities by comparing the level of risk against predetermined standards, target risk levels or criteria

**Risk identification** – The process of determining what can happen, how and why

**Risk Management Programme** – The implementation of risk management including the creation of governance structures, well defined roles and responsibilities, the risk register, and other risk identification tools

**Risk Minimisation** – A selective application of appropriate control measures, techniques and management principles to reduce either the likelihood of an occurrence or its consequences or both

**Risk Treatment Options** – Options to reduce or remove the causes, lessen the probability and reduce or mitigate impacts of an events occurrence

**Risk Rating** – The level of severity applied to a risk based on its impact to Council, the Community and other stakeholders. Details contained in Table 3

**Strategic Risk** -Risk which will affect or hamper across the organisation its ability to operate or deliver its policy, strategy or services.

**Technical Risk** – Risk such as failed equipment or managing physical assets

## 6.0 Application

Risk Management applies equally to all employees and contractors

Employees and contractors all have joint responsibility for ensuring risk management is a key part of their approach to the delivery of the Council's functions, operations and services.

### 6.1 Council

Council will:

- ensure an appropriate risk governance structure is in place;
- support Corporate Risk Management policy including Risk Management as an element of the Council Ten Year and Annual Plans as well as other strategies as plans and documents;
- be responsible for setting risk appetite;

### 6.2 Audit and Risk Committee

The Audit and Risk Committee will:

- Deliver on its mandate as outlined in its constitution including acting in a risk monitoring advisory and improver role for Council and the Chief Executive. The Audit and Risk Committee should support the overall risk management process.
  - Ensure Council has appropriate risk management and internal controls in place
  - Approve and review risk management programmes and review risk treatment options for extreme risks
  - Responsible for making recommendations to Council for setting risk appetite
  - provide guidance and governance to support significant and/or high profile elements of the risk management spectrum

### 6.3 Chief Executive

The Chief Executive is responsible for:

- Nominating a risk management sponsor;
- Reporting extreme and high risks to the Audit and Risk Committee and/or Council with treatment options;
- oversight of the risk management process;
- promotion of a risk aware culture within Council through the risk management programme
- providing direction and advice on the management of risks within Council and ensuring that appropriate treatment measures are in place to mitigate Council exposure;
- promoting a culture of risk management and ensuring strategic, comprehensive and systematic risk management programmes operate throughout Council;

- ensuring that the Council’s organisation vision and values (relevant to risk) are aligned and synchronised with the strategic direction (including Community outcomes and budgetary considerations) and culture;
- ensuring that risk management is considered in everything Council undertakes and is incorporated in the messages given to the organisation;
- supporting the Audit and Risk Committee in delivering its duties; and
- supporting the internal audit process.

#### **6.4 Senior management**

Senior managers are responsible within their departments for:

- maintaining the overall responsibility for the effective and efficient management of all types of risks related to Council activities and delivery of the Risk Management Framework and objectives;
- promotion of a risk management culture;
- communicate and raise awareness of risk management to Council managers and staff
- identify, manage and monitor risks in their departments
- assistance in setting the Council’s risk attitude;
- ensuring that Council’s assets and operations, together with liability risks and hazards to the public, are adequately protected through appropriate risk planning and budgeting, internal audit processes, and appropriate internal systems and controls;
- ensure that risk management is in place and reviewed as required and at least annually for all risks for timely updating and continuous improvement;
- ensuring legislative and governance requirements and obligations are met; and
- integration of risk management with Councils’ policies, process and practices.

#### **6.5 Managers**

All Managers will:

- be responsible for the registration and maintenance of risks in the risk register pertaining to their departments and at a Council wide level as required and appropriate;
- manage activity / project / asset risks;
- the on-going identification and assessment of risk including appropriate responses;
- the management of the relevant risks as delegated within the agreed acceptable risk tolerance levels;
- provide support and assistance to the Risk Coordinator in the delivery of all duties and responsibilities;
- ensuring the effectiveness of risk controls;
- be responsible for ensuring risk management and process are imbedded in strategies, policies, business plans, contracts, and standard operating procedures; and
- be proactive in implementing best practice in all facets of business including asset management planning, emergency management planning, and disaster and recovery plans.

#### **6.6 Risk coordinator(s)**

The risk coordinator(s) will:



- coordinate the risk management process;
- assist with the development and maintenance of the risk register;
- reports extreme and high risks to the Executive Management Team with treatment plans;
- planning and executing reviews and audits of the risk register;
- measures and reports the effectiveness and adequacy of risk management and internal control processes and systems, and report to the Executive Management Team;
- assisting with the education of staff on risk management;
- providing technical assistance on risk management; and
- facilitate the management of cross-organisational risks.

## 6.7 All staff

All staff will:

- have awareness of the risk management framework; and
- identify, monitor and report issues and potential risks as they occur

## 6.8 Contractors

All contractors are responsible for:

- ensuring Council's assets and operations, together with liability risks and hazards to the public, are adequately protected through adherence to Council's policies and procedures;
- responding immediately to the investigation of any report of a hazard or incident received from a resident, Council officer, employee or visitor;
- adhering to legislative, regulatory and corporate legislation and standards
- maintaining appropriate and adequate insurances are required under their contract; and
- ensuring that they conduct their daily duties in a manner that will not expose Council to loss or risk, and that these duties are done in accordance with the relevant procedures, policies, and legislative requirements

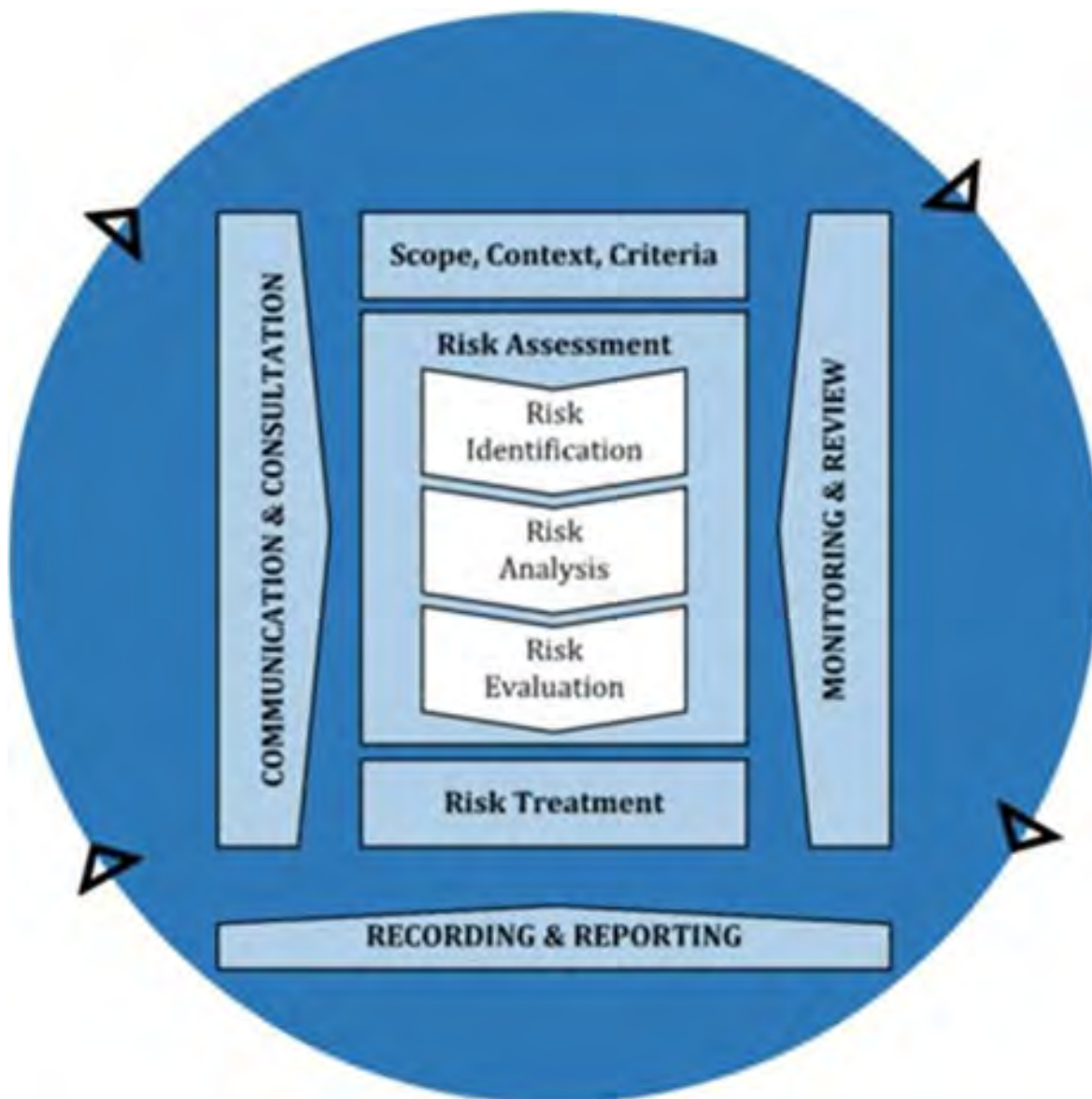
## 7.0 The Risk Management Process

### 7.1 Assessment and Review

For the Risk Management process to be efficient and effective within Council, it must be:

- an integral part of management;
- embedded in the culture and practices; and
- tailored to the business planning and processes of the organisation

The process comprises a number of steps as recommended by ISO AS/NZS 3100 The steps are detailed in the flowchart below:



### Step 1: Communication and Consultation

Communication and consultation with internal and external stakeholder should take place during all stages of the risk management process.

Eternal stakeholder communication informing and consulting on:

- the Councils approach to risk management;
- effectiveness of the council's risk management approach;
- and gathering feed-back as appropriate on risk management including risk appetites and fiscal choice.

Internal stakeholder communication including:

- communicating the risk management processes
- gathering feed-back in relation to risk management and processes

- ensuring accountability of roles and responsibilities are clearly understood in relation to the risk management process

## 7.2 Step 2: Establishing the Context

The establishment of the context is an integral element within the process of risk management as it establishes and defines the various environments in which risk is to be considered, assessed and managed.

The level of contextual relevance should be considered on;

- an external context - which is the extent to which the Council's external environment will impact on its ability to achieve its corporate objectives
- an internal context – which is about understanding the internal operating environment
- the context of the risk management process – establishment of the objectives, strategies, scope
- defining the risk criteria – the organisation should define criteria to be used to evaluate the significance of risk

## 7.4 Step 3: Identify Risks

Risk identification is a key step to ensure the risk exposures to which Council may be subjected a recorded. This sets the foundation for the establishment of effective and efficient risk mitigation, control and review.

Council categorises risks in the following way:

- Health & Safety
- Reputation / Image
- Strategic Outcomes
- Legal and Regulatory
- Governance
- Relationships
- Service Delivery
- Environmental
- Statutory Obligations
- Financial Loss

All risks must be linked to Council outcomes, strategies and plans and form part of Councils overall vision for the region, sphere of responsibility and/ or influence.

The key elements of Councils risk identification processes are:

- the cyclical risk assessments undertaken by Councils internal and external auditors;
- risk assessments undertaken within individual divisions and departments including asset management planning, activity planning, contract management, legislative compliance, occupational health and safety, human resources, professional advice; security, financial management, reputational exposure, management reporting, records management, information technology, and systems;
- the liability risk assessments undertaken by Councils public liability insurer;

- legislative, regulatory and /or industry information obtained from various sources
- feed-back received from the communication and consultation process both from external and internal stakeholders;
- employees and members of the public are also encouraged to report potential risk exposures

Each risk identified will be entered and maintained in the risk register by the risk coordinator or delegate as required.

### 7.3 Step 4: Risk Assessment

Risk analysis aims at understanding the level of significance of a risk and ways to control and/or mitigate it.

A full accurate and objective assessment of any identified risk must be undertaken to:

- determine existing controls
- determine the risk likelihood (Table 1)
- determine the consequence of the risk (Table 2)
- establish the risk rating (Table 3)

An assessment of risk should be carried out three times during the life of the risk

Stage 1: Inherent risk - the risk exposure prior to management controls being put in place;

Stage 2: Managed risk – the risk exposure with the current level of management controls;

Stage 3 Residual risk – when no further controls are required and the level of risk is tolerable

### 7.4 Step 5: Risk evaluation

After the likelihood and consequence factors have been determined, the level of risk is calculated by multiplying the Probability/Likelihood of the risk occurring (Table 1) with the Consequence or Impact Levels (Table 2). The final outcome is the risk rating (Table 3).

The results of the risk evaluation will determine in the first instance the risk management strategies required tailored to the risk profile. Once the risk has been assessed according to the relative risk level it poses, it is then possible to target the treatment of the risk exposure.

### 7.5 Step 6: Risk Treatment

The treatment of risk is dependent on a number of factors including Council's risk appetite and selection of risk control options.

Risk control options include:

- **Risk avoidance** – avoid the identified risk by deciding not to proceed with the activity likely to generate risk (where this is practicable);
- **Risk transfer** – reducing exposure by transferring the risk to another party e.g. contracting out
- **Reduce the Likelihood** of occurrence through measures such as audit compliance, programmes, contract conditions, preventative maintenance, engineering controls, inspections, process policies and procedures; and

- **Reduce the consequence** through measures such as contingency planning, disaster recovery plans, contractual arrangements, financial management controls and risk minimisation plans

### **Residual risk**

Residual risk is the risk left after the risk treatment process has been performed and controls applied. The acceptance of residual risk is dependent on Council's agreed risk appetite and cost-benefit analyse of options.

### **Risk appetite**

The risk management strategies developed and acceptable residual risk are required to take into account Council's agreed risk appetite.

West Coast Regional Council determines its risk appetite across seven outcomes namely:

1.	Value our people	Very low appetite
2.	Strong governance & representation	Low
3.	Good relationship & partnerships	Very low
4.	Resilience & sustainability	Low
5.	Financial sustainability	Low
6.	Deliver effective and efficiency	Medium
7.	Fulfilling statutory obligations	

Cultural, Outcome, Expectation, and Liability. Steps taken and risk treatment is a driver in the selection of risk treatment tools and actions and priorities.

- **Cultural**

Our cultural appetite defines our behaviour and the principles to be applied across Council but is not necessarily measurable or actionable. The cultural risk appetite is classified as low including:

- a) reputational risk exposure
- b) ratepayer/customer complaints
- c) engagement in any activity that will put Council's long-term vision and values at risk
- d) comprises to Council being an equal opportunity employer

- **Expectation and Responsibility**

Council's expectation and responsibility risk appetite defines its tolerance for strategic and operational actions. These risks, specific to activities or known risks are measurable and supported by risk control options: The Expectation and Responsibility risk appetite is:

- a) Council has zero risk appetite for Strategic risks. These risks are to be mitigated and controlled as far as practicable down to a low or medium risk rating
- b) Council has zero risk appetite for harm or injury to its employees, contractors, or visitors and these potential harms will be mitigated and controlled as low as practicably possible

- c) Council has a low tolerance of operational and maintenance risk. These risks will be mitigated and controlled to where the cost of control is equal to the marginal cost of the risk.
  - d) Council has a low tolerance towards technical risk failure. These risks will be mitigated and controlled to where the cost of control is equal to the marginal cost of the risk. Council has low to zero risk appetite where the risk of asset failures are critical to the health, safety and well-being of the community
  - e) Council has a low risk appetite towards other corporate and managerial risks. Council has a zero tolerance towards internal/ external fraud or deception.
- **Liability**  
Council's liability risk appetite defines the level of liability for which it is prepared to accept using internal mitigations or management before it seeks external support or remedies to resolve matters. Council has a range of risk appetites associated with different classes of assets and events outlined in Councils Risk Management and Contingency Plan.
    - a) Buildings, Contents, Plant & Machinery; covered by Council's Material Damage Policy. In general Council is liable for the first \$XXXXX of each claim and in the case of earthquake damage 5% of the site sum insured. Council's risk appetite for this category of assets is low.
    - b) Public liability and Professional Indemnity; cover of \$YYm for each and every claim. Council's risk appetite for this risk category is low
    - c) Other infrastructure; Council takes a calculated risk for this category of assets and assesses that no more than 25% of the infrastructure would be damaged in a major disaster, and that the Crown would subsidise 60% of restoration costs. It is estimated that in the event of a major claim Council would be liable for no more than eight million dollars. Council's risk appetite for his category is low/medium.
    - d) Other insurance cover; cover exists for Motor vehicles, mobile plant, business interruption, travel, fidelity guarantee, statutory liability, employer's liability, Council's risk appetite for this category is low.
    - e) Uninsured risks; are assets not covered by Council's insurance. Support is anticipated from the Crown in the event of a natural disaster.

## 7.6 Step 7: Monitoring and review

Risks are constantly changing so risk needs to be systematically and periodically monitored and reviewed.

- **Implementation**
  - a) All risks and internal controls will be monitored and reviewed by the Chief Executive and Audit and Risk Committee on an annual basis
  - b) Significant risks will be monitored and reviewed by the Chief Executive and Audit and Risk Committee on a quarterly basis
  - c) Any significant risk issues will be brought to the attention of the Chief Executive and the relevant General Managers on a prioritised basis

- d) Risk reviews formally undertaken by internal and external auditors will be reported to the Audit and Risk Committee
- e) The Chief Executive will ensure that all corporate risks will be maintained and monitored on an on-going basis, including regular risk assessments of assets and activities
- f) The Chief Executive will ensure all risks are reviewed annually
- g) The Chief Executive will ensure all staff, contractors and other stakeholders have induction training on risk management, and that risk training opportunities are made available
- h) The Chief Executive will promote risk management and ensure that responsibilities are clearly understood by both internal and external stakeholders

- **Performance measuring**

Performance measures to track progress in implementing the risk management objectives and plans should be established and reviewed by the Chief Executive, General Managers, and/or Managers annually.

The tracking process should include:

- a) The inherent risks (with different reporting requirements for significant risks)
- b) The control measures
- c) Actions to be undertaken
- d) Due date of the actions
- e) Outcomes to be achieved
- f) Responsible person
- g) Acceptance of the residual risk
- h) Supporting plans or strategies

A risk profile for each division or activity structure should be established and established to provide a clear picture of the actual risk position and of the possible or likely future risks

## 8.0 References and Sources

1. International standard – ISO AS/NZS31000 Risk Managements
2. Council's Risk Management and Contingency Planning

## 9.0 Records

- Councils risk register
- Councils insurance portfolio

## 10.0 Review

This document is to be reviewed every year, as delegated, from date of adoption by Council, with each review to be approved by the Chief Executive.

## 10. Attachments

The attachments are;

- Table 1: Probability/ Likelihood Levels
- Table 2: Consequence or Impact Levels
- Table 3: Combined Qualitative Risk Levels

**Table 1: Probability/ Likelihood Levels**

<b>Level</b>	<b>Descriptor</b>	<b>Description</b>
<b>A</b>	Almost certain	The event is expected to occur (>90%)
<b>B</b>	Likely	The event will probably occur (50%-89%)
<b>C</b>	Moderate	The event may well occur (20%-49%)
<b>D</b>	Unlikely	The event will probably not occur (10%-19%)
<b>F</b>	Rare	The event is not expected to occur but we can't be certain (<10%)

Note Time period is 10 Years



**Table 2: Consequence or Impact Levels**

	<b>In-significant</b>	<b>Minor</b>	<b>Moderate</b>	<b>Major</b>	<b>Catastrophic</b>
<b>Health &amp; Safety</b>	No injury or potential injury	Minor injury – First aid only	Hospitalisation	Severe injuries or potential injuries	Long-term disability or death
<b>Reputation / Image</b>	Customer complaint	Negative community coverage	Negative community and some regional coverage	Negative regional and some national media coverage	Sustained negative national media coverage
<b>Strategic Outcomes Legal and regulatory</b>	Internal query	Special Audit by outside agency or enquiry by Ombudsman	Litigation	District or Environmental Court (excluding normal operations)	High Court or Criminal Action
<b>Relationships</b>	Disagreement	Dispute or major disagreement	Temporary loss of contact	Mediation or external party required to restore relationship	Irreversible breakdown
<b>Service Delivery <i>Unplanned or unapproved delay of a major project</i></b>	Delay up to one month	Delay greater than one month but less than three months	Delay in major project of over three months and less than six months	Delay in major project of over six months and less than one year	Delay in major project of over a year
<b>Environmental impact</b>	Managed in-house	Managed with committed external resources	Managed by additional external resources	Short-term assistance required from outside the region	Ongoing assistance required outside of the region
<b>Governance &amp; Statutory obligations</b>	Request for information from government Department	External review	Government Departmental enquiry	Government intervention	Ministerial enquiry or Appointment of commissioners
<b>Financial Loss</b>	<\$5,000; Council <\$50,000 Community	<\$10,000; Council <\$100,000 Community	<\$50,000 Council; <\$500,000 Community	<\$150,000 Council; <\$500,000 Community	>\$150,000 Council; >\$500,000 Community

**Table 3: Combined Qualitative Risk Levels**

Probability/ likelihood	Consequences				
	In-significant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
A Almost certain	Medium	Significant	High	High	High
B Likely	Medium	Significant	Significant	High	High
C Moderate	Low	Medium	Significant	High	High
D Unlikely	Low	Low	Medium	Significant	High
E Rare	Low	Low	Medium	Significant	High

<b>Report to:</b> Risk and Assurance Committee	<b>Meeting Date:</b> 25 November 2022
<b>Title of Item:</b> Quarterly Financial Report - September 2022	
<b>Report by:</b> Marc Ferguson – Acting Corporate Services Manager	
<b>Reviewed by:</b> Heather Mabin – Chief Executive	
<b>Public excluded?</b> No	

## Report Purpose

The purpose of the report is to present the Council’s provisional financial operating results and balance sheet as at 30 September 2022.

## Report Summary

The financial report reflects the draft financial performance for the first quarter of the new financial year, the variances against budget for the individual cost centres, the challenges experienced, and the focus areas going forward.

## Recommendations

**It is recommended that the Committee resolve to:**

1. *Receive the provisional operating results and balance sheet for the first quarter ending 30 September 2022.*

## Issues and Discussion

### Background

The late close out of FY2021 by Audit New Zealand has resulted in a delayed start for FY2022 by the newly appointed Auditors, Ernst Young. The programme for completion of the Audit and signing off the Annual report is 13 December 2022, therefore, the results for the first quarter FY2023 are provisional subject to closure, and any final adjustments being booked in FY2022.

Changes to the operational flow of documentation to enhance reporting timelines have been introduced, however, this is currently a work in progress as we look to refine the accruals booking methodology to ensure that we capture all relevant costs in the right period. The first quarter’s results are thus reflective of timing differences as we work through the process.

Capacity constraints due to the late close out of the rates strike for FY2023, audit FY2022, resourcing/ transition of tasks amongst the Finance staff, and realigning of business processes, has impacted on the effective output delivery of cashflow and operational forecasting. These will be key focus areas on the back of quarter 2 of the current financial year.

The year-end forecast methodology for the period ended 30 September 2022 has in this instance, been an extrapolation of the remaining nine months budget added to the YTD actuals for September 2022.

A process review is currently underway regarding the treatment of our capital work in progress costs for the infrastructure projects. Historically, these have been booked to the income statement during the year with a washup capitalisation to the balance sheet at year end. The plan going forward will be to identify and capitalise appropriate costs to the balance sheet monthly.

Further work is currently in progress to establish a robust costing model for our quarries to ensure we fully understand our internal operating costs and in-turn, being able to charge out an appropriate royalty to external customers, and transfer rate to internal customers. The first draft of the model will accompany the Quarry report to be tabled at the December Council meeting.

The financial reporting tables continue to be a work in progress as we refine the output for better clarity and understanding.

### **Current situation**

The Council achieved a net deficit of \$500k against a budgeted surplus of \$2.5mil (adverse by \$3mil) for the first quarter ended 30 September 2022 (Table 1). The main driver for this being the delay in revenue contribution from the IRG infrastructure projects. Full year forecast of \$8,5mil maintains the same negative trend against budget, however, as mentioned above, this is distorted by the timing issues in processes, and will be realigned for the second six months operational results.

Variance explanations against budget for the individual cost centres are appended in Table 1(a).

The Council's balance sheet as at 30 September 2022 (Table 2) reflects an uplift in total liabilities and equity of \$7mil against the same period last year due to a mix in infrastructure/PPE asset capitalisation and increase in LGFA Borrowings.

Table1 Continued: The West Coast Regional Council

## Operating Result for the First Quarter ended 30 September 2022

	Current Year To Date versus Budget				Current Year To Date versus Prior Year			Full Year Forecast versus Budget				Full Year Forecast versus Prior Year		
	2022/23 YTD Actual September	2022/23 YTD Budget September	Sept YTD Variance to Budget	Sept YTD Variance to Budget	2021/22 YTD Actual September	Sept YTD Variance to Prior Year	Sept YTD Variance to Prior Year	2022/23 Full Year Forecast	2022/23 Full Year Budget	Forecast Variance to Budget	Forecast Variance to Budget	2021/22 Full Year Actual	Forecast Variance to Prior Year	Forecast Variance to Prior Year
	\$'s	\$'s	\$'s		\$'s	\$'s		\$'s	\$'s	\$'s		\$'s	\$'s	
<b>WCRC Operating Surplus / (Deficit)</b>	<b>(499,808)</b>	<b>2,507,008</b>	<b>(3,006,816)</b>	<b>(120%)</b>	<b>581,787</b>	<b>(1,081,596)</b>	<b>(186%)</b>	<b>8,570,313</b>	<b>11,577,129</b>	<b>(3,006,816)</b>	<b>(26%)</b>	<b>(2,156)</b>	<b>8,572,468</b>	<b>397663%</b>
<b>Corporate Services</b>	<b>2,039,107</b>	<b>1,817,049</b>	<b>222,057</b>	<b>12%</b>	<b>1,663,910</b>	<b>375,197</b>	<b>23%</b>	<b>7,669,579</b>	<b>7,447,521</b>	<b>222,057</b>	<b>3%</b>	<b>5,340,538</b>	<b>2,329,040</b>	<b>44%</b>
Revenue	1,863,728	1,546,344	317,384	21%	1,389,151	474,576	34%	6,763,908	6,446,525	317,384	5%	4,376,502	2,387,407	55%
Expenditure	175,379	270,705	(95,326)	(35%)	274,758	(99,379)	(36%)	905,670	1,000,996	(95,326)	(10%)	964,037	(58,367)	(6%)
<b>Governance</b>	<b>(134,847)</b>	<b>(129,617)</b>	<b>(5,230)</b>	<b>(4%)</b>	<b>(329,248)</b>	<b>194,401</b>	<b>59%</b>	<b>(631,018)</b>	<b>(625,788)</b>	<b>(5,230)</b>	<b>(1%)</b>	<b>(778,115)</b>	<b>147,097</b>	<b>19%</b>
Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenditure	(134,847)	(129,617)	(5,230)	(4%)	(329,248)	194,401	59%	(631,018)	(625,788)	(5,230)	(1%)	(778,115)	147,097	19%
<b>Operations</b>	<b>(1,281,262)</b>	<b>1,771,920</b>	<b>(3,053,182)</b>	<b>(172%)</b>	<b>539,827</b>	<b>(1,821,089)</b>	<b>(337%)</b>	<b>6,261,746</b>	<b>9,314,928</b>	<b>(3,053,182)</b>	<b>(33%)</b>	<b>1,537,716</b>	<b>4,724,030</b>	<b>307%</b>
Revenue	(494,612)	3,174,793	(3,669,405)	(116%)	1,583,401	(2,078,013)	(131%)	11,247,032	14,916,437	(3,669,405)	(25%)	4,412,195	6,834,837	155%
Expenditure	(786,650)	(1,402,873)	616,223	44%	(1,043,574)	256,924	25%	(4,985,286)	(5,601,509)	616,223	11%	(2,874,479)	(2,110,807)	(73%)
<b>Quarries</b>	<b>1,509</b>	<b>78,084</b>	<b>(76,574)</b>	<b>(98%)</b>	<b>(114,372)</b>	<b>115,881</b>	<b>101%</b>	<b>264,362</b>	<b>340,937</b>	<b>(76,574)</b>	<b>(22%)</b>	<b>(130,465)</b>	<b>394,827</b>	<b>303%</b>
Revenue	17,570	145,778	(128,207)	(88%)	177,242	(159,672)	(90%)	454,903	583,110	(128,207)	(22%)	637,817	(182,914)	(29%)
Expenditure	(16,061)	(67,694)	51,633	76%	(291,614)	275,554	94%	(190,540)	(242,173)	51,633	21%	(768,281)	577,741	75%
<b>Transport</b>	<b>(67,866)</b>	<b>(15,563)</b>	<b>(52,302)</b>	<b>(336%)</b>	<b>(16,032)</b>	<b>(51,834)</b>	<b>(323%)</b>	<b>(118,296)</b>	<b>(65,994)</b>	<b>(52,302)</b>	<b>(79%)</b>	<b>(42,166)</b>	<b>(76,130)</b>	<b>(181%)</b>
Revenue	(24,976)	25,219	(50,195)	(199%)	11,985	(36,961)	(308%)	52,058	102,253	(50,195)	(49%)	120,499	(68,441)	(57%)
Expenditure	(42,890)	(40,783)	(2,107)	(5%)	(28,017)	(14,873)	(53%)	(170,354)	(168,247)	(2,107)	(1%)	(162,665)	(7,689)	(5%)
<b>VCS</b>	<b>(48,938)</b>	<b>734,471</b>	<b>(783,409)</b>	<b>(107%)</b>	<b>103,495</b>	<b>(152,433)</b>	<b>(147%)</b>	<b>843,401</b>	<b>1,626,810</b>	<b>(783,409)</b>	<b>(48%)</b>	<b>417,554</b>	<b>425,847</b>	<b>102%</b>
Revenue	1,164,695	1,913,847	(749,153)	(39%)	1,072,464	92,231	9%	3,968,012	4,717,164	(749,153)	(16%)	4,788,282	(820,270)	(17%)
Expenditure	(1,213,632)	(1,179,376)	(34,256)	3%	(968,969)	(244,664)	25%	(3,124,611)	(3,090,354)	(34,256)	1%	(4,370,728)	1,246,117	(29%)
<b>Planning</b>	<b>(53,794)</b>	<b>(512,206)</b>	<b>458,413</b>	<b>89%</b>	<b>(111,535)</b>	<b>57,742</b>	<b>52%</b>	<b>(1,588,815)</b>	<b>(2,047,228)</b>	<b>458,413</b>	<b>22%</b>	<b>(424,828)</b>	<b>(1,163,987)</b>	<b>(274%)</b>

Table1 Continued: The West Coast Regional Council

Operating Result for the First Quarter ended 30 September 2022

	Current Year To Date versus Budget				Current Year To Date versus Prior Year			Full Year Forecast versus Budget				Full Year Forecast versus Prior Year		
	2022/23 YTD Actual September	2022/23 YTD Budget September	Sept YTD Variance to Budget	Sept YTD Variance to Budget	2021/22 YTD Actual September	Sept YTD Variance to Prior Year	Sept YTD Variance to Prior Year	2022/23 Full Year Forecast	2022/23 Full Year Budget	Forecast Variance to Budget	Forecast Variance to Budget	2021/22 Full Year Actual	Forecast Variance to Prior Year	Forecast Variance to Prior Year
	\$'s	\$'s	\$'s		\$'s	\$'s		\$'s	\$'s	\$'s		\$'s	\$'s	
<b>DoC Funded Projects</b>	(55)	(0)	(55) <span style="color: green;">▲</span>	(547600%)	200,000	(200,055)	(100%)	(55)	(0)	(55) <span style="color: green;">▲</span>	(136900%)	-	(55)	-
Revenue	83,951	274,818	(190,867)	(69%)	200,000	(116,049)	(58%)	576,162	767,030	(190,867)	(25%)	292,826	283,336	97%
Expenditure	(84,005)	(274,818)	190,813	(69%)	-	(84,005)	-	(576,217)	(767,030)	190,813	(25%)	(292,826)	(283,391)	97%
<b>TTPP</b>	(92,895)	(133,873)	40,978 <span style="color: green;">▲</span>	31%	(79,675)	(13,220)	(17%)	(480,451)	(521,429)	40,978 <span style="color: green;">▲</span>	8%	(555,187)	74,736	13%
Revenue	124,125	125,000	(875)	(1%)	123,756	369	0%	499,125	500,000	(875)	(0%)	494,868	4,257	1%
Expenditure	(217,020)	(258,873)	41,853	16%	(203,431)	(13,589)	(7%)	(979,576)	(1,021,429)	41,853	4%	(1,050,055)	70,479	7%
<b>CDEM</b>	134,458	(111,326)	245,784 <span style="color: green;">▲</span>	221%	(293,056)	427,514	146%	222,117	(23,667)	245,784 <span style="color: green;">▲</span>	1039%	(568,956)	791,073	139%
Revenue	304,912	306,250	(1,338)	(0%)	180,709	124,202	69%	1,550,450	1,551,788	(1,338)	(0%)	1,368,197	182,253	13%
Expenditure	(170,454)	(417,576)	247,122	59%	(473,766)	303,312	64%	(1,328,333)	(1,575,455)	247,122	16%	(1,937,153)	608,820	31%
<b>Consents &amp; Compliance</b>	(269,962)	(65,600)	(204,361) <span style="color: green;">▲</span>	(312%)	(189,998)	(79,963)	(42%)	(380,281)	(175,920)	(204,361) <span style="color: green;">▲</span>	(116%)	(1,202,927)	822,645	68%
Revenue	198,379	473,220	(274,841)	(58%)	298,923	(100,543)	(34%)	1,645,299	1,920,140	(274,841)	(14%)	1,281,427	363,872	28%
Expenditure	(468,341)	(538,820)	70,479	(13%)	(488,921)	20,580	(4%)	(2,025,581)	(2,096,060)	70,479	(3%)	(2,484,354)	458,773	(18%)
<b>Hydrology</b>	(269,007)	(307,448)	38,441 <span style="color: green;">▲</span>	13%	(253,201)	(15,806)	(6%)	(1,265,717)	(1,304,158)	38,441 <span style="color: green;">▲</span>	3%	(1,246,108)	(19,609)	(2%)
Revenue	-	-	-	-	-	-	-	-	-	-	-	11,500	(11,500)	(100%)
Expenditure	(269,007)	(307,448)	38,441	13%	(253,201)	(15,806)	(6%)	(1,265,717)	(1,304,158)	38,441	3%	(1,257,608)	(8,109)	(1%)
<b>Environmental Science</b>	(267,758)	(338,725)	70,967	21%	(250,427)	(17,331)	(7%)	(1,268,888)	(1,339,855)	70,967	5%	(1,372,838)	103,951	8%
Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenditure	(267,758)	(338,725)	70,967	21%	(250,427)	(17,331)	(7%)	(1,268,888)	(1,339,855)	70,967	5%	(1,372,838)	103,951	8%
<b>People &amp; Capability</b>	(83,934)	(130,511)	46,577	36%	(102,198)	18,264	18%	(399,472)	(446,049)	46,577	10%	(373,070)	(26,403)	(7%)
Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenditure	(83,934)	(130,511)	46,577	36%	(102,198)	18,264	18%	(399,472)	(446,049)	46,577	10%	(373,070)	(26,403)	(7%)
<b>IT</b>	(104,567)	(149,647)	45,080 <span style="color: green;">▲</span>	30%	(185,702)	81,135	44%	(557,899)	(602,980)	45,080 <span style="color: green;">▲</span>	7%	(603,304)	45,404	8%
Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT Expenditure	(104,567)	(149,647)	45,080	30%	(185,702)	81,135	44%	(557,899)	(602,980)	45,080	7%	(603,304)	45,404	8%

Table 1(a) – Variance Analysis

Cost Centre	Variance to Budget \$000's	Reason
Corporate Services	222	Timing - lag in receipt of movement in investment interest (\$208k) and additional interest earned on online saver and Catastrophe fund accounts (\$14k)
Governance	(5)	On Track
Operations	(3,053)	Delayed flow through of IRG revenue (\$2.7mil) + Net movement in rating district cost - under review (\$300k)
Quarries	(77)	Timing - Quarries been idle until recent awarding of contract to Roscoe Contractors. Production currently underway
Transport	(52)	Timing of revenue flow through being investigated
VCS	(783)	Timing - flow through of Aerial revenue (lag between costs incurred and revenue generated)
Planning	458	Timing + non flow through of salary costs to be investigated
DoC Funded Projects	(0)	On Track
TTPP	41	Timing of expenses to flow through
CDEM	246	Timing - Various including Nema resilience fund underspend and carrying half a vacancy
Consents & Compliance	(204)	1) Revenue timing - Annual admin fees, Gravel monitoring fees and White bait monitoring fees invoiced in October - should have been July - issues with the IRIS system, repairs/maintenance only completed in September (\$280k). 2) Costs timing - (-\$76k)
Hydrology	38	Timing - Cost flow through
Environmental Science	71	Timing - Cost flow through
People & Capability	47	Timing general including recruitment costs not yet utilised (26k)
IT	45	Timing - lag in general costs and project costs not yet incurred

Table 2:

**The West Coast Regional Council  
Balance Sheet as at 30 September 2022**

	2021/22 Actual	2022/23 Actual
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	48,047	497,463
Receivables	4,785,155	5,246,263
Inventory	826,070	461,325
Loan advances	434,456	358,318
Other financial assets	13,782,963	14,752,925
<b>Total current assets</b>	<b>19,876,690</b>	<b>21,316,294</b>
<b>Non-current assets</b>		
Property, plant and equipment	109,001,394	114,327,926
Investment property	1,750,000	2,130,000
Loan advances	-	-
Investment in other entities	152,571	103,961
<b>Total non-current assets</b>	<b>110,903,965</b>	<b>116,561,887</b>
<b>Total assets</b>	<b>130,780,655</b>	<b>137,878,181</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank overdraft	-	-
Borrowings	863,267	1,970,000
Payables and deferred revenue	6,999,614	7,743,612
Employee entitlements	585,985	472,868
<b>Total current liabilities</b>	<b>8,448,866</b>	<b>10,186,480</b>
<b>Non-current liabilities</b>		
Borrowings	8,600,000	11,405,277
Future quarry restoration	360,351	311,301
<b>Total non-current liabilities</b>	<b>8,960,351</b>	<b>11,716,578</b>
<b>Total liabilities</b>	<b>17,409,217</b>	<b>21,903,058</b>
<b>Equity</b>		
Ratepayers equity	33,328,371	32,083,358
Equity reserves	80,043,067	83,891,766
<b>Total equity</b>	<b>113,371,438</b>	<b>115,975,123</b>
<b>Total liabilities and equity</b>	<b>130,780,655</b>	<b>137,878,181</b>



<b>Report to:</b> Risk and Assurance Committee	<b>Meeting Date:</b> 25 November 2022
<b>Title of Item:</b> Investment Portfolio	
<b>Report by:</b> Marc Ferguson – Acting Corporate Services Manager	
<b>Reviewed by:</b> Heather Mabin – Chief Executive	
<b>Public excluded?</b> No	

### Report Purpose

The purpose of the report is to table to the Committee, the report from JB Were on the Investment Portfolio as at 30 September 2022.

### Report Summary

JB Were manage our investment portfolio and this paper tables the respective reports to the Committee reflecting the results to 30 September 2022

### Recommendations

**It is recommended that the Committee resolve to:**

1. *Receive this report and note the attachments.*

### Issues and Discussion

#### Background

The Council vested its investment portfolio with JB Were in 2017. The portfolio consisted of two main categories viz. the General fund and the Catastrophe fund.

Council agreed at an extraordinary meeting held on 3 May 2022, to liquidate the Catastrophe fund (valued on 2 May 2022 to be \$982,184) to fund maintenance work on the bank erosion near O’Conner Home. Whilst these funds have been cashed up, they remain with JB Were at present attracting interest at 3.6%.

There has been a general trend increase in returns through to the end of 2021, whereafter, we have seen a decline because of global economic pressures through the Covid pandemic and the war in Ukraine.

#### Current situation

The Council has realised a \$340k loss for the month of September, however, Q1 YTD is reflective of a static return, that being a \$3k net gain on the main portfolio, and a \$6k net gain on the Catastrophe fund.

### Considerations

#### Implications/Risks

The continued pressure on the global market may continue to impact on the investment returns for the short to medium term.

### **Significance and Engagement Policy Assessment**

There are no issues within this report which trigger matters in this policy.

### **Tangata whenua views**

Not applicable

### **Views of affected parties**

Not applicable

### **Financial implications**

#### *Current budget*

Council budgeted for a return on investments of \$137k for the first quarter 2023. Full year budget equates to \$550k.

#### *Future implications*

The current market is very volatile, and very difficult to predict. However, on the current return rate, a decline in return against budget could be as much as 96%.

### **Legal implications**

Not applicable

### **Attachments**

Attachment 1: WCRC September 2022, JB Were Report (General fund)

Attachment 2: WCRC Portfolio Since Inception, JB Were Report

# Attachment 1: WCRC September 2022, JB Were Report

## Investment Fact Sheet

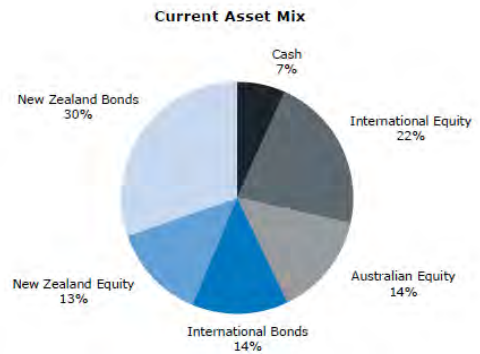
The West Coast Regional Council  
30 September 2022



Fund Performance	Sep-22				Performance since July 2018			1 July 2022 to 30 September 2022		
	Actual <sup>1</sup> %	Weighted %	Benchmark %	Relative %	Actual %	Benchmark %	Relative %	Actual %	Benchmark %	Relative %
NZ Cash <sup>2</sup>	0.26	0.02	0.24	0.02	6.01	4.72	1.29	0.68	0.67	0.01
New Zealand Bonds	-1.10	-0.33	-1.32	0.22	8.15	2.98	5.17	-0.46	-1.06	0.60
International Bonds	-4.52	-0.62	-3.50	-1.02	1.48	-0.45	1.93	-3.68	-3.68	0.00
Australian Equity	-4.24	-0.62	-4.61	0.37	34.22	28.74	5.48	2.49	3.17	-0.68
New Zealand Equity	-4.74	-0.64	-4.61	-0.13	37.95	23.73	14.22	3.27	1.81	1.46
International Equity	-2.38	-0.52	-1.93	-0.45	22.18	38.02	-15.84	0.05	2.55	-2.50
<b>Total Portfolio</b>	<b>-2.69</b>		<b>-2.42</b>	<b>-0.27</b>	<b>17.64</b>	<b>16.29</b>	<b>1.35</b>	<b>0.23</b>	<b>0.38</b>	<b>-0.15</b>

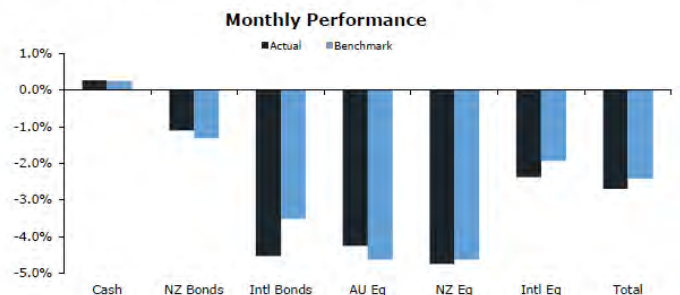
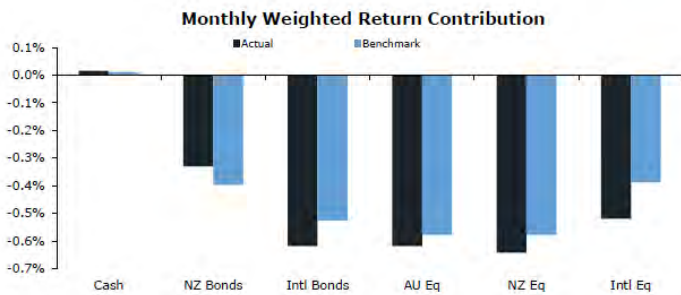
	Sep-22	Performance since July 2018	1 July 2022 to 30 September 2022
Opening Fund Value	\$ 11,858,301	\$ 10,871,065	\$ 11,515,231
Contributions	0	1,272,005	0
Withdrawals	0	-1,975,000	0
Net Transfers	108	16,960	822
Absolute Return	-340,461	1,332,919	1,895
<b>Closing Fund Value</b>	<b>11,517,948</b>	<b>11,517,948</b>	<b>11,517,948</b>

Current Asset Allocation	\$	%	Relative Break Down
New Zealand Equities	1,536,895	13%	Asset Allocation -0.15%
Australian Equities	1,656,859	14%	Stock Selection -0.13%
International Equities	2,511,123	22%	Approx. Error 0.02%
New Zealand Bonds	3,492,789	30%	-0.27%
International Bonds	1,547,006	13%	
Alternative Investments	0	0%	
Cash	773,276	7%	
<b>Portfolio Total</b>	<b>11,517,948</b>	<b>100%</b>	



Indices applied to investment sector benchmark:	1 Month Return	Investment Policy	Range	SAA*	TAA*	Actual	Actual vs TAA	
Cash	NZ 90 day bank bills	0.24	0-20	12.5	15.0	13.3	-1.7	
New Zealand Bonds	S&P NZX A-Grade Corp Bond Index	-1.32	0-20	12.5	12.0	14.4	2.4	
International Bonds	Barclays Global Agg NZD Hedged	-3.50	0-35	20.0	21.0	21.8	0.8	
New Zealand Equity	S&P NZX 50 Gross Index	-4.61	0-10	5.0	0.0	0.0	0.0	
Australian Equity	S&P ASX 200 Acc Index (NZD)	-4.61	<b>Total Growth Assets</b>	<b>35-65</b>	<b>50.0</b>	<b>48.0</b>	<b>49.5</b>	<b>1.5</b>
Australian Equity (local)	S&P ASX 200 Acc Index (local)	-6.17	NZ Bonds	0-60	30.0	32.0	30.3	-1.7
International Equity	MSCI AC World Index (NZD)	-1.93	International Bonds	0-30	15.0	15.0	13.4	-1.6
International Equity (local)	MSCI AC World Index (local)	-9.53	Cash	0-35	5.0	5.0	6.7	1.7
			<b>Total Income Assets</b>	<b>35-65</b>	<b>50.0</b>	<b>52.0</b>	<b>50.5</b>	<b>-1.5</b>

\*SAA = Strategic Asset Allocation, TAA = Tactical Asset Allocation  
The current asset allocation remains within the limits of the investment policy.

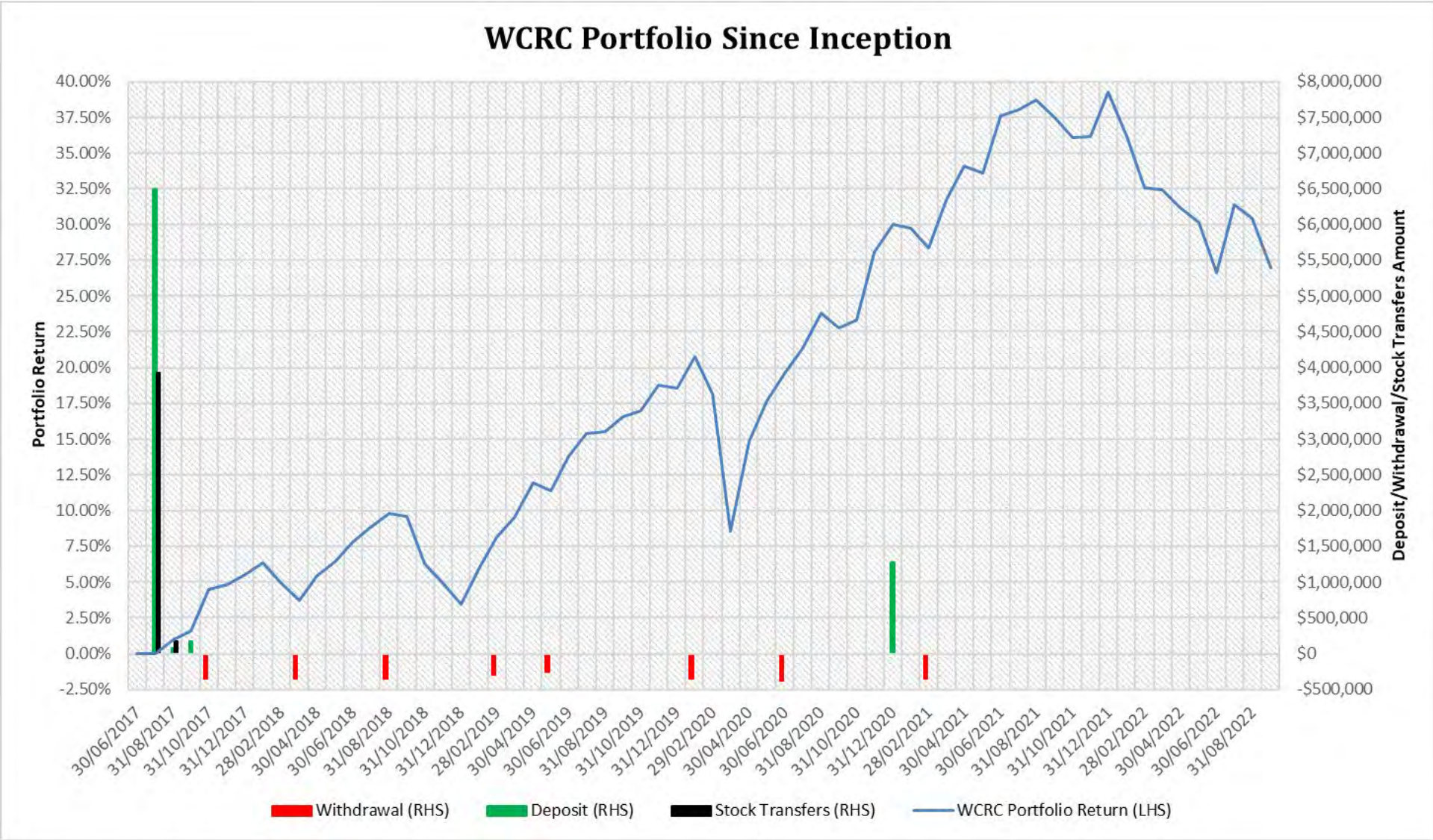


### General Notes:

1. Performance returns are based off the Time Weighted Returns
2. Cash returns show the return on NZD
3. The weighted return will not sum to the actual return due to fluctuations in weightings over the month
4. Weights are calculated as the average between the start and end of the month



Attachment 2: WCRC Portfolio Since Inception, JB Were Report



<b>Report to:</b> Risk and Assurance Committee	<b>Meeting Date:</b> 25 November 2022
<b>Title of Item:</b> Quarterly Service Performance Measures Report	
<b>Report by:</b> Toni Morrison, Policy and Projects Consultant	
<b>Reviewed by:</b> Heather Mabin, Chief Executive Officer	
<b>Public excluded?</b> No	

## Report Purpose

The purpose of this report is to table Council's Service Performance Measures Report for the quarter to 30 September 2022.

## Report Summary

The Service Performance Measures Report sets out how Council is tracking with regards to the achievement of set Service Performance targets.

## Recommendations

It is recommended that the Committee resolve to:

1. *Note the attached Service Performance Measures Report for the quarter to 30 September 2022.*

## Issues and Discussion

### Current situation

As part of the Long-term Plan process Council sets out the services that it intends to provide to the community.

The service performance measures detail the metric that Council will use to measure the performance of the services, along with the target that Council seeks to achieve.

Service performance is a key aspect of the function of Council and the measures and attainment of targets are a focus of the Annual Report audit. The auditors apply a strict pass or fail criteria on the achievement of the targets.

Management intends to apply a similarly strict pass or fail criteria during the quarterly reporting process so that the Committee is aware of how performance is tracking and whether more needs to be done in areas that are not on track.

### Attachments

Attachment 1: Quarterly Service Performance Measures Report.

## Attachment 1

# SERVICE PERFORMANCE MEASURES – QUARTERLY REPORTING FOR THE 2022/23 YEAR

### Key for annual targets

- *Achieved* = we have already achieved the annual target
- *On track* = we have achieved what we expected to date, and we believe that we will complete the annual target
- *Not on track* = we are behind our expectation for this target
- *Not applicable* = target not applicable for year or quarter

## Regional Leadership

### Governance Performance measures for LTP 2021-31

<b>Level of Service: Maintain a Council of elected representatives in accordance with statutory requirements and in a manner that promotes effective decision-making, transparency, and accountability to the West Coast regional community</b>					
Measure	Baseline	Targets 2022/23			
		Q1	Q2	Q3	Q4
Number of public meetings held and individual Councillor attendance	80% attendance by each Councillor of all Council and Resource Management Committee meetings, other scheduled meetings and scheduled workshops – <b>80%</b>	6 Councillors = 100% 1 Councillor = 80%			
Timing and number of newsletters, and internet website based information related to public consultation	Twice per year	Achieved			
Percentage of Council and Committee meeting Agendas (for all scheduled meetings) that are available at least two working days before meetings	<b>New measure – 100%</b>	<i>Data not available at time of writing - TBA</i>			
Percentage of draft Council and Committee minutes available on the Council website within six weeks of meetings	<b>New measure – 100%</b>	100%			

## Mana Whakahone a Rohe Agreement Aligned Performance measures for LTP 2021-31

Level of Service: <b>Continue to support the contribution our two West Coast Rūnanga make to Council’s decision-making processes; and continue to seek contributions from other Māori</b>					
Measure	Baseline	Targets 2022/23			
		Q1	Q2	Q3	Q4
Attendance of Iwi appointees at Resource Management Committee meetings	80% attendance by each Iwi representative of all Resource Management Committee meetings and workshops.	1 representative = 100% 1 representative = 33%			
All RMA submissions made by Council reviewed by Iwi	<b>New measure - All</b>	All			
Number of non-RMA submissions made by Council reviewed by Iwi	<b>New measure – 75%</b>	100%			
Council to fund Pokeka Poutini o Ngāi Tahu Limited*	<b>New measure – 100%</b>	75%			

\*As per Schedule 2 of Mana Whakahono o Rohe Agreement signed October 2020.

\*\* A funding agreement is in place – working with Pokeka to get good processes in place for this to occur.

**All RMA submissions made by Council reviewed by Iwi:** Two RMA submissions, on the changes to wetland provisions in the National Policy Statement for Freshwater Management and the National Environmental Standard for Freshwater, and the national Policy Statement for Indigenous Biodiversity, were lodged in the first quarter. The draft submissions were sent to PNT asking them if they wanted to have input.

**Number of non-RMA submissions made by Council reviewed by Iwi:** Two non-RMA submissions were lodged in the first quarter, on the Emissions Reduction Plan, and the Stewardship Land Review of reclassifying West Coast public conservation land. These submissions were sent to PNT asking them if they wanted to have input.

## Regional Planning Performance measures for LTP 2021-31

The following levels of service and measures have been developed to monitor Council's performance in Regional Planning.

Level of Service: <b>Council's planning and reporting functions meet statutory requirements and demonstrate sound business planning</b>					
Measure	Baseline	Targets 2022/23			
		Q1	Q2	Q3	Q4
Compliance with statutory timeframes	Meet statutory deadlines for notifying the Council's Annual Plan or Long-Term Plan, and the Annual Report each year, in accordance with Local Government Act 2002. <i>(Annual Plan 30 June, Annual report 31 December**)</i>	On track			
Council's LTP, Annual Plan and Annual reports meet audit requirements	<b>New measure</b> – <i>(Unqualified audit opinion achieved for LTP and Annual report)</i>	On track			
Level of Service: <b>Complete Te Tai o Poutini Plan to operative stage, and ensure ongoing maintenance through TTPP Committee</b>					
Measure	Baseline	Targets 2022/23			
		Q1	Q2	Q3	Q4
Order in council requirement to produce a combined district plan for the West Coast.  Te Tai o Poutini Plan to give effect to National and Regional legislation and Policy  Plan notified mid-2022, with the aim of submissions, hearings, mediation, and possible court processes complete in 2026	<b>New measure</b> - Draft plan available for feedback late January 2022  Proposed Plan notified July 2022  Submissions received and responded to late 2022	Partially Achieved*			

\*\*On 8 July 2021, Parliament passed a Bill to extend by two months the statutory reporting time frames in the LGA for both the 2021 and 2022 financial reporting years.

\*Draft Plan was notified May 2022  
Proposed plan was notified October 2022  
Submissions closed 11 November 2022



## Community Resilience

### Civil Defence Emergency Management Performance measures for LTP 2021-31

Level of Service: <b>Maintain a Civil Defence Plan that delivers efficient and effective management of the region’s civil defence functions in compliance with the legislation.</b>					
Measure	Baseline	Targets 2022/23			
		Q1	Q2	Q3	Q4
Compliance with statutory requirements for the preparation, review and implementation of the Group CDEM Plan.	The CDEM Group has an operative and up to date CDEM Group Plan – <b>100%</b>	On track. Commencement of the review of the group plan should occur in the next quarter. This is likely to commence by reviewing the risk profile section of the plan.	On track	On track	Achieved
	The CDEM Group work programme makes adequate provision to maintain & implement the CDEM Group Plan – <b>(The CDEM Group work programme is monitored and reviewed quarterly by Joint Committee &amp; annually by CEG)</b>	The Operational Sub-committee that was established early in 2022 has a standing agenda item to review the work programme and monitor priorities.			
Appropriately trained staff	Ensure at least 30 Council staff are trained as Emergency Coordination Centre (ECC) personnel so that we have two shifts of ECC staff trained and exercised in case of a regional emergency - <b>&gt;30</b>	On track			
	Staff are provided at least three training opportunities each year to learn about Emergency management and practice a coordination centre activation – <b>&gt;3.</b>	Achieved in this quarter.			
Level of Service: <b>Maintain a level of staff preparedness so that Council can respond to significant events in a timely manner.</b>					
Measure	Baseline	Targets 2022/23			
		Q1	Q2	Q3	Q4
Continuity Plan reviewed annually for relevance.	<b>New Measure – 100%</b>	On track. Work has commenced.			

All Council vehicles have fitted with a Disaster kit.	<b>New Measure – 100%</b>	Partially achieved. Approval from respective budget managers is required to achieve in this financial year.			
Maintain a register of Natural Hazards that is available on the website	<b>New Measure - Reviewed annually</b>	On track			

## Resource Management

### Environmental Planning and Monitoring Performance measures for LTP 2021-31

Level of Service: <b>Complete current regional plans to operative stage and review them to maintain their community acceptability.</b>					
Measure	Baseline	Targets 2022/23			
		Q1	Q2	Q3	Q4
Compliance with statutory requirements for the review of Council's plans and strategies.  Meet all deadlines set out in the West Coast Regional Council NPS-FM Progressive Implementation Programme.	Regional plans that give effect to the National Policy Statement for Freshwater management 2020 (NPS-FM 2020).  Notify regional plans that implement the NPS-FM 2020 by 31 December 2024. NPS-FM 2020 is to be in place by 2026. <b><i>(Respond to discussion documents on FW management. Work in partnership with Iwi)</i></b>	Partially achieved <sup>1</sup>			
Level of Service: <b>Advocate for the West Coast interests when external environmental policymaking may affect the West Coast.</b>					
Measure	Baseline	Targets 2022/23			
		Q1	Q2	Q3	Q4
Number of submissions made and number of successful advocacy outcomes.	Submit on all central or local government discussion documents, draft strategies, policies or Bills that may impact on West Coast interests, within required timeframes – <b>100%</b>	On track			
Level of Service: <b>To monitor water quality in the West Coast's rivers</b>					
Measure	Baseline	Targets 2022/23			
		Q1	Q2	Q3	Q4

<sup>1</sup> Work program is progressing but not on track to meet Progressive Implementation Program

Water quality attributes, including ammoniacal nitrogen, clarity, turbidity and faecal coliforms, are measured at 38 river sites <sup>2</sup>	Measurement of all relevant attributes at river monitoring sites <b>(Meet measurement baseline)</b>	On track 2.77			
<b>Level of Service: To maintain or enhance the water quality in Lake Brunner</b>					
Measure	Baseline	Targets 2022/23			
		Q1	Q2	Q3	Q4
The trophic state of Lake Brunner as measured by the rolling 5 year Trophic Level Index (TLI) mean remains below the baseline	2002-2006 TLI baseline mean of 2.79 <b>(TLI &gt;2.79)</b>	On track			
<b>Level of Service: To monitor the life supporting capacity and amenity value of the West Coast's rivers</b>					
Measure	Baseline	Targets 2022/23			
		Q1	Q2	Q3	Q4
<p>Instream macroinvertebrate community health is assessed at 29 river sites.<sup>3</sup></p> <p>The Semi Quantitative Macroinvertebrate Community Index (SQMCI) is calculated from a rolling 5 year mean and compared to mean calculated from 2005-2009, at each site</p>	The SQMCI <sup>4</sup> comparisons are made annually according to the method stipulated under the measure – <b>(Meet baseline requirements)</b>	On track			
Twenty swimming sites are tested, weekly or fortnightly <sup>5</sup> , for E coli or Enterococci, and the results compared to relevant national policy and guidelines	Bacterial testing at scheduled swimming sites is completed at least fortnightly from November to March and reported publicly within 5 days of testing – <b>(Meet baseline requirements)</b>	On track			
	Test results are compared to following criteria: E coli (moderate-high risk > 550 cfu/100 ml) and Enterococci (moderate-high risk > 280 cfu/100 ml) – <b>(All exceedances are reported to the Resource Management Committee)</b>	On track			
<b>Level of Service: Monitor groundwater to protect human health from adverse impacts of poor groundwater quality.</b>					
Measure	Baseline	Targets 2022/23			
		Q1	Q2	Q3	Q4

<sup>2</sup> The suite of water quality attributes measured by WCRC will vary in response to the needs of central government policy and regional community needs. The number and location of sites will vary over time for the same reasons stated above.

<sup>3</sup> The suite of water quality monitoring sites used by WCRC will vary in response to the needs of central government policy and regional community needs.

<sup>4</sup> This macroinvertebrate index uses comparative samples of aquatic invertebrates to evaluate water quality, based on the type and tolerances of invertebrates (bugs) found at that site and how those communities of invertebrates may change over time. Some bug species are pollution tolerant while others are pollution sensitive, so the mix of species tells us a lot about the water quality at the site.

<sup>5</sup> The number and location of swimming/bathing monitoring sites used by WCRC, and the frequency that they are sampled at, will vary in response to the needs of central government policy and regional community needs.

Twenty eight wells <sup>6</sup> are monitored at least twice annually, 24 of which are used for human consumption.	Twenty eight wells are monitored at least twice annually – <b><i>(Meet baseline requirements)</i></b>	On track			
The New Zealand Drinking Water Standard (NZDWS) for nitrate is applied to wells used for human consumption: 11.3 mg/L Nitrate-N.	For each well compare the most recent 12 months of data to the NZDWS Nitrate-N guideline and report twice yearly to the Resource Management Committee – <b><i>(Meet baseline requirements)</i></b>	On track			
<b>Level of Service: To protect human health from any adverse impacts of poor air quality in Reefton.</b>					
<b>Measure</b>	<b>Baseline</b>	<b>Targets 2022/23</b>			
Reefton’s air is monitored for PM <sub>10</sub> in accordance with the National Environmental Standard for Air Quality (NESAQ)	The threshold is a 24hr mean PM <sub>10</sub> of 50 micrograms/m <sup>3</sup> . <b><i>(All exceedances are reported to the Resource Management Committee)</i></b>	On track			

<sup>6</sup> The number and location of monitoring wells used by WCRC, and the frequency that they are sampled at, will vary in response to the needs of central government policy and regional community needs.

## Consents and Compliance Performance measures for LTP 2021-31

Level of Service: <b>Compliance with the consent processing timeframes in the RMA and mining legislation.</b>					
Measure	Baseline	Targets 2022/23			
		Q1	Q2	Q3	Q4
Compliance with discounting regulations and mining timeframes	Process all resource consent applications without incurring any cost to Council due to the RMA discounting regulations – <b>100%</b> .	100%			
	Process all resource consent applications within statutory timeframes – <b>100%</b> .	100%			
	Process all mining work programmes within 20 working days – <b>100%</b> .	100%			
Level of Service: <b>Respond to all genuine incident complaints received by the Council and take enforcement action where needed.</b>					
Measure	Baseline	Targets 2022/23			
		Q1	Q2	Q3	Q4
Operate a 7.00 am – 9.00 pm complaints service	Respond to all urgent / high risk complaints within 24 hours – <b>100%</b> .	100%			
	Non-urgent medium/high risk complaints within 10 working days, and non-urgent low risk desktop response only – <b>100%</b> .	100%			
Level of Service: <b>Respond to marine oil spills in coastal waters</b>					
Measure	Baseline	Targets 2022/23			
		Q1	Q2	Q3	Q4
In accordance with the Tier 2 Oil Spill Response Plan and maintain readiness for spill response.	Respond within 4 hours to all spills, using Council or MNZ spill equipment to contain spills – <b>100%</b> .	100%			
	10 staff are trained responders ( <b>10 Or more</b> )	13 staff are trained			
Level of Service: <b>To monitor the impact of discharges on water quality in the West Coast's rivers</b>					
Measure	Baseline	Targets 2022/23			
		Q1	Q2	Q3	Q4
Compliance Monitoring for Discharges: The number of compliant or non-compliant point source discharges to water or discharges likely to enter water; and	All significant consented discharges <sup>7</sup> are monitored at least annually – <b>100%</b> .	On track			
	All dairy farms that operate under permitted activity at least bi-annually depending on each individual compliance record – <b>100%</b> .	On track			

<sup>7</sup> Significant Consented Discharge includes: any consented discharge from a municipal sewage scheme or landfill, any consented discharge from a working mine site, any consented discharge of dairy effluent to water, and any large-scale industrial discharge (WMP, Kokiri).

council's response to any non-compliance.	All non-compliances are publicly reported to the Resource Management Committee (RMC) – <b>100%</b> .	100%			
	Enforcements reported to RMC – <b>100%</b> .	100%			

**Level of Service: To provide marine oil spill and terrestrial hazardous substance spill support, and biosecurity response services for Maritime NZ, Ministry for Primary Industries and the Regional Council.**

Measure	Baseline	Targets 2022/23			
		Q1	Q2	Q3	Q4
Availability of trained staff	At least 10 staff available as a response unit for marine and terrestrial pollution spill events as advised by Maritime NZ - <b>10 or more</b>	13 staff are trained.			
	Have 4 staff plus a vehicle available for biosecurity emergencies, as per the National Biosecurity Capability Network agreement 2011. - <b>4</b>	Achieved.			

**Level of Service: Maintain the Consents and Compliance functions of Council in a manner that promotes effective decision-making, transparency, and accountability to the West Coast regional community**

Measure	Baseline	Targets 2022/23			
		Q1	Q2	Q3	Q4
Bond release within four months of surrender or at the conclusion of mining	<b>New measure - 100%</b>	100%			
Annual inspection of all Whitebait stands on Little Wanganui, Taramakau, Hokitika, Wanganui, Paringa, Haast and Waiatoto Rivers	<b>New measure - 100%</b>	On track			
Annual assessment of farm compliance in the Lake Brunner catchment.	<b>New measure - 100%</b>	On track			
Inspect new consents that involve major construction works within 1 month of the project commencing	<b>New measure - 100%</b>	100%			

## Regional Transport

### Regional Transport Performance measures for LTP 2021-31

Level of Service: <b>Maintain a Regional Land Transport Plan in accordance with relevant legislation reflecting West Coast issues and opportunities</b>					
Measure	Baseline	Targets 2022/23			
		Q1	Q2	Q3	Q4
An operative Regional Land Transport Plan	Compliance with statutory requirements for the preparation, review and implementation of the Regional Transport Plan - <b>100%</b>	Achieved			
Level of Service: <b>Maintain a Regional Public Transport Plan in accordance with relevant legislation.</b>					
Measure	Baseline	Targets 2022/23			
		Q1	Q2	Q3	Q4
An operative Regional Public Transport Plan	Compliance with the statutory requirements for the preparation, review and implementation of the Regional Public Transport Plan - <b>100%</b>	On track			

## Hydrology and flood warning services

### Hydrology and Flood Warning Performance measures for LTP 2021-31

Level of Service: <b>24hr Flood Warning Service for 6 key rivers on the West Coast; Karamea Rv, Mokihinui Rv, Buller Rv, Grey Rv, Hokitika Rv, Waiho Rv.</b>					
Measure	Baseline	Under review			
		Q1	Q2	Q3	Q4
Staff response to high flow events.	Deliver flood warning alerts as required in accordance with the Flood Warning Manual - <b>100%</b>	100%			
Availability of information about high flow events.	River level data available on the Council website for the 6 key rivers on the West Coast (updated 12 hourly, or 3 hourly during flood events) <b>&gt;90%</b>	100%			

## River, drainage and coastal protection work

### Flood protection, drainage and erosion control Performance measures for LTP 2021-31

Level of Service: <b>Meet or exceed the flood protection, drainage or erosion protection levels as described in the 'levels of service – background' section above.</b>					
Measure	Baseline	Targets 2022/23			
		Q1	Q2	Q3	Q4
Completion of 25 rating district inspections, works reports, and consultation meetings	Complete all asset inspections of rating districts - <b>100%</b>	On track			
	Complete all works reports for rating districts where material works are proposed - <b>100%</b>	Progressing			
	Hold meetings with all rating district annually or as agreed with the spokesman of the liaison committee - <b>100%</b>	Progressing			
	Perform all capital and maintenance works as agreed in the annual work programme - <b>100%</b>	Under review			
Proportion of schemes performing to their agreed service level.	Monitor all rating district infrastructural assets to ensure they perform to the service level consistent with the Asset Management Plan of each Rating District - <b>100%</b>	Progressing			
Meet timeframes for plan review	Review Rating District Asset Management Plans every third year or earlier where information indicates a significant change from what is stated in the asset management plan.	N/a			

### Quarry Production Performance measures for LTP 2021-31

Level of Service: <b>Ensure efficient and effective management and safe operation of Council's quarries, delivering rock to any customers within ten working days with priority given to Council rating district customers.</b>					
Measure	Baseline	Targets 2022/23			
		Q1	Q2	Q3	Q4
Timing of delivering on rock requests.	Deliver on requests for rock within two weeks, and ensure sufficient stockpiled rock is available where practical – <b>100%</b>	Not on track. Behind our expectation for this target for stockpiled rock. <b>50%</b>			
Number of site inspections to monitor contractor health and safety and performance	Visit each active quarry site, when contractors are working the quarry (where possible), to ensure health and safety standards and other permit	On track to achieve the annual target			



	requirements are being adhered to – <b>Twice annually</b>				
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## Vector Control Business Unit

### VCS Performance measures for LTP 2021-31

<b>Level of Service: To produce a financial surplus (to offset general rates) by tendering for and delivering on vector control and other contracts.</b>					
Measure	Baseline	Targets 2022/23			
		Q1	Q2	Q3	Q4
Achieve or exceed budgeted financial return	Tender for, and win, sufficient contracts to provide or exceed the annual budgeted return to Council. <b>(Above adopted budget)</b>	On track to achieve the adopted annual budget			

<b>Report to:</b> Risk and Assurance Committee	<b>Meeting Date:</b> 25 November 2022
<b>Title of Item:</b> Local Government Official Information and Meetings Act 1987 - Summary of Requests	
<b>Report by:</b> Toni Morrison, Policy and Planning Consultant	
<b>Reviewed by:</b> Heather Mabin, Chief Executive	
<b>Public excluded?</b> No	

## Report Purpose

For the Committee to note the requests for information received under the Local Government Official Information and Meetings Act 1987.

## Report Summary

Staff provide a report quarterly to the Risk and Assurance Committee on requests received under the Local Government Official Information and Meetings Act 1987, for the Committee's information. Below is a summary of requests received in the period 1 July to 30 September 2022.

## Recommendation

### It is recommended that:

1. the Committee note the requests received under the Local Government Official Information and Meetings Act 1987.

## Report

A summary of enquiries received in the period 1 July to 30 September 2022 is set out below.

Request No:	Date received:	Information Sought	Result
<a href="#">REQ-2022-2608</a>	6/07/2022	Dairy prosecutions	Information provided
<a href="#">REQ-2022-2612</a>	18/07/2022	Westport flood and flood protection information	Information provided
<a href="#">REQ-2022-2614</a>	25/07/2022	Te Tai o Poutini Plan information - Sites and Areas of Significance to Maori	Information provided
<a href="#">REQ-2022-2619</a>	30/07/2022	On-site security camera information	Some information provided (partially withheld for H&S reasons)
<a href="#">REQ-2022-2618</a>	30/07/2022	Rating information	Information provided
<a href="#">REQ-2022-2622</a>	17/08/2022	Te Tai o Poutini Plan information - Sites and Areas of Significance to Maori	Information provided
<a href="#">REQ-2022-2624</a>	19/08/2022	Te Tai o Poutini Plan information -Haupiri area	Information provided
<a href="#">REQ-2022-2626</a>	22/08/2022	Winter Grazing Information	Information provided
<a href="#">REQ-2022-2631</a>	30/08/2022	Information regarding contractor	Information provided
<a href="#">REQ-2022-2643</a>	8/09/2022	Annual Survey – West Coast Councils	Information provided
<a href="#">REQ-2022-2654</a>	19/09/2022	Limestone quarry consents	Information provided
<a href="#">REQ-2022-2660</a>	20/09/2022	Information in relation to RC-2020-0101	Information provided
<a href="#">REQ-2022-2661</a>	23/09/2022	Winter grazing information	Information provided

<a href="#">REQ-2022-2662</a>	27/09/2022	Landcorp Farming consents	Information provided
<a href="#">REQ-2022-2667</a>	30/09/2022	Candidate applications processing errors, local government elections	Request refused – information did not exist

<b>Report to:</b> Risk and Assurance Committee	<b>Meeting Date:</b> 25 November 2022
<b>Title of Item:</b> Final Report to Governors and Limited Independent Assurance Report (Council's Debenture Trust Deed) for the WRSC 2021 Audit	
<b>Report by:</b> Marc Ferguson – Acting Corporate Services Manager	
<b>Reviewed by:</b> Heather Mabin – Chief Executive	
<b>Public excluded?</b> No	

### Report Purpose

The purpose of the report is to table to the Committee the Final Report to Governors and Limited Independent Assurance Report (Council's Debenture Trust Deed) for the WRSC 2021 Audit.

### Report Summary

This report provides the Committee with the Final Report to Governors outlining the outcome of the 2021 Audit and the Limited Independent Assurance Report (Council's Debenture Trust Deed) for the 2021 Audit.

### Recommendations

**It is recommended that the Committee resolve to:**

1. *Receive this report and note the attachments.*

### Issues and Discussion

#### Background

The Council missed the statutory deadline of 31 December 2021 and adopted their annual report on 14 June 2022. This was due to the auditor shortage in New Zealand and the consequential effects of Covid-19. The report to Governors was thus only finalised on 27 September 2022.

The Limited Independent Assurance Report is undertaken each year in conjunction with the financial year end audit to ensure compliance against the Council's Debenture Trust Deed dated 26 February 2019.

#### Current situation

The late closure of the Audit and challenges faced with the attrition of staff in key areas has resulted in many of the open items in the report, not being closed out in the current 2022 financial year. These will be reviewed in conjunction with the close out of the FY2022 Year End Audit and a comprehensive plan put in place to ensure compliance is achieved (where applicable/appropriate) by the end of Q3 2023.

#### Attachments

Attachment 1: Final Report to Governors for the WRSC 2021 Audit

Attachment 2: Limited Independent Assurance Report (Council's Debenture Trust Deed) for the WRSC 2021 Audit

**Report to the Council  
on the audit of**  
**West Coast Regional Council**  
For the year ended 30 June 2021

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## Key messages

We have completed the audit for the year ended 30 June 2021. This report sets out our findings from the audit and draws attention to areas where the West Coast Regional Council (the Council) is doing well and where we have made recommendations for improvement.

### Audit opinion

We issued a modified audit opinion dated 14 June 2022.

Our audit report included a qualified 'except for' opinion in relation to the Council's comparative year financial information relating to the associate. This is due to:

- The Council receiving a qualified 'except for' opinion in relation to the associate investment, share of surplus deficit, and loan advances to the associate in the prior year.
- The associate receiving a disclaimer of opinion on the 2020 financial statements due to significant uncertainty around the use of the going concern assumption.

Without further modifying our opinion, the audit report also included a paragraph referring to our audit being completed late. This made reference to the auditor shortage in New Zealand and the consequential effects of Covid-19, including lockdowns.

### Matters identified during the audit

#### Pest Control Limited Partnership (PCR LP)

Up until December 2021, the Council held a 49% associate investment in PCR LP, the remaining 51% share was held by Pest Control Investors Limited.

The associate's auditor issued a disclaimer of opinion on the associate's financial statements for the year ended 31 March 2020. This was because the auditor was unable to obtain sufficient appropriate audit evidence to form an opinion whether the application of the going concern assumption in the preparation and presentation of the associate's financial statements was appropriate.

Because of the effects of the above matters, we were unable to obtain sufficient appropriate audit evidence to support the 2020 comparative information relating to the associate in the 2021 financial statements. This included the investment in associate, impairment of associate, share of the associate's surplus/(deficit), loan advance, and any possible impairment of loan advances.

#### Breach of statutory deadline

Section 98(3) of the Local Government Act 2002 requires every local authority to complete and adopt its annual report within four months after the end of the financial year to which it relates. In 2021, as a result of the Covid-19 pandemic, this deadline was extended to 31 December 2021.

The Council missed the statutory deadline of 31 December 2021 and adopted their annual report on 14 June 2022. As noted above, this was due to the auditor shortage in New Zealand and the consequential effects of Covid-19.

## **Other matters**

We set out the areas of focus for the 2021 audit in the audit plan. The outcome of this work, as well as other findings from the audit, are summarised in sections 3 to 5 of this report.

A number of new recommendations have been raised in 2021. Further details on these can be found in sections 2 to 5 of this report. The details on the status of our prior years' recommendations is in Appendix 1 to this report. The Council should put in place arrangements to monitor implementation of all current and prior year recommendations raised.

## **Thank you**

We would like to thank the Council, management and staff for the assistance received during the audit.

A handwritten signature in black ink, appearing to be 'Chantelle Gernetzky', written in a cursive style.

Chantelle Gernetzky  
Appointed Auditor  
27 September 2022



# 1 Recommendations



Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommended improvements.

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

## 1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
<p><b>Key management personnel interest register</b></p> <p>We recommend the Council keep an interests register for KMP as well as completing a companies' register search to ensure no potential related parties have been missed.</p>	4.2	Necessary

## 1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 1 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open recommendations	1	7		8
Implemented or closed recommendations		3		3
<b>Total</b>	<b>1</b>	<b>10</b>		<b>11</b>

## 2 Our audit report

### 2.1 We issued an unmodified audit report



We issued a modified audit report on 14 June 2022.

Our audit report was qualified in respect of the Council's comparative balances relating to its investment in associate, and related share of associate deficit. This was due to the qualified opinion we issued on the 2020 financial statements.

This means, except for the comparative figures relating to the investment in associate, related share of associate deficit and loan advances relating to PCR LP, we were satisfied that the financial statements and statement of service provision present fairly the Council's activity for the year and its financial position at the end of the year.

Without further modifying our opinion, the audit report also included a paragraph referring to our audit being completed late. This made reference to the auditor shortage in New Zealand and the consequential effects of Covid-19, including lockdowns.

In forming our audit opinion, we considered the matters below and in sections 3, 4 and 5.

### 2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. The misstatements that have not been corrected are listed below along with management's reasons for not adjusting these misstatements. We are satisfied that these misstatements are individually and collectively immaterial.

Current year uncorrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Investment property	1	172,733			
Gain on Investment property	1				(172,733)

#### Explanation of uncorrected misstatements

1 To increase the value of investment property to its fair value as at 30 June 2021.

**2.3 Quality and timeliness of information provided for audit**



Management needs to provide information for audit relating to the annual report of the company. This includes the draft annual report with supporting working papers. Management provided all information to audit in a timely manner and to a good quality standard. Follow up information and clarification requests were actioned in a timely manner.

### 3 Matters raised in the Audit Plan



In our Audit Plan of 7 March 2022, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
<b>Pest Control Research Limited Partnership (PCR LP)</b>	
<p>On 3 December 2020, the Council agreed to transfer their subscribed capital to the other shareholder of PCR LP for \$1. The Council also accepted an offer for their share in undistributed profits/losses of \$379,236, which resulted in the recognition of a significant impairment of the investment in the Council’s financial statements.</p> <p>Given the PCR LP 2019 financial statements were issued with an ‘except for’ opinion, we were unable to gain sufficient evidence over the relevant opening balances recorded in the Council’s 30 June 2020 financial statements, this combined with a disclaimer opinion for 2020 resulted in a qualified ‘except for’ audit opinion which covered the investment in associate and the related share of associate surplus/deficit balances.</p> <p>The comparative 2020 balances, in the 2021 financial statements, will also be qualified in our 2021 audit report, unless appropriate supporting documentation is provided during the audit process.</p> <p>PBE IPSAS 36, <i>Investments in Associates and Joint Ventures</i>, requires the Council to account for the investment using the equity method until the date of sale. The lack of assurance over PCR LP’s opening balances may have a consequence on the accuracy of the information included in the 2021 financial statements.</p> <p>During the 2021 financial year, the Council loaned PCR LP \$375,000 to undertake leasehold improvements to the building the Council leases to them in Christchurch. In January 2021 PCR LP’s auditors issued a disclaimer of opinion on the 2020 financial statements due to significant uncertainty</p>	<p>We ensured:</p> <ul style="list-style-type: none"> <li>• the Council correctly accounted for the sale of its investment;</li> <li>• the investment has been correctly accounted for through to the date of sale; and</li> <li>• leasehold improvements impairment assessment was reasonable, and that no impairment was required.</li> </ul> <p>As noted in section 2 of this report, the figures relating to the associate were qualified in the 2020 audit report. The comparative figures relating to the associate in the 2021 financial statements have therefore also been qualified.</p>

Audit risk/issue	Outcome
<p>around the use of the going concern assumption.</p> <p>Given the significant uncertainty associated with going concern in the 2020 audit report, we believed the loan advance balance may also have been impaired. This balance will need to be reviewed by management for impairment, as part of the preparation for the 2021 financial statements.</p>	
<b>Flood protection and river control assets held at fair value</b>	
<p>PBE IPSAS 17 <i>Property, Plant and Equipment</i>, requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value. The Council has a policy that the asset classes, which are revalued, are revalued on a minimum three-year valuation cycle. The Council has advised us that the assets will be revalued as at 30 June 2020.</p> <p>Flood protection and river control assets were last revalued as at 30 June 2020. Therefore, we do not anticipate Council will revalue these this year.</p> <p>The Council will need to prepare an assessment to demonstrate that the carrying value, is not materially different from fair value, for asset classes which will not be revalued as at 30 June 2021.</p> <p>We also expect an impairment assessment of the impact of any flooding events on the Council's assets will be undertaken.</p>	<p>We reviewed management's assessment as to whether the carrying value, for assets classes which are not to be revalued, are materially different from their fair values. Our work performed confirmed that property, plant and equipment carried at fair value is fairly reflected in the financial statements.</p>
<b>Investment Property</b>	
<p>The Council holds a significant investment property in Rolleston, occupied by PCR LP accounted for under the Fair Value model. This is revalued annually in accordance with PBE IPSAS 16, <i>Investment Property</i>.</p> <p>Due to the assumptions applied in the valuation, and the amount, there is a risk of potential material misstatement. We understand an external expert will be engaged to complete the valuation as at 30 June 2021.</p>	<p>We reviewed the valuation report, methodology, source information, and key assumptions applied. Our audit work confirmed the valuation complied with the requirements of PBE IPSAS 16, and valuation changes have been accounted for materiality correctly (noting the misstatement in section 2 above).</p>

Audit risk/issue	Outcome
<b>Flood wall transfer from Grey District Council</b>	
<p>Grey District Council formally resolved to transfer the Greymouth floodwall to West Coast Regional Council as part of its long-term plan adoption process.</p> <p>As part of the review of West Coast Regional Council's long-term plan, we further considered whether the transfer of the floodwall, from an accounting position had occurred in either the 2020/21 financial year or the 2021/22 financial year. The consideration related to the accounting only, rather than legal or paper transfer.</p> <p>We concluded that the risk and rewards of ownership transferred to West Coast Regional Council in the 30 June 2021 financial year. This means that the Council will need to recognise the asset in its 2021 annual report.</p> <p>PBE IPSAS 17 requires entities to recognise property, plant and equipment acquired in a non-exchange transaction to be initially recognised at its fair value at the date of acquisition.</p>	<p>We reviewed Council's accounting treatment for the transfer of the Floodwall, and confirmed the transfer was correctly valued and recognised in the financial statements.</p>
<b>Quarrying activities</b>	
<p>The Council holds a significant amount of rock inventory in relation to its quarrying activity.</p> <p>For this reason, and in line with auditing standards, we attend the year end stocktake to confirm amounts on hand at balance date and ensure that rock inventory is recorded at the lower of cost or net realisable value in the financial statements.</p> <p>The stock is specialised in nature and judgement is required in assessing the quantities on hand. The Council needs to provide evidence, verifying the tonnages held and value of inventory at balance date.</p>	<p>We have no issues to report in relation to the final inventory balance held at 30 June 2021.</p>

Audit risk/issue	Outcome
<b>Investment portfolio</b>	
<p>The Council has a significant investment portfolio. The portfolio contains a range of investments including equities and bonds and is managed by an external fund manager.</p> <p>The portfolio is required to be recognised at fair value in accordance with applicable financial reporting standards.</p>	<p>We have verified both the closing value of the portfolio at year-end and the returns achieved during the year. We also obtained a report from the auditors of the fund manager, to confirm controls were operating effectively for the period under review.</p> <p>We are satisfied that the Investment portfolio is fairly stated in the financial statements.</p>
<b>Vector Control Services Business Unit</b>	
<p>The Vector Control Services Business Unit receives revenue primarily from pest control contracts from TBfree New Zealand Limited.</p> <p>Profit from the business unit is used to subsidise rates. As a result, the business unit is under considerable pressure to produce its budgeted financial return.</p> <p>The business unit has complex arrangements and contracts, which have both accounting and auditing implications. These include:</p> <ul style="list-style-type: none"> <li>• revenue contracts that span balance date, that rely on estimates of their completion; and</li> <li>• employee bonuses contingent on Vector Control Services divisional performance.</li> </ul>	<p>We reviewed the business unit's revenue/expenditure with a focus on revenue recognition for open contracts. We gained assurance that Vector Control Services revenue is fairly reflected in the financial statements.</p>
<b>Rates</b>	
<p>Rates are the Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) with rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge. The Council should have appropriate processes in place to ensure this happens.</p> <p>Where issues or concerns arise, it should seek legal advice, to ensure compliance with legislation for its rates and rating processes.</p>	<p>We considered the Council's compliance with the Local Government (Rating) Act 2002 (LGRA) that materially impacts on the financial statements. This principally focused on the rates setting process, and review of a sample of rates, to determine whether the process followed, and factors used, are consistent with the LGRA.</p> <p>We are satisfied that rates were appropriately set and are fairly stated in the financial statements.</p>

Audit risk/issue	Outcome
<b>The risk of management override of internal controls</b>	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>We completed testing over the following and identified no instances of override:</p> <ul style="list-style-type: none"> <li>• the appropriateness of selected journal entries;</li> <li>• accounting estimates (including provisions and valuations) for indications of bias; and</li> <li>• unusual or one-off transactions, including those with related parties.</li> </ul>



## 4 Other matters or recommendations identified during the audit



In completing the audit, we identified the following further matters or recommendations for improvement:

### 4.1 Breach of statutory reporting deadline

Section 98(3) of the Local Government Act 2002 requires every local authority to complete and adopt its annual report within four months after the end of the financial year to which it relates. In 2021, as a result of the Covid-19 pandemic, this deadline was extended to 31 December 2021.

The Council adopted their annual report on 14 June 2022, thereby missing the extended statutory deadline of 31 December 2021. The factors contributing to the delay are outlined in section 2 above.

### 4.2 Key management personnel interest register

#### Recommendations

We recommend the Council keep an interests register for KMP as well as completing a companies register search to ensure no potential related parties have been missed.

#### Findings

As part of performing substantive testing of related party transactions, we have noticed that no interests register is kept for key management personnel, and no company search was performed at year end to ensure that no potential related parties have been missed.

#### Management comment

*Management will implement a pecuniary interest register for Council. At the same time Management will create an Interest register for both Councillors and Key Management.*

## 5 Public sector audit



The Council is accountable to Parliament, their local community and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and in the way the Council said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the Council has fairly reflected the results of its activities in its financial statements and non-financial information.

We also consider if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the Council carrying out its activities effectively and efficiently;
- the Council incurring waste as a result of any act or failure to act by a public entity;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the Council or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by a public entity or by one or more of its members, office holders, or employees.

## 6 Useful publications



Based on our knowledge of the Council, we have included some publications that the Council and management may find useful.

Description	Where to find it
<b>Performance reporting</b>	
Public organisations are responsible for reporting their performance to Parliament and the public in a way that meaningfully reflects their organisation's aspirations and achievements. The Auditor-General published a discussion paper that explores five areas for improvement in performance reporting.	On the Office of the Auditor-General's (OAG's) website under publications. Link: <a href="#">The problems, progress, and potential of performance reporting</a>
<b>Local government risk management practices</b>	
The Covid-19 pandemic is a stark reminder for all organisations about the need for appropriate risk management practices. In our audit work, we often see instances where councils do not have effective risk management. This report discusses the current state of local government risk management practices and what councils should be doing to improve their risk management.	On the OAG's website under publications. Link: <a href="#">Observations on local government risk management practices</a>
<b>Public accountability</b>	
Public accountability is about public organisations demonstrating to Parliament and the public their competence, reliability, and honesty in their use of public money and other public resources. This discussion paper explores how well New Zealand's public accountability system is working in practice.	On the OAG's website under publications. Link: <a href="#">Building a stronger public accountability system for New Zealanders</a>
<b>Setting and administering fees and levies for cost recovery</b>	
This good practice guide provides guidance on settings fees and levies to recover costs. It covers the principles that public organisations should consider when making any decisions on setting and administering fees and levies. It also sets out the matters public organisations should consider when calculating the costs of producing goods or providing services and setting charges to recover those costs.	On the OAG's website under publications. Link: <a href="#">Setting and administering fees and levies for cost recovery: Good practice guide</a>

Description	Where to find it
<b>Managing conflicts of interest involving council employees</b>	
<p>This article discusses findings across four councils on how conflicts of interest of council employees, including the chief executive and staff, are managed.</p>	<p>On the OAG’s website under publications. Link: <a href="#">Getting it right: Managing conflicts of interest involving council employees</a></p>
<b>Model financial statements</b>	
<p>Our model financial statements reflect best practice we have seen. They are a resource to assist in improving financial reporting. This includes:</p> <ul style="list-style-type: none"> <li>• significant accounting policies are alongside the notes to which they relate;</li> <li>• simplifying accounting policy language;</li> <li>• enhancing estimates and judgement disclosures; and</li> <li>• including colour, contents pages and subheadings to assist the reader in navigating the financial statements.</li> </ul>	<p>On our website under good practice. Link: <a href="#">Model Financial Statements</a></p>
<b>Tax matters</b>	
<p>As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters.</p>	<p>On our website under good practice. Link: <a href="#">Tax Matters</a></p>
<b>Sensitive expenditure</b>	
<p>The Auditor-General’s good practice guide on sensitive expenditure provides practical guidance on specific types of sensitive expenditure, outlines the principles for making decisions about sensitive expenditure, and emphasises the importance of senior leaders “setting the tone from the top”. It also describes how organisations can take a good-practice approach to policies and procedures for managing sensitive expenditure.</p>	<p>On the OAG’s website under good practice. Link: <a href="#">Sensitive expenditure</a></p>

Description	Where to find it
<b>Severance payments</b>	
<p>Because severance payments are discretionary and sometimes large, they are likely to come under scrutiny. The Auditor-General has released updated good practice guidance on severance payments. The guide is intended to help public sector employers when considering making a severance payment to a departing employee. It encourages public organisations to take a principled and practical approach to these situations. The update to the 2012 good practice guidance reflects recent case law and changes in accounting standards.</p>	<p>On the OAG’s website under 2019 publications. Link: <a href="#">Severance payments</a></p>
<b>Good practice</b>	
<p>The OAG’s website contains a range of good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> <li>• audit committees;</li> <li>• conflicts of interest;</li> <li>• discouraging fraud;</li> <li>• good governance;</li> <li>• service performance reporting;</li> <li>• procurement;</li> <li>• sensitive expenditure; and</li> <li>• severance payments.</li> </ul>	<p>On the OAG’s website under good practice. Link: <a href="#">Good practice</a></p>
<b>Procurement</b>	
<p>The OAG are continuing their multi-year work programme on procurement.</p> <p>They have published an article encouraging reflection on a series of questions about procurement practices and how processes and procedures can be strengthened.</p> <p>Whilst this is focused on local government, many of the questions are relevant to all types of public sector entities.</p>	<p>On the OAG’s website under publications. Links: <a href="#">Strategic suppliers: Understanding and managing the risks of service disruption</a> <a href="#">Getting the best from panels of suppliers</a> <a href="#">Local government procurement</a></p>

## Appendix 1: Status of previous recommendations

### Open recommendations

Recommendation	First raised	Status
<b>Urgent</b>		
<p><b>Quarry Inventory</b></p> <p>Draft and execute formalised agreements for royalty arrangements. This should include standard terms and conditions, rights and responsibilities of both parties, and reporting requirements.</p>	2019	<p><b>Partially complete</b></p> <p>With the sale of the Whataroa quarry permit, royalty agreements are no longer applicable for that quarry.</p> <p>There were quarry rock sales during the year with MBD Contracting under royalty arrangements at the Inchbonnie Quarry.</p> <p>A formal quarry management contract is in place with MBD Contracting for Okuru, Inchbonnie and Camelback quarries, however this does not cover any royalty arrangement.</p>
<b>Necessary</b>		
<p><b>Payroll review</b></p> <ul style="list-style-type: none"> <li>Ensure payroll procedures have robust controls in place around the recording and approval of hours worked and/or leave taken.</li> </ul> <p>Implement a formal evidenced review of all changes made to employee masterfile information.</p>	2020	No change to previous year.
<p><b>Formal reporting and tracking of service performance information</b></p> <ul style="list-style-type: none"> <li>Maintain formal records for inspections of Council assets against their agreed service levels.</li> </ul> <p>Review the system for recording compliance monitoring, this should focus on ensuring all information is held in one place, and data remains current for reporting.</p>	2020	No change to previous year.

Recommendation	First raised	Status
<p><b>Infrastructure asset information system</b></p> <p>Implement an integrated asset management information system for the Council’s infrastructure assets.</p>	2020	No change to previous year.
<p><b>Information systems software updated and patching</b></p> <p>Schedule and carry out regular patching for systems and applications to ensure they are kept up to date.</p>	2020	No change to previous year.
<p><b>Rating base information disclosure</b></p> <p>Generate and retain the report to support rating base information disclosures.</p>	2020	No change to previous year.
<p><b>Chair and Chief Executive Sensitive expenditure approvals</b></p> <ul style="list-style-type: none"> <li>• Ensure sensitive expenditure incurred by the Chief Executive is approved by the Chair.</li> </ul> <p>Ensure sensitive expenditure incurred by the Chair is approved by an appropriate person (either the Deputy Chair, or Chair of Audit and Risk).</p>	2020	No change to previous year.
<p><b>Senior management entertainment and travel allowance</b></p> <ul style="list-style-type: none"> <li>• Review whether the payment of the annual travel and entertainment allowance is necessary.</li> </ul> <p>Implement formal policy on its use (if it the allowance is retained).</p>	2020	<p>No change to previous year.</p> <p>Further noted during 2021 that sufficient supporting documentation is not always maintained to ensure the appropriate review is able to be performed.</p>

## Implemented or closed recommendations

Recommendation	First raised	Status
<b>Necessary</b>		
<p><b>Procurement and delegation of authority</b></p> <p>Review the procurement policy and delegations of authority manual, to ensure their currency with the Council's operations and good practice, and consistency with each other.</p>	2018	<p><b>Closed</b></p> <p>Our sample testing indicated that expenditure was approved by the appropriate delegation.</p>
<p><b>Capitalisation of infrastructure processes</b></p> <p>Perform a regular review of the fixed asset registers maintained by the infrastructure team to the additions recorded in the financial fixed asset registers and the general ledger.</p>	2019	<p><b>Closed</b></p> <p>No errors were identified this year in relation to incomplete capitalisation of infrastructure capital works.</p>
<p><b>Quality and timeliness of information provided for audit</b></p> <ul style="list-style-type: none"> <li>• Implement a quality assurance process for the preparation of the annual report.</li> <li>• Review the financial statements before they are provided to the audit team and ensure they are materially compliant with the relevant accounting standards.</li> </ul> <p>Ensure that a documented audit trail is maintained to support all balances and transactions within the financial statements.</p>	2020	<p><b>Closed</b></p> <p>Management was better prepared for the audit in 2021.</p>



## Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>Other than the audit, we have no relationship with, or interests in, the Council.</p>
Fees	<p>The audit fee for the year is \$82,951, as detailed in our audit proposal letter.</p> <p>We have also charged audit fees of \$4,000 for the Council's Debenture Trust Deed, and \$132,200 for the 2021-2031 long-term plan.</p> <p>No other fees have been charged in this period.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Council during or since the end of the financial year.</p>

## AUDIT NEW ZEALAND

Mana Arotake Aotearoa

Level 3, 335 Lincoln Road

PO Box 2

Christchurch 8140

[www.auditnz.parliament.nz](http://www.auditnz.parliament.nz)



## **Limited Independent Assurance Report**

### **To The Council and Covenant Trustee Service Limited in respect of the Council's Debenture Trust Deed for the year ended 30 June 2021**

The Auditor-General is the auditor of West Coast Regional Council (the Council) pursuant to the Public Audit Act 2001. The Auditor-General has appointed me, Chantelle Gernetzky, using the staff and resources of Audit New Zealand to carry out the audit of the annual financial statements of the Council. On behalf of the Auditor-General, I have also carried out this Limited Independent Assurance Engagement, using the staff and resources of Audit New Zealand, as referred to in the Debenture Trust Deed dated 26 February 2019 (the Trust Deed).

#### **The Council's Responsibilities**

The Council is required to provide a copy of the annual report, which includes the audited financial statements of the Council and our audit opinion, to the Covenant Trustee Service Limited (Trustee) under clause 10.2.1 of the Trust Deed.

The Council is responsible for preparing Reporting Certificates to the Trustee in accordance with clause 10.2.4 of the Trust Deed. The Council is responsible for such internal control as is determined necessary to ensure compliance with the requirements of the Trust Deed and also to enable the preparation of Reporting Certificates that are free from material misstatement, whether due to fraud or error.

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

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

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

#### **Trustee's Responsibilities**

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

The receipt of this Limited Independent Assurance Report (Report) and the audited financial statements of the Council, and any reliance on the audit opinion contained in our auditor's report attached to those audited financial statements and performance information, does not relieve the Trustee of its responsibilities under the Trust Deed and relevant legislation.

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

## **Our Responsibilities**

We conducted our Limited Independent Assurance Engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the External Reporting Board. A copy of this standard is available on the External Reporting Board’s website. A Limited Independent Assurance Engagement is not an audit and the procedures that have been performed are less than for an audit. As a result, the level of assurance that has been obtained is substantially lower than the assurance that would have been obtained had an audit been performed.

This standard requires that we comply with ethical requirements and plan and perform our Limited Independent Assurance Engagement to obtain limited assurance about whether anything has come to our attention to indicate the Reporting Certificate prepared for the year ended 30 June 2021 has not been prepared in accordance with the requirements of clause 10.2.4 of the Trust Deed.

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

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

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

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

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

- From our perusal of the Reporting certificate dated 27 September 2022 given on behalf of the Council pursuant to clause 10.2.4 and, as far as matters that we will observe in the performance of our duties as auditors are concerned, report whether anything is brought

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<sup>1</sup> Please refer to the FMA website for a copy of the guidance note titled “Monitoring by Securities Trustees and Statutory Supervisors” (2013).

to our attention to indicate that the statements made in such Reporting Certificate are not materially correct.

In meeting this responsibility we agreed the aggregate Principal Amount of Notes on issue and outstanding in the Reporting certificate dated 27 September 2022 with Computershare Investor Services Limited and the Local Government Funding Agency.

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

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

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

- Report, as at the end of the financial year, from the audit procedures performed as part of our Statutory Audit Engagement, whether anything came to our attention to indicate that, in all material respects, principal money due and payable on the Stock and interest due and payable on the Stock, had not been paid.

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

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

The Council is responsible for maintaining the Register and ensuring it is separately audited in accordance with clause 4.

We are not the auditor of the Register. Our procedures were limited to asking the Council for a copy of the audit report about the Register.

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

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

## **Limitations and Use of this Report**

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

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

Other than as expressly stated, we have not undertaken any additional audit work after signing our statutory audit report on the Council's financial statements. We explain the scope of our statutory audit engagement in our audit report on the Council's financial statements for the year ended 30 June 2021.

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

## **Unqualified Conclusion**

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

- The statements made by the Council in the Reporting certificate dated 27 September 2022 pursuant to clause 10.2.4 are materially incorrect (Reporting certificate dated 27 September 2022 is given in Appendix 1).
- There are any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee.
- There are any matters that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders.
- In all material respects, that the Council has not paid all principal money due and payable on the Stock and all interest due and payable on the Stock.

Our Limited Independent Assurance Engagement was completed on 27 September 2022 and our conclusion is expressed as at that date.

## The Register and Stock

The Council has provided us with a copy of the audit report about the Register. The auditor for the year ended 30 June 2021 was Pricewaterhouse Coopers. Please refer to Appendix 2 for a copy of the audit report about the Register.

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

○	Total stock of	\$8,775,949
This is comprised of:		
○	Security stock of	\$170,000
○	Bearer stock of	\$0
○	Other stock of	\$0
○	Security stock (Local Government Funding Agency stock) of	\$8,605,949

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

○	Total Principal Money owing and secured under the stock of	\$8,775,949
This is comprised of:		
○	Security stock of	\$170,000
○	Bearer Stock of	\$0
○	Other stock of	\$0
○	Security stock (Local Government Funding Agency stock) of	\$8,605,949

## Independence and quality control

When carrying out the engagement, we complied with the Auditor-General's:

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

Other than this engagement and our audit of the Council's annual financial statements, we have no relationship with or interests in the Council or any of its subsidiaries or the Trustee.



Chantelle Gernetzky  
Audit New Zealand  
On behalf of the Auditor-General  
Christchurch New Zealand



# Appendix 1: Copy of reporting certificate

## REPORTING CERTIFICATE

I, Heather Ellen Mabin the Chief Executive of West Coast Regional Council (the Council) hereby certify to the best of my knowledge and belief for the purposes of the Debenture Trust Deed dated on or about 26 February 2019 (the Trust Deed):

1. Since the date of the Trust Deed:
  - (a) All interest due on the Stock has been paid;
  - (b) All Stock which has fallen due for repayment has been repaid:
  - (c) No Enforcement Event has occurred and remains un-remedied:
  
2. As at 30 June 2021 the total amount of Stock issued and outstanding under the Trust Deed (showing separately the respective nominal amounts) is as follows:<sup>1</sup>

(i)	Debenture Stock of:	\$0
(ii)	Security Stock (issued with a fixed nominal amount) of:	\$0
(iii)	Bearer Stock of:	\$0

[together with:

(iv)	Security Stock (issued with a floating nominal amount), which at 30 June 2021 amounted to:	\$NZD 8,775,949
------	--	-----------------
  
3. The Council has complied with the Act in connection with the Trust Deed, the Registrar and Paying Agreement, and any borrowing documentation which the Council has entered into under, in accordance with or secured by the Trust Deed, except for completing this reporting certificate after the due date.
  
4. On the basis of such information as to the financial position and prospects of the Council as is generally received by me in my capacity as Acting Chief Executive (including reports from the Council's financial managers), I am not aware of any reason why the Council will not be able to meet its liabilities in relation to Stock and interest thereon which are anticipated to fall due or to become payable during the twelve months from the date of this Certificate.
  
5. For the purposes of paragraph 4 of this Certificate, I have considered in particular:
  - (a) The liability of the Council under the Security Stock Certificate(s) issued with a floating nominal amount;
  - (b) The likelihood of the liabilities secured by those Security Stock Certificates being called on; and
  - (c) The ability of the Council to recover or recoup from other parties in relation to any payments that the Council would be required to make in respect of those Security Stock Certificates.
  
- \*6. Since the date of the Trust Deed the Council has complied in all material respects with all the material provisions, covenants and obligations under the Trust Deed, and I am not aware of any reason why in the period of twelve months from the date of this Certificate the Council will not so comply with such provisions, covenants and obligations.

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

<sup>1</sup> The aggregate principal amount owing under bank facilities is \$170,000. The sum of the amounts owing to New Zealand Local Government Funding Agency Limited (LGFA) (excluding contingent liabilities) is 8,605,949. The aggregate amount of borrowed money owed by LGFA that is guaranteed by the Council is \$0.



Dated: 27 September 2022



---

Chief Executive  
West Coast Regional Council

## Appendix 2: Copy of Independent Assurance Report



### Independent Assurance report

To the Directors of Computershare Investor Services Limited (the "Company")

### Assurance Report Pursuant to section 218 of the Financial Markets Conduct Act 2013 and Regulations 108 and 110 of the Financial Markets Conduct Regulations 2014

---

#### Opinion

We have undertaken a reasonable assurance engagement in respect of the compliance, in all material respects, of the registers of security holders (the "Register") maintained by the Company with section 217 of the Financial Markets Conduct Act 2013 for the year ended 30 June 2021.

In our opinion, with respect to the Registers maintained by the Company, the Company has complied, in all material respects, with section 217 of the Financial Markets Conduct Act 2013 for the year ended 30 June 2021.

---

#### Basis for Opinion

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

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

---

#### Directors' Responsibilities

The Directors are responsible on behalf of the Company for:

- maintaining the registers of security holders that complies with section 217 of the Financial Markets Conduct Act 2013 for the year ended 30 June 2021.
- identification of risks that threaten compliance with the requirements of section 217 of the Financial Markets Conduct Act 2013 being met, and controls which will mitigate those risks and monitor ongoing compliance.

---

#### Our Independence and Quality Control

We have complied with the Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* or other professional requirements, or requirements in law or regulation, that are at least as demanding, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with the Professional and Ethical Standard 3 (Amended) *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* or other professional requirements, or requirements in law or regulation, that are at least as demanding, our firm maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

We are independent of the Company. Other than in our capacity as independent assurance practitioner, we have no relationship with, or interests in, the Company.



---

#### **Assurance Practitioner's Responsibilities**

Our responsibility is to express an opinion on whether, with respect to the registers of security holders maintained, the Company has complied, in all material respects, with section 217 of the Financial Markets Conduct Act 2013 and report our opinion to you. SAE 3100 (Revised) requires that we plan and perform our procedures to obtain reasonable assurance about whether the Company has complied, in all material respects, with Section 217 of the Financial Markets Conduct Act 2013.

An assurance engagement to report on the Company's compliance with section 217 of the Financial Markets Conduct Act 2013 involves performing procedures to obtain evidence about the compliance activity and controls implemented. The procedures selected depend on our judgement, including the identification and assessment of risks of material non-compliance.

---

#### **Inherent Limitations**

Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error or non-compliance may occur and not be detected. A reasonable assurance engagement throughout the specified period does not provide assurance on whether compliance with section 217 of the Financial Markets Conduct Act 2013 will continue in the future.

---

#### **Restriction on Distribution and Use of our Report**

This report has been prepared for the Directors, as a body, in accordance with Section 218 of the Financial Markets Conduct Act 2013 and Regulation 110 of the Financial Markets Conduct Regulations 2014 and is provided solely to assist you in establishing that compliance requirements have been met.

Under the terms of our engagement our report may be provided on a confidential basis to the users of the Company's Registry Management services, whether or not they are required to comply with Section 218 of the Act, on the basis that we do not accept or assume any duty of care or other legal responsibility to those users. Notwithstanding the Act or Regulations, we do not accept or assume a duty of care or other legal responsibility.

Our report should not be used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for any reliance on this report to anyone other than the Directors of the Company, or for any purpose other than that for which it was prepared. In addition, we disclaim any responsibility for reliance on this report other than for the purpose for which it was prepared.

A handwritten signature in black ink, appearing to read 'Priscilla Anne Cooper', is written in a cursive style.

Chartered Accountants  
30 July 2021

Auckland

<b>Report to:</b> Risk and Assurance Committee	<b>Meeting Date:</b> 25 November 2022
<b>Title of Item:</b> Investment Property Valuation Report	
<b>Report by:</b> Marc Ferguson – Acting Corporate Services Manager	
<b>Reviewed by:</b> Heather Mabin – Chief Executive	
<b>Public excluded?</b> No	

### Report Purpose

The purpose of the report is to table to the Committee the valuation report dated 30 June 2022, for the Council’s investment property at 8 Centrum Lane, Rolleston.

### Report Summary

This report provides the Committee with the valuation report dated 30 June 2022 undertaken by Colliers for the Council’s investment property at 8 Centrum Lane, Rolleston, and the associated compliance requirements.

### Recommendations

**It is recommended that the Committee resolve to:**

1. *Receive this report and note the attachment.*

### Issues and Discussion

#### Background

The Council undertakes a valuation of its investment property on an annual basis to assess its fair market value.

#### Current situation

Gary Sellars FNZIV, FPINZ, an independent registered valuer from Colliers International Valuation (Christchurch) Limited, performed the most recent valuation.

The fair market value as at 30 June 2022 has been assessed as \$2.1mil. This is an uplift of \$380k against the fair value as at the 30 June 2021 and has been recognised accordingly in the net surplus/(deficit) for the year ending 30 June 2022.

#### Attachments

Attachment 1: Investment Property Valuation Report – Colliers 30 June 2022

# Valuation Report

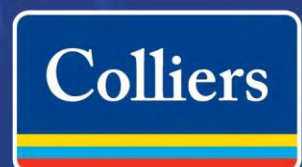
**8 Centrum Lane**  
Rolleston

Prepared For  
West Coast Regional Council

Address  
PO Box 66  
Greymouth 7840

Attention  
Heather Mabin

Valuation Date: 30 June 2022 | Ref: 19173/GS





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Appendix B Photographs

## (i) Executive Summary

### Valuation Details

<b>Instructing Party</b>	<b>Property Address</b>	8 Centrum Lane, Rolleston
West Coast Regional Council	<b>Reliant Party</b>	West Coast Regional Council
PO Box 66	<b>Purpose of Report</b>	Financial Reporting
Greymouth	<b>Interest Valued</b>	100%
Attention: Heather Mabin	<b>Basis of Valuation</b>	Market Value - As is
	<b>Date of Valuation</b>	30 June 2022
	<b>Date of Inspection</b>	7 September 2022
	<b>Report Completed</b>	7 September 2022

### Property Overview

The property comprises a modern office and warehouse building of conventional design and construction completed in 2014 and situated on the southern side of Centrum Lane in the Izone Southern Business Hub (Izone) in Rolleston.

Accommodation provides a single level office and amenity block within the principal building shell and an open plan warehouse which has a side wall height of 7.50m together with off-street carparking.

Specialised improvements were completed to the building in 2019 at a cost of \$374,783 which was funded by the landlord and is recaptured over a 10 year period in the form of a Specialised Improvements Rent.



### Tenancy Details

<b>Tenant</b>	Pest Control Research LP
<b>Term</b>	Five years
<b>Commencement Date</b>	14 January 2020
<b>Expiry Date</b>	13 January 2025
<b>Next Rent Review</b>	14 January 2023
<b>Net Contract Rent</b>	\$96,183 pa plus GST
<b>Specialised Improvements Rent</b>	\$51,067 pa plus GST
<b>Total GLA</b>	900.20 sqm



## Property Data

Legal Description:	Lot 636 Deposited Plan 464084, Record of Title 615761
Tenure:	Freehold
Registered Owner:	West Coast Regional Council
Land Area:	1,598 sqm
Lettable Area:	900.20 sqm
Zoning:	Business 2 Zone
WALD	2.54 years
Seismic Rating (%NBS):	100%

## Key Valuation Parameters

Current Net Contract Income	\$96,183 per annum
Specialised Improvements Rent	\$51,067 per annum
Net Market Rental	\$100,824 per annum
Outgoings (Estimated)	\$13,503 per annum
Under / Over Rented	(4.60%)
Letting Up Allowance	6 months
Tenant Retention	50%
Average Rental Growth	2.04% per annum
Market Capitalisation Rate	5.50%
Discount Rate	6.75%

## Valuation

Valuation Date	30 June 2022
Adopted Value*	\$2,130,000 plus GST (if any)
Passing Initial Yield	5.27%
Equivalent Market Yield	5.50%
Internal Rate of Return	6.69%
Direct Comparison Rate	\$2,366 m <sup>2</sup> /NLA

## Valuers

Gary Sellars FNZIV, FPINZ  
 Director  
 Registered Valuer  
 E: [gary.sellars@colliers.com](mailto:gary.sellars@colliers.com)

DD: 03 423 1600 M: 021 631 321

NOTE: This Executive Summary must be read in conjunction with the attached report and the details contained therein.

## (ii) Property Specific Assumptions

Our valuation conclusion is subject to the following property specific assumptions:

- Robert Mallinson previously on behalf of West Coast Regional Council advised that the lease has been renewed for a further five year term from 14 January 2020 and the Lease Improvements Rental Agreement confirms this at clause 3. This valuation is subject to a formal Deed of Lease Renewal being executed by the landlord and tenant confirming the terms and conditions as outlined in the body of this report.
- Our valuation has been completed on the assumption that the building(s) and associated site development can be adequately covered by normal full reinstatement insurance, including earthquake cover both now and in the future. Should this not be the case or should the situation change in the future, we caution the valuation may change.

## (iii) Market Risk

Global and local monetary policy has been targeted at stimulating economies through COVID-19 lockdowns with interest rates reduced to historic low levels over the past couple of years. Ongoing global supply chain issues resulting from more than two years of COVID-19 disruption along with the Russian invasion of the Ukraine have led to significant inflationary pressures in most major countries including New Zealand.

The Reserve Bank of New Zealand (RBNZ) was one of the first, this cycle, to increase interest rates in late 2021 and most other major central banks have now followed including the largest single increase in the US since 1994 being announced in June 2022. The RBNZ has indicated ongoing interest rate increases as inflation here and offshore refuses to abate.

There is now much commentary on the increased likelihood of recessionary conditions with global share markets declining over the last few months and now officially in 'bear' status after a two year 'bull' market.

For the local investment property market, to date there is limited new evidence to support the current change in sentiment, however investor demand has cooled with the cost of debt and economic outlook both major factors being noted by potential buyers. This in our opinion is having, and will have, a negative impact on yields although it is difficult to quantify at the date of this report.

As at the valuation date, we consider it appropriate to attach less weight to previous market evidence for comparison purposes, to inform opinions of value.

In light of these prevailing marketing conditions, we recommend that the valuation of all property be kept under frequent review as valuation advice is likely to become outdated significantly quicker than is normally the case. As per the accepted definition, the market value is concluded "as at the valuation date" and is based on events and evidence up to that date. It reflects the sentiment at that point in time and the value on that day.

## (iv) SWOT Analysis

### Strengths

- Flexible building design and configuration.
- Popular rural based location.
- Affordable price bracket.

### Weaknesses

- Moderate WALD of 2.54 years.

### Opportunities

- Strong possibility the tenant will renew the lease for a further five year term from 14 January 2025 taking into account the significant penalty payment due if the lease is not renewed and also the significant plant and equipment installed by the tenant.

### Threats

- Unprecedented economic environment and market uncertainty surrounding both international markets and locally, the current Omicron COVID-19 outbreak.
- Rising interest rates, high inflation and other economic factors are negatively impacting investor sentiment. As a consequence yields will increase above historic lows for commercial assets in general, with the potential for this to occur quickly in short space of time.
- Competition from new build activity.

# 1. Introduction

## 1.1 Scope of Work

We have received instructions from Heather Mabin on behalf of West Coast Regional Council to assess the market value of the property at 8 Centrum Lane, Rolleston for financial reporting purposes.

We note that this valuation is undertaken in accordance with the agreed written Scope of Work between the above instructing party and Colliers International Valuation (ChCh) Limited trading as Colliers International Valuation ("The Company").

## 1.2 Basis of Valuation

We confirm that this valuation has been prepared to establish market value for the purpose of financial reporting subject to the assumptions and conditions outlined within this valuation report.

We confirm that the individual valuer who is the signatory to this report is experienced in the location and category of the property valued.

## 1.3 Valuation Standards

We confirm that the valuation has been undertaken within all the requirements of International Valuation Standards (effective 31 January 2022), and the Australian and New Zealand Valuation Guidance Papers (as amended from time to time). Specifically, our valuation has been prepared in accordance with the following:

### International Valuation Standards

- Glossary
- Framework

### General Standards

- IVS 101 - Scope of Work
- IVS 102 - Investigations and Compliance
- IVS 103 - Reporting
- IVS 104 - Basis of Value
- IVS 105 - Valuation Approaches and Methods

### Asset Standards

- IVS 400 - Real Property Interests

In addition to the above we note, with regards to all valuation standards and measurement of floor areas our valuation calculations have been undertaken in accordance with prevailing local standards.

## 1.4 Market Value Definition

We have adopted the International Valuation Standards (IVS) definition of “Market Value” as follows:

**Market Value** *“market value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.*

The valuation has specifically been completed in accordance with New Zealand Accounting Standards Board Public Benefit Entity International Public Sector Accounting Standard 16 – *Investment Property (PB IPSAS 16)*.

We have also adopted the New Zealand Equivalent to International Financial Reporting Standard 13 (NZ IFRS 13) definition of ‘fair value’ as follows:

**Fair Value** *“fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.*

Fair value is generally synonymous with the term market value

## 1.5 Information Sources

Robert Mallinson previously on behalf of West Coast Regional Council provided the following information which has been adopted in the valuation process:

- Confirmation correspondence relating to lease renewal
- Summary of the Specialised Improvements
- Lease Improvements Rental Agreement
- PCR LP Improvements Rental Analysis – Penalty Payment Calculation

We have searched Record of Title details independently from public records and rental and sales evidence from our own records.

## 1.6 Reliance and Extension of Liability

This valuation has been prepared for the following parties and for the following purposes:

- West Coast Regional Council for financial reporting purposes only

No responsibility is accepted or assumed to any third parties, nor should there be any reliance upon this report by any third party other than the party explicitly noted above without our express written agreement.

This report is confidential between The Company and the above party to whom The Company agrees in writing may rely upon the valuation report for the purpose stated.

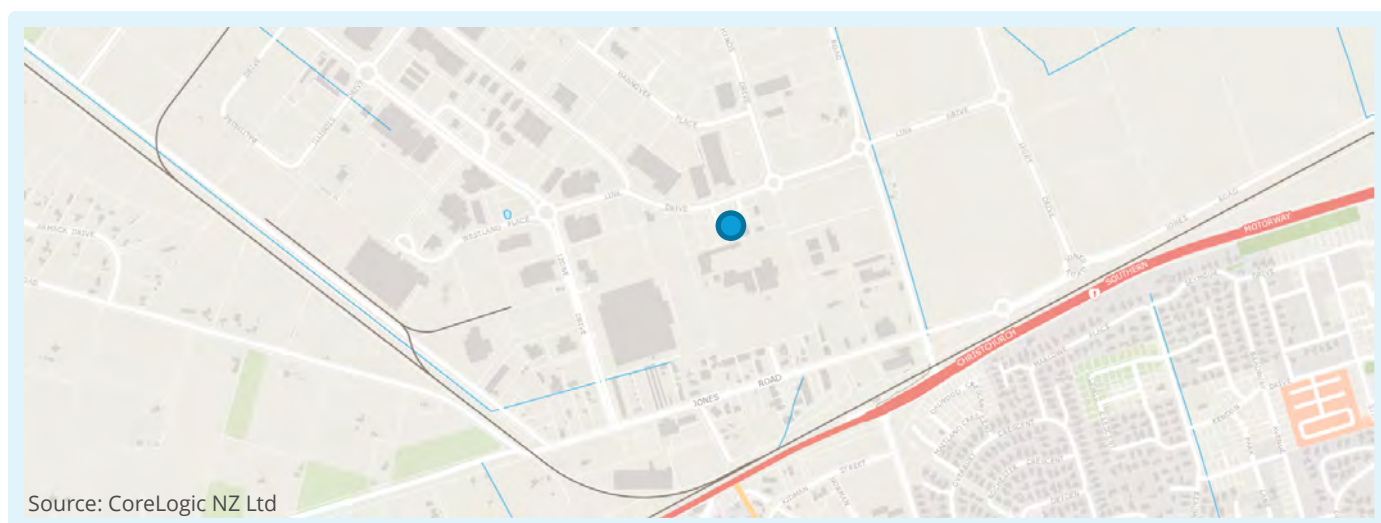


Notwithstanding the above restrictions on use, we explicitly prohibit any reliance on this valuation in relation to the sell down of units in any retail or wholesale syndication. This includes but is not limited to prohibiting appending or publishing this valuation, in part or in whole, in any Public Disclosure Statement (PDS) and/or other sales documentation.

## 2. Location

<b>Township</b>	Rolleston
<b>Position</b>	Situated on the southern side of Centrum Lane which is a small avenue style lane leading off the southern side of Link Drive in Izone. Link Drive leads off the western side of Izone Drive which is the principal spine road to and through Izone. Rolleston is a developing satellite township located 22 kms south west of Christchurch, adjacent to State Highway No. 1. Izone is a substantial modern industrial subdivision estate located in the block bounded by Jones and Railway Roads to the north of State Highway No.1 and the South Island Main Trunk Railway. Significant infrastructure has been completed in Izone with the anchor property being The Warehouse South Island Distribution Centre.
<b>Surrounding Development</b>	Immediate surrounding development comprises primarily modern industrial building developments ranging in size from small to large offering a variety of accommodation and types. Major building developments include The Warehouse SIDC, CRT, Westland Milk Products, PGG Wrightson, Long Panel, Asmuss Steel, Designline and Concision Panelised Technology.
<b>Location in Regards to Transport</b>	The property is extremely well-located in relation to principal road and rail transport arterials. Completion of the Christchurch Southern Motorway has considerably reduced commuting time between Christchurch and Rolleston and has assisted in attracting industrial businesses to Rolleston and Izone. Port of Tauranga and Lyttelton Port Company have established inland ports at Rolleston both of which are served by rail and road transport.
<b>Positive Attributes</b>	Well-regarded location in a growth industrial district.
<b>Negative Attributes</b>	Nil.

A location map is provided below with the subject property represented by the blue circle:



## 3. Title Particulars

### 3.1 Legal Description

The legal title for the subject property is described as follows:

Identifier	615761
Tenure / Estate	Freehold
Area	1,598 sqm
Legal Description	Lot 636 DP 464084
Registered Owners	West Coast Regional Council
Interests	<ul style="list-style-type: none"><li>• Land Covenant in Easement Instrument 9327598.1</li><li>• Caveat 11429665.1 by Orion New Zealand Limited</li></ul>

### 3.2 Easements & Encumbrances

The Record of Title is subject to Land Covenant 9327598.1 which is a protective covenant designed to ensure that the standard of development completed in Izone is of a consistently high level.

Also registered on the Record of Title is Caveat 11429665.1 by Orion New Zealand Limited which relates to an electrical substation associated with the tenant's recent power supply upgrade.

We are of the opinion that the various easements and encumbrances registered on the Record of Title do not detrimentally affect the value of the property.



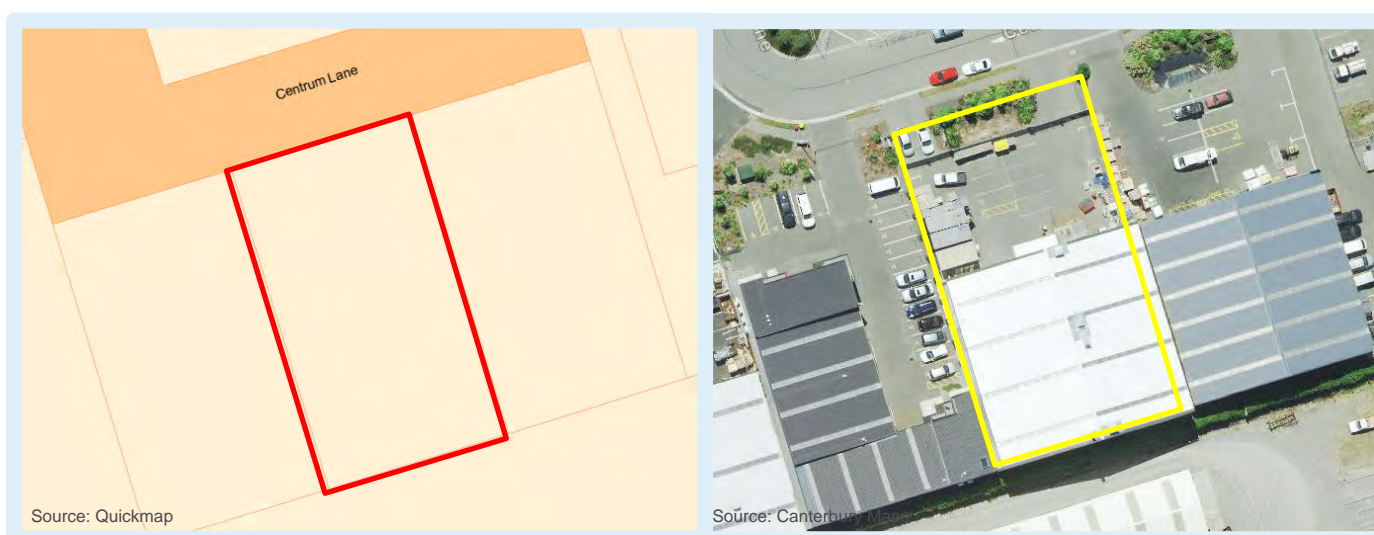
## 4. Site Overview

### 4.1 Site Area

The rectangular shaped inside lot has the following dimensions and area:

Centrum Lane Frontage	Approximately 30.00 metres
Eastern Side Boundary	Approximately 53.23 metres
Western Side Boundary	Approximately 53.36 metres
<b>Total Site Area</b>	<b>1,598 sqm</b>

#### Freehold Title



### 4.2 Site Features

Contour	In terms of contour the site is level.
Access	Vehicular access to the property is off Centrum Lane.
Utilities	We understand that the property is connected to all major utility services including electricity, water, telephone and sewerage.

---

### Geotechnical

We have not been supplied with a geotechnical survey of the property, and therefore cannot comment as to the subsoil condition of the land. We recommend that before any action is taken involving this site, you obtain advice regarding soil stability and contamination from persons appropriately qualified to provide such advice.

Major parts of Christchurch, particularly the CBD, southern and eastern suburbs suffered significant land damage in the form of liquefaction during the four major earthquakes in September 2010, February 2011, June 2011 and December 2011.

We have inspected the land and there is no sign of any liquefaction on the property nor in the general Rolleston locality.

---

### Environmental and other Special Risks

We have obtained a Listed Land Use Register (LLUR) report from Environment Canterbury for the property. The LLUR records the property as not having a history of any activities on the Hazardous Activities and Industry List (HAIL).

Whilst the above comments suggest environmental matters may or may not be an issue, the recipient of this report is advised that the Registered Valuer is not qualified to detect such substances, which in many cases are not visible, nor quantify the impact on values without an environmental report.

No responsibility is assumed for any such conditions and the recipient of this report is advised that the valuer is not qualified to detect such substances, quantify the impact on values or estimate the remedial cost.

---

### Assumptions

Environmental issues and substances such as asbestos, other chemicals, toxic waste or other potentially hazardous materials could, if present, adversely affect the value of the property. The stated value estimate is on the assumption that there is no material on or in the property that would cause loss in value. No responsibility is assumed for any such conditions and the recipient of this report is advised that the valuer is not qualified to detect such environmental issues or substances, quantify the impact on values or estimate the remedial cost.

---

## 5. Statutory Information

### 5.1 Resource Management

An overview of the main planning related controls over the subject property is outlined as follows:

Local Authority	Selwyn District Council
Planning Scheme	Selwyn District Plan
Zoning	Business 2 Zone
Objectives	The Business 2 Zone refers to Izone and IPort at Rolleston which comprise large industrial parks of high quality incorporating significant landscaped features encouraging industrial development and employment in the township. The Business 2 Zone provides for a wide range of industrial and business activities and the maximum building height is limited to 15.0 metres.
Permitted Activity	<p>In the Business 2 Zone Rolleston all of the following activities shall be controlled activities, irrespective of whether they comply with the conditions for permitted activities:</p> <ul style="list-style-type: none"> <li>(a) Meat processing</li> <li>(b) Cement manufacture</li> <li>(c) Hot mix, asphalt paving manufacture</li> <li>(d) Glass or fibreglass manufacture</li> <li>(e) Foundry processes, electroplating works, melting of metal, steel manufacture and galvanizing.</li> <li>(f) Natural gas, oil or petroleum distillation or refining</li> <li>(g) Manufacture of hardboard, chipboard or particle board</li> <li>(h) Timber treatment</li> <li>(i) Thermal power generation</li> <li>(j) Any other industry using the combustion of coal, wood or any other bio-mass for space heating or as a source of energy.</li> </ul>
Designations	Nil
General Comment	Given the modern construction, it is likely (and our valuation assumes), that improvements meet all current planning criteria with associated consent, and code compliance documentation has been obtained as and where appropriate.

## 5.2 Rating Valuation

Date of Assessment	1 September 2021
Land Value	\$ 370,000
Value of Improvements	\$1,310,000
Capital Value	\$1,680,000

We point out that rating valuations are carried out under statutory criteria and may not reflect market value at any point in time.

## 5.3 Building Warrant of Fitness

The Warrant of Fitness is current and displayed in the building.

Expiry date: 9 October 2022

## 6. Improvements

### 6.1 General Description

The modern industrial building was completed in 2014 and comprises a single level office and warehouse complex of simple design and conventional construction.



### 6.2 Construction and Building Services

A summary of the building construction and services is as follows:-

#### General Construction

Construction of the building comprises a concrete slab floor and foundation, precast concrete tilt slab wall panels to the sides and rear and a Colorsteel profiled metal wall to the front, all supporting a boxed steel portal roof frame sheathed with tray metal over white faced insulation over mesh. A good standard of natural lighting is provided by translucent skylight panels.

Side wall height within the warehouse measured to the underside of the portal knee is 7.50m and vehicular access is via a motorised roller shutter door.

Located within the building shell is a single level office and amenity block which is timber framed and externally sheathed with fibre cement panels with the interior walls and ceiling lined with plasterboard. Aluminium window joinery and external door access is provided to the office block.

Attached to the front of the warehouse and providing weather protection to the vehicular door entrance is a small cantilevered canopy sheathed with tray metal.

#### Building Services

The male and female toilets each contain a WC and hand basin and the accessible toilet contains a hand basin and shower. We note the WC has been removed from the accessible toilet.

Air-conditioning to the office and amenity block is provided by a wall mounted heat pump unit within the office component.

The entire building is provided with a mains pressure sprinkler fire protection system and artificial lighting in the warehouse is provided by a mix of T5 fluorescent fittings and LED fittings.

Carpet floor covering is provided to the office area with vinyl to the laboratory and service areas.

#### Specialised Improvements

A new power distribution board has been installed to serve the upgraded 1 megawatt power supply. At the same time a new warehouse ventilation system was also added in 2019. These improvements form part of a group of improvements forming part of the Specialised Improvements Rent discussed later in this report.

### 6.3 Accommodation

Accommodation within the office and amenity block provides an office or showroom area, laboratory, male, female and accessible toilets and an IT cupboard. The warehouse is of open plan configuration.

### 6.4 Other Improvements

A summary of the other improvements is as follows:-

<b>Carparks</b>	The property is provided with carparking capacity for approximately 15 vehicles.
<b>Site Works</b>	Located at the front of the site is an asphalt sealed carpark and yard area. Electrified security mesh fencing is provided to the boundaries of the yard.
<b>Landscaping</b>	There is a landscaped swale at the street frontage.

### 6.5 Floor Areas

The following is a summary of the rentable floor areas measured in accordance with the PCNZ/PINZ Guide for the Measurement of Rentable Areas for industrial premises:

Tenant/Tenancy	Component	GLA
<b>Pest Control Research LP</b>	Offices & Amenities	61.27 m <sup>2</sup>
	Warehouse	824.93 m <sup>2</sup>
	Canopy	14.00 m <sup>2</sup>
	<b>Total</b>	<b>900.20 m<sup>2</sup></b>

## 6.6 Building Condition and Repair

We are not aware of any notices currently issued against the property and we have made no enquiries in this regard. Expert opinion has not been sought in respect to the building structure or the plant and equipment, however our limited enquiries have not revealed any major defects. The improvements are considered to be in good condition.

Unless stated elsewhere in this report, we have assumed that the property complies with the appropriate statutory, building and fire safety regulations, and we have also assumed that there is no timber infestation, water penetration, asbestos or other defect and have made no investigations for them nor have we undertaken a structural survey or tested the building services.

## 6.7 Seismic

The building was constructed post-earthquakes and we assume it has a seismic rating of 100% NBS.

## 7. Tenancy Details

### 7.1 Overview

We have reviewed an executed Deed of Lease between West Coast Regional Council and Pest Control Research Limited Partnership together with a Lease Improvements Rental Agreement between West Coast Regional Council and Pest Control Research LP dated 17 June 2020.

### 7.2 Weighted Average Lease Duration

The weighted average lease duration at the date of valuation is 2.54 years.

### 7.3 Lease Summary

The following is a summary of the merged pertinent lease details:

Pest Control Research LP	
Premises	Office and warehouse building situated at 8 Centrum Lane, Rolleston being all that land comprised and described in Certificate of Title CB615761 being 1,598 square metres Lot 636 Deposited Plan 464084.
Carparks	15
Documentation	Auckland District Law Society Sixth Edition 2012 (4) format.
Tenant	Pest Control Research LP
Use	Undertaking research, development, manufacturing, storage and marketing of pest control products and services including but not limited to the manufacture of toxic and non-toxic bait used for animal pest control.
Lease Renewal Commencement	14 January 2020
Term	Five years
Expiry	13 January 2025
Option	Nil
Final Expiry	13 January 2025
Current Passing Rental (pa)	\$96,183 pa plus GST
Specialised Improvements Rental (pa)	\$51,067 pa plus GST
Review Structure	Two yearly at current market rent subject to a soft ratchet.
Outgoings	The tenant is responsible for all operating expenses associated with the property in terms of a standard ADLS Sixth Edition 2012 (4) lease.



**Schedule of Areas**

Clause 19 sets out the following rentable floor area summary:

<b>Rentable Floor Area Summary</b>	<b>sqm</b>
Offices & Amenities	61.27
Warehouse	824.93
Canopy	14.00
<b>Total Gross Floor Area</b>	<b>900.20 sqm</b>

**Specialised Improvements Rental**

The landlord funded specialised improvements to the building excluding the office block upgrade which is going to be paid for by the tenant, whenever this occurs.

The following is a summary of the specialised improvements:

<b>Specialised Improvements Summary</b>	
<b>Category</b>	<b>Cost</b>
Power Supply Upgrade	\$207,569
Security Lighting Upgrade	\$ 35,568
Security Fencing	\$ 35,198
Fire Sprinkler Upgrade	\$ 4,680
Ventilation Upgrade	\$ 91,768
<b>Total</b>	<b>\$374,783</b>

The Lease Improvements Rental Agreement sets out the terms and conditions of the Specialised Improvements Rental. The cost of the specialised improvements of \$374,783 is going to be recaptured over a 10 year period adopting an interest rate of 6.50% which equates to a fixed annual additional Specialised Improvements Rental of \$51,067 pa plus GST.

It is noted in the Lease Improvements Rental Agreement that the current lease of the premises expires on 13 January 2025. If the tenant does not continue as tenant of the property up until the expiry of the 10 year period for the Lease Improvements Rental then the tenant agrees to repay the unamortised portion of the lease improvements at the time the lease terminates. The calculated cost of the unamortised portion of the Lease Improvements Rental should the tenant not renew the lease for a further five year period is \$217,497 plus GST.

The tenant has the right to repay the balance of the unamortised improvements at any time without penalty during the 10 year repayment period in accordance with the calculation for the repayment amount which is attached to the agreement.

If the tenant repays the balance of the unamortised improvements at any time during the lease term then this will immediately impact on the market value of the property which takes into account the income from this source.

## 7.4 Outstanding Incentives

We understand that the property has no outstanding incentives, including rent free periods, abatement and / or capital contributions.

## 7.5 Arrears

We have assumed that collections with respect to rental and outgoings are generally up to date and that there are no material arrears.

## 8. Financial Details

### 8.1 Operating Expenses Summary

We have not been provided with a summary of operating expenses for the property. Operating expenses have been estimated at \$13,503 pa which equates to \$15.00 per sqm.

Based on our involvement with the valuation of industrial property, we can confirm that such operating expenses are not out of context with the wider market.

### 8.2 Capital Expenditure

Upon inspection the building was well presented, commensurate with its age. We did not note any items of deferred maintenance as such we have not allowed for any specific capital expenditure within our valuation however we have made provision for a general level of capital expenditure throughout the modelled cashflow in the form of a sinking fund allowance equivalent to 1.5% pa of rental income.

### 8.3 Contract Income

Our analysis of the passing net contract income is summarised as follows:

Tenant/ Components	GLA/ Cpks	Passing Rent \$/m <sup>2</sup>	Unrecovered Opex \$pa	Net Passing Rent \$/m <sup>2</sup>	Net Passing Rent \$pa
<b>Pest Control Research LP</b>					
Offices & Amenities	61.27 m <sup>2</sup>	\$180.00	\$11,029	-	\$180.00 \$11,029
Warehouse	824.93 m <sup>2</sup>	\$95.11	\$78,462	-	\$95.11 \$78,462
Canopy	14.00 m <sup>2</sup>	\$60.20	\$843	-	\$60.20 \$843
Carparks	15	\$7.50	\$5,850	-	\$7.50 \$5,850
<b>Total</b>	<b>900.20 m<sup>2</sup></b>		<b>\$96,183</b>		<b>\$96,183</b>

In addition there is a fixed Specialised Improvements Rent of \$51,067 pa plus GST payable until 30 June 2030.

## 9. Economic Overview

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In determining the market value of the subject property, we have had regard to underlying economic conditions and the flow-on implications that these may have on investment and divestment decisions made across the broader property markets. This commentary reflects the most recent monetary policy and inflation data as at the date of this report, based on the most recently sourced data from Government and independent sources.

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### COVID-19 (Coronavirus)

In mid-March 2020, the novel coronavirus was officially characterised as a global pandemic due to increased concern surrounding the inability to contain the spread of the virus. Since its outbreak, global trade, travel, business and consumer spending have been significantly curtailed. Throughout 2020, 2021 and now 2022, the New Zealand Government enforced numerous travel limitations and lockdown periods with restrictions implemented to reduce the risk of widespread community transmission.

On 26 January 2022 the Government announced a three phase Omicron response plan in order to manage the response to Omicron as the case numbers grow. On 24 February 2022 the country moved to the Phase 3 setting as cases reached a record number of over 6,000 cases in one day. The current Phase 3 setting requires most people to self-manage and isolate at home, allowing hospital beds to be kept free for those most vulnerable and those requiring medical treatment. Phase 3 also changes the definition of close contacts and increases the use of rapid antigen tests. This is an evolving and ongoing situation with the government regularly reviewing current settings.

The vaccine rollout programme in New Zealand is now available to those who are five years and older. As at 24 May 2022, 95.2% of New Zealand's eligible population over 12 years old have been fully vaccinated with a further 1.1% having received one dose. Those who have been fully vaccinated for at least three months and are over the age of 18 years are eligible to receive their vaccine booster, with 72.6% of the population now boosted.

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### Economic Stimulus Packages

On 17 March 2020, the Government announced an initial \$12.1 billion COVID-19 Economic Response Package, which was increased to \$17-\$18 billion. The package comprised wage subsidies, benefit and winter energy payments, business tax changes and additional health sector funding. Most notably within the business tax changes package was the reintroduction of commercial building depreciation deductions.

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### Government Housing Package

On 23 March 2021, the Government announced a housing package which includes the extension of the bright-line test to 10 years as well as the removal of the interest deductibility for future residential investors and phasing out on existing residential investments. Built-to-rent schemes and new build assets are exempt and will remain a 5-year Brightline test, and tax on interest can still be deducted. The intention is that this will encourage the development of quality new build stock.

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### Credit Contracts and Consumer Finance Act 2003 (CCCFA)

Major changes to the Credit Contracts and Consumer Finance Act 2003 (CCCFA) came into force from 1 December 2021. These changes will transform the regulation of consumer credit in New Zealand, substantially increasing the risks and compliance burden for retail lenders. Furthermore, it will also result in materially longer and more complex application processes across the spectrum, from personal loans to home loans and vehicle finance. This is more likely to impact the residential property market than the commercial sector in the first instance.

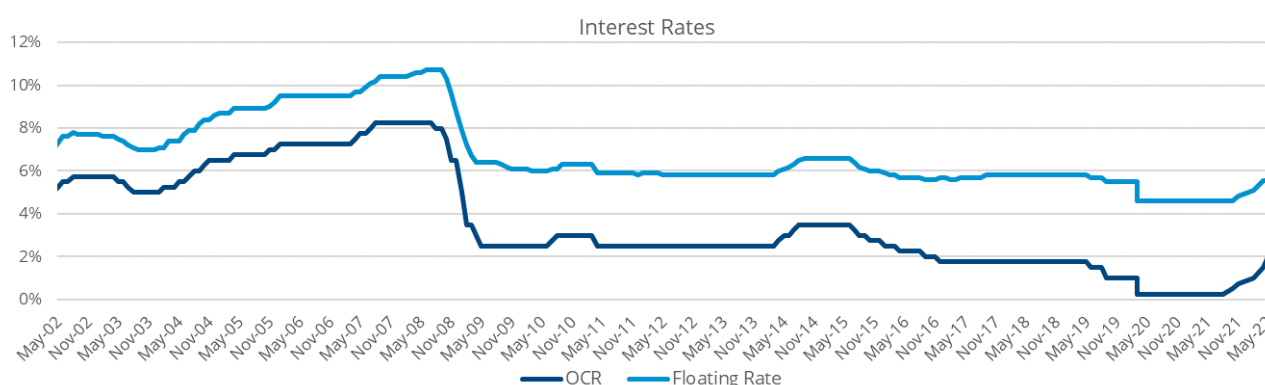
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## Interest Rates

The pandemic resulted in historic lows throughout New Zealand and the globe, with the Reserve Bank introducing programmes throughout 2020 to help inject money into the economy and reduce interest rates, examples being the Quantitative Easing Programme and the Funding for Lending Programme. On 23 February 2022 the Monetary Policy Committee agreed to commence the gradual reduction of the Reserve Bank's bond holdings under the Large Scale Asset Purchase (LSAP) programme through bond maturities and managed sales, with the intention of commencing bond sales in July.

For the first time in seven years the Official Cash Rate (OCR) increased by 0.25% up to 0.50% at the October 2021 Monetary Policy Review announcement. The OCR increased by a further 0.25% in both the November 2021 and February 2022 Monetary Policy Reviews and has now reached 2.0% with the two most recent increases being 0.50% on 13 April 2022 and 25 May 2022. The OCR had remained unchanged for 18 months post the initial monetary response to COVID-19 in New Zealand in the first half of 2020. As noted in recent announcements, moving the OCR to a more neutral stance sooner will reduce the risks of rising inflation expectations.

The reduction of monetary stimulus aims to support maximum sustainable employment and maintain low inflation. Overall, the local economy remains robust despite the continued impact from border restrictions, as per recent data.

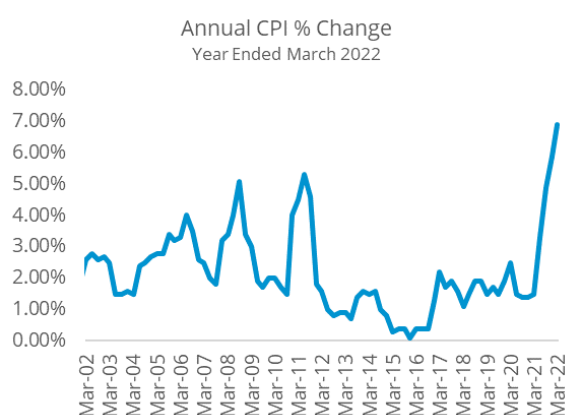


## Inflation / CPI

Quarterly CPI change for the March 2022 quarter increased by 1.8%. Annual CPI to March 2022 was 6.9%, which is over triple the Reserve Bank's target mid-point of 2.0% and the largest CPI increase in three decades. The main driver is understood to be the housing and household utilities group, influenced by rising prices for construction and rentals for housing.

Impacts of COVID-19 were initially viewed conservatively, but as conditions worsened through 2020 at a global level the real effects began to materialise. With the current global supply disruptions and resource constraints fuelling inflation, it is expected to increase further in the short-term before returning to the target mid-point of 2.0% over the next three years.

The question remains whether this is a short term phenomenon driven largely by Covid related supply chain disruption or whether this is instead a structural global inflation increase in the long term.



## GDP

Economic activity, as measured by GDP, increased by 3.0% in the December 2021 quarter, following a decrease of 3.7% in the September 2021 quarter. On an average annual basis, GDP increased by 5.6% over the year to December 2021. New Zealand was still impacted by COVID-19 in the December quarter, with supply chain interruptions still impacting both imports and exports.

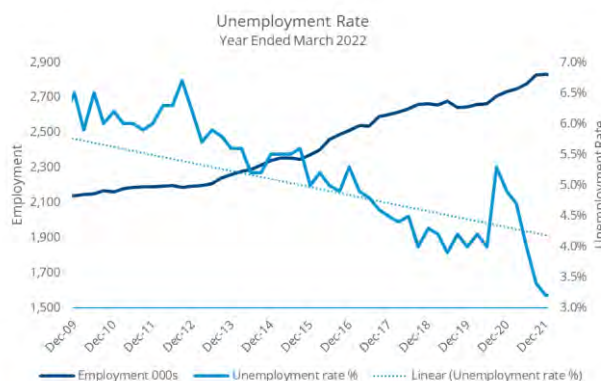
Service industries, which make up about two-thirds of the economy, rose by 2.5%. Goods producing industries, which make up approximately one-fifth of the economy, rose by 6.5%, and primary industries fell by 2.2%. Real gross national disposable income increased by 2.5%.



## Employment

Throughout 2020, the impacts of COVID-19 became more apparent and widespread through labour markets in New Zealand, reflecting uncertainty from employers as the prevalence of lockdowns and operational restriction continued. Numerous economic stimulus packages were, and continue to be, deployed by the Government to help businesses continue to operate and employ staff.

Early forecasting showed a lack of confidence and high levels of uncertainty. However, as New Zealand's response to the pandemic became more apparent and proven successful, these numbers began to be revised downward.

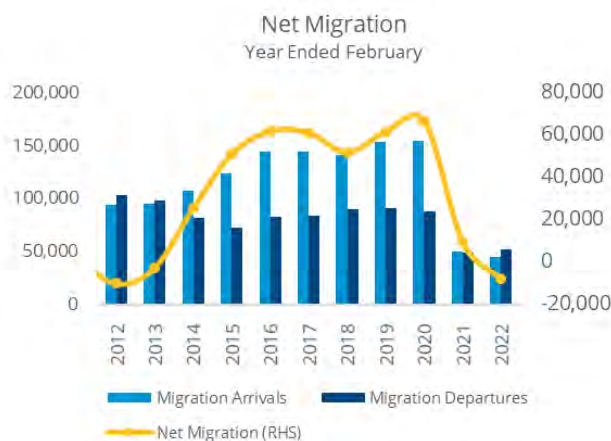


In the March 2022 quarter, the unemployment rate remained the same as in the December 2021 quarter at 3.2%, while the underutilisation rate increased slightly from 9.2% to 9.3%. However, further labour market constraints are forecast throughout 2022 and are unlikely to improve until a reasonable period of time passes post our borders fully re-opening.

## Population/Migration

Strong population growth has been a key factor towards stimulating the economy, with particular relevance to construction and retail spending.

Although tapering off towards the beginning of the previous decade, net migration data had shown a resurgence in growth, up until 2020 where the impact of COVID-19 was strongly felt. New Zealand saw an 11% year-on-year decrease in long-term migrant arrivals and an even larger decrease in estimated net migration with a 180% drop for the most recently reported 12 month period.





## Tourism

The travel and tourism industries have and continue to be significantly impacted by COVID-19, with the consequent border closures and travel restrictions over the past two years resulting in reductions in long-haul capacity from airlines across the globe. The adjoining graph reflects the impacts of this, with an annual change in overseas visitors entering New Zealand during the year ended February 2022 of -8%. The recent reopening of the international border in stages will look to, at least partially, offset revenue losses.

Through the initial lockdown period in early 2020, approximately 30% of all hotels temporarily closed, due to the low occupancy rates. While New Zealand's borders were closed and outbound travel restricted, pent up demand from the domestic market helped to offset a portion of the international demand in many regions. Nevertheless, the impact of COVID-19 saw hotel occupancy rates decline significantly in 2020, with all key regions recording historic lows.

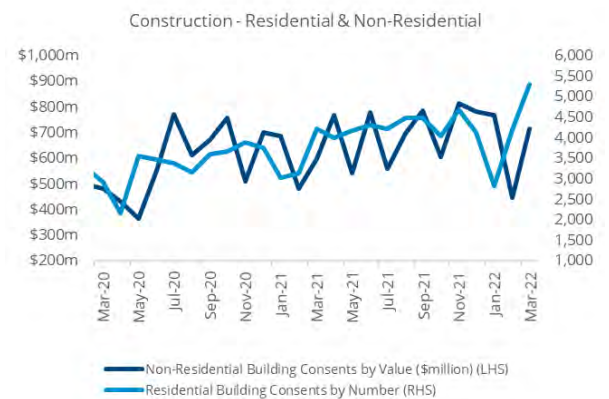
The Government announced a 5-step plan for a phased reopening of the international border, which commenced on 27 February 2022. On 1 May 2022, Step 3 of the plan commenced, allowing visa-waiver travellers and holders of a valid visitor visa to enter New Zealand. New Zealand's borders will reopen to all tourists and visa holders from 31 July 2022.



## Construction

In the year ended March 2022, the value of non-residential building consents had a year-on-year increase of 13.58%. An increase of approximately 24% was seen in the number of residential dwelling consents issued for the same 12-month period prior. The high number of residential consents in recent months reflects the strong and increasing demand in the residential building sector, particularly with consents being issued for higher-density housing.

A sharp turnaround in sentiment across the construction sector occurred towards the end of 2020, with the sector going from being the most pessimistic over the first half of the year to the most optimistic through the second half. This carried through to 2021 with further increases in business confidence with construction activity remaining robust, while cost and inflation pressures continue to intensify, however are expected to abate over the coming year.



## 10. Valuation Methodology

The usual approaches to the valuation of income producing real estate are the Capitalisation and Discounted Cashflow methods, and Direct Comparison. In this instance we restrict our analyses to:

<p><b>Capitalisation Method</b></p>	<p>A static valuation method that derives market value by capitalising current contract or market income through the application of a capitalisation rate (or yield). Adjustments can then be applied where necessary for variance in contract and market rents, vacancies, capital expenditure and other capital allowances.</p>
<p><b>Discounted Cashflow Method</b></p>	<p>A dynamic valuation method which requires the forecasting of income and outgoings over a pre-determined investment horizon. The cashflow forecasts include rental and other income, property outgoings, capital expenses and other offsets that are expected to be derived from the property. At final year of the cashflow, provision is made for a terminal value (hypothetical sale). The forecast net cashflow is then discounted to present value through the application of a discount rate (or IRR).</p>
<p><b>Direct Comparison Method</b></p>	<p>A broad-brush method which involves the assessment of value through the application of a capital value rate (per square metre) to the subject property's lettable floor area.</p>

Capitalisation and Discount Rates and Capital Value Rates are derived from analysis of comparable sale transactions and reflect factors that include (among other things): the quality of the location and improvements, the security of income and prospects of growth, the terms of applicable lease arrangements, risk of future vacancy and prospects for re-letting on expiry, potential future maintenance and/or refurbishment obligations, the prospect of capital gain and the attractiveness of the investment compared to other forms of investments available to prospective purchasers.

The following sections therefore consider:

- The main economic drivers of current occupier and investment markets.
- The current leasing market and rental transactions of comparable assets to determine the market rental and, where leases exist, consideration of the sustainability of current contract rents.
- The current investment market environment and recent sales transactions. Sales transactions are analysed to determine yields, internal rates of return (IRRs) and rates per square metre of lettable floor area as appropriate.
- The application of the above valuation methods to determine a range of market value indications for the subject and then reconciliation to conclude the market value.



# 11. Rental Analysis

## 11.1 Rental Market Commentary

Historically, the industrial rent market escalated markedly following the earthquake events, reaching a plateau at or around 2017/18. Over the 2019/20 period, the rental market softened marginally for secondary product and stabilised for new build and contemporary accommodation.

Investment yields materially reduced over the 2020/21 period. This had the initial effect of reducing the rental level required to achieve the new build feasibility threshold, as land values and construction costs had remained constant. Competition amongst developers remained and therefore completed developments did not require the same level of rent to achieve feasibility. Hence we witnessed a short term period of rent stagnation in this sector.

Over the 2021/2022 period, the above dynamic has changed markedly. There is now nominal vacancy of materiality across the industrial sector. There is a scarcity of titled vacant industrial land available for development outside of that controlled by several key developers, one of which offers lease only development options. As a consequence, land values have escalated significantly across the market including at Rolleston. Construction costs, as well publicised, have escalated markedly also. Yields reached a floor at or about 4.50%-4.75% for prime product in late 2021 and moving forward, market 'head winds' have placed these yield levels under some pressure.

By and large, the COVID-19 pandemic has not negatively impacted the industrial sector, in fact it has strengthened the demand for logistics warehousing in particular.

With the above variables combined, we are now witnessing early signs of rental growth however this is yet to flow through to a material volume of transactions confirming this sentiment. Pragmatically, a higher level of rent is required within development feasibilities than 12 months prior. There is reported good demand for new build accommodation with limited alternative occupancy choice. Higher rents in the new build market and limited vacancy of existing product should pragmatically flow through to some measure of rental movement for existing contemporary space also. We reasonably anticipate however lesser quality accommodation may remain more subdued.

The ongoing COVID-19 and economic environment remains challenging to interpret however. Overall, the industrial market appears in good health and we are cautiously optimistic it will continue to proceed with strength with rental growth now reasonably anticipated.

## 11.2 Rental Evidence

Rental evidence considered of relevance is summarised hereunder:

Property	Tenant	Effective Date	Rental Type	Annual Rent	Type	Area (sqm)	Rate (\$ per sqm)
274 Main South Road Hornby	X-Site Hire	Oct-22	NL	\$166,600	Offices & Amenities	101.0	\$220.00
					Warehouse	1,077.0	\$119.83
					Canopy	119.3	\$50.00
					Carparks	18	\$10.00

Property	Tenant	Effective Date	Rental Type	Annual Rent	Type	Area (sqm)	Rate (\$ per sqm)
32 Hammersmith Drive Wigram	Profile Group Limited	Sep-22	NL	\$434,195	Office & Amenities	304.0	\$180.00
					Warehouse	2,995.0	\$110.12
					Canopy	140.0	\$65.00
					Workshop	88.0	\$130.00
					Warehouse Office	17.0	\$140.00
					Mezzanine	88.0	\$50.00
17 Hammersmith Drive Wigram	NK Window Solutions Limited	Aug-22	NL	\$406,540	Office & Amenities	299.7	\$201.50
					Warehouse	2,997.4	\$108.37
					Carparks	41	\$10.00
40 Hammersmith Drive Wigram	Total Site Supplies	Aug-22	NL	\$213,846	Office - Front	173.0	\$180.00
					Office - Rear	27.2	\$150.00
					Warehouse	1,460.0	\$106.71
					Canopy	207.0	\$50.00
841 Jones Road Rolleston	New Zealand Food Network Limited	May-22	NL	\$72,000	Carparks	24	\$10.00
					Office and Amenities	40.0	\$225.00
Unit 2 & 4, 141 Hoskyns Road Rolleston	Probuild ITM	2022	NL	\$54,006	Warehouse	488.0	\$119.51
					Office and Amenities	33.8	\$180.00
					Carparks	9	\$10.00
Unit 1, 141 Hoskyns Road Rolleston	Jalmac Sales & Marketing Ltd	2022	NL - NER	\$36,170	Warehouse	489.1	\$95.88
					Office and Amenities / Showroom	135.7	\$180.00
					Carparks	3	\$10.00
1 Factory Drive Rolleston	Vinyl Cladding NZ Limited	2022	NL - NER	\$146,528	Warehouse	122.7	\$82.99
					Front Office and Amenities	101.5	\$190.00
					Rear Office and Amenities	30.0	\$170.00
					Front Warehouse	735.5	\$97.07
					Rear Warehouse	382.5	\$97.07
					Canopy	178.9	\$50.00
Unit 5, 141 Hoskyns Road Rolleston	Rolleston Engineering Supplies	2021	NL	\$75,646	Carparks	9	\$10.00
					Office and Amenities	101.2	\$197.84
					Retail / Warehouse	368.5	\$110.00
					Warehouse	114.5	\$110.00
Part 35 Hoskyns Road Rolleston	NZ Premium Petfoods Ltd	Dec-21	NL	\$159,607	Carparks	6	\$8.00
					Warehouse	1,105.0	\$100.00
					Canopy	417.1	\$45.00
					Yard	790	\$25.00
26B Illinois Drive Rolleston	Canterbury Bulk Freight Limited	Sep-21	ROR	\$47,384	Common Yard	847.0	\$12.50
					Office and Amenities	56.1	\$170.00
					Warehouse	307.8	\$97.83
					Mezzanine	56.1	\$45.00
80 Detroit Drive Rolleston	Degree 43 Hot Tubs Limited	Sep-21	NL	\$130,000	Carparks	10	\$10.00
					Office and Amenities	80.0	\$200.00
					Warehouse	1,135.0	\$88.61
					Canopy	125.0	\$45.00
12 Freight Drive Rolleston	Deno's Towing Service Limited	Aug-21	NL	\$94,000	Carparks	15	\$10.00
					Office and Amenities	111.0	\$200.00
					Warehouse	642.0	\$102.12
12 Westland Place Rolleston	Acedoor Systems Ltd	Aug-21	NL - NER	\$115,231	Carparks	12	\$10.00
					Office and Amenities	57.9	\$185.00
					Warehouse	1,106.1	\$87.10
12 Centrum Lane Rolleston	Two Palms Limited	Apr-21	NL	\$45,000	Carparks	21	\$7.50
					Office	76.0	\$224.21
					Warehouse	201.0	\$110.00
					Carparks	15	\$7.50

Modern industrial building rental transactions exhibit the following metrics:

- Office rates in Rolleston range \$170.0 - \$225.0 per sqm. Where lower, the accommodation is of more simple specification and fitout. Where higher, the accommodation is of superior quality implicit of good quality fitout, and potentially some profile influence.

- Warehouse rental rates in Rolleston range \$85.0 - \$120.0 per sqm. The higher rates relate to high stud new warehouse building components in sought after locations. The lower rates relate to inferior localities.
- Carparks in Rolleston are consistently analysed at between \$7.5 - \$10.0 per week per carpark.

### 11.3 Market Rent Conclusion

In determining the market rental for the premises we are mindful of the following salient variables (amongst others considered):

- Modern building of flexible design and modest size.
- Well-located in Izone which has the benefit of excellent road and rail access.

The suburban industrial rental market in Christchurch and Rolleston has strengthened over the last 12 months with rentals for good quality property increasing.

Overall reflecting the quality of the accommodation and location we have adopted a rate of \$190.0 per sqm for the offices and amenities, \$100.0 per sqm for the warehouse and \$60.0 per sqm for the canopy . Carparks have been assessed at \$7.50 per car per week.

Tenant/ Components	GLA/ Cpks	Passing Rent		Unrecovered Opex		Net Passing Rent		Net Market Rent		Overage/Shortfall	
		\$/m <sup>2</sup>	\$pa	\$/m <sup>2</sup>	\$pa	\$/m <sup>2</sup>	\$pa	\$/m <sup>2</sup>	\$pa	\$pa	%
<b>Pest Control Research LP</b>											
Offices & Amenities	61.27 m <sup>2</sup>	\$180.00	\$11,029	-	-	\$180.00	\$11,029	\$190.00	\$11,641	(\$613)	-5.6%
Warehouse	824.93 m <sup>2</sup>	\$95.11	\$78,462	-	-	\$95.11	\$78,462	\$100.00	\$82,493	(\$4,031)	-5.1%
Canopy	14.00 m <sup>2</sup>	\$60.20	\$843	-	-	\$60.20	\$843	\$60.00	\$840	\$3	0.3%
Carparks	15	\$7.50	\$5,850	-	-	\$7.50	\$5,850	\$7.50	\$5,850	-	-
<b>Total</b>	<b>900.20 m<sup>2</sup></b>		<b>\$96,183</b>		<b>-</b>		<b>\$96,183</b>		<b>\$100,824</b>	<b>(\$4,641)</b>	<b>-4.8%</b>

We have assessed a market rent of \$100,824 pa which is slightly higher than the existing contract rent of \$96,183 pa.

## 12. Investment Analysis

### 12.1 Investment Market Commentary

Before COVID-19, the investment market in the South Island's main centres had enjoyed notable strength. Contributing factors included a well-performing local economy, a lack of quality investment product, higher general yield benchmarks relative to North Island counterparts, a low relative interest rate environment and limited other viable passive options to consider.

In the wake of COVID-19, monetary stimulus and increased fiscal spending brought about a continuation of strength in commercial property markets, as the lower cost of capital increased the demand for stable cash flow from property investment.

Low borrowing costs relative to commercial property yields saw increasing activity across all purchaser segments, but particularly in the syndication sector, with a good proportion of prime assets transacted during the 2020/2021 period being acquired by this purchaser group. At the same time, the low borrowing costs relative to rent brought about increased interest in owner-occupation of premises, especially in the industrial sector. Demand for commercial property was at unprecedented highs through the post-COVID period.

Towards the end of 2021, prime yields had settled within the 4.50%–5.00% range and arguably marginally lower for particularly appealing assets. A yield range of 5.00% - 5.75% generally applied for sound propositions and a range of 6.00%-7.00% applied for assets with inferior fundamentals. Higher yields prevailed in some instances where weak investment variables apply and/or in more regional locations.

However, growing inflation pressures over 2021 brought about the start of monetary tightening and (in the residential property market) other Central Bank interventions. These factors, combined with geopolitical risks and ongoing supply chain disruption, appear to have caused a change in investor sentiment in 2022.

Since early 2022, the number of investment sales has reduced, particularly at higher price points. Accordingly, it is not entirely clear to us where current yield sentiment is; however, pragmatically, yields must now be under upwards pressure to match rising interest rates to other than cash buyers - based on our own observations and discussions with owners, investors and agents, we take the view that for most segments of the commercial property investment market, (possibly excluding assets at more affordable price points), investment returns have softened. Certainly, one of the main driving forces behind the 2020 and 2021 market buoyancy, the syndicates, have been forced to re-price based on interest rate increases. In summary, the market is now mostly beyond a cyclical peak, with gathering headwinds now evident:

- Historically high inflation and the required Central Bank response.
- Geopolitical issues, increasing volatility and feeding inflationary pressures.
- A cooling housing market reducing consumer/investor confidence.
- Increasing economist opinion of impending recession.

In conjunction with these market risks, we also observe relatively low nominal term deposit rates (and negative real rates), a lack of appeal in alternative, inflation-averse investment vehicles (bonds and equities), and, in Christchurch, growing expectation of rental growth in the industrial and CBD office sectors. These factors are likely to continue to support demand for appropriately-priced commercial property.

Many of the existing market risks and variables remain unknown and so there is currently heightened uncertainty in commercial property (and other capital markets). What we do know based on historic precedent is that during periods of cyclical market softening, prime property generally performs best, with secondary property generally more exposed to sentiment fluctuations and therefore subject to greater pricing volatility.

## 12.2 Sales Evidence

We have considered a range of sales evidence in recent quarters with the following summary in our opinion providing suitable benchmarks.

Property	Sale Date	Sale Price	WALD (Yrs)	Initial Yield	Equivalent Market Yield	IRR	Rate per sqm Lettable Area
30-32B Birmingham Drive PMP NZ Ltd Middleton	Jul-22	\$9,450,000	3.05	9.34%	<b>8.04%</b>	8.71%	\$1,072
2 Baigent Way Ulrich Machinery Company Middleton	May-22	\$2,300,000	4.82	5.22%	<b>5.22%</b>	6.04%	\$3,441
63 Pilkington Way Higgins Group Wigram	Apr-22	\$3,900,000	2.15	5.40%	<b>5.54%</b>	6.00%	\$3,156
9 John Morten Place Vacant Rolleston	Mar-22	\$3,500,000	Vac Poss.	-	<b>4.85%</b>	5.89%	\$2,190
35 Hickory Place Westland Dairy Company Hornby	Feb-22	\$20,000,000	6.00	4.75%	<b>4.75%</b>	5.59%	\$2,561
15 Container Drive Vacant Rolleston	Jan-22	\$2,700,000	Vac Poss.	-	<b>4.80%</b>	6.15%	\$2,021
16 Sir James Wattie Drive Brown Brothers Engineers Hornby	Nov-21	\$10,300,000	3.54	5.54%	<b>5.51%</b>	6.58%	\$2,568
2 Stoneleigh Drive Probuild ITM Izone, Rolleston	Oct-21	\$3,700,000	2.11	4.70%	<b>4.78%</b>	5.77%	\$2,864
9 Connaught Drive Vacant Hornby	Sep-21	\$4,000,000	Vac Poss.	-	<b>4.60%</b>	5.36%	\$2,294
12 Mountview Pl. & 12-14 Calgary Pl. Opzeeland Transport Hornby	Sep-21	\$14,550,000	6.00	5.70%	<b>5.62%</b>	6.77%	\$1,417
80 Shands Road Vacant Hornby	Sep-21	\$8,600,000	Vac. Poss.	-	<b>5.83%</b>	6.99%	\$1,655
89 Buchanans Road Fletcher Steel Hornby	Aug-21	\$11,000,000	6.54	4.82%	<b>5.00%</b>	5.98%	\$2,162
11 Establishment Drive Vacant Hornby	Aug-21	\$4,140,000	Vac Poss.	-	<b>4.69%</b>	5.61%	\$2,488
63 Hammersmith Drive Cubro Limited Wigram	Aug-21	\$2,585,000	1.00	5.14%	<b>4.48%</b>	5.18%	\$2,638
20 Westland Place Pegasus Engineering Rolleston	Jul-21	\$11,500,000	6.40	5.01%	<b>5.40%</b>	6.54%	\$2,203

Property	Sale Date	Sale Price	WALD (Yrs)	Initial Yield	Equivalent Market Yield	IRR	Rate per sqm Lettable Area
32 Link Drive Pack Tech Rolleston	Nov-20	\$7,700,000	9.75	5.39%	<b>5.29%</b>	6.08%	\$2,376

We have considered a range of sales evidence in recent quarters with the following summary in our opinion providing suitable benchmarks.

The schedule of sales evidence indicates yield levels for typically larger single tenant industrial assets of a prime nature falling in the range of primarily 4.50% – 5.60% with exceptions.

### 30 – 32B Birmingham Drive, Middleton PMP NZ Limited

Substantial office and printing factory building complex located on the northern side of Birmingham Drive in Middleton. The property at the date of sale had a relatively low WALD of 3.05 years with the tenant definitely not renewing at lease expiry. The property sold in July 2022 for \$9,450,000 reflecting an initial passing yield of 9.34% and an equivalent market yield of 8.04%.

### 2 Baigent Way, Middleton Ulrich Machinery Company

Modern office and warehouse building situated in a high profile position on the northern side of Baigent Way, at the intersection with Lunns Road in Middleton. The property at the date of sale had a WALD of 4.82 years. The property sold in May 2022 for \$2,300,000 reflecting an initial passing yield and an equivalent market yield of 5.22%.

### 63 Pilkington Way, Wigram Higgins Group Limited

Attractive modern industrial building complex comprising a two level office block at the front and a workshop attached at the rear together with a store building located in the yard situated on the south eastern side of Pilkington Way at the intersection with Vickerys Road in Wigram. The building configuration is unconventional with a high proportion of good quality office accommodation and a large sealed yard. The property at the date of sale had a WALD of 2.15 years. The property sold in April 2022 for \$3,900,000 reflecting an initial passing yield of 5.40% and an equivalent market yield of 5.54%.

### 9 John Morten Place, Rolleston Vacant Possession

New industrial building complex comprising a single level office block and a warehouse of steel clad construction situated at the end of John Morten Place in Rolleston. The property sold in March 2022 for \$3,500,000 reflecting an equivalent market yield of 4.85%.

### 35 Hickory Place, Hornby Westland Dairy Company

Substantial building complex comprising a part two level office and amenity block and an attached warehouse of conventional design and construction situated on the southern side of Hickory Place in Hornby. The building has a high proportion (19.6%) of office accommodation and was constructed in 2004. The property at the date

of sale had a WALD of 6.00 years. The property sold in December 2021 and confirmed in February 2022 for \$20,000,000 reflecting an initial passing yield and equivalent market yield of 4.75%.

### 15 Container Drive, Rolleston

#### Vacant Possession

Proposed office and warehouse building to be developed at 15 Container Drive in Iport, Rolleston, providing offices and amenities, 6.0m stud wide span warehouse complete with canopy and site development. The unleased property sold from plans in January 2022 for \$2,700,000. Analysis reflects an equivalent market yield of 4.80%.

### 16 Sir James Wattie Drive, Hornby

#### Brown Brothers Engineers

Purpose built heavy engineering building complex constructed in 2016/2017 located in a prominent position on the south western side of Sir James Wattie Drive in Hornby Quadrant, Hornby. The building incorporates heightened specification/utility for engineering uses including a heavy duty floor, significant electricity supply and 15T gantry crane. At the date of sale the property had a WALD of 3.54 years. The property sold in November 2021 for \$10,300,000 reflecting an initial passing yield of 5.54% and an equivalent market yield of 5.51%.

### 2 Stoneleigh Drive, Rolleston

#### Probuild ITM

Modern industrial building of lightweight steel clad construction situated in a high profile corner position at the intersection of Stoneleigh Drive and Hoskyns Road on the eastern edge of Izone at Rolleston. The property on the date of sale had a WALD of 2.11 years. The property sold in October 2021 for \$3,700,000 reflecting an initial passing yield of 4.70% and an equivalent market yield of 4.78%.

### 9 Connaught Drive, Hornby

#### Vacant Possession

Modern industrial property situated in a prominent corner position on the south western side of Connaught Drive, at the intersection with Quadrant Drive in Hornby. The building was developed in two parts over the mid-late 2000's, and offers two adjoining warehouse components with single level offices on a site that is fully secured by perimeter fencing. The property sold with vacant possession in September 2021 for \$4,000,000 which reflects an equivalent market yield of 4.60%.

### 12 Mountview Place & 12-14 Calgary Place, Hornby

#### Opzeeland Transport Limited

Substantial industrial warehouse building complex constructed in stages from 1976 through to 2004 consisting of two separate building components, situated on the southern side of Mountview Place, at the intersection with Edmonton Road, with frontage also to Calgary Place in Hornby. The property at the date of sale had a WALD of approximately 6.00 years. The property sold in September 2021 for \$14,550,000 which reflects a passing initial yield of 5.70% and an equivalent market yield of 5.62%.

### 80 Shands Road, Hornby

#### Vacant Possession

Mid-size office and warehouse building complex constructed in 2003 situated on the north western side of Shands Road, between Skerten Avenue and Halswell Junction Road in Hornby. The property sold in September 2021 for \$8,600,000 with vacant possession reflecting an equivalent market yield of 5.83%.



### 89 Buchanans Road, Hornby Fletcher Steel

Large modern industrial building situated on the southern side of Buchanans Road, between Racecourse and Carmen Roads in Hornby. The building is of conventional design and construction incorporating strengthened floor loading capacity and provides a two level office and amenity block, substantial warehouse which has a side wall height of 8.8m and capability to accommodate gantry crane and rail facilities. The property at the date of sale had a WALD of 6.54 years. The property sold at auction in August 2021 for \$11,000,000 reflecting an initial passing yield of 4.82% and an equivalent market yield of 5.00%.

### 20 Westland Place, Rolleston Pegasus Engineering

Large heavy duty warehouse building complex situated on the northern side of Westland Place in Izone, Rolleston. The building was constructed in 2012 and incorporates high stud warehousing with large power supply, well-appointed offices over two levels, drive around access and large sealed and concrete yard area. The property at the date of sale had a WALD of 6.40 years. The property sold in July 2021 for \$11,500,000 reflecting an initial passing yield of 5.01% and an equivalent market yield of 5.40%. The rental income is complicated by an Improvement Rent of \$58,000 pa which terminates at the end of the lease.

## 12.3 Sales Discussion

In considering the attributes of the subject and the wider market evidence we consider the subject property competes favourably.

There was considerable transactional activity in the Christchurch industrial investment market in 2021 with prime yields firmly within a narrow range of between 4.50% and 4.75% and arguably lower for exceptional assets.

As outlined earlier in this report there are a number of headwinds gathering and the market has in our opinion passed a cyclical peak. There are a number of unknown variables which potentially may impact on the investment market.

The sale of 35 Hickory Place, leased to Westland Dairy Company, which confirmed in February 2022, at a yield of 4.75% was surprising given the moderate WALD of 6.00 years and the somewhat specialised office/warehouse configuration, and the sale of 15 Container Drive in Rolleston in January 2022, comprising a vacant industrial building yet to be built at a yield of 4.80% confirm our view that in early 2022 the market remained positive.

We are of the opinion the market has now passed a cyclical peak and investor sentiment is less positive. One of the major drivers of the investment market in 2021 was the competition created by syndication groups. At current interest rate levels, a higher yield or capitalisation rate is now required by syndication groups to meet their investor return threshold.

There has been limited transactional evidence to categorically measure the extent of the market correction which has occurred since early 2022. We are of the opinion the capitalisation rates for high quality industrial property in the lower price bracket have extended out by up to 50 basis points from the market peak of at or around 4.50%. The margin movement is likely to be greater for lesser quality assets or those in the medium to upper price bracket.



## 13. Valuation Methods

### 13.1 Basis of Valuation

In undertaking the subject valuation we have applied the following accepted methods of valuation which are considered to be appropriate in concluding a market value for the subject property. Below is a brief outline of each method and how it is adopted:

### 13.2 Capitalisation Method

The central premise of this method is that the adopted capitalisation rate is derived from the yields indicated by sales of similar property investments. The yield derived from comparable sales evidence is purported to reflect any expectations of future growth in income and capital value.

The capitalisation of net income method has been undertaken by applying a yield to both the potential fully let passing net income (initial yield) and the potential market net income (market capitalisation). To the value derived, adjustments have been made for any relevant rental reversions including letting up allowances for vacant space, leasing fees, capital expenditure and other appropriate capital allowances.

### 13.3 Capitalisation Rate Conclusion

The price bracket for the subject property is very affordable and extremely competitive, although the WALD of 2.54 years is now modest. The tenant is highly likely to renew the lease for a further term following the expiry of the current term on 13 January 2025. Taking all factors into account, we are of the opinion an appropriate capitalisation rate to apply to the contract and market rent is 5.50%.

*Contract Capitalisation Rate:* 5.50%

*Market Capitalisation Rate:* 5.50%

To account for the Specialised Improvements Rent component we have calculated the present value of this rental income over the remaining 2.54 years and also the present value of the Penalty Payment payable by the tenant if the lease is not renewed for a further five year term from 14 January 2025.

Our Capitalisation of Income methods are detailed as follows:

Initial (Passing) Capitalisation Method		Reversionary (Market) Capitalisation Method	
<b>Current Passing Income</b>	<b>\$96,183</b>	<b>Current Market Income</b>	<b>\$100,824</b>
Add Recoverable Outgoings	\$13,503	Add Recoverable Outgoings	\$13,503
<b>Potential Gross Income (Fully Leased)</b>	<b>\$109,686</b>	<b>Total Gross Market Income</b>	<b>\$114,327</b>
<b>Net Income</b>	<b>\$96,183</b>	<b>Net Income</b>	<b>\$100,824</b>
<b>Initial (Passing) Capitalisation Rate</b>	<b>5.500%</b>	<b>Reversionary (Market) Capitalisation Rate</b>	<b>5.500%</b>
<b>Core Capital Value (fully leased)</b>	<b>\$1,748,782</b>	<b>Core Capital Value (fully leased)</b>	<b>\$1,833,169</b>
Core Capital Value (\$/m <sup>2</sup> )	\$1,943	Core Capital Value (\$/m <sup>2</sup> )	\$2,036
<b>Capital Value Adjustments</b>		<b>Capital Value Adjustments</b>	
Capital Value of Other Adjustments	\$305,264	Present Value of Rental Reversions	(\$9,956)
<b>Capital Expenditure</b>		Capital Value of Other Adjustments	\$305,264
Capital Sinking Fund Allowance	24 (\$3,194)	<b>Capital Expenditure</b>	
<b>Total Capital Value Adjustments</b>	<b>\$302,070</b>	Capital Sinking Fund Allowance	24 (\$3,194)
		<b>Total Capital Value Adjustments</b>	<b>\$292,114</b>
<b>Capitalised Value</b>	<b>\$2,050,852</b>	<b>Capitalised Value</b>	<b>\$2,125,284</b>
Capitalised Value (\$/m <sup>2</sup> )	\$2,278	Capitalised Value (\$/m <sup>2</sup> )	\$2,361
<b>Rounded Initial Capitalisation Value as at 30 June 2022</b>	<b>\$2,050,000</b>	<b>Rounded Reversionary Capitalisation Value as at 30 June 2022</b>	<b>\$2,130,000</b>
Rounded Capitalised Value (\$/m <sup>2</sup> )	\$2,277	Rounded Capitalised Value (\$/m <sup>2</sup> )	\$2,366

### 13.4 Discounted Cash Flow Method (DCF)

We have also analysed the property applying discounted cashflow analysis, adopting a 10 year cashflow time horizon and making appropriate allowances for rental income growth, leasing up allowances on expiries, along with a terminal value at the end of the time period. The resultant Net Present Value being a reflection of market based income and expenditure projections over the 10 year period.

The key assumptions adopted in the cashflow are as follows:

<b>Market Rental</b>	We have adopted market rental rates in our cashflow in line with our static valuation outlined in Section 11.2.
<b>Rental Growth</b>	We have considered the predictions around vacancy and supply going forward and have adopted growth rates as follows:
<b>Net Face Growth Profile</b>	
<b>Calendar Year</b>	2022    2023    2024    2025    2026    2027    2028    2029    2030    2031    2032
<b>Industrial</b>	2.25%    2.25%    2.00%    2.00%    2.00%    2.00%    2.00%    2.00%    2.00%    2.00%    2.00%
<b>Terminal Yield</b>	We have adopted a terminal capitalisation rate of 6.00%.
<b>Discount Rate</b>	We have adopted a discount rate of 6.75% derived from analysed sales.

### 13.5 Speculative Lease Assumptions

Unless specified otherwise within this report, the DCF valuation analysis assumes that all tenancies expire as at the respective lease expiry dates. Accordingly, our DCF valuation analysis does not assume the take up of the respective lease option periods (where applicable), which would generally comprise a variety of unique rental

review structures (including but not limited to effective market reviews and tenancy make good variations) that may not necessarily be reflective of current market lease terms.

Rather, our DCF valuation analysis assumes that post the respective lease expiry dates there will be period of rental void (downtime), subsequent to which a new lease (speculative lease) will commence on market terms. Despite this assumption, our DCF valuation analysis does adopt a retention probability profile for both the application of downtime and tenant incentives. However, these retention assumptions are on the basis of a new lease to the existing tenant(s) on new market terms only.

## 13.6 Discounted Cash Flow Summary

The cash flow summary is reflected as follows:-

Cash Flow Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	1-Jul-22	1-Jul-23	1-Jul-24	1-Jul-25	1-Jul-26	1-Jul-27	1-Jul-28	1-Jul-29	1-Jul-30	1-Jul-31
	30-Jun-23	30-Jun-24	30-Jun-25	30-Jun-26	30-Jun-27	30-Jun-28	30-Jun-29	30-Jun-30	30-Jun-31	30-Jun-32
<b>Total Base Passing Rent</b>	\$96,183	\$100,511	\$79,669	\$109,109	\$110,817	\$111,774	\$115,294	\$116,290	\$119,952	\$120,988
<b>Base Passing Rent</b>										
Secured Rent	\$96,183	\$100,511	\$56,431	-	-	-	-	-	-	-
Speculative Rent	-	-	\$23,238	\$109,109	\$110,817	\$111,774	\$115,294	\$116,290	\$119,952	\$120,988
<b>Base Passing Rent</b>	<b>\$96,183</b>	<b>\$100,511</b>	<b>\$79,669</b>	<b>\$109,109</b>	<b>\$110,817</b>	<b>\$111,774</b>	<b>\$115,294</b>	<b>\$116,290</b>	<b>\$119,952</b>	<b>\$120,988</b>
<b>Recoveries</b>										
Secured Recoveries	\$13,503	\$14,084	\$7,801	-	-	-	-	-	-	-
Speculative Recoveries	-	-	\$3,119	\$15,032	\$15,489	\$15,965	\$16,437	\$16,937	\$17,452	\$17,983
<b>Total Recoveries</b>	<b>\$13,503</b>	<b>\$14,084</b>	<b>\$10,921</b>	<b>\$15,032</b>	<b>\$15,489</b>	<b>\$15,965</b>	<b>\$16,437</b>	<b>\$16,937</b>	<b>\$17,452</b>	<b>\$17,983</b>
<b>Total Income</b>	<b>\$160,753</b>	<b>\$165,662</b>	<b>\$333,620</b>	<b>\$124,141</b>	<b>\$126,306</b>	<b>\$127,740</b>	<b>\$131,731</b>	<b>\$133,227</b>	<b>\$137,404</b>	<b>\$138,971</b>
<b>Outgoings</b>										
Outgoings	\$13,503	\$14,084	\$14,583	\$15,032	\$15,489	\$15,965	\$16,437	\$16,937	\$17,452	\$17,983
<b>Potential Net Income (fully leased)</b>	<b>\$147,250</b>	<b>\$151,578</b>	<b>\$319,037</b>	<b>\$109,109</b>	<b>\$110,817</b>	<b>\$111,774</b>	<b>\$115,294</b>	<b>\$116,290</b>	<b>\$119,952</b>	<b>\$120,988</b>
<b>Net Income</b>	<b>\$147,250</b>	<b>\$151,578</b>	<b>\$319,037</b>	<b>\$109,109</b>	<b>\$110,817</b>	<b>\$111,774</b>	<b>\$115,294</b>	<b>\$116,290</b>	<b>\$119,952</b>	<b>\$120,988</b>
<b>Allowances</b>										
Leasing Costs	-	-	\$9,055	-	-	-	-	-	-	-
<b>Allowances</b>	<b>-</b>	<b>-</b>	<b>\$9,055</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Income Before Capital Expenditure</b>	<b>\$147,250</b>	<b>\$151,578</b>	<b>\$309,981</b>	<b>\$109,109</b>	<b>\$110,817</b>	<b>\$111,774</b>	<b>\$115,294</b>	<b>\$116,290</b>	<b>\$119,952</b>	<b>\$120,988</b>
<b>Capital Expenditure</b>										
Sinking Fund	\$1,645	\$1,719	\$1,359	\$1,862	\$1,895	\$1,916	\$1,976	\$1,998	\$2,061	\$2,085
<b>Total Capital Expenditure</b>	<b>\$1,645</b>	<b>\$1,719</b>	<b>\$1,359</b>	<b>\$1,862</b>	<b>\$1,895</b>	<b>\$1,916</b>	<b>\$1,976</b>	<b>\$1,998</b>	<b>\$2,061</b>	<b>\$2,085</b>
<b>Net Income After Capital Expenditure</b>	<b>\$145,605</b>	<b>\$149,859</b>	<b>\$308,623</b>	<b>\$107,247</b>	<b>\$108,922</b>	<b>\$109,858</b>	<b>\$113,318</b>	<b>\$114,292</b>	<b>\$117,891</b>	<b>\$118,904</b>
<b>Terminal Valuation (Start Year 11)</b>										
Net Income										\$125,327
Terminal Capitalisation Rate										6.000%
Core Capital Value (fully leased)										\$2,088,791
Capital Value Adjustments										(\$50,019)
Capitalised Terminal Value										\$2,038,772
Disposal Costs 0.00%										-
<b>Net Sale Proceeds</b>										<b>\$2,038,772</b>
Terminal Value										\$2,038,772
Net Cashflow	\$145,605	\$149,859	\$308,623	\$107,247	\$108,922	\$109,858	\$113,318	\$114,292	\$117,891	\$2,157,676
<b>Adopted Value 6.75%</b>	<b>\$2,120,000</b>									

## 14. Valuation Conclusion

### 14.1 Valuation Summary

Our considered valuation conclusion is summarised as follows:-

Valuation Method	Valuation Figure
Reversionary (Market) Capitalisation Method	\$2,130,000
Initial (Passing) Capitalisation Method	\$2,050,000
Discounted Cash Flow Method	\$2,120,000
<b>Adopted Value</b>	<b>\$2,130,000</b>

We assign the following value to the subject property as at **30 June 2022** and subject to the existing lease, comments, terms, conditions and assumptions contained within and annexed to our report, in fee simple and assuming the property is free of encumbrances, restrictions or other impediments of an onerous nature which would affect value:

**\$2,130,000, plus GST (if any)**

**(TWO MILLION ONE HUNDRED AND THIRTY THOUSAND DOLLARS)**

Passing Initial Yield	5.27%
Equivalent Market Yield	5.50%
Internal Rate of Return (including capital expenditure)	6.69%
Direct Comparison	\$2,366/m <sup>2</sup> of NLA

## 15. Additional Requests

### 15.1 Hypothetical Land and Building Apportionment

The market value can be hypothetically apportioned between land and improvements as follows:

Building	\$1,570,000
Land	\$ 560,000

## 16. Assumptions & Limitations

Our valuation is subject to The Company's Statement of Valuation Qualifications and Conditions as follows:

### 1. Information

We have assumed that the instructions and subsequent information supplied contain a full and frank disclosure of all information that is relevant.

### 2. Inspection

We have not inspected the plant and equipment or obtained any advice on its condition or suitability.

We have inspected all readily accessible parts of the improvements considered necessary for the purposes of our valuation. We have not sighted a structural survey of the improvements, nor its plant and equipment, by a qualified engineer. The Valuer is not a building construction and/or structural expert, and is therefore unable to certify as to structural soundness of the improvements. We have been engaged to provide a valuation only and while due care was taken to note obvious building defects in the course of our inspection, we have not been engaged for any purpose other than the valuation and we are not able to advise on matters such as structural or site surveys or any other defects in the building. The valuer is not a building construction and/or structural expert, and is therefore unable to certify as to structural soundness of the improvements or detect any ingress of water, liquid, moisture or mould type substances or effects from these, other than to parts of the improvements readily accessible and visible. A prospective purchaser or mortgagee would need to make their own enquiries in this regard. We have not inspected unexposed or inaccessible portions of the premises. We therefore cannot comment on the structural integrity, defect, rot or infestation of the improvements.

### 3. Title

We have assumed that there are no easements, rights of way or encroachments except those shown on the Record of Title or noted in the valuation.

A current survey has not been sighted. The valuation is made on the basis that there are no encroachments by or upon the property and this should be confirmed by a current survey or report and/or advice from a Registered Surveyor. If any encroachments are noted by the survey report we reserve the right to review our valuation.

Other than the Record of Title and its details outlined in section three, we are not aware of any notices currently issued against the property and we have made no enquiries in this regard.

### 4. DCF

We assume there will be no major economic downturn during the cashflow projection period, beyond that envisaged at the date of valuation.

We assume the property is managed in a prudent and professional manner.

We assume there will be no new taxes or rates introduced which have a direct impact on the property over the projected period.

## 17. Compliance Statement

This valuation has been performed in accordance with the International Valuation Standards (IVS) and we confirm that;

- The statements of fact presented in this report are correct to the best of the Valuer's knowledge;
- The analysis and conclusions are limited only by the reported assumptions and conditions;
- The Valuer has no interest in the subject property;
- The Valuer's fee is not contingent upon any aspect of this report;
- The valuation has been performed in accordance with the NZIV Code of Ethics and performance standards;
- The Valuer has satisfied professional education requirements;
- The Valuer has experience in the location and category of the property being valued;
- The signatory to this report has made a personal inspection of the property and
- No one, except those specified in the report has provided professional assistance in preparing the report.
- The principal valuer is a Registered Valuer in accordance with the Valuers Act 1948 and holds an Annual Practising Certificate.
- Further, we also confirm that we are not aware of any conflicts of interest or pecuniary interests of the property being valued on the part of either Colliers International Valuation (ChCh) Limited or the valuer. If any potential conflicts have arisen during the instruction of this valuation we have cleared them as per the details provided in Section 18.

## 18. Report Reliance & Company Qualifications

Our valuation is subject to The Company's Statement of Valuation Qualifications and Conditions as follows:

1. In accordance with PINZ Guidance Notes, unless otherwise stated, all non-residential valuations are on the basis of plus GST (if any). Valuations of residential property are stated as including GST (if any). We have attempted to ascertain whether the sales evidence and/or leasing evidence is inclusive or exclusive of Goods and Services Tax (GST). The national database of sales evidence does not identify whether or not GST is included in a sale price. If we have not been able to verify GST, we have assumed residential property sales are inclusive of GST (if any), and plus GST (if any) for non-residential properties. If this proves to not be the case for any evidence, we reserve the right to reconsider our valuation.
2. Where it is stated in the report that information has been supplied to us by another party, this information is believed to be reliable but we can accept no responsibility if this should prove not to be so. Where information is given without being attributed directly to another party, this information has been obtained by our search of records and examination of documents or by enquiry from Government or other appropriate sources.
3. We have been engaged to provide a valuation only and while due care was taken to note obvious building defects in the course of our inspection, we have not been engaged for any purpose other than the valuation and we are not able to advise on matters such as structural or site surveys or any other defects in the building.
4. In preparing the valuation it has been assumed that all lifts, hot and cold water systems, electrical systems, ventilating systems and other devices, fittings, installations or conveniences in the building are in proper working order and functioning for the purposes of Government regulations and codes. We will not include in our valuation those fixtures and fittings owned and able to be removed by the tenant(s).
5. Where applicable, our valuation includes those items which form part of the building including special wall and floor finishes, toilet amenities, integrated heating and ventilation equipment, external lighting and all site works including landscaping.
6. In preparing the valuation and/or providing valuation services, it has been assumed that a full and frank disclosure of all relevant information has been made.
7. We do not hold ourselves out to be experts in environmental contamination. Unless otherwise stated our inspection of the site did not reveal any contamination or pollution affectation, and our valuation has been prepared on the assumption that the land is not contaminated and has not been affected by pollutants of any kind. We would recommend that this matter be checked by a suitably qualified environmental consultant. Should subsequent investigation show that the site is contaminated, our valuation may require revision.
8. In preparing the valuation, we have relied on copies of the Record of Title and the leases provided/and or searched. It has been assumed that these are accurate copies of the original documents and that no dealings or changes have occurred since the date such photocopies were made.



9. This valuation and all valuation services are provided by us solely for the use of our client. We do not assume any responsibility to any person other than the client for any reason whatsoever by reason of or arising out of the provision of this valuation.
10. This report is relevant as at the date of preparation and to circumstances prevailing at the time. However, within a rapidly changing economic environment experiencing fluctuations in interest rates, availability of finance, insurance, rents, building expenditure and returns on investments, values can be susceptible to variation over a relatively short time scale. We therefore strongly recommend that before any action is taken involving acquisition, disposal, mortgage advance, shareholding restructure or other transaction, that you consult further with us.
11. [Confidentiality and Disclaimer of Liability](#)

Our valuation and report is strictly confidential to the party to whom it is addressed and is prepared solely for the specific purpose to which it refers. No responsibility whatever is accepted for reliance on the valuation report for other purposes. Further, no responsibility whatever is accepted to persons other than the party to whom the valuation and report is addressed for any errors or omissions whether of fact or opinion.
12. Neither the whole nor any part of this valuation and/or report or any reference to it may be included in any published document, circular, or statement without our written approval.
13. [PINZ: Valuation Standards & Guidance Notes](#)

All valuations are carried out in accordance with the Valuation Standards and Guidance Notes recommended by the Property Institute of New Zealand.
14. Please note that personnel in this firm will or may have stocks, shares or other interests in entities that directly or indirectly hold properties which are the subject of this valuation and/or may have direct or indirect personal relationships with third parties with interests in these same entities. The Company's valuers are required to abide by an industry standard disclosure regime and The Company's internal policies with respect to conflicts of interest, and will disclose any material conflict of interest that arises in its capacity as Valuer concerning the property which is the subject of this valuation.
15. [Valuation Basis](#)

Unless otherwise stated no allowances are made in our valuations for any expenses of realisation, or to reflect the balance of any outstanding mortgages either in respect of capital or interest accrued.
16. [Currency](#)

Unless otherwise stated all figures including the valuation contained within this report are expressed in New Zealand Dollars (NZD).

We trust that this report is suitable for current purposes. If you have any questions, please contact the writer directly.

For and on behalf of:  
**CVAS (CHC) Limited trading as Colliers**



**Gary Sellars** FNZIV FFINZ  
Director  
Registered Valuer  
M: +64 21 631 321  
E: [gary.sellars@colliers.com](mailto:gary.sellars@colliers.com)

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Inspection of Property	Gary Sellars
Valuation Calculations	Gary Sellars
Authoring of Report	Gary Sellars

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**Contact Details:** Colliers Valuation  
Level 2, Anthony Harper Tower  
62 Worcester Boulevard  
PO Box 13478  
Christchurch 8013  
Phone No. (03) 379-6280

Appendix A  
Record of Title





**RECORD OF TITLE  
UNDER LAND TRANSFER ACT 2017  
FREEHOLD  
Search Copy**



  
R.W. Muir  
Registrar-General  
of Land

**Identifier** 615761  
**Land Registration District** Canterbury  
**Date Issued** 17 May 2013

**Prior References**  
601867

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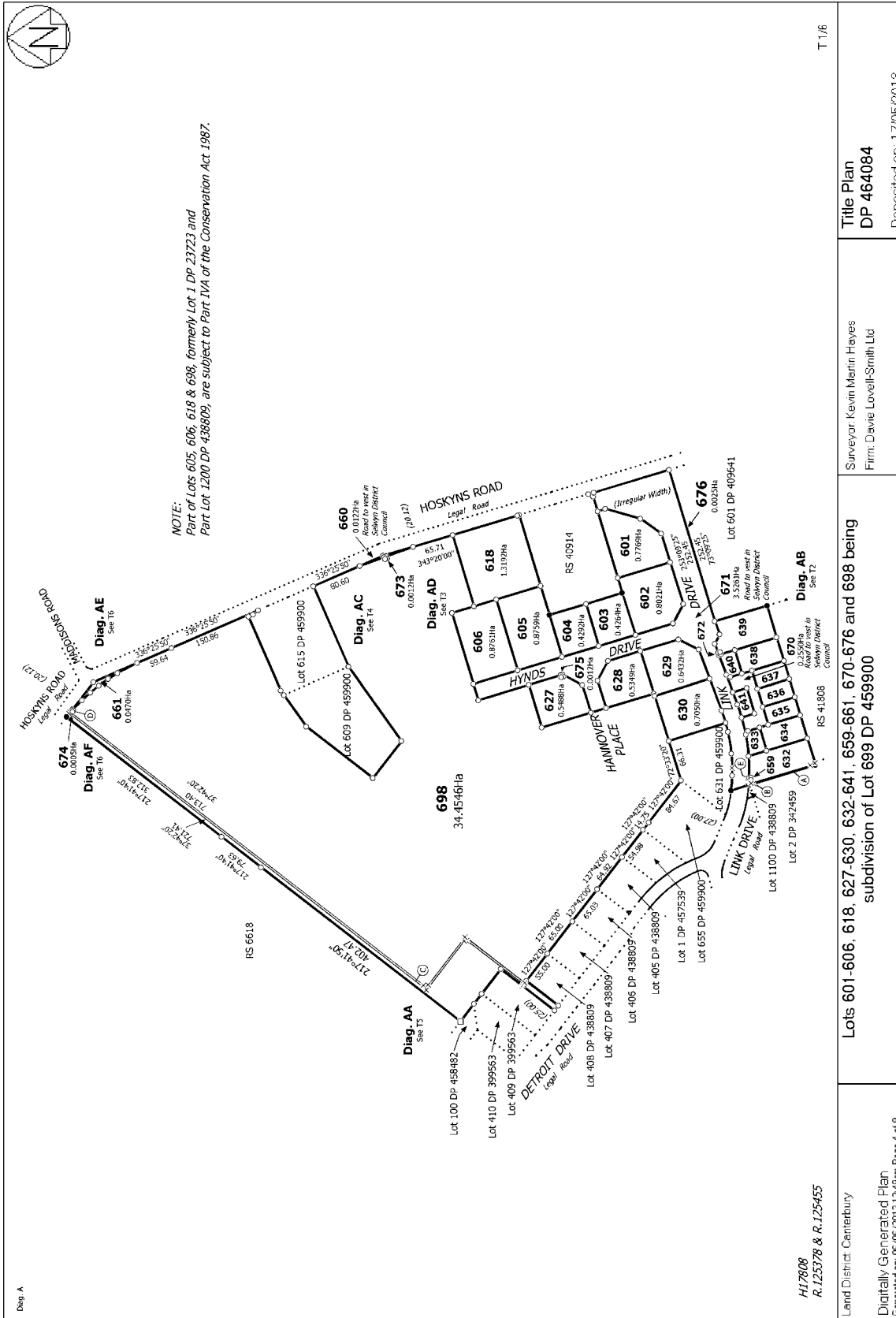
**Estate** Fee Simple  
**Area** 1598 square metres more or less  
**Legal Description** Lot 636 Deposited Plan 464084

**Registered Owners**  
West Coast Regional Council

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**Interests**

Land Covenant in Easement Instrument 9327598.1 - 1.3.2013 at 8:09 am  
11429665.1 CAVEAT BY ORION NEW ZEALAND LIMITED - 6.5.2019 at 10:16 am



H17808  
R.125378 & R.125455

Land District: Canterbury  
Digitally Generated Plan  
Generated on: 16/06/2013 12:43pm Page 4 of 9

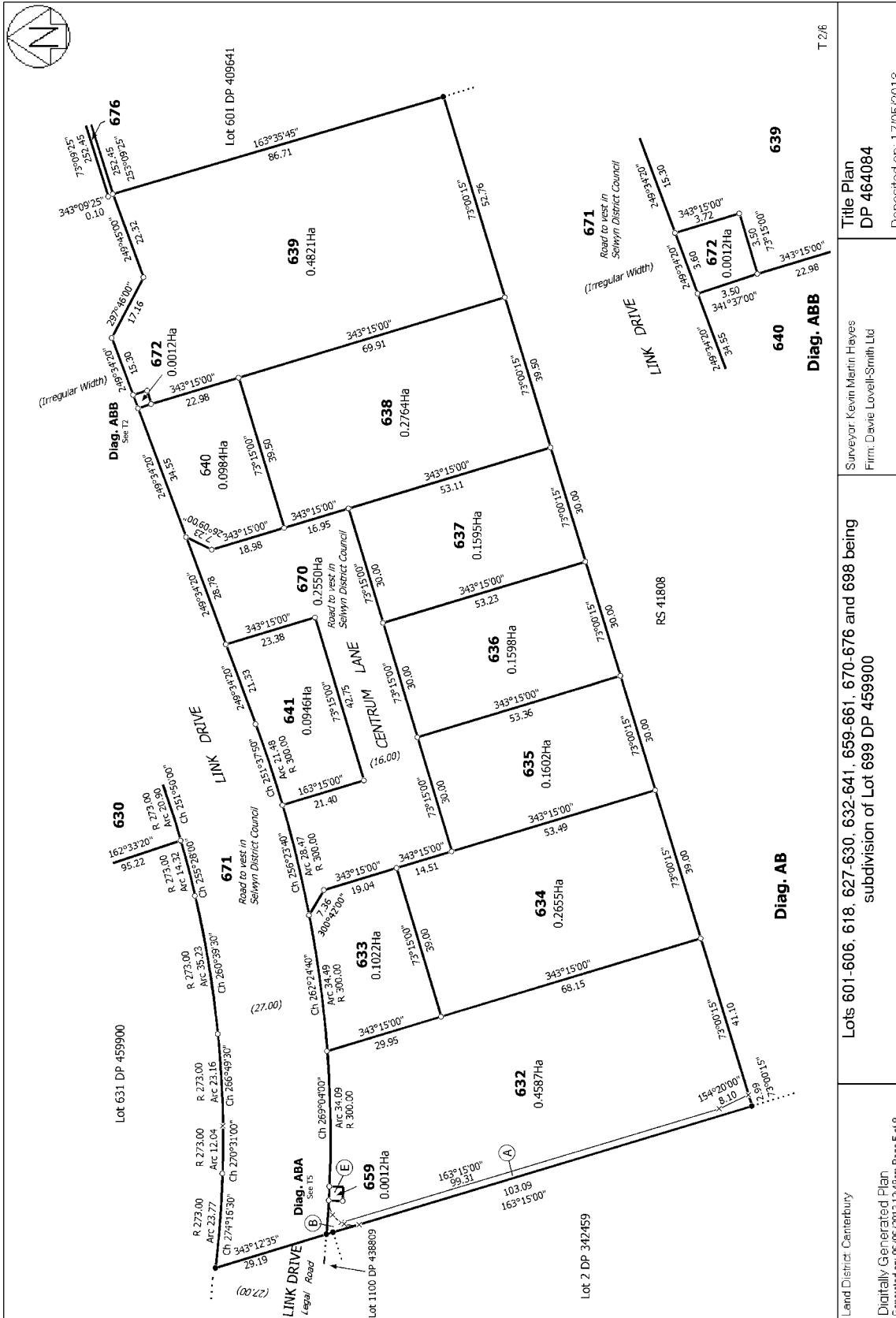
Lots 601-606, 618, 627-630, 632-641, 659-661, 670-676 and 698 being  
subdivision of Lot 699 DP 459900

Title Plan  
DP 464084

Surveyor: Kevin Martin Hayes  
Firm: Davie Lovell-Smith Ltd

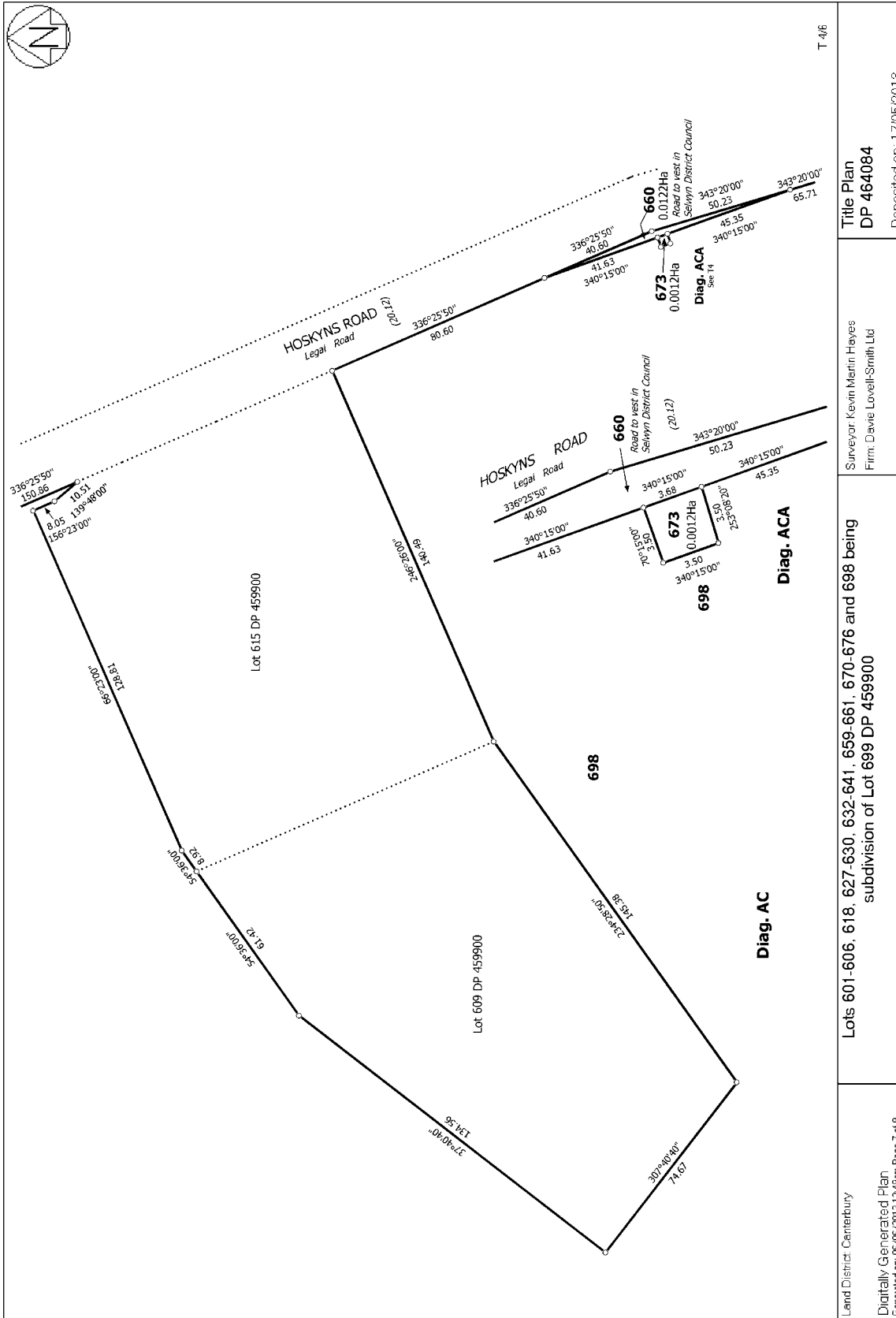
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Deposited on: 17/05/2013



Land District: Canterbury	Title Plan DP 464084
Digitally Generated Plan Generated on: 16/06/2013 12:45pm Page 5 of 9	Surveyor: Kevin Martin Hayes Firm: Davie Lovell-Smith Ltd
Lots 601-606, 618, 627-630, 632-641, 659-661, 670-676 and 698 being subdivision of Lot 699 DP 459900	
Diag. ABB	
Diag. ABB	
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T 4/6

Land District: Canterbury  
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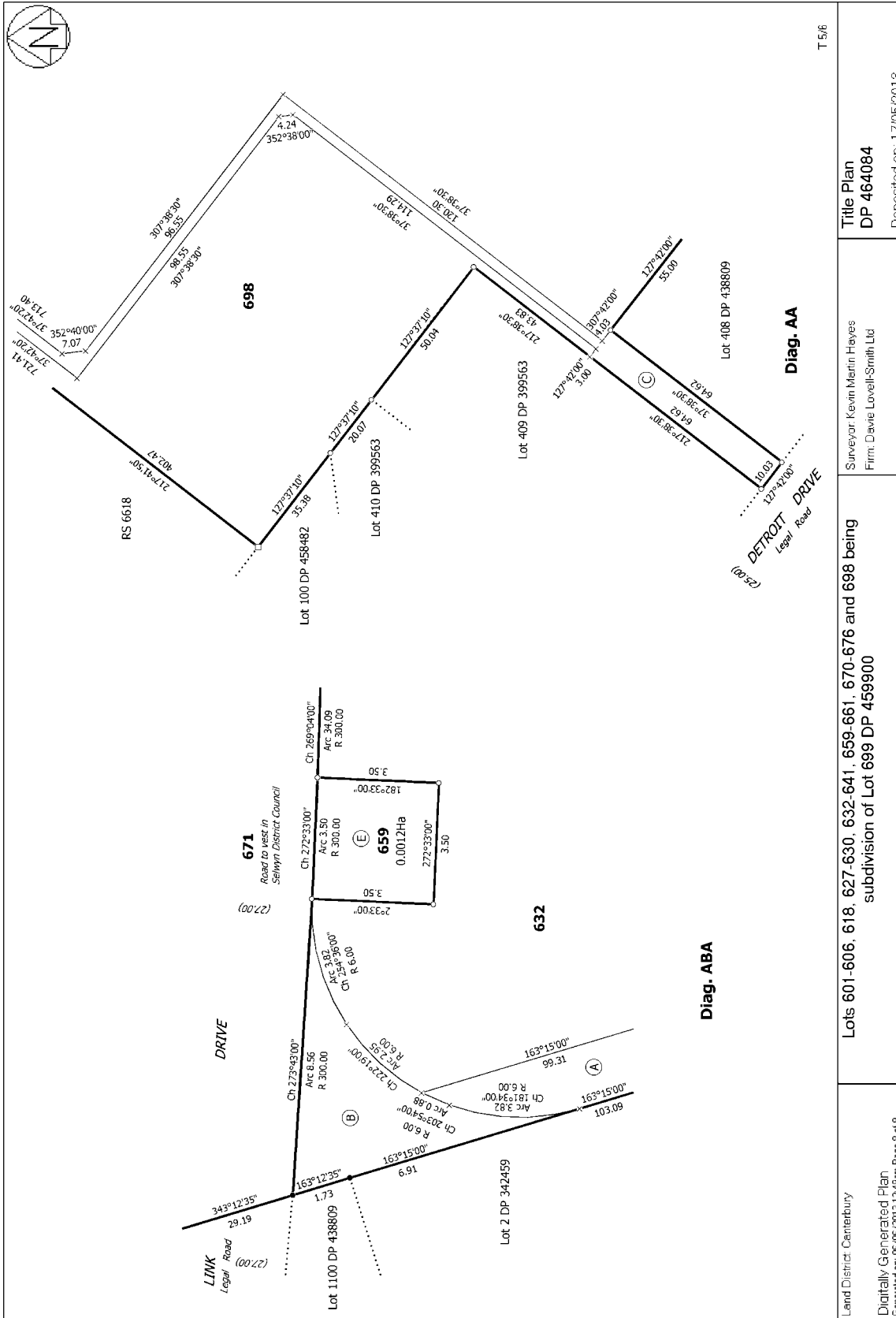
Surveyor: Kevin Martin Hayes  
 Firm: Davie Lovell-Smith Ltd

Title Plan  
 DP 464084

Lots 601-606, 618, 627-630, 632-641, 659-661, 670-676 and 698 being  
 subdivision of Lot 699 DP 459900

Deposited on: 17/05/2013





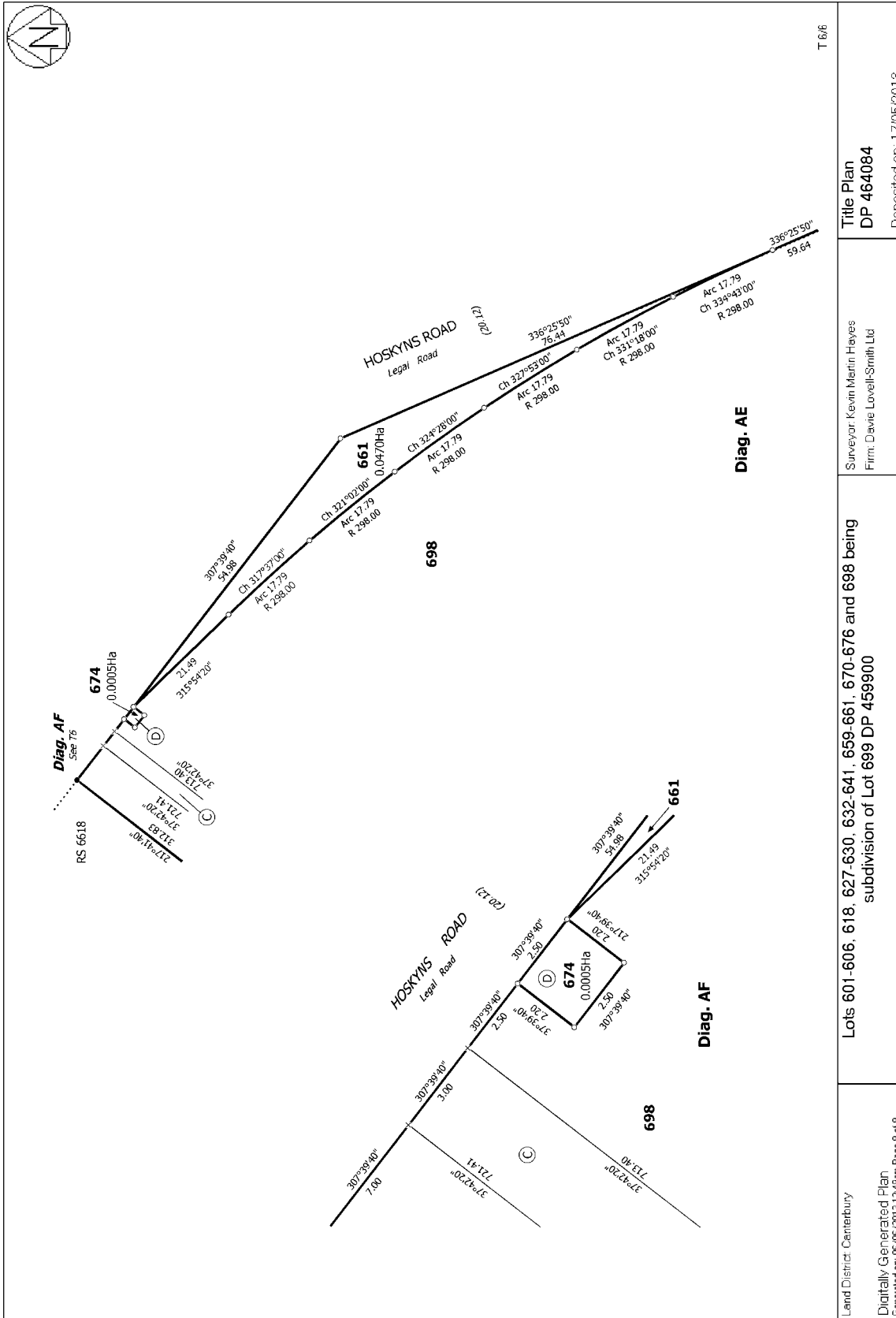
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**Title Plan**  
**DP 464084**  
 Deposited on: 17/05/2013

Surveyor: Kevin Martin Hayes  
 Firm: Davie Lovell-Smith Ltd

**Lots 601-606, 618, 627-630, 632-641, 659-661, 670-676 and 698 being**  
**subdivision of Lot 699 DP 459900**

Land District: Canterbury  
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Land District: Canterbury  
 Digitally Generated Plan  
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Lots 601-606, 618, 627-630, 632-641, 659-661, 670-676 and 698 being  
 subdivision of Lot 699 DP 459900

Surveyor: Kevin Martin Hayes  
 Firm: Davie Lovell-Smith Ltd

Title Plan  
 DP 464084  
 Deposited on: 17/05/2013

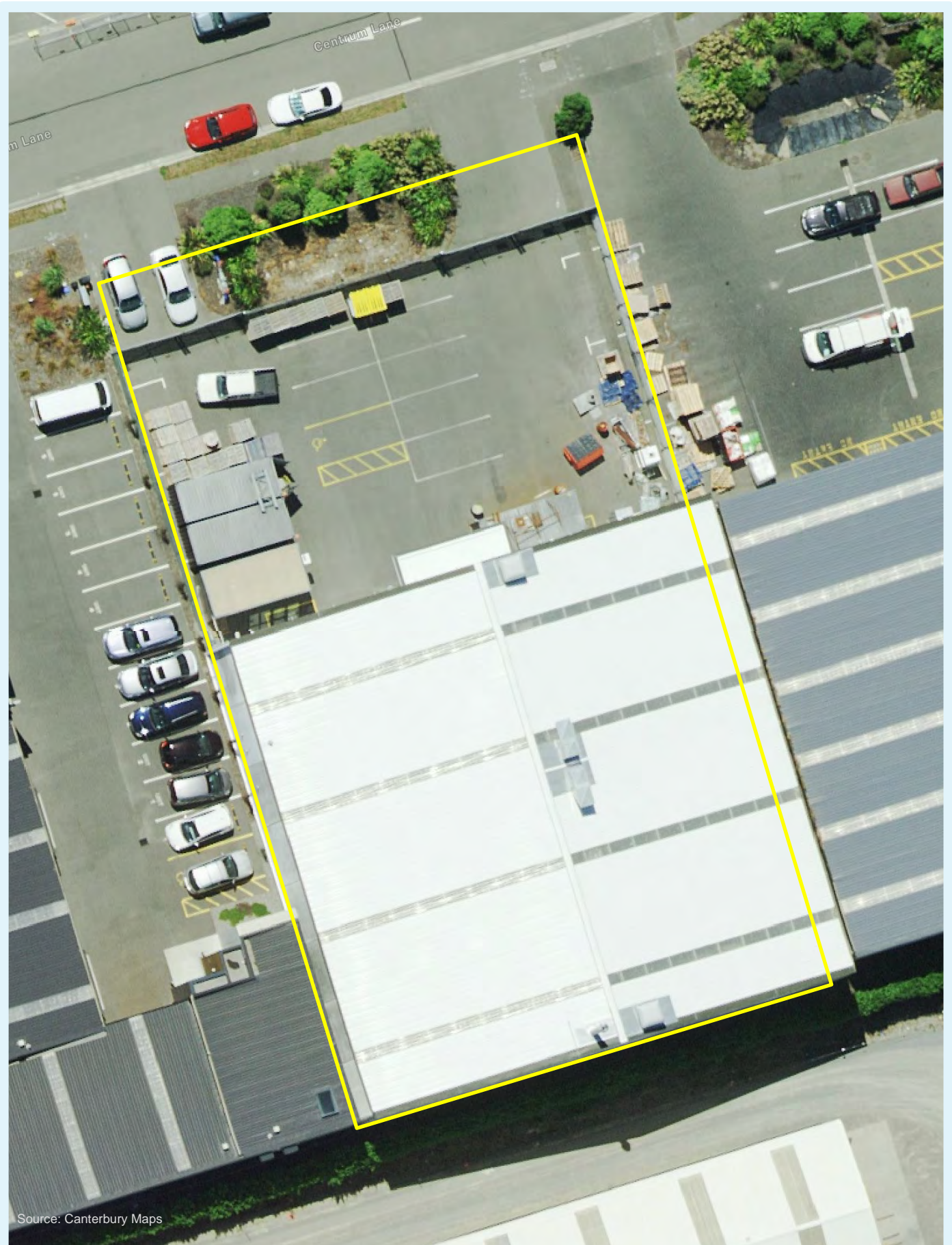


Appendix B  
Photographs



Colliers





Source: Canterbury Maps





**THE WEST COAST REGIONAL COUNCIL**

To: Chair, Risk and Assurance Committee

I move that the public be excluded from the following parts of the proceedings of this meeting, namely, -

- Items 10.1 – 10.5 (inclusive)

<b>Item No.</b>	<b>General Subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under section 7 of LGOIMA for the passing of this resolution</b>
10.1	Confirmation of Confidential Minutes – R&A C meeting 28 July 2022	The item contains information relating to commercial, privacy and security matters	To protect commercial and private information and to prevent disclosure of information for improper gain or advantage (s 7(2)(a), s7(2)(b) and s7(2)(j)).
10.2	Health & Safety report	The item contains information relating to privacy and security matters	To protect private information and to prevent disclosure of information for improper gain or advantage (s 7(2)(a) and 7(2)(j)).
10.3	Cyber Security Report	The item contains information relating to security matters	To prevent disclosure of information for improper gain or advantage (s 7(2)(j)).
10.4	Working Capital	The item contains information relating to commercial matters	To protect commercial information (s 7(2)(b)).
10.5	Regional Software Holdings Ltd appointments	The item contains information relating to commercial matters	To protect commercial information (s 7(2)(b)).

I also move that:

- Heather Mabin, Kim Hibbs, Blair Keily, and Marc Ferguson be permitted to remain at this meeting after the public has been excluded, because of their knowledge on these subjects. This knowledge will be of assistance in relation to the matter to be discussed; and
- The Minutes Clerk also be permitted to remain at the meeting.