
Monday, 27 July 2020

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council

Risk and Assurance Committee Meeting

Kaupapataka

Open Agenda

Te Rā Hui:
Meeting date: **Monday, 27 July 2020**

Te Wā:
Time: **2.30pm**

Te Wāhi:
Venue: **Landmarks Room
Ground Floor
Civic Administration Building
Lyndon Road East
Hastings**

Te Hoapā:
Contact: **Democracy and Governance services
P: 06 871 5000 | E: democracy@hdc.govt.nz**

Te Āpiha Matua:
Responsible
Officer: **Group Manager: Corporate - Bruce Allan**

Risk and Assurance Committee – Terms of Reference

Fields of Activity

The Risk and Assurance Committee is responsible for assisting Council in its general overview of financial management, risk management and internal control systems that provide;

- Effective management of potential risks, opportunities and adverse effects.
- Reasonable assurance as to the integrity and reliability of the financial reporting of Council.
- Monitoring of Council's requirements under the Treasury Policy.
- Monitoring of Council's Strategic Risk Framework.

Membership

- Membership (7 including 4 Councillors).
- Independent Chair appointed by Council.
- Deputy Chair appointed by Council.
- 2 external independent members appointed by Council.
- 1 representative from Heretaunga Takoto Noa Maori Standing Committee.

Quorum – 4 members

Delegated Powers

Authority to consider and make recommendations on all matters detailed in the Fields of Activity and such other matters referred to it by Council.

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Hastings District Council

Risk and Assurance Committee Meeting

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Mematanga:
Membership:

Koromatua

Chair: Jon Nichols – External Independent Appointee

Nga Kai Kaunihera

Councillors: Simon Nixon (Deputy Chair), Alwyn Corban, Tania Kerr, and Geraldine Travers

Robin Hape - Heretaunga Takoto Noa Māori Standing Committee appointee

Vacancy –External Independent appointed member

Mayor Sandra Hazlehurst (ex-officio)

Tokamatua:

Quorum: 4 members

Kaihokoe mo te Apiha

Officer Responsible: Group Manager: Corporate – Bruce Allan

Te Rōpū Manapori me te Kāwanatanga

Democracy & Governance Services: Christine Hilton (Extn 5633)

Te Rārangi Take

Order of Business

Apologies & Leave of Absence – Ngā Whakapāhatanga me te Wehenga ā-Hui

- 1.0** An apology from Mr Hape has been received.
 At the close of the agenda no requests for leave of absence had been received.

2.0 Conflict of Interest – He Ngākau Kōnatunatu

Members need to be vigilant to stand aside from decision-making when a conflict arises between their role as a Member of the Council and any private or other external interest they might have. This note is provided as a reminder to Members to scan the agenda and assess their own private interests and identify where they may have a pecuniary or other conflict of interest, or where there may be perceptions of conflict of interest.

If a Member feels they do have a conflict of interest, they should publicly declare that at the start of the relevant item of business and withdraw from participating in the meeting. If a Member thinks they may have a conflict of interest, they can seek advice from the General Counsel or the Manager: Democracy and Governance (preferably before the meeting).

It is noted that while Members can seek advice and discuss these matters, the final decision as to whether a conflict exists rests with the member.

Confirmation of Minutes – Te Whakamana i Ngā Minitī

- 3.0** Minutes of the Risk and Assurance Committee Meeting held Monday 4 May 2020.
(Previously circulated)

4.0 2020/21 Insurance Renewal Programme 7

5.0 Health & Safety Risk Management Update Report 13

6.0 Annual Report 2020 Update 19

7.0 Group Manager: Corporate - Update 21

8.0 Minor Items – *Ngā Take Iti*

9.0 Urgent Items – *Ngā Take Whakahihiri*

Monday, 27 July 2020

Te Hui o Te Kaunihera ā-Rohe o Heretaunga
**Hastings District Council: Risk and Assurance
Committee Meeting**

Item 4

Te Rārangi Take

Report to Risk and Assurance Committee

Nā:
From: Jeff Tieman, Management Accountant

Te Take:
Subject: 2020/21 Insurance Renewal Programme

1.0 Executive Summary – *Te Kaupapa Me Te Whakarāpopototanga*

- 1.1 The purpose of this report is to advise the Risk and Assurance Committee of the insurance arrangements for 2020/21.
- 1.2 The current contract with JLT/Marsh expiring in June of this year, Council joined with the Bay of Plenty Local Authorities Shared Service (BOPLASS), Waikato Local Authorities Shared Service (WLASS) and Manawatu/Wanganui Local Authorities Shared Service (MWLASS) to form a consortium for the insurance broker services.

The outcome of this process is that Aon have been engaged as Council's Insurance broker and have extended the policies to 1 November which is their standard renewal date on current premium rates. The exceptions to this change is with the Public Liability and Professional Indemnity policies which will remain with Marsh and the underground infrastructure cover which remains with Local Authority Protection Programme (LAPP).

2.0 Recommendations – *Ngā Tūtohunga*

- A) That the Committee receives the report titled 2020/21 Insurance Renewal Programme.
- B) That the Committee endorse the approach taken and the outcome of the insurance renewal programme for 2020/21, noting that the full renewal will take place in November due to the change in broker services to Aon.

3.0 Background – *Te Horopaki*

- 3.1 Insurance brokerage (for above ground policies and liabilities) and risk management services have been provided to Hastings District Council by Marsh (formally JLT)) for the last five years. This contract expired 30th June 2020.
- 3.2 Infrastructure cover is with Aon and LAPP membership and this sits outside the contract mentioned in point 3.1.

4.0 Discussion – *Te Matapakitanga*

- 4.1 Historically the insurance market cycle was referred to as either being “hard” or “soft”. A hard market was when insurers increased premiums to recover losses from a major event from the previous year or years. A soft market was when the insurers had recovered these losses and competition was driving premiums back down.
- 4.2 The markets are now changing and are moving to a risk based premium for the region. In our situation this means we are exposed to risks such as earthquakes, tsunami, liquefaction and some weather events.
- 4.3 The insurance industry invest heavily in the finance markets and these returns have historically helped with any shortfalls that they may incur with larger events. With the impact of Covid 19 on the financial markets recently, this will likely have a negative impact on premiums going forward.

Insurance Brokerage and Risk Management Services

- 4.4 Insurance brokerage and risk management services have been provided to Hawke’s Bay councils by JLT/Marsh (for “above ground” policies) for the last twenty years and under the current contract for the last five years. Infrastructure cover has been through the LAPP membership.
- 4.5 The initial three-year term of the Marsh agreement has had two one-year extensions, the limit under the current contract and expires 30 June 2020.
- 4.6 The current Marsh contracts were entered into following a combined LASS procurement process in 2014/15. Aon was selected by the other LASS participants as their preferred broker of insurance services.
- 4.7 The combined groups for this procurement are BOPLASS, MWLASS, WLASS and the group of five Hawke’s Bay councils (31 Councils). With Councils contract with JLT/Marsh coming to an end on 30 June 2020, the Hawke’s Bay councils combined with BOPLASS (Bay of Plenty), MWLASS (Manawatu/Wanganui) and WLASS (Waikato) appointed Grant Thornton NZ Ltd through a tender process to facilitate the insurance broker RFP.
- 4.8 The outcome of this process was that Aon be engaged as the preferred tenderer to provide all insurance brokerage and risk management services with the exception of the Public Liability (PL) and Professional Indemnity (PI) policies for the next 12 months (1st July to 30th June) and the underground infrastructure cover to remain with LAPP. Aon were the preferred respondents to cover the remaining policies (Material Damage policies, Employers Liability and Statutory Liability policy) on a three-year term with a two-year extension option.

Public Liability (PL) and Professional Indemnity (PI)

- 4.9 The major reason for staying with Marsh for PL and PI was while the Aon policy had a wider level premium was double that of Marsh. More time is required to review the benefits and funding of the AON policy, therefore Council has renewed the current policy for a further 12 months to allow for this.
- 4.10 In terms of the PL/PI coverage differences between the Marsh/JLT product and the policy provided by Aon, the most important variation is the interpretation around building defects coverage. Under

the Marsh/JLT policy any building defect arising out of a weather tightness issue is currently excluded. Whereas the Aon arranged policy covers the building defects element. Weather tightness issues are still excluded. This is an important coverage consideration as a number of claims are being notified for these circumstances and Marsh and their insurers are declining indemnity/liability on this basis. However, this additional policy benefit comes at a significant cost increase for Council and extending with Marsh for another 12 months will allow time for the risks to be better evaluated vs the significant increase in cost.

Underground Infrastructure Insurance

- 4.11 Council has for a long time been members of the Local Authority Protection Programme (LAPP), a mutual that provided cover for underground infrastructure assets in the event of catastrophic events like floods and earthquakes. While Aon have developed a very good product in this insurance category there are benefits for Council remaining with LAPP and not moving to Aon including the ability to spread the risk across a number of providers. If a major event was to strike Hawke's Bay, having the 5 Councils spread across different providers does improve the risk profile and loss limits are spread across a fewer number of Councils. For example, if a significant earthquake was to strike Hawke's Bay, Hastings DC and Wairoa DC are the only councils that are members of LAPP and would therefore share in the loss limits that are in place.
- 4.12 Remaining part of the LAPP mutual therefore had significant benefits beyond any premium consideration.
- 4.13 The following table outlines the insurance arrangements entered into following the tender process and negotiations with Aon.

Policy Type	CHBDC	HDC	NCC	WDC	HBRC
Material Damage & Business Interruption	Programmes extend to 1 November 2020 on current premium rates				
Motor Vehicle	Programmes extend to 1 November 2020 on current premium rates				
Employers Liability					
Statutory Liability					
Infrastructure		HDC to remain with LAPP	NCC will extend their own existing policy London markets until 1 November 2020	WDC to remain with LAPP	
Infrastructure	Aon Provided	Aon Part Provided (Bridges & Culverts)			Aon Provided
Airport Owners				Extend on current rates	
Marine Hull			Extend on current rates		Extend on current rates
Fine Arts		Extend on current rates	Extend on current rates		
Hall Hirers	Extend on current rates				
Trustees Liability			Extend on Current rates		
Standing Timber		Extend on current rates			
Annual Contract Works					Extend on current rates
Personal Accident		Extend on current rates			Extend on current rates
Crime	Programmes extended to 1 November 2020 on current premium rates				
Business Travel					
Cyber					Extend on current rates

Policy Type	CHBDC	HDC	NCC	WDC	HBRC
Public Liability and Professional Indemnity	Marsh Provided	Marsh Provided	Aon Provided	Marsh Provided	Marsh Provided

- 4.14 Council has a three year valuation cycle for buildings for insurance purposes and this is due to take place in early 2021. Historically we allow for inflation on the original valuation and utilise an inflationary figure released by Business and Economic Research Ltd (BERL) for this process (2.7% for this year). This figure was released prior to Covid 19, therefore we had a formal discussion with Council's Valuer, Added Valuation on whether the inflationary percentage from BERL was still appropriate or not. Based on their advice, Council used an inflationary figure of 5% this year.
- 4.15 Attachment 1 includes premiums for various covers provided by both Aon and Marsh. All of Aon premiums are for four months to align with new renewal date of 1st November and the PL and PI policy with Marsh is for a full 12 months.


5.0 Options – Ngā Kōwhiringa

- 5.1 Insurance arrangements have been put in place as at 30 June 2020. If the Committee requires any changes to the arrangements they can be put in place post 1 July 2020.
- 5.2 The assessed cost of the overall insurance programme outlined in this paper is estimated at \$454,468 compared to a pro-rated four month budget of \$515,307. This is a savings of \$60,839.
- 5.3 Officers consider that the outcome of the 2020/21 insurance renewal programme to be satisfactory.

6.0 Next steps – Te Anga Whakamua

- 6.1 Officers will conduct the next renewal process prior to the new November 1 renewal date and submit a second insurance report for approval at the next appropriate meeting.

Attachments:

- 1  General Insurance Information - Summary 2020/21 IRB-3-26-20-74
Insurance Renewal Programme

Summary of Considerations - He Whakarāpopoto Whakaarohanga

Fit with purpose of Local Government - E noho hāngai pū ai ki te Rangatōpū-ā-Rohe

The Council is required to give effect to the purpose of local government as set out in section 10 of the Local Government Act 2002. That purpose is to enable democratic local decision-making and action by (and on behalf of) communities, and to promote the social, economic, environmental, and cultural wellbeing of communities in the present and for the future.

This report promotes all of the wellbeings

Link to the Council's Community Outcomes – Ngā Hononga ki Ngā Putanga ā-Hapori

Ensuring that Council has appropriate insurance cover.

Māori Impact Statement - *Te Tauākī Kaupapa Māori*

Not applicable:

Sustainability - *Te Toitūtanga*

Not applicable

Financial considerations - *Ngā Whakaarohanga Ahumoni*

The arrangements that have been entered into put Council in a good position to minimise the risk of increased insurance premiums while having appropriate levels of insurance cover.

Significance and Engagement - *Te Hiranga me te Tūhonotanga*

This decision/report has been assessed under the Council's Significance and Engagement Policy as being of low significance, although the risk of not having appropriate insurance cover would be a great significance if a major event was to occur.

Consultation – internal and/or external - *Whakawhiti Whakaaro-ā-roto / ā-waho*

Not applicable.

Risks: Legal - *Ngā Tūrarū: Ngā Ture*

Opportunity: This approach to the market has created opportunities to use the economies of scale of joining with 30 other councils to procure insurance services.

Risks: Council has entered into a robust procurement process which has been professionally managed to minimise risk and maximise benefits.

Rural Community Board – *Te Poari Tuawhenua-ā-Hāpori*

There are no implications for the Rural Community Board other than those in common with the rest of the District.

Summary of 2020/21 Insurance Proposals

Policy Type		2019/20	2020/21	2020/21	2020/21	2020/21	2020/21
		Actual	Budget (12 Mths)	Budget (4 mths)	Marsh/AON Proposal	Cover	Deductibles
Material Damage &	Provides cover for all Council buildings, contents and other property. Does not provide cover for underground services, roads or bridges.	983,135	1,038,579	346,193	327,712	412,199,788	10,000
Business Interruption	Loss resulting from interruption to the business as a result of damage to property insured by the Material Damage Policy. Sum insured includes revenue as well as increased costs of working.	33,641	47,500	15,833	11,214	4,640,000	
Less: Premium On Charge/ Estimate only					-26,523		
Net Premium Material Damage & Business Interruption		\$1,016,776	\$1,086,079	\$362,026	\$312,402		
Motor Vehicle	All vehicles, mobile plant or similar whether owned, borrowed, leased or hired when under care, custody or control of the insured.	53,508	69,804	23,268	17,636	5,343,546	1,000
Sub Total		\$1,070,284	\$1,155,883	\$385,294	\$330,038		
Crime Manager	Indemnity for loss through any fraudulent or dishonest act (including theft or criminal damage) committed by an employee or any other person acting alone or in collusion with others.	20,197	30,000	10,000	8,732	1,000,000	25,000
Personal Accident	Provides cover for death by accident plus scheduled benefits for Mayor, Councillors and Executive Management Team. Payment to Council to cover costs of by-election.	2,167	3,250	1,083	722	Mayor & Councillors \$100,000. Exec 350,000 CE 600,000	nil
Statutory Liability	The defence costs and fines arising out of an allegation of or breach of any Act of Parliament other than an 'excluded' Act.	23,212	35,000	11,667	7,737	4,000,000	10,000
Employers Liability	Provides cover for damages & defence costs as a result of any employee sustaining personal injury in the course of their employment.	1,542	2,500	833	514	1,000,000	5,000
Museum Fine Arts/Exhibition	Loss or damage to Fine Arts being property of the insured or entrusted to the insured for exhibition.	2,750	3,250	1,083	917	1,000,000	nil except earthquake 25,000
Overseas Travel Policy	Cover while undertaking overseas travel in connection with business of the insured, including associated private, personal and family travel.	396	500	167	132	various	various
Fees	(Estimated allocation of fees)	20,944	23,038	7,679	15,600		
Total Commercial Insurance		\$1,141,492	\$1,253,421	\$417,887	\$362,693		
Professional and Public Liability	For 20/21 and subsequent years Liability Insurance is provided by Commercial Liability Insurers through Marsh.	61,201	97,500	32,500	91,875	300,000,000	10,000 & 5,000
TOTAL		\$1,202,693	\$1,350,921	\$450,387	\$454,468		

Monday, 27 July 2020

Te Hui o Te Kaunihera ā-Rohe o Heretaunga
**Hastings District Council: Risk and Assurance
Committee Meeting**

Item 5

Te Rārangi Take

Report to Risk and Assurance Committee

Nā:
From: Jennie Kuzman, Health and Safety Manager

Te Take:
Subject: Health & Safety Risk Management Update Report

1.0 Executive Summary – Te Kaupapa Me Te Whakarāpopototanga

- 1.1 The purpose of this report is to provide an update to the Committee in regards to the management of Health and Safety risks within Council.
- 1.2 This report provides information regarding the areas of:
- Health and Safety Training for Elected Members
 - Health and Safety Policy Update.
 - Contractor Health and Safety Management.
 - ISO/NZS 45001:2018 (External Health & Safety Audit) Implementation Update.

2.0 Recommendations – Ngā Tūtohunga

- A) That the Committee receives the report titled Health & Safety Risk Management Update Report.
- B) That the Committee recommend to Council that the updated Health and Safety Policy be endorsed.
- C) That the Committee recommend that Council postpone the external ISO 45001:2018 Gap Analysis for 12 months.

3.0 Background – *Te Horopaki*

- 3.1 The purpose of this report is to provide an update to the Committee in regards to the management of Health and Safety risks within Council.
- 3.2 This issue arises due to the Health and Safety at Work Act 2015 and the requirement of that legislation for Elected Members to exercise due diligence to ensure that Council complies with its Health and Safety duties and obligations.
- 3.3 Currently, in order to assist Elected Members with their due diligence duties, a high level summary report is provided on a quarterly basis to meetings where full Council are in attendance. This report focuses on the overall Health and Safety performance of Council against organisational objectives.
- 3.4 Additionally, regular reports are provided to the Risk and Assurance Committee which provide information regarding the management of Council's Health and Safety Risks.

4.0 Discussion – *Te Matapakitanga*

- 4.1 This report provides information regarding the areas of:

- Health and Safety Training for Elected Members
- Health and Safety Policy Update.
- Contractor Health and Safety Management.
- ISO/NZS 45001:2018 (External Health & Safety Audit) Implementation Update.

Health and Safety Training for Elected Members

- 4.2 A training workshop will be provided to Elected Members in August/September 2020. This workshop will provide guidance to Elected Members in regards to their Health and Safety legal responsibilities. This workshop will serve as a refresher for those who previously had training in 2017 and will be of particular importance to those Elected Members who are new to Council.

Health and Safety Policy Update

- 4.3 At the February Risk and Assurance Committee meeting a draft Health and Safety policy was provided for the committee to review. Feedback regarding the draft document has now been incorporated into an updated policy (attachment 1) for further review prior to going to Council for endorsement.

Contractor Health and Safety Management

- 4.4 To assist Elected Members in undertaking their due diligences requirements in regards to the management of Contractor Health and Safety risks, it was proposed at the February Risk and Audit Subcommittee meeting, that a high level report covering the Health & Safety performance of those Contractors working under Council's 10 highest risk term contracts, be provided to the Committee on a quarterly basis.
- 4.5 The first of these reports is attached (attachment two) and includes health and safety performance indicator scores for each of the Contractors working under Council's 10 highest risk term contracts, for the period 1 January to 30 June 2020. These contracts are long term and the activities undertaken within these contracts collectively cover all of Council's critical health and safety risks.
- 4.6 The 10 contractors in alphabetical order are:
 - Armourguard Ltd (Noise Control Contract)
 - City Care Ltd (Water Services Maintenance Contract)

- Downer Ltd (Urban Road Maintenance Contract)
- Fulton Hogan Ltd (Rural Road Maintenance Contract)
- Gemco Ltd (Opera House Redevelopment Contract)
- Greensky Ltd (Municipal Recycling Collection Contract)
- HSM Security Ltd (Night Security and Animal Control After hours Contracts)
- M.W. Lissette Ltd (Landfill Civil Works Contract)
- Recreational Services Ltd, (Parks, Open Spaces and Amenities Maintenance Contract).
- Waste Management Ltd (Municipal Waste Collection Contract)

4.7 Going forward, it is intended that commentary regarding trends and analysis will be included within this contractor performance report.

Implementation of ISO/NZ Standard 45001:2018 (Health and Safety Management Systems) Accreditation

4.8 As previously advised to the Risk and Assurance Subcommittee, Telarc NZ had been engaged to undertake an initial assessment of what is required to meet the ISO/ NZS 45001:2018 Health and Safety Management Standard (essentially a gap analysis). This is an extensive piece of work that encompasses a full review of risk management policies, processes and practices across the whole of Council's activities. The assessment which was scheduled for 25th February 2020 was halted due to the Auditor suffering a family bereavement, and was next scheduled to occur during lockdown, so was put on hold and has not yet been rescheduled.

4.9 It has been some time since the decision to implement the ISO/NZS 45001 standard was made in late 2018 and it is now timely to review that decision. A summary of the previous decision making is below:

- In late 2018 a report regarding the effectiveness of Health and Safety risk management controls was provided to the then Risk and Audit Subcommittee (as Elected Members are required to review this as part of their legal government responsibilities). The 2018 report identified that Council's current control measures were (and still are) deemed 'adequate' and that Council was meeting its Health and Safety legal obligations (as deemed through an internal assessment).
- During the Risk and Audit Subcommittee meeting, committee members queried what would be required to move from 'adequate' controls (Legal Compliance) to 'robust' controls (Best Practice), as this was the Committee's preferred position.
- The Risk and Audit Subcommittee was advised that any assessment of 'robustness' should be undertaken externally via an audit process; it is not something that is appropriate to be assessed internally. External audit verification would benchmark Council's Health and Safety system and performance against a recognised Health and Safety standard and provide an independent view of the effectiveness of Council's Health and Safety system. An external audit would also assist Council to better understand the risks and effectiveness of controls and compare how well Council is performing in relation to other organisations. Council had previously been audited through the ACC WSMP programme which is now defunct.
- The Risk and Audit Subcommittee supported an independent external audit programme, which would align with the external financial audit approach. Therefore the then Acting Chief Executive authorised implementation of the international standard ISO/NZ 45001:2018 Health and Safety Management. The first steps to implementation were for the Health & Safety Manager to undertake training in the standard and to engage Telarc to undertake a gap analysis.

4.10 Given the current situation post COVID-19 and the recovery workload ahead it is recommended that Council postpone any external Gap Analysis or Audits for 12 months, to July 2021.

- 4.11 During this period, it is proposed that the Health & Safety Manager lead an internal review of Council's Health and Safety systems and determine what is required to meet the ISO/ NZS 45001:2018 Health and Safety Management Standard (essentially an internal gap analysis). This review would include the extent of resources that would be required to meet this standard, and also include a cost benefit analysis. A report would be provided to the Chief Executive and the Risk and Assurance Committee to consider ahead of any external assessment or audit being undertaken.
- 4.12 It is important to note that an external ISO/ NZS 45001:2018 Audit is an additional layer of assurance rather than the primary means of assurance. Council would still be able to demonstrate to some extent, that its operations are operating at a level of compliance through the process of the annual inspections undertaken by an independent qualified Health and Safety Consultant. These inspections are usually undertaken in the second half of the financial year. A summary of these upcoming inspection findings will provided to the Committee once the inspections have occurred.

Attachments:

- | | | |
|---|--|------------------|
| 1 | Health & Safety Manual - HDC Health and Safety Policy 2020 (DRAFT) | HR-03-02-2-20-39 |
| 2 | Contractor H&S Performance Report - 1 January - 30 June 2020 | HR-03-8-2-20-166 |

HEALTH AND SAFETY POLICY 2020

Hastings District Council is committed to keeping our workers (employees, volunteers and contractors) and our community safe through living a strong, positive Health and Safety culture.

We believe that we all have responsibility for Health and Safety in our Workplace and in our Community.

We expect our Staff to respect and serve the Hastings Community by taking pride in demonstrating good health and safety practices.

To demonstrate our organisation's commitment to Health and Safety, we will:

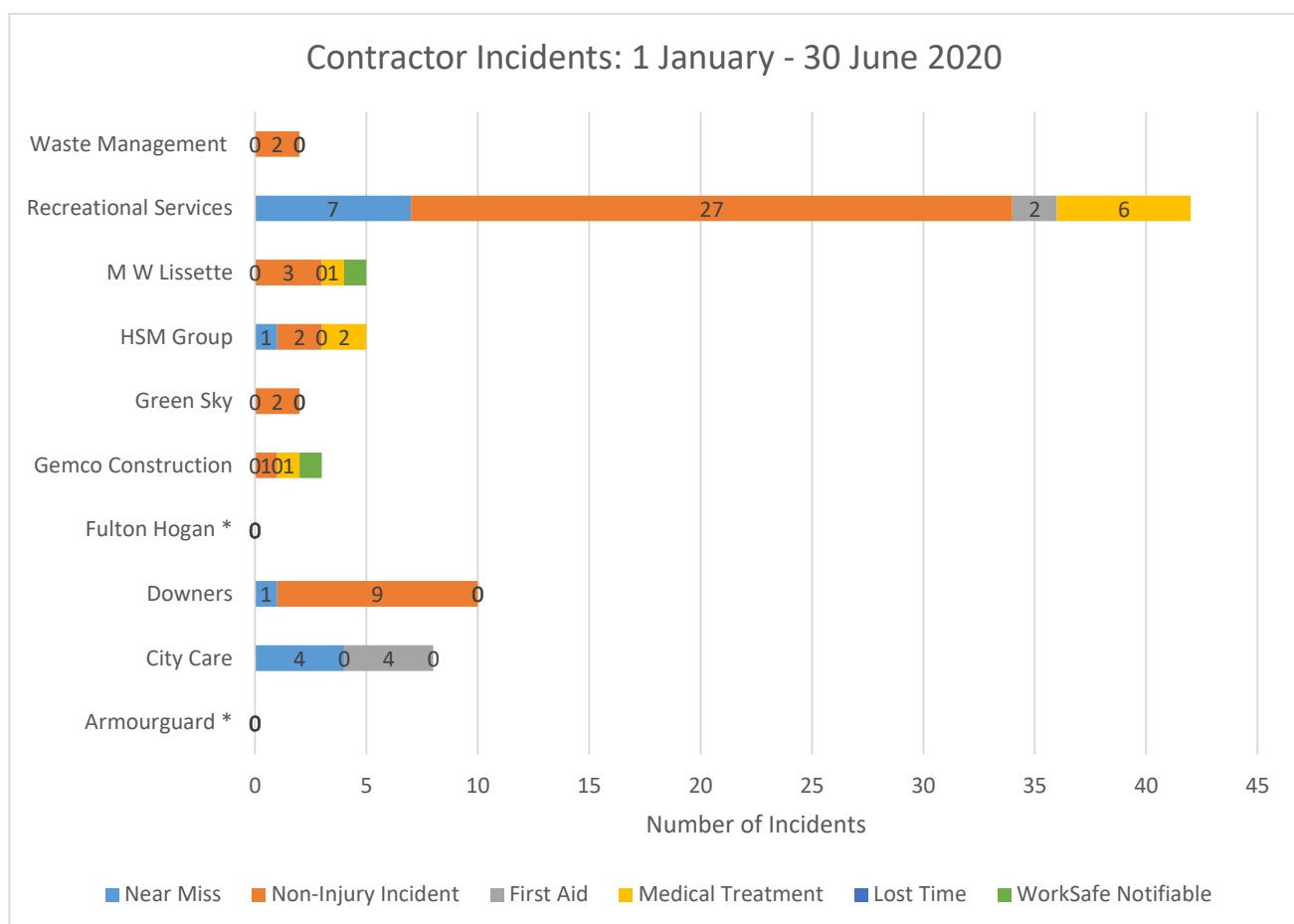
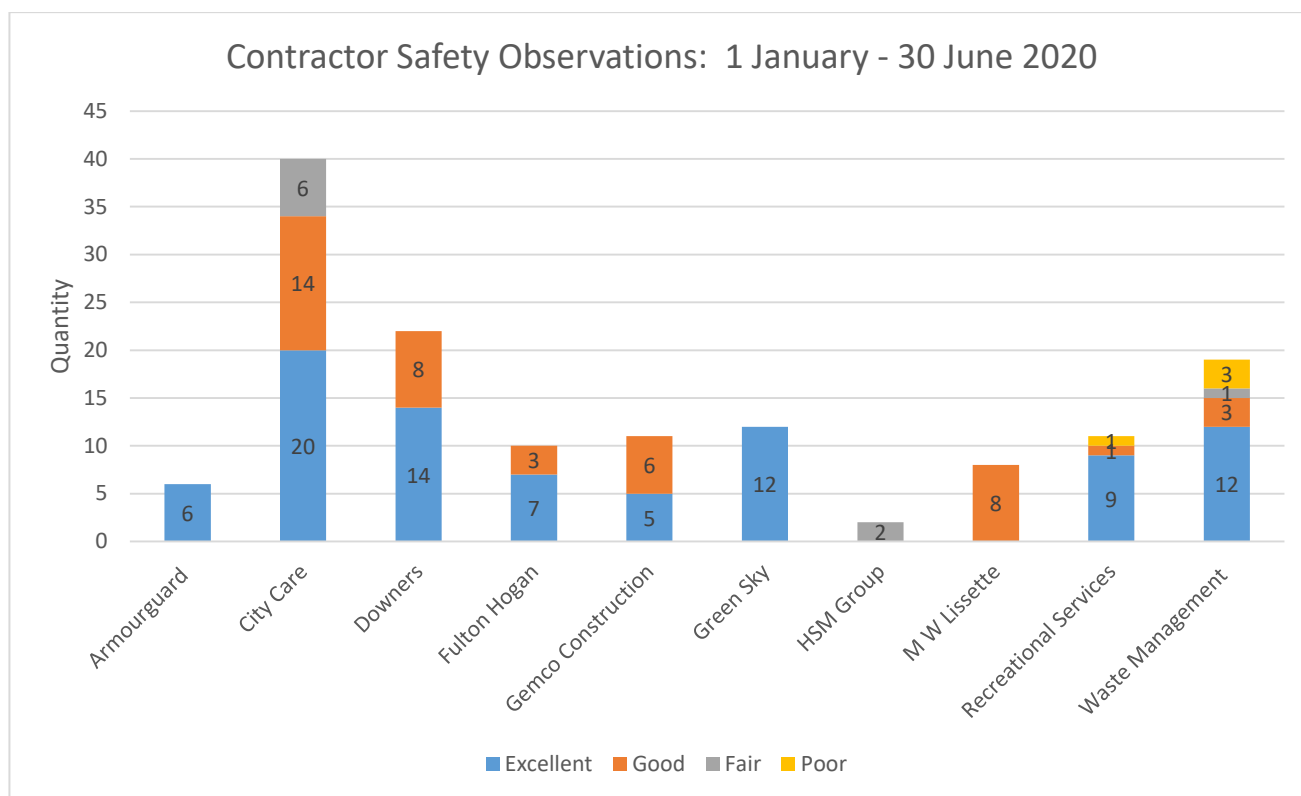
- Build and maintain a workplace environment and culture that supports good health and wellbeing.
- Take a proactive approach to managing Health and Safety risk by actively identifying hazards and unsafe behaviour within our workplaces, and take steps to reduce the risks to an acceptable level.
- Increase awareness, participation and learning through active communication consultation, training and collaboration with our workers with regard to Health, Safety and Wellbeing matters.
- Comply with all relevant legislation, regulations, and codes of practice and industry standards.
- Maintain and continuously improve our Health and Safety management system.
- Set targets for improvement and measure, appraise and report on our Health and Safety performance.
- Accurately report and learn from our incidents (including near misses).
- Support the safe and early return to work of injured employees.
- Ensure that we design, construct, operate and maintain our assets so that they safeguard the community.
- Require our contractors to demonstrate a strong Health and Safety culture within their organisations.

As Chief Executive and Mayor, we maintain ultimate accountability for our organisation and we shall ensure that Health and Safety is central to what we do in delivering our services to our Community.

Nigel Bickle
Chief Executive

Sandra Hazlehurst
Mayor

Date:



* Data from Armourguard and Fulton Hogan incidents for this period was not available.

Monday, 27 July 2020

Te Hui o Te Kaunihera ā-Rohe o Heretaunga
**Hastings District Council: Risk and Assurance
Committee Meeting**

Item 6

Te Rārangi Take

Report to Risk and Assurance Committee

Nā:
From: Aaron Wilson, Financial Controller

Te Take:
Subject: Annual Report 2020 Update

1.0 PURPOSE AND SUMMARY - TE KAUPAPA ME TE WHAKARĀPOPOTOTANGA

- 1.1 The purpose of this report is to update the Committee about progress being made on year-end issues.
- 1.2 This report concludes by recommending that the report be received.

2020 Annual Report

- 1.3 Staff have completed the annual year end timetable for the 2020 year end. The timetable is inclusive of all the processes and requirements of the production of the Annual Report and requires a high degree of coordination across Council. The Local Government Act stipulates that the Annual Report must be adopted by Council by 31st October each year, this year the date set down for Council approval is 15th October. Other key dates for the audit process are:
 - Draft financial statements available for audit 21st August
 - Full Annual report available for Audit 21st August
 - Summary Annual Report available for Audit 24th August
 - Final Audit begins – audit on-site 24th August
- 1.4 Improvements have been made to reporting processes and systems over the past few years and Officers are confident of providing Audit with completed draft financial statements for audit on August 21st prior to them arriving on-site. The Finance team unlike last year does not have a full complement of accounting resources this year, due to staff turnover and this will mean that this

year end with the tight timelines will be a challenge. The impact of moving out of Heretaunga House is also being felt by the team as they work to get the year end processes complete.

- 1.5 Every year there are revaluations of various classes of assets that are performed on a rotating basis on a set schedule. This year it is the water infrastructure assets that will be revalued. This valuation is being completed and is as at 30th June 2020.
- 1.6 During the year Council sold its investment in the Omarunui Landfill Gas plant, while the final wash-up has yet to be finalised, it will require a loss on sale to be recognised in the accounts.
- 1.7 With Heretaunga House being assessed as earthquake prone, there will need to be an impairment on this asset. It is still too early to determine the extent of that impairment with further engineering assessments required to understand the extent of the remedial work required to strengthen the building and make good.
- 1.8 Interim audit
- 1.9 Audit NZ were unable to come onsite for the interim audit in April and have attempted to do much of this work remotely. This however has come with its challenges for both parties and we do not expect to receive an interim audit report this year and it will be completed as part of the full year-end audit with any findings and acknowledgements of actions undertaken and resolved reported at that time.
- 1.10 Covid-19 implications
- 1.11 The year-end reporting regime will need to articulate the impacts of Covid-19 and staff are working with Audit NZ to understand the implications of that.
- 1.12 The Covid-19 imposed lockdown did create the need for variations to the contracts that were active prior to going into lockdown with disestablishment and re-establishment costs incurred by the contractors. An up to date quantum of these variations will be reported at the meeting.

2.0 RECOMMENDATIONS - NGĀ TŪTOHUNGA

- A) That the Committee receives the report titled Annual Report 2020 Update.

Attachments:

There are no attachments for this report.

Monday, 27 July 2020

Item 7

Te Hui o Te Kaunihera ā-Rohe o Heretaunga
**Hastings District Council: Risk and Assurance
Committee Meeting**

Te Rārangi Take

Report to Risk and Assurance Committee

Nā:
From: Bruce Allan, Group Manager: Corporate

Te Take:
Subject: Group Manager: Corporate - Update

1.0 PURPOSE AND SUMMARY - TE KAUPAPA ME TE WHAKARĀPOPOTOTANGA

Overview

- 1.1 The July meeting is primarily an opportunity to provide the Committee with an update on insurance arrangements for the year and the year-end financial process and sits outside the normal quarterly reporting regime. Therefore the quarterly treasury update is not provided and the internal audit, external audit and internal risk assurance reporting will be provided in full at the next meeting.

Covid-19 Risk assessments

- 1.2 Risk assessments in relation to the future impacts of Covid-19 have continued to be developed, however the current view of the implications of going into lockdown and the impacts on our community, organisation and the economy have not been as bad as some of the “black hat” thinking may have foreseen.

Heretaunga House

- 1.3 The impact of Heretaunga House’s Detailed Seismic assessment has meant that all staff (approximately 75) have relocated to either working from home or in other Council facilities while an alternative location is found. It is expected The Building Intelligence Group (TBIG) have been engaged to support this process of finding and evaluating an alternative office space and lead Council through the process of understanding the future impacts on Heretaunga House.
- 1.4 It is anticipated that a lease will be entered into prior to this Risk and Assurance Committee meeting and a further update will be provided at that time. Work to better understand the implications of

the strengthening works required continues and further updates at subsequent Committee meetings will be had.

Treasury Update

- 1.5 The Council's current total external debt is \$165.7m as at 17 July 2020. On 13th July 2020 Council borrowed from the LGFA \$15M in order to prefund for the expected large capital spend in the 2020/21 financial year. Council is currently compliant with its Treasury policy.
- 1.6 Earlier this year in March 2020 officers met with and presented to global rating agency Standards and Poors (S&P). This meeting was to review information for S&P to issue an update of their credit rating of Council.
- 1.7 S&P have subsequently issued this report and have affirmed Councils rating at AA, however they have revised their outlook for Hastings to negative from stable.
- 1.8 The negative outlook reflects downside risks to Hastings' budgetary performance, liquidity, and debt burden. They expect Hastings to record an unusually large after-capital-account deficit in the fiscal 2021 year (i.e., the year ending June 30, 2021) as it rolls out additional infrastructure stimulus.
- 1.9 It is the officer's view that once a programme of work for the 21/22 LTP is confirmed, and a better understanding of the potential for additional government funding for some specified capital projects, a strong prefunding programme to allow for robust levels of liquidity can be put in place to address this viewpoint going forward.

Electronic Purchase Order Implementation

- 1.10 The electronic purchase order implementation and training for the module have now been rolled out across Council to all users of the system. Additional work has been completed in conjunction with a consultant to improve some of the functionality both to the users and also administrators now that the module is up and running.
- 1.11 Officers have also engaged Crowe (formally Crowe Horwath), Council's internal auditors to review the new electronic purchasing system in terms of the following scope.

Assessing the design and operating effectiveness of the current Accounts Payable controls, in particular:

- Segregations of duty/dual controls
- Vendor set up
- Implementation of DFAs
- 3-way check and escalation procedures/thresholds where values do not match
- Identify any control gaps and 'missing controls' compared to 'good practice' Accounts Payable processes
- Assessing the effectiveness (i.e. existence, accuracy and completeness of data) of the reporting functionality, in particular:
 - o Expenditure monitoring and reporting
- Cashflow/expenditure commitments and forecasting
- Potential breaches of use of central contracts/AOG contracts
- Monitoring of Local Authorities (Members' Interests) Act 1968 compliance/ conflicts of interest.

Outstanding Actions

- 1.12 Attached as **Attachment 1** are the outstanding actions from previous Risk and Assurance meetings

2.0 RECOMMENDATIONS - NGĀ TŪTOHUNGA

- A) That the Committee receives the report titled: Group Manager: Corporate – Update.

Attachments:

- 1 [↓](#) Risk & Assurance Status of Actions Sheet - 21 July 2020 CG-16-6-00020

Hastings District Council Risk and Assurance Subcommittee Status of Actions Sheet – 21 July 2020

Item No.	Meeting Date	Action	Reporting Officer	Progress as at 22 October 2019	Complete
1	19/6/17	<u>Building Control Liability Issues</u> <ul style="list-style-type: none"> The Subcommittee would take a watching brief and 1. Officers would report back regularly in order to update the Subcommittee. 	Building Control Manager	Ongoing, last update provided at 2/7/19 meeting.	
2	02/07/19	<u>Governance Oversight of Finances</u> <ul style="list-style-type: none"> Finance to develop a inhouse training package 	GM:C	Delayed due to Covid-19.	
3	04/05/20	<u>Audit NZ</u> <ul style="list-style-type: none"> Organise workshops with Committee on impacts of Covid-19 on Annual Report 2019/20, if required. Review of Council contracts, impacts of lockdown and disestablishment Invite Chair of Risk & Assurance to Operations & Monitoring meeting on 21 July Report to Operations & Monitoring meeting on 21 July on effect of Covid-19 Feedback on Audit NZ plan and documents from Karen Young 	GM:C GM:AM Democracy GM:C GM:C	No issue has arisen that would have warranted a workshop. Craig Thew to provide. Covid financial impacts reported to Operations & Monitoring. Feedback given to Audit NZ.	
4	04/05/20	<u>Risk Assurance</u> <ul style="list-style-type: none"> Develop framework for managing risk through Covid-19 levels. 	GM:C/Chair	Workshop held with Chair and Staff to establish framework.	

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		<ul style="list-style-type: none"> Committee to be advised of assistance available to businesses for providing to public enquiries. Feed information into Council's Recovery Plan for risks at each alert level to enable Council to assist the community/businesses. 	All	Links provided on Council website. Ongoing.	
5	04/05/20	<u>Treasury Activity and Funding</u> <ul style="list-style-type: none"> Reconvene Committee if considered necessary for funding. 	GM:C	Not required.	✓

Item 7

Attachment 1