



# *Hastings District Council*

Civic Administration Building  
Lyndon Road East, Hastings

Phone: (06) 871 5000

Fax: (06) 871 5100

[WWW.hastingsdc.govt.nz](http://WWW.hastingsdc.govt.nz)

---

## OPEN A G E N D A

---

### RISK AND AUDIT SUBCOMMITTEE MEETING

Meeting Date: **Tuesday, 1 May 2018**

Time: **9.00am**

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

|                             |                                                                                                                      |
|-----------------------------|----------------------------------------------------------------------------------------------------------------------|
| <b>Subcommittee Members</b> | Chair: Mr J Nichols<br>Mayor Hazlehurst<br>Deputy Mayor Kerr<br>Councillors Nixon and Travers<br>( <i>Quorum=3</i> ) |
| <b>Officer Responsible</b>  | Chief Financial Officer, Bruce Allan                                                                                 |
| <b>Committee Secretary</b>  | Carolyn Hunt (Ext 5634)                                                                                              |

## **Risk and Audit Subcommittee – Terms of Reference**

A subcommittee of the Finance and Monitoring Committee

### **Fields of Activity**

The Risk and Audit Subcommittee 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; and
- Reasonable assurance as to the integrity and reliability of the financial reporting of Council; and
- Monitoring of the Council's requirements under the Treasury Policy

### **Membership**

Chairman appointed by the Council

The Mayor

Deputy Mayor

2 Councillors

An independent member appointed by the Council.

**Quorum** – 3 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 the Council or the Finance and Monitoring Committee

The subcommittee reports to the Finance and Monitoring Committee.

**HASTINGS DISTRICT COUNCIL**  
**RISK AND AUDIT SUBCOMMITTEE MEETING**  
**TUESDAY, 1 MAY 2018**

**VENUE:** Landmarks Room  
Ground Floor  
Civic Administration Building  
Lyndon Road East  
Hastings

**TIME:** 9.00am

**A G E N D A**

**1. Apologies**

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

At the close of the agenda no requests for leave of absence had been received.

**2. Conflict of Interest**

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 Chief Executive or Executive Advisor/Manager: Office of the Chief Executive (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.

**3. Confirmation of Minutes**

Minutes of the Risk and Audit Subcommittee Meeting held Monday 12 February 2018.  
*(Previously circulated)*

|            |                                                          |            |
|------------|----------------------------------------------------------|------------|
| <b>4.</b>  | <b>Health and Safety Risk Management Update</b>          | <b>5</b>   |
| <b>5.</b>  | <b>Treasury Activity and Funding</b>                     | <b>9</b>   |
| <b>6.</b>  | <b>Enterprise Risk Management Update</b>                 | <b>20</b>  |
| <b>7.</b>  | <b>Asset Management Plans</b>                            | <b>37</b>  |
| <b>8.</b>  | <b>General Update Report and Status of Actions</b>       | <b>127</b> |
| <b>9.</b>  | <b>Audit report for 2018-2028 Long Term Plan</b>         | <b>131</b> |
| <b>10.</b> | <b>Local Government Funding Agency Update</b>            | <b>147</b> |
| <b>11.</b> | <b>Water Services</b>                                    | <b>151</b> |
| <b>12.</b> | <b>Additional Business Items</b>                         |            |
| <b>13.</b> | <b>Extraordinary Business Items</b>                      |            |
| <b>14.</b> | <b>Recommendation to Exclude the Public from Item 15</b> | <b>155</b> |
| <b>15.</b> | <b>Enforcement and Inspection Internal Audit Report</b>  |            |

**REPORT TO:** RISK AND AUDIT SUBCOMMITTEE

**MEETING DATE:** TUESDAY 1 MAY 2018

**FROM:** HEALTH AND SAFETY ADVISOR  
JENNIE KUZMAN

**SUBJECT:** HEALTH AND SAFETY RISK MANAGEMENT UPDATE

---

## **1.0 SUMMARY**

- 1.1 The purpose of this report is to provide an update to the subcommittee in regards to the management of Health and Safety risks within Council.
- 1.2 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.
- 1.3 This report also provides information in relation to a review of the effectiveness of the current Health and Safety reporting regime.
- 1.4 The report concludes by recommending that the Subcommittee receive the Report and that the Subcommittee recommend to Council that the proposed changes to Health and Safety reporting be approved.

## **2.0 BACKGROUND**

- 2.1 At its June 2016 meeting, Council accepted the recommendations from the Audit and Risk Subcommittee in relation to Health and Safety reporting. The recommendations were:
  - Monthly reporting in the form of a 'high level dashboard report' to Council, and
  - Quarterly reporting at a more detailed level to Council, and
  - Quarterly reporting on Health and Safety risk management to the Audit and Risk Subcommittee.
- 2.2 This report serves as a quarterly report to the Risk and Audit Subcommittee on Health and Safety risk management.

## **3.0 CURRENT SITUATION**

### **3.1 Overview of Health and Safety Risk Management**

- 3.2 As previously reported to the Risk and Audit subcommittee during the November 2017 meeting, the 12 critical Health and Safety Risks are currently being analysed by officers using "Bow Tie" risk evaluation methodology.
- 3.3 The procurement process to acquire software for specific use in Bow Tie analysis has been completed and officers are now working through completing the 12 critical Health and Safety risks.

### 3.4 **Legislation Changes**

3.5 Officers are currently focusing on the following critical risks due to the requirements of specific regulations which have been released by WorkSafe NZ:

- Risk of serious health effects from exposure to asbestos.
- Risk of fatality from loss of containment and/or exposure to a hazardous substance.

3.6 The Health and Safety at Work (Asbestos) Regulations 2016 place a duty on businesses to have asbestos management plans in place for their buildings and workplaces where asbestos is likely to be found, by April 2018. Officers have completed a project to develop an overarching plan which is now being reviewed for approval by the Chief Executive.

3.7 The Health and Safety at Work (Hazardous Substances) Regulations 2017 were released in December, these supersede a large portion of the Hazardous Substances and New Organisms Act of 1996, setting out major changes to the way that Hazardous Substances are managed in New Zealand. Officers are currently working through a project implementation plan for the required changes across Council. Given the number of areas that Council works across, these Regulations present a considerable amount of work for staff.

### 3.8 **Equal focus on 'Health' Risks**

3.9 WorkSafe NZ have issued a strong mandate for organisations to focus equally on 'Health' risks not just 'Safety' risks.

3.10 Council already has a high level of focus in this health area and has identified an equal number of 'Health' and 'Safety' risks within its 12 critical Health and Safety Risks. As well as the Asbestos and Hazardous Substances risks mentioned above, the following are identified as critical health risks:

- Risk of fatality or serious health effects from exposure to harmful levels of noise, vibration, dust, or biological hazards
- Risk of serious health effects from exposure to factors causing stress
- Risk of serious health and/or safety effects from fatigue and working while fatigued
- Risk of adverse physical and mental health effects from exposure to aggression, physical violence and verbal abuse from members of the public and service users

3.11 Considerable progress that has been made in regards to implementing risk control measures in these areas.

3.12 Council has expanded its exposure monitoring programme utilising specialist Occupational Hygienists to carry out monitoring testing in relation to activities where workers are potentially exposed to harmful levels of noise, vibration, dust, or biological hazards.

- 3.13 Council has employed an in-house Occupational Health Nurse to coordinate and improve its existing health monitoring programme.
- 3.14 Officers are currently working on developing specific Fatigue Management and Mental Wellbeing policies to replace the existing Stress & Fatigue Policy.
- 3.15 Officers have completed a draft Conflict and Violence Management Policy, which is expected to be released by the end of April 2018, this builds on the extensive planning work and training that has been provided to workers across the organisation.
- 3.16 **Health and Safety Reporting Review**
- 3.17 Regular monthly and quarterly reporting in relation to Health and safety leading and lagging indicators has been provided to Council for a period of 18 months. As was planned when reporting first commenced, the effectiveness of this reporting regime has been reviewed to assess whether it is meeting the needs of Council in relation to its governance Health and Safety duties and obligations.
- 3.18 Due to the relatively low movement in leading and lagging indicators in the monthly reports, trends are not easily identifiable or relevant. Therefore the quarterly reports have been regarded as more useful than the monthly reports for the purpose of governance review reporting.
- 3.19 Going forward, it is recommended that Monthly reports no longer be brought to Council meetings but rather they be uploaded onto the Hub for elected members to review. However, Quarterly reports should continue to be reported to Council meetings.
- 3.20 Should the change to the reporting regime be approved, it is also proposed that any urgent Health and Safety issues that arise outside of the Quarterly reporting regime be either notified by the Chief Executive/delegate to elected members by e-mail (as is already the case) and / or brought to Council as a 'special report'.

#### **4.0 SIGNIFICANCE AND ENGAGEMENT**

- 4.1 This Report does not trigger Council's Significance and Engagement Policy and no consultation is required

#### **5.0 RECOMMENDATIONS AND REASONS**

- A) **That the report of the Health and Safety Advisor titled "Health and Safety Risk Management Update" dated 1/05/2018 be received.**
- B) **That it be recommended to Council that the proposed changes to Health and Safety Reporting timeframes be approved.**

#### **Attachments:**

There are no attachments for this report.



---

**REPORT TO:** RISK AND AUDIT SUBCOMMITTEE

**MEETING DATE:** TUESDAY 1 MAY 2018

**FROM:** MANAGER STRATEGIC FINANCE  
BRENT CHAMBERLAIN

**SUBJECT:** TREASURY ACTIVITY AND FUNDING

---

## **1.0 SUMMARY**

- 1.1 The purpose of this report is to update the Subcommittee on treasury activity and funding issues.
- 1.2 The Council is required to give effect to the purpose of local government as prescribed by Section 10 of the Local Government Act 2002. That purpose is to meet the current and future needs of communities for good quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost effective to households and businesses. Good quality infrastructure means infrastructure, services and performance that are efficient and effective and appropriate to present and anticipated future requirements.
- 1.3 This report concludes by recommending that the report on treasury activity and funding is received.

## **2.0 BACKGROUND**

- 2.1 The Hastings District Council has a Treasury Policy which forms part of the 2015-25 Long Term Plan and a Treasury Management Policy. Under these policy documents responsibility for monitoring treasury activity is delegated to the Risk and Audit Subcommittee.
- 2.2 Council is provided with independent treasury advice by Stuart Henderson of PricewaterhouseCoopers and receives weekly and monthly updates on market conditions.
- 2.3 Under the Treasury Policy, formal reporting to Council occurs quarterly and regular more in depth treasury reporting is provided for the Risk and Audit Subcommittee.

## **3.0 CURRENT SITUATION**

- 3.1 Council's debt portfolio is managed within the macro limits set out in the Treasury Policy. It is recognised that from time to time Council may fall out of policy due to timing issues as debt moves closer to maturity and shifts from one time band to another. The treasury policy allows for officers to take the necessary steps to move Council's funding profile back within policy in the event that a timing issue causes a policy breach.
- 3.2 The following table sets out Council's overall compliance with Treasury Management Policy as at 30 April 2018:

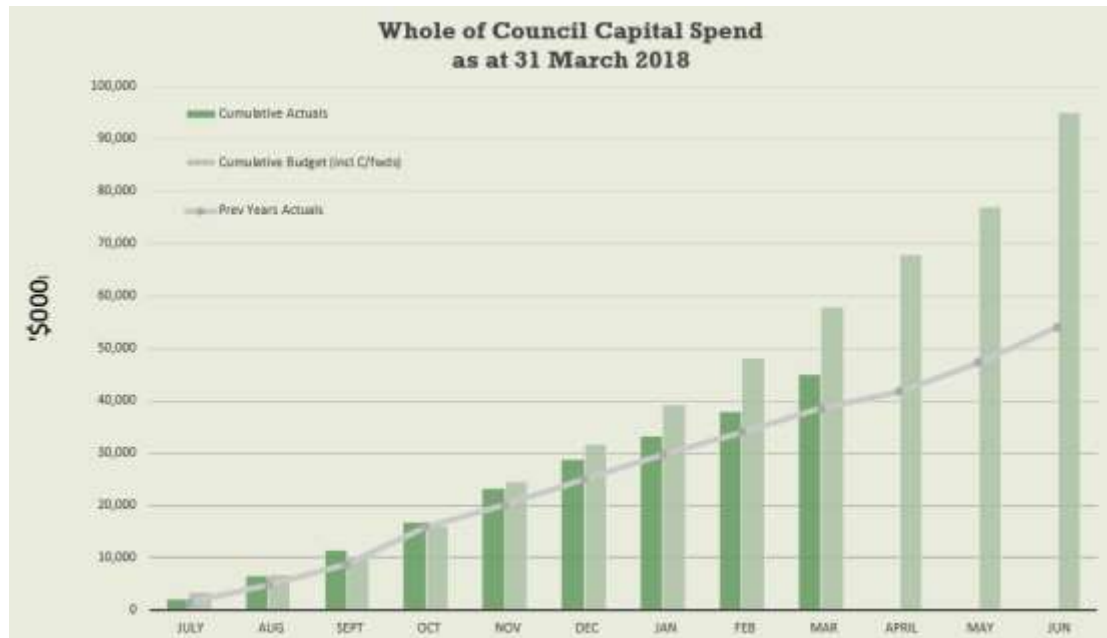
| Measure                         | Compliance | Actual | Min  | Max  |
|---------------------------------|------------|--------|------|------|
| <b>Liquidity</b>                | ✓          | 114%   | 110% | 170% |
| <b>Fixed debt</b>               | ✓          | 80%    | 55%  | 95%  |
| <b>Funding profile:</b>         |            |        |      |      |
| <b>0 – 3 years</b>              | ✓          | 37%    | 10%  | 50%  |
| <b>3 – 5 years</b>              | ✓          | 37%    | 20%  | 60%  |
| <b>5 years +</b>                | ✓          | 26%    | 10%  | 60%  |
| <b>Net Debt as % Equity</b>     | ✓          | 4%     | 0%   | 20%  |
| <b>Net Debt as % Income</b>     | ✓          | 59%    | 0%   | 150% |
| <b>Net Interest as % Income</b> | ✓          | 3%     | 0%   | 15%  |
| <b>Net Interest as % Rates</b>  | ✓          | 5%     | 0%   | 20%  |

Council is currently compliant with Treasury Management Policy.

- 3.3 The current total core net external debt is \$70.7m as at 30 April 2018. This is supported by the Debt Status Report as at 30 April 2018 (**Attachment 1**). Core external debt has increased \$5m from the March 2018 report.
- 3.4 The additional \$5m was required to fund the current capital spend program being undertaken. A total of \$10m was borrowed from LGFA with a maturity of April 2024, and \$5m of this was used to repay the earlier short term 110 day loan borrowed in December 2017.
- 3.5 An additional \$19m in interest rate swaps was also taken out during the period.

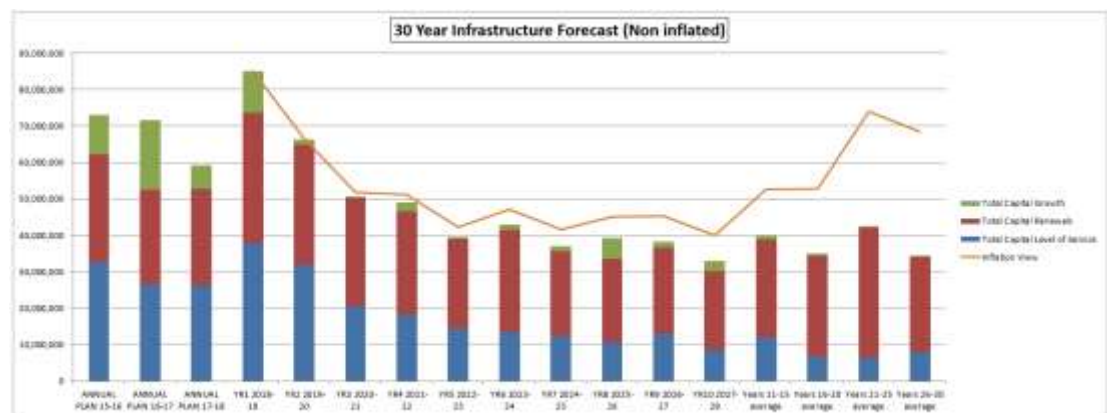
| Deal Date | Bank | Amount of Cover (\$m) | Cover Start Date | Cover Maturity Date | Cover Interest Rate | Replaces existing Swap or New Swap |
|-----------|------|-----------------------|------------------|---------------------|---------------------|------------------------------------|
| 27/03/18  | ANZ  | 4.0                   | 20/09/19         | 20/09/25            | 3.17%               | Replacing                          |
| 18/04/18  | WBC  | 5.0                   | 18/06/19         | 17/04/25            | 3.13%               | New                                |
| 18/04/18  | ANZ  | 5.0                   | 17/01/20         | 17/04/26            | 3.29%               | New                                |
| 18/04/18  | ANZ  | 5.0                   | 18/06/20         | 18/04/28            | 3.47%               | New                                |

- 3.6 All the new swaps have forward start dates that lock in today's low interest rates for future periods and are designed to match the expected growth of new debt over the first three years on the LTP. See the diagram under 4.2 for the impact of these new swaps.
- 3.7 Below is an update of how the Council is tracking with its capital spend program for the year:



| Key projects                        | Actual Ytd<br>(\$'000) | Budget Ytd<br>(\$'000) | Variance<br>Ytd (\$'000) | Total<br>Budget<br>(\$'000) |
|-------------------------------------|------------------------|------------------------|--------------------------|-----------------------------|
| Whakatu Arterial                    | 5.2 m                  | 3.8 m                  | -1.4 m                   | 5.2 m                       |
| Heretaunga Street Water Upgrade     | 2.4 m                  | 3.1 m                  | 0.7 m                    | 3.1 m                       |
| Te Mata Water Services Upgrade      | 3.4 m                  | 3.5 m                  | 0.1 m                    | 3.5 m                       |
| Opera House Earthquake Strenthening | 3.1 m                  | 8.2 m                  | 5.1 m                    | 10.0 m                      |
| Stage 1A Water                      | 2.5 m                  | 4.7 m                  | 2.2 m                    | 7.9 m                       |

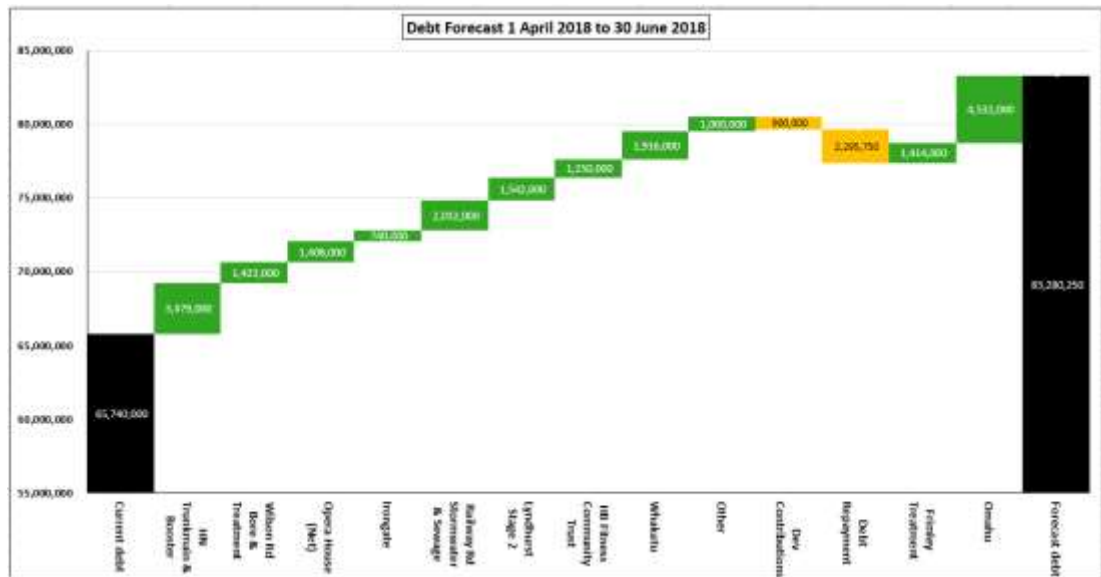
- 3.8 While Council's capital spend continues to accelerate with the Havelock North Water Main coming on stream and Whakatu Arterial running ahead of schedule, Council is beginning to fall behind the very aggressive budgeted plan and it is unlikely that Council will make up this deficit before year end. It is Officers best estimate that the capital program will finish with a total spend of \$75m with an estimated \$20m of loan funded capital expenditure to be carried forward to 2018/2019. Any carried forward capital expenditure will need to be added to the \$85.1m already budgeted for 2018/19 (see chart below), giving a total of \$105m which is 40% more than Council will achieve this year.



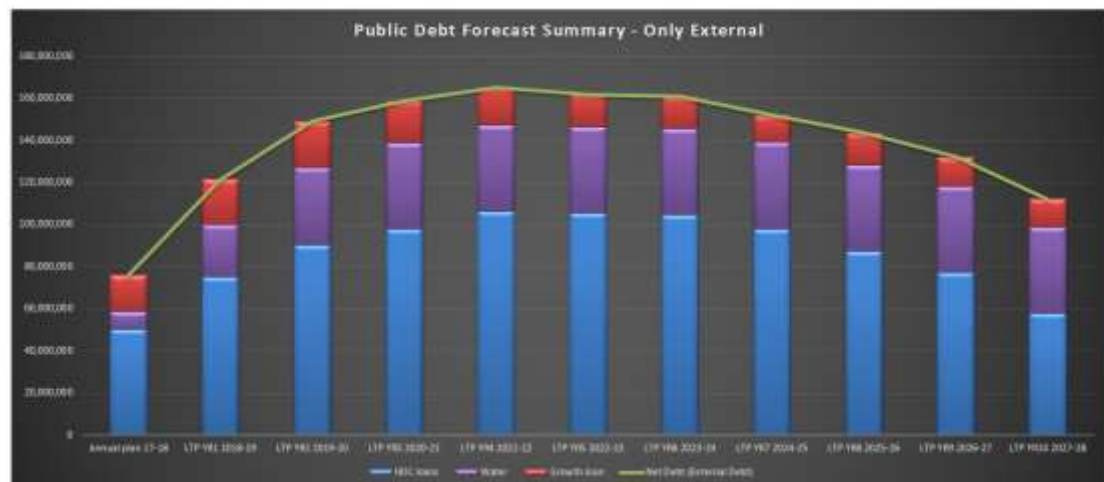
- 3.9 This forward view is important to help understand the likely debt requirements and the future treasury management actions that should be taken.

## 4.0 FORECAST SITUATION

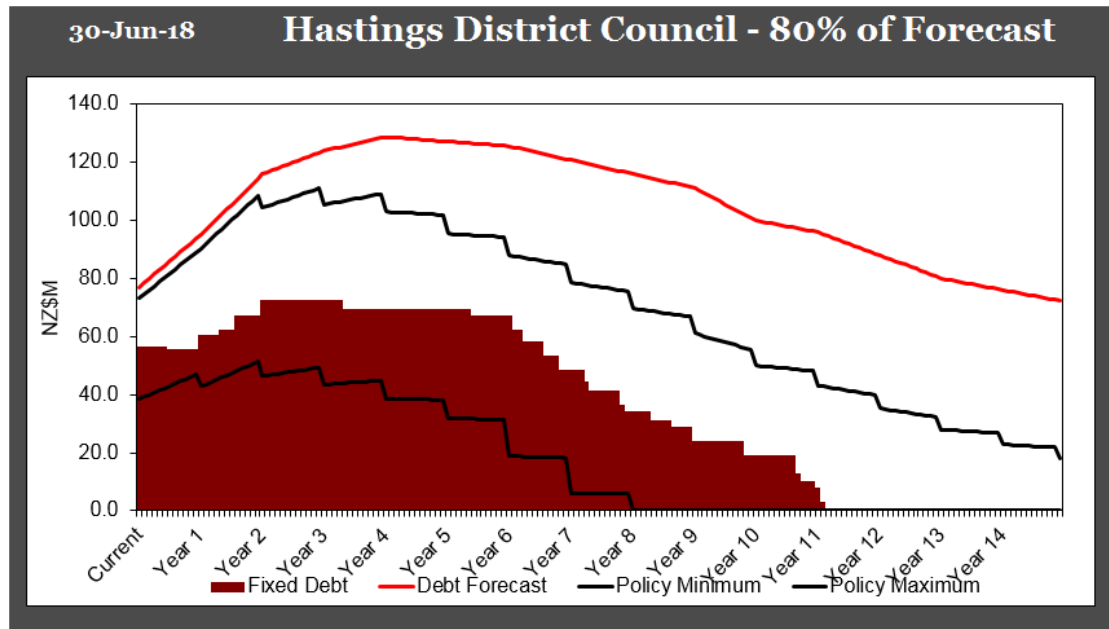
- 4.1 The chart below shows the key drivers of the expected movement in borrowings over the next quarter. This is based on projects that have started already, or are highly likely to commence before 30 June 2018 and indicates a forecast debt position of \$83.3m. Budget managers are currently reviewing and updating their year-end predictions and it is expected that the current debt forecast could be reduced to between \$75m and \$80m.



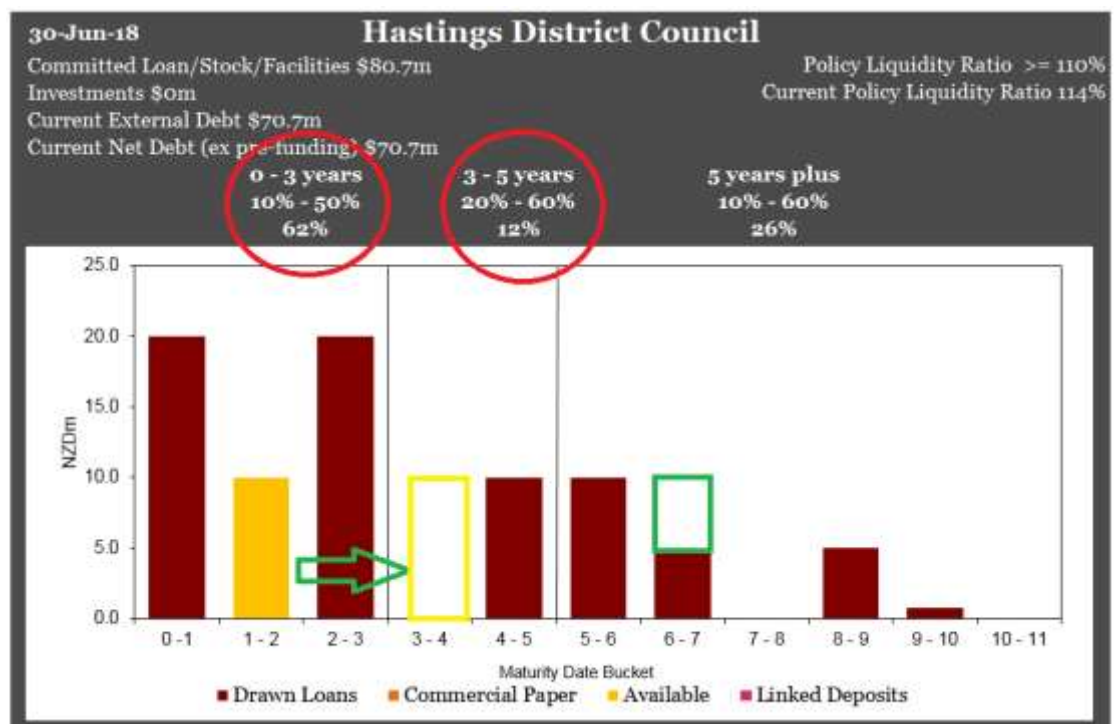
- 4.2 The chart identifies the major projects underway, however the smaller renewal projects have been aggregated into the “Other” heading.
- 4.3 The chart below shows the forecast external debt levels signalled in the 2018-2028 LTP adjusted with a slightly lower predicted opening position.



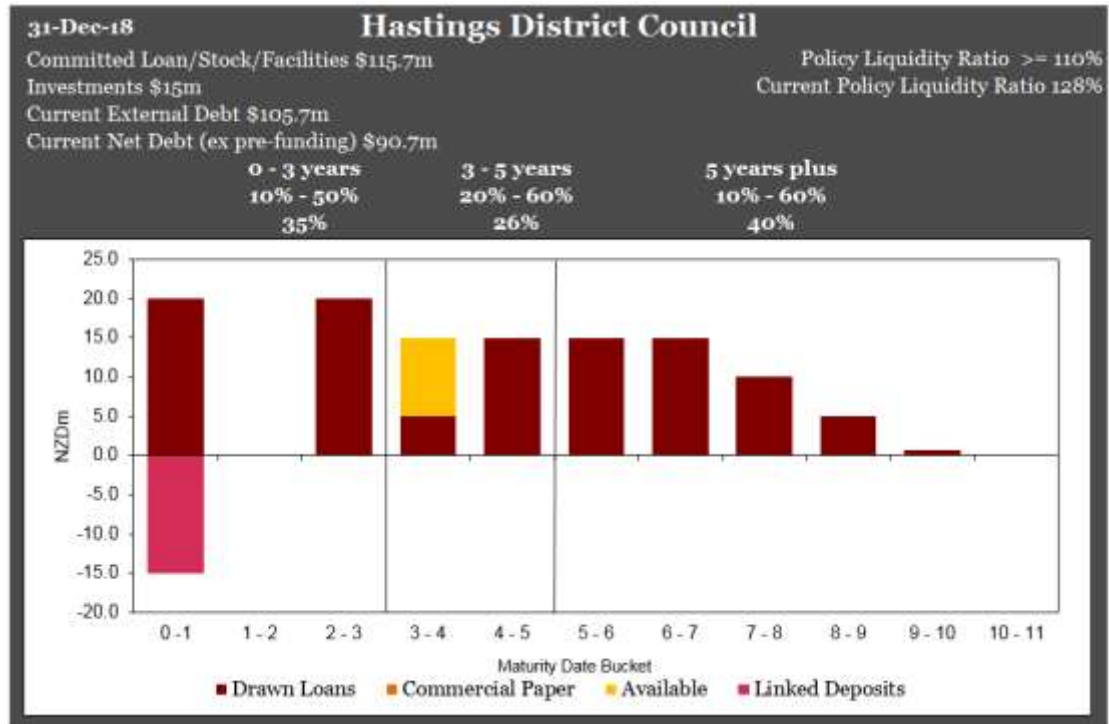
- 4.4 The following graph shows Council's fixed debt is within the policy minimum and policy maximum set out in Council's Treasury Management Policy. This graph also incorporates Council's forecast debt over the long term (discounted to 80% of projections). The projected external debt requirement for the next 12 months is forecast to increase which will provide Council with the opportunity to take advantage of funding longer term debt at historically low levels of interest.



- 4.5 The peak of the existing swap cover (years 2-3) is \$72.5m, which is not too far above today's debt level of \$70.7m meaning that for Council to be in a position of being over hedged at that peak, Council's current debt position would have to remain relatively static. Given the projected capital programme, largely funded by debt, forecast debt levels are not expected to remain at today's levels. The swap cover is at the policy mid-point of projected debt forecast using the conservative 80% debt forecast.
- 4.6 Officers are currently working with PWC on reviewing its interest rate strategy. PWC are currently recommending a target level of below 3.75% for retail swaps at the longer end of the yield curve (swaps of 5 to 10 years in length).
- 4.7 The graph below shows the Council's position for funding risk with \$70.7 million of financing facilities as at 30 June 2018, based on the assumption that there no new debt drawn between now and then.



- 4.8 The current liquidity ratio of 114% is within the policy band of 110% - 170%. Note that Council's debt maturity profile will be out of policy in years 0-3 and 3-5. The graph above suggests some actions that will ensure Council remains in policy at June 2018.
- that Council will renegotiate the line of credit with Westpac Bank (\$10m) to have a new expiry date of June 2022 which will shift the yellow bar to the right by two years.
  - additionally it is expected that the Council will need to borrow at least a further \$5m in June 2018, which will be borrowed with a maturity date of 2025 (as indicated by the green box).
- 4.9 After these combined changes the debt maturity profile will be 47% years 0-3, 23% years 3-5, and 30% years 5 plus which is back in policy.
- 4.10 Looking beyond June 2018, the next three strategic matters on the horizon are Standard and Poor's (S&P) annual review meeting (December 2018), the maturity of \$20m of LGFA debt in March 2019, and decreasing liquidity ratio's as our debt increases.
- 4.11 Interestingly all three matters are interrelated. S&P last year commented on the fact Council only has a \$10m line of credit, but has a \$20m debt repayment obligation due in March 2019. If the unthinkable happened and Council couldn't raise a new loan with LGFA how would Council meet this obligation?
- 4.12 Council has two avenues to address this issue;
- i) One is to increase its line of credit with Westpac at the same time it renegotiates the maturity date. This would improve Council's liquidity ratios as well which are near minimums currently, but comes with increased holding costs.
  - ii) The second option is to borrow part of the replacement loan early, and put the funds on deposit till needed. The cost of doing this should be neutral for the Council (ie interest paid = interest received), and would remove the possibility of a default.
- 4.13 It is also likely that Council will need to borrow a further \$15m in new debt between July and December 2018 to fund its capital program.
- 4.14 Assuming Council chooses to borrow \$15m of the replacement loan early (with a linked deposit), and does need a further \$15m of new debt before 31 December 2018, and starts the year with \$75.7m of existing debt, the new debt maturity might look something like this:



Such a strategy would be consistent with Council's liquidity and debt profile KPI's.

## 5.0 MARKET COMMENTARY

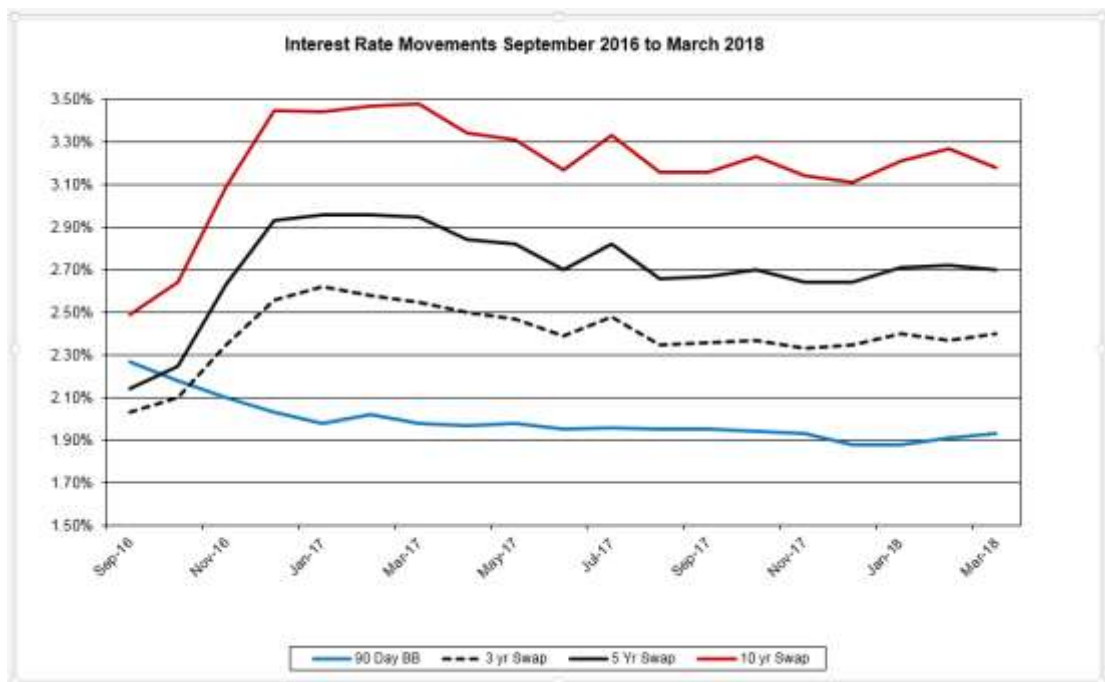
- 5.1 The Reserve Bank of New Zealand (RBNZ) last issued a Monetary Policy Statement on 22 March 2018 where the Official Cash Rate was held at 1.75%. The Reserve Bank Governor stated "The outlook for global growth continues to gradually improve. While global inflation remains subdued, there are some signs of emerging pressures. GDP was weaker than expected in the fourth quarter, mainly due to weather effects on agricultural production. Residential construction continues to be hindered by capacity constraints. CPI inflation is expected to weaken further in the near term due to softness in food and energy prices and adjustments to government charges. Monetary policy will remain accommodative for a considerable period. Numerous uncertainties remain and policy may need to adjust accordingly".
- 5.2 On the 26 March 2018 Finance Minister Grant Robertson and incoming Reserve Bank Governor Adrian Orr signed a new Policy Targets Agreement (PTA) setting out specific targets for maintaining price stability and a requirement for employment outcomes to be considered in the conduct of monetary policy. The new PTA takes effect from 27 March 2018, when Adrian Orr starts his five-year term as Governor.
- 5.3 ASB's take on the above announcements is that the RBNZ left its OCR rate unchanged at 1.75% as expected. Meanwhile the Federal Reserve (America's equivalent to the RBNZ) hiked its Fed Funds rate to 1.75% also. This is up from a low of 0.25% during the Global Financial Crisis and they are expected to have 2 further 0.25% hikes this year, and 3 more the following year. While the RBNZ is expected to leave the OCR at its historic low of 1.75% until the second half of 2019. NZ core inflation pressures have yet to materially pick up.

- 5.4 The Fed Funds rate increasing will impact on the cost of borrowing fixed interest rate funds where the term is 5+ years, whereas the shorter end of fixed interest rate curve is more impacted by the NZ OCR rate.

#### ASB interest rate forecasts

| (end of quarter)    | Dec-17    | Mar-18 | Jun-18      | Sep-18 | Dec-18 | Mar-19 | Mar-20 | Mar-21 |
|---------------------|-----------|--------|-------------|--------|--------|--------|--------|--------|
|                     | << actual |        | forecast >> |        |        |        |        |        |
| NZ OCR              | 1.75      | 1.75   | 1.75        | 1.75   | 1.75   | 1.75   | 2.25   | 2.75   |
| NZ 90-day bank bill | 1.88      | 2.0    | 2.0         | 2.0    | 2.0    | 2.0    | 2.5    | 3.0    |
| NZ 2-year swap rate | 2.21      | 2.2    | 2.2         | 2.3    | 2.4    | 2.5    | 3.0    | 3.5    |
| NZ 10-year Bond     | 2.75      | 2.7    | 3.2         | 3.3    | 3.3    | 3.4    | 3.5    | 3.5    |

- 6.1 The new RBNZ Policy Targets Agreement for monetary policy was released on Monday 26th of March, as well as the results of phase 1 of the review of the Reserve Bank Act. Importantly, the PTA retained the 1-3% CPI inflation target as the sole mandate, but added the requirement of the RBNZ to aim towards “supporting maximum sustainable employment within the economy”. A dual mandate looks to be coming, but this will require legislative changes to the Reserve Bank Act, which looks a number of months away.
- 6.2 The graph below shows how the NZ interest rate curve has moved over the past 18 months.
- 6.3 The PWC Treasury Advisory Team believe that both short-term (although not till after mid 2019 – linked to the OCR rate) and long-term interest rates could move higher due to the increased cost of borrowing offshore by New Zealand banks (see the Fed Reserve comments above).



## 7.0 FUNDING FACILITIES

- 7.1 **Attachment 2** shows details of Council's current debt facilities together with details of expiry dates and margins.
- 7.2 Council's liquidity ratio of 115% at 31 March 2018 (based on net external debt of \$65.7m and total debt facilities of \$75.7m) is within policy (policy 110% - 170%). Officers are comfortable with this ratio because of continued

uncertainty on debt forecasts and the ability to increase debt from the LGFA at relatively short notice.

## 8.0 RECOMMENDATIONS

**That the report of the Manager Strategic Finance titled Treasury Activity and Funding dated 1/05/2018 be received.**

### Attachments:

- |   |                                    |                |
|---|------------------------------------|----------------|
| 1 | Debt Maturity Status 31 March 2018 | CG-14-25-00037 |
| 2 | Public Debt Status 31 March 2018   | CG-14-25-00036 |

Funding and Interest Rate Risk 31 March 2018

| Type                | Banking Institution | Facility Amount (\$M) | Facility Maturity | Margin % | Commitment Fee % | Total % |
|---------------------|---------------------|-----------------------|-------------------|----------|------------------|---------|
| Floating Rate Notes | LGFA                | 15.00                 | 15-Mar-2019       | 1.28%    | 0.00%            | 1.28%   |
|                     | LGFA                | 15.00                 | 17-May-2021       | 0.84%    | 0.00%            | 0.84%   |
|                     | LGFA                | 5.00                  | 15-Mar-2019       | 0.56%    | 0.00%            | 0.56%   |
|                     | LGFA                | 5.00                  | 15-May-2021       | 0.75%    | 0.00%            | 0.75%   |
|                     | LGFA                | 5.00                  | 15-Apr-2023       | 0.83%    | 0.00%            | 0.83%   |
|                     | LGFA                | 5.00                  | 15-Apr-2027       | 0.65%    | 0.00%            | 0.65%   |
|                     | LGFA                | 5.00                  | 15-Apr-2023       | 0.80%    | 0.00%            | 0.80%   |
|                     | LGFA                | 5.00                  | 15-Apr-2025       | 0.87%    | 0.00%            | 0.87%   |
| Commerical Paper    | LGFA                | 5.00                  | 9-Apr-2018        | 0.20%    | 0.00%            | 0.20%   |
| Debt Facilities     | WBC                 | 10.00                 | 30-Jun-2020       | 1.25%    | 0.22%            | 0.00%   |
| Local Government    | 0.0                 | 0.00                  | 0-Jan-1900        | 0.00%    | 0.00%            | 0.00%   |

### Status Report on Council Debt As at 31 March 2018

#### 1. Loan Funding Requirement 2017/18

|                     | <u>Carry<br/>Forwards</u> | <u>Budget<br/>Annual Plan</u> | <u>Actual to<br/>31-Mar-2018</u> |
|---------------------|---------------------------|-------------------------------|----------------------------------|
|                     |                           | \$                            | \$                               |
| Proposed New Loans  |                           | 44,333,000                    | 9,013,166                        |
| Less Debt repayment |                           | -6,090,000                    | -3,045,000                       |
| Total Required      | 0                         | 38,243,000                    | 5,968,166                        |

#### 2. External Borrowing (Net Debt)

|                                                  |                   |
|--------------------------------------------------|-------------------|
| Bank Facilities                                  | 0                 |
| Term Funding                                     | 65,740,565        |
| <b>Total External Borrowing at 31 March 2018</b> | <b>65,740,565</b> |

#### 3. Summary of Internal Borrowings

|                                             |                   |
|---------------------------------------------|-------------------|
| Balance 1 July 2017                         | 36,520,435        |
| Plus: Requirement to date                   | 5,968,166         |
| Less: Movement in bank facilities           | -5,000,000        |
| <b>Internal Borrowings at 31 March 2018</b> | <b>37,488,601</b> |

#### Funding of internal borrowings

|                                                      |                  |
|------------------------------------------------------|------------------|
| Total Internal Borrowings                            | 37,488,601       |
| Funded from Special Fund Reserves (interest bearing) | 12,606,716       |
| Funded from Special Fund Reserves (non interest)     | 19,954,747       |
| <b>General Funds used for internal borrowings</b>    | <b>4,927,138</b> |

#### 4. Gross Council Debt allocated to activities

|                                    |                    |
|------------------------------------|--------------------|
| Actual External Debt on Issue      | 65,740,565         |
| Plus: Internal Borrowings          | 37,488,601         |
| <b>Gross Debt at 31 March 2018</b> | <b>103,229,166</b> |

#### Interest Rate Profile

| Year of Maturity | Profile at 1/07/2017 | Percentage of Total | Profile at 31/03/2018 | Percentage of Total | Ave Interest Rate |
|------------------|----------------------|---------------------|-----------------------|---------------------|-------------------|
| 2017/18          | 11,000,000           | 18.89%              | 0                     | 0.00%               | 12.08%            |
| 2018/19          | 4,000,000            | 6.87%               | 10,000,000            | 17.47%              | 5.51%             |
| 2019/20          | 14,000,000           | 24.04%              | 15,000,000            | 26.21%              | 5.28%             |
| 2020/21          | 14,000,000           | 24.04%              | 12,000,000            | 20.96%              | 5.23%             |
| 2021/22          | 10,500,000           | 18.03%              | 12,500,000            | 21.84%              | 5.41%             |
| 2022/23          | 2,740,565            | 4.71%               | 740,565               | 1.29%               | 0.00%             |
| 2023/24          | 0                    | 0.00%               | 2,000,000             | 3.49%               | 9.81%             |
| 2024/25          | 2,000,000            | 3.43%               | 5,000,000             | 8.74%               | 6.94%             |
| 2025/26          | 0                    | 0.00%               | 0                     | 0.00%               | 0.00%             |
| Beyond 2026      |                      |                     |                       | 0.00%               | 6.07%             |
| <b>Totals</b>    | <b>58,240,565</b>    | <b>100%</b>         | <b>57,240,565</b>     | <b>100%</b>         | <b>6.04%</b>      |

Average Term (years)

4.09

Average Interest Rate (excl margins)

6.0%

|               |                   |                   |    |
|---------------|-------------------|-------------------|----|
| Swaps         | 500,000 **        | -8,500,000        | ** |
| Bank Facility |                   | 0                 |    |
| External Debt | 57,740,565        | 65,740,565        |    |
| <b>Total</b>  | <b>58,240,565</b> | <b>57,240,565</b> |    |

\*\* Represents swaps held where no external debt held to offset.  
(excludes Swaptions)

**REPORT TO: RISK AND AUDIT SUBCOMMITTEE**

**MEETING DATE: TUESDAY 1 MAY 2018**

**FROM: RISK AND CORPORATE SERVICES MANAGER  
REGAN SMITH  
DISTRICT CUSTOMER SERVICES MANAGER  
GREG BRITTIN**

**SUBJECT: ENTERPRISE RISK MANAGEMENT UPDATE**

---

## **1.0 SUMMARY**

- 1.1 The purpose of this report is to update the Subcommittee on Enterprise Risk Management activities and to present Bow Tie analysis for the following strategic risks; Inadequate Available Funds, Economic Downturn, Biosecurity Failure, Corruption and Fraud Incidents and Business Interruption.
- 1.2 This issue arises from adoption of the Strategic Risk Register by Council.
- The Council is required to give effect to the purpose of local government as prescribed by Section 10 of the Local Government Act 2002. That purpose is to meet the current and future needs of communities for good quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses. Good quality means infrastructure, services and performance that are efficient and effective and appropriate to present and anticipated future circumstances.
- 1.3 This report concludes by recommending that the report be received and that Biosecurity risk be moved to a threat to Economic Downturn risk.

## **2.0 BACKGROUND**

- 2.1 Council has adopted the Bow Tie risk assessment method to analyse the strategic risks adopted by Council on 31 July 2017.
- 2.2 The Bow Tie risk assessment method was selected by Council as it is an effective tool to demonstrate causal relationships in complex systems. A Bowtie diagram does two things. First of all, it gives a visual summary of all plausible accident scenarios that could exist around a certain Hazard. Secondly, by identifying control measures the Bow Tie displays what the organisation does to control those scenarios.
- 2.3 Bow Tie analysis of strategic risks and associated threats, consequences and control barriers, have been completed and reported to the Subcommittee for the following risks:
- Civil Defence Emergency (Risk #2).
  - Health & Safety Incident (Risk #3).
  - Infrastructure Service Failure (Risk #4)
  - Ineffective Regulatory Oversight (Risk #5)
  - Adverse Environmental Change (Risk #6)
  - Demographic Change (Risk #7)

- Information Security Failure (Risk #8)
- Procurement Failure (Risk #12)

### 3.0 CURRENT RISK ANALYSIS

- 3.1 **Water supply contamination (Risk #1):** A workshop was held on 9 April 2018 with members of the water services team, the Group Manager: Asset Management and external consultant Dr Dan Deer, to review the draft water contamination Bow Tie diagram. This workshop validated the information presented in the Bow Tie and identified changes needed to ensure the diagram provided a comprehensive view of the systems in place to manage water contamination risk. The updated Bow Tie will be available for review at the next Subcommittee meeting in June.
- 3.2 Initial Bow Tie risk analysis have been completed for the following strategic risks:
- 3.2.1 **Inadequate Available Funds (Risk #9):** Loss of access to sufficient funds to meet Council's current financial commitments. Inadequate funds risk covers failure of loan facilities, or unforeseen global financial market failure, or level of debt reaching our loan cap, resulting in Council not having enough cash on hand to pay immediate financial commitments, including payroll.
- 3.2.2 *Risk assessment:* Strong treasury controls and oversight supported by robust budgeting and forecasting, including obtaining expert advice when necessary, significantly reduces the chance that Council will commit to financial obligations that exceed the funds to which Council has access.
- 3.2.3 **Economic Downturn (Risk #10):** Changes in global economic conditions or political stability that adversely affect the local community, resulting in reduced demand and ability to pay for services.
- 3.2.4 *Risk assessment:* Through a combination of well-informed land use and infrastructure planning, and an economic development initiative designed to promote economic diversity in the district, Council aims to minimise the impact of an economic downturn should it occur.
- 3.2.5 **Corruption and Fraud Incidents (Risk #13):** Deliberate misuse of position or authority that results in loss of funds, loss of assets or reputation damage. Corruption and Fraud risk covers all aspects relating to avoiding corrupt activity within Council and includes deliberate acts of theft, undeclared conflicts of interest, gifting and coercion that results in financial loss or reputation damage for Council.
- 3.2.6 *Risk assessment:* The chance and magnitude of potential fraud is mitigated through clear separation of duties and monitoring of spending activities, while corruption is minimised through robust organisation culture and declaration of gifts and conflicts of interest.
- 3.2.7 **Business Interruption (Risk #14):** Business interruption caused by some unexpected event impacting service delivery. This risk covers unexpected events that disrupt delivery of Council services 24 hours a day 7 days a week. The disruption could be to any of the resources

needed to deliver core services including; buildings, technology (e.g. websites, payment gateways, application services, telephony and email), people, utilities etc.

3.2.8 *Risk assessment:* Council has a Business Continuity Framework that sets out the crisis management and business continuity planning principles to achieve efficient containment and recovery from disruptions. Supporting plans have been established for services that are highly sensitivity to disruption; such as water supply and customer services. Further development of these plans to improve operational application is underway.

3.3 **Biosecurity Failure (Risk #11):** The initial analysis of Biosecurity risk has identified that Council has very little influence over the factors that give rise to, or ability to mitigate the consequence of, a biosecurity failure. However, it is acknowledged that the consequences of a biosecurity failure do have implications for the economic prosperity of the region.

3.4 Therefore, it is recommend that Biosecurity Risk number 11 be removed from the Strategic Risk Register and the relevant issues be incorporated in to strategic risk number 10: Economic Downturn.

#### **4.0 SIGNIFICANCE AND ENGAGEMENT**

4.1 While consideration of risk is significant to effective operation of Council, changes to the risk register are not significant in terms of Council's Significance and Engagement Policy and no consultation is required.

#### **5.0 RISK ASSURANCE ADVISOR APPOINTMENT**

5.1 Council has established a new Risk Assurance Advisor position to support the strategic risk analysis work, and to undertake internal audits to provide assurance that risk controls are working as intended.

5.2 Dean Ferguson has been appointed to this role and started work with Council on 23<sup>rd</sup> of April. Mr Ferguson has a good background in risk management and internal audit in the UK insurance industry.

#### **6.0 NEXT STEPS**

6.1 Complete initial analysis of all strategic risks by the end of June 2018. Remaining risks include:

6.1.1 Loss of key staff (Risk #15).

6.1.2 Officer negligence (Risk #16).

6.1.3 Failure to meet regulatory requirements (Risk #17).

6.1.4 Legislative change (Risk #18).

6.1.5 Facility failure (Risk #19).

6.1.6 Failure to achieve business as usual performance (Risk #20).

6.2 The current Risk Management Policy and Framework was adopted on 13 July 2017 and is due for annual review. A review and associated draft will be provided to the Subcommittee at the next meeting in June.

## **7.0 RECOMMENDATIONS AND REASONS**

- A) That the report of the Risk and Corporate Services Manager titled “Enterprise Risk Management Update” dated 1/05/2018 be received.**
- B) Risk and Audit Subcommittee recommend to Council that Biosecurity Risk number 11 be removed from the Strategic Risk Register and the relevant issues be incorporated in to strategic risk number 10: Economic Downturn.**

**With the reasons for this decision being that the objective of the decision will contribute to meeting the current and future needs of communities for good quality local infrastructure, local public services and performance of regulatory functions in a way that is most cost-effective for households and business by:**

- i) Validating that risks in core business processes are effectively managed.**

### **Attachments:**

|   |                                                                                                                                                                                         |                  |
|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| 1 | Policies, Procedures, Delgtns, Warrants & Manuals - Manuals - Risk Management - Governance Strategic Risk Register for Risk and Audit Subcommittee 1 May 2018                           | PMD-03-81-18-136 |
| 2 | Policies, Procedures, Delgtns, Warrants & Manuals - Manuals - Risk Management - Governance Strategic Risk Summary Inadequate Available Funds for Risk and Audit Subcommittee 1 May 2018 | PMD-03-81-18-127 |
| 3 | Policies, Procedures, Delgtns, Warrants & Manuals - Manuals - Risk Management - Governance Strategic Risk Bow Tie Inadequate Available Funds for Risk and Audit Subcommittee 1 May 2018 | PMD-03-81-18-128 |
| 4 | Policies, Procedures, Delgtns, Warrants & Manuals - Manuals - Risk Management - Governance Strategic Risk Summary Economic Downturn for Risk and Audit Subcommittee 1 May 2018          | PMD-03-81-18-129 |
| 5 | Policies, Procedures, Delgtns, Warrants & Manuals - Manuals - Risk Management - Governance Strategic Risk Bow Tie Economic Downturn for Risk and Audit Subcommittee 1 May 2018          | PMD-03-81-18-130 |
| 6 | Policies, Procedures, Delgtns, Warrants & Manuals - Manuals - Risk Management - Governance Strategic Risk Summary Corruption and Fraud for Risk and Audit Subcommittee 1 May 2018       | PMD-03-81-18-132 |
| 7 | Policies, Procedures, Delgtns, Warrants & Manuals - Manuals - Risk Management - Governance Strategic Risk Bow Tie Corruption and Fraud for Risk and Audit Subcommittee 1 May 2018       | PMD-03-81-18-133 |
| 8 | Policies, Procedures, Delgtns, Warrants & Manuals - Manuals - Risk Management - Governance Strategic Risk Summary Business Interruption for Risk and Audit Subcommittee 1 May 2018      | PMD-03-81-18-134 |

- |    |                                                                                                                                                                                    |                  |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| 9  | Policies, Procedures, Delgtns, Warrants & Manuals - Manuals - Risk Management - Governance Strategic Risk Bow Tie Business Interruption for Risk and Audit Subcommittee 1 May 2018 | PMD-03-81-18-135 |
| 10 | Policies, Procedures, Delgtns, Warrants & Manuals - Manuals - Risk Management - Governance Strategic Risk Bow Tie Biosecurity Failure for Risk and Audit Subcommittee 1 May 2018   | PMD-03-81-18-131 |

HDC Tier 1 Strategic Risk Register as at 17/4/2018

This risk register provides a summary of the top strategic risks facing Hastings District Council.

The table includes a brief description of the problem (risk description) and an assessment of the inherent risk before any action to mitigate the impact of the problem, followed by a brief description of the treatments in place to control the risk and an assessment of the remaining residual risk now faced by Council.

Refer to the risk summary pages for more detail on risk controls.

| Likelihood     | Risk Matrix<br>Consequence |        |          |           |           |
|----------------|----------------------------|--------|----------|-----------|-----------|
|                | Insignificant              | Minor  | Moderate | Major     | Severe    |
| Rare           | Low                        | Low    | Low      | Low       | High      |
| Possible       | Low                        | Low    | Low      | Medium    | High      |
| Likely         | Low                        | Low    | Medium   | Medium    | Very High |
| Probable       | Low                        | Medium | Medium   | High      | Very High |
| Almost Certain | Low                        | Medium | High     | Very High | Very High |

|                   |                                                                                                                                                                                                           |                     | Severity of risk <b>BEFORE</b> treatment |   |             |   | Summary of <b>treatment</b> to mitigate the risk | Severity of risk <b>AFTER</b> treatment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |             |   |              |   |               |
|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|------------------------------------------|---|-------------|---|--------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|---|--------------|---|---------------|
| Rank              | Risk Description                                                                                                                                                                                          | Category            | Likelihood                               | x | Consequence | = | Inherent Risk                                    | Treatment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Likelihood2 | x | Consequence2 | = | Residual Risk |
| <a href="#">1</a> | <b>Water Supply Contamination</b><br>Potential for water supply to carry source or network contamination to water users.                                                                                  | People Safety       | Likely                                   | x | Severe      | = | Very High                                        | Council manages the risk associated with water contamination through a focus on preventative activity designed to reduce the potential for contamination to enter the system. This includes catchment management and robust Asset Management Planning based on multi-barrier philosophy which is industry good practice, and utilising expert advice when necessary.                                                                                                                                                                                                                   | Rare        | x | Severe       | = | High          |
| <a href="#">2</a> | <b>Civil Defence Emergency</b><br>Major disaster or emergency due to a natural hazard or other cause affecting community safety or damaging Council assets.                                               | People Safety       | Likely                                   | x | Severe      | = | Very High                                        | Due to the nature of these events little can be done to reduce the chance of an event occurring. As a result Council's focus is on preparedness and ensuring an effective response can be mounted. This is achieved through integration with the Hawkes Bay Group CDEM team and training Council staff to manage the response and recovery for a major disaster.                                                                                                                                                                                                                       | Likely      | x | Severe       | = | Very High     |
| <a href="#">3</a> | <b>Health &amp; Safety Incident</b><br>Health and safety incident or exposure that has a permanent health impact on one or more people.                                                                   | People Safety       | Probable                                 | x | Severe      | = | Very High                                        | Council has a proactive health and safety team actively supported by senior management that is focused on driving proactive health and safety processes based on industry best practice tailored to Council's activities. Managers and staff have received externally delivered training to ensure understanding of their personal responsibilities for achieving safe working environments across the diverse services undertaken by Council. However, despite these measures, the risk of an adverse health and safety event remains high so continued focus is needed in this area. | Possible    | x | Severe       | = | High          |
| <a href="#">4</a> | <b>Infrastructure Service Failure</b><br>Infrastructure service failure resulting in loss, or compromised operation, of essential services causing harm to the community.                                 | People Safety       | Probable                                 | x | Severe      | = | Very High                                        | The probability of a significant event is reduced through application of high service levels to all infrastructure services. These service levels are achieved through robust asset management planning based on international standards, which are monitored by external audits and 3 yearly external peer reviews.                                                                                                                                                                                                                                                                   | Possible    | x | Severe       | = | High          |
| <a href="#">5</a> | <b>Ineffective Regulatory Oversight</b><br>Adverse impact on the public due to poor regulatory oversight of land use, construction standards or food preparation.                                         | People Safety       | Probable                                 | x | Severe      | = | Very High                                        | Effective regulatory oversight is achieved through a structured processes for receiving and evaluating applications relating to legislated activities, and active monitoring of actual works undertaken in the district. This work is undertaken by appropriately trained and competent staff that have suitable authority delegated from Council.                                                                                                                                                                                                                                     | Possible    | x | Severe       | = | High          |
| <a href="#">6</a> | <b>Adverse Environmental Change</b><br>Climate change effects impacting community wellbeing and land value affecting Council rating capability.                                                           | People Safety       | Probable                                 | x | Severe      | = | Very High                                        | Council's main role in responding to climate change is to assist with strengthening the resilience of communities in the district. This is achieved by managing the exposure to environmental change threats through district planning and consenting, and improving preparedness through civil defence activities. Council also has a role to play in interagency collaboration for the development of regional policy and pathway option generation to respond to the effects of climate change.                                                                                     | Probable    | x | Major        | = | High          |
| <a href="#">7</a> | <b>Demographic Change</b><br>Change in community demographics or population size that impacts community or Council service demand, support required or capacity to afford services.                       | Financial Viability | Probable                                 | x | Severe      | = | Very High                                        | Through application of robust demographic forecasts and community consultation in long term planning Council strives to match service investment with anticipated community needs and aspirations.                                                                                                                                                                                                                                                                                                                                                                                     | Probable    | x | Major        | = | High          |
| <a href="#">8</a> | <b>Information Security Failure</b><br>Loss of control over Council information assets due to failure of Information Services security to protect against; system failure, cyber attack or staff actions. | Service Delivery    | Probable                                 | x | Severe      | = | Very High                                        | Council runs a replicated server environment with a robust firewall, backed up to cloud storage. Training and regular reminders are provided to staff about cyber security measures on a regular basis to reduce risk to a tolerable level.                                                                                                                                                                                                                                                                                                                                            | Possible    | x | Severe       | = | High          |
| <a href="#">9</a> | <b>Inadequate Available Funds</b><br>Loss of access to sufficient funds to meet Council's current financial commitments.                                                                                  | Financial Viability | Probable                                 | x | Severe      | = | Very High                                        | Strong treasury controls and oversight supported by robust budgeting and forecasting, including obtaining expert advice when necessary, significantly reduce the chance that Council will commit to financial obligations that exceed the funds to which Council has access.                                                                                                                                                                                                                                                                                                           | Rare        | x | Major        | = | Low           |

HDC Tier 1 Strategic Risk Register as at 17/4/2018

This risk register provides a summary of the top strategic risks facing Hastings District Council.

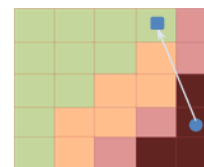
The table includes a brief description of the problem (risk description) and an assessment of the inherent risk before any action to mitigate the impact of the problem, followed by a brief description of the treatments in place to control the risk and an assessment of the remaining residual risk now faced by Council.

Refer to the risk summary pages for more detail on risk controls.

| Likelihood     | Risk Matrix<br>Consequence |        |          |           |           |
|----------------|----------------------------|--------|----------|-----------|-----------|
|                | Insignificant              | Minor  | Moderate | Major     | Severe    |
| Rare           | Low                        | Low    | Low      | Low       | High      |
| Possible       | Low                        | Low    | Low      | Medium    | High      |
| Likely         | Low                        | Low    | Medium   | Medium    | Very High |
| Probable       | Low                        | Medium | Medium   | High      | Very High |
| Almost Certain | Low                        | Medium | High     | Very High | Very High |

|                    |                                                                                                                                                                                                                   |                     | Severity of risk <b>BEFORE</b> treatment |   |             |   | Summary of <b>treatment</b> to mitigate the risk | Severity of risk <b>AFTER</b> treatment                                                                                                                                                                                                                                                                                                                                                                                   |             |   |              |   |               |
|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|------------------------------------------|---|-------------|---|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|---|--------------|---|---------------|
| Rank               | Risk Description                                                                                                                                                                                                  | Category            | Likelihood                               | x | Consequence | = | Inherent Risk                                    | Treatment                                                                                                                                                                                                                                                                                                                                                                                                                 | Likelihood2 | x | Consequence2 | = | Residual Risk |
| <a href="#">10</a> | <b>Economic Downturn</b><br>Changes in global economic conditions or political stability that adversely affect the local community, resulting in reduced demand and ability to pay for services.                  | Financial Viability | Possible                                 | x | Severe      | = | High                                             | Through a combination of well informed land use and infrastructure planning, and an economic development initiative designed to promote economic diversity in the district, Council aims to minimise the impact of an economic downturn should it occur.                                                                                                                                                                  | Possible    | x | Major        | = | Medium        |
| 11                 | <b>Biosecurity Failure</b><br>Introduction of naturally occurring pathogens or genetically modified organisms that could compromise viability of commercial agriculture or horticulture industries in the region. | Financial Viability | Rare                                     | x | Severe      | = | High                                             | Focus on local economic growth to promote a wider variety of local industry that is more resilient.                                                                                                                                                                                                                                                                                                                       | Rare        | x | Severe       | = | High          |
| <a href="#">12</a> | <b>Procurement Failure</b><br>Poor procurement practices resulting in poor expenditure decisions.                                                                                                                 | Financial Viability | Probable                                 | x | Major       | = | High                                             | Procurement policies and practices following government best practice are documented in the Council Procurement Manual, which is supported by robust templates and overseen by Council's Procurement Manager and Procurement Steering Group. Standing practices are in place for tender publication, opening and approval to ensure adequate separation of duties and control over decision making.                       | Possible    | x | Major        | = | Medium        |
| <a href="#">13</a> | <b>Corruption and Fraud Incidents</b><br>Deliberate misuse of position or authority that results in loss of funds, loss of assets or reputation damage.                                                           | Financial Viability | Probable                                 | x | Major       | = | High                                             | The chance and magnitude of potential fraud is mitigated through clear separation of duties and monitoring of spending activities, while corruption is minimised through robust organisation culture and declaration of gifts and conflicts of interest.                                                                                                                                                                  | Likely      | x | Moderate     | = | Medium        |
| <a href="#">14</a> | <b>Business Interruption</b><br>Business interruption caused by some unexpected event impacting service delivery.                                                                                                 | Service Delivery    | Probable                                 | x | Major       | = | High                                             | Council has a Business Continuity Framework that sets out the crisis management and business continuity planning principles to achieve efficient containment and recovery from disruptions. Supporting plans have been established for services that are highly sensitivity to disruption; such as water supply and customer services. Further development of these plans to improve operational application is underway. | Likely      | x | Moderate     | = | Medium        |
| 15                 | <b>Loss of Key Staff</b><br>Loss of key staff impacting service delivery.                                                                                                                                         | Service Delivery    | Probable                                 | x | Major       | = | High                                             | Strategies in place to retain key staff, additionally mitigation measures in place e.g. Cross training and documenting business process for key activities.                                                                                                                                                                                                                                                               | Likely      | x | Moderate     | = | Medium        |
| 16                 | <b>Officer Negligence</b><br>Council Officer (staff or elected member) negligence or lack of competence resulting in poor decisions that casues harm to people, litigation or reputation damage.                  | Legal Compliance    | Probable                                 | x | Major       | = | High                                             | Recruitment, procedures and training practices in place.                                                                                                                                                                                                                                                                                                                                                                  | Possible    | x | Major        | = | Medium        |
| 17                 | <b>Failure to Meet Regulatory Requirements</b><br>Failure to meet legislative/regulatory requirements resulting in suspension of Council services.                                                                | Legal Compliance    | Likely                                   | x | Major       | = | Medium                                           | Business process documented and staff training in place.                                                                                                                                                                                                                                                                                                                                                                  | Possible    | x | Major        | = | Medium        |
| 18                 | <b>Legislative Change</b><br>Legislation change that places additional demand on the community or Council resources.                                                                                              | Legal Compliance    | Probable                                 | x | Moderate    | = | Medium                                           | Membership of LGNZ and lobbying industry agencies.                                                                                                                                                                                                                                                                                                                                                                        | Likely      | x | Moderate     | = | Medium        |
| 19                 | <b>Facility Failure</b><br>Facility failure resulting in loss of community service.                                                                                                                               | Service Delivery    | Probable                                 | x | Moderate    | = | Medium                                           | Asset renewal planning and scheduled maintenance in place.                                                                                                                                                                                                                                                                                                                                                                | Possible    | x | Moderate     | = | Low           |
| 20                 | <b>Failure to Achieve Business as Usual Performance</b><br>Failure to deliver Council strategic objectives, projects or normal business service levels resulting in community dissatisfaction.                    | Service Delivery    | Probable                                 | x | Moderate    | = | Medium                                           | Diversified systems operated by sufficient staff. Strategic projects team established to ensure effective project management.                                                                                                                                                                                                                                                                                             | Possible    | x | Moderate     | = | Low           |

## Risk 9: Inadequate Available Funds



**Owner:** Chief Financial Officer  
**Stakeholders:** HDC and rate payers

### Risk Description

Loss of access to sufficient funds to meet Council's current financial commitments. Inadequate funds risk covers failure of loan facilities, or unforeseen global financial market failure, or level of debt reaching our loan cap, resulting in Council not having enough cash on hand to pay immediate financial commitments, including payroll.

**Risk Type:** Hazard (can only have negative impacts) **Timescale:** Short term

**Consequences :** Projects deferred, Loss of reputation, Contract Liabilities, Failure of Contractor, Economic downturn, Shutdown of Core services, Statutory Management installed, Loss of staff, Increased borrowing costs, Loss of supplies, Loss of Insurance Cover

**Previous Event:**

### Inherent Risk

**Probable** x **Severe** = **Very High**

Considering the breadth of Council services provided it is probable that without appropriate controls on purchasing, contract management and budgeting that financial obligations could exceed Council's available funds.

**Threats :** Loss of NZTA funding, Governance strategies unsustainable, Poor procurement, Significant number of rate payers default, Loss of access to Loan funding, Timing of cashflow, LGFA guarantee liability, Poor Budgeting Planning, Fraud, Economic downturn / crisis, Natural disasters / significant events, Unexpected gaps in insurance cover, Reaching Loan cap.

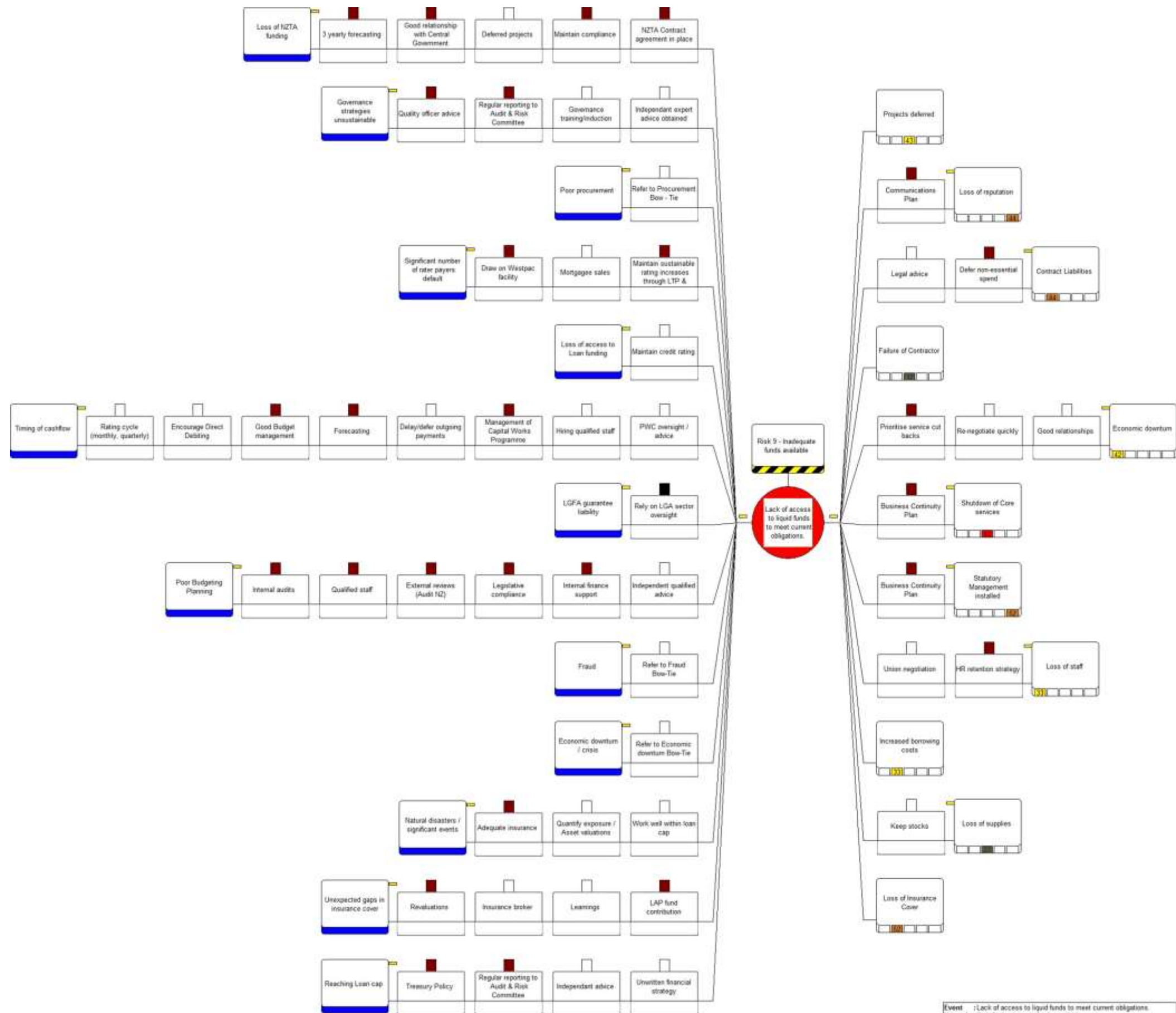
### Residual Risk

**Rare** x **Major** = **Low**

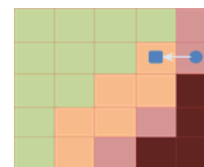
Strong treasury controls and oversight supported by robust budgeting and forecasting, including obtaining expert advice when necessary, significantly reduce the chance that Council will commit to financial obligations that exceed the funds to which Council has access.

**Prevention :** 3 yearly forecasting, Good relationship with Central Government, Deferred projects, Maintain compliance, NZTA Contract agreement in place, Quality officer advice, Regular reporting to Risk & Audit Subcommittee, Governance training/induction, Independent expert advice obtained, Draw on Westpac facility, Mortgagee sales, Maintain sustainable rating increases through LTP & Annual Plan process, Maintain credit rating, Rating cycle (monthly, quarterly), Encourage Direct Debiting, Good Budget management, Forecasting, Delay/defer outgoing payments, Management of Capital Works Programme, Hiring qualified staff, PWC oversight / advice, Internal audits, Qualified staff, External reviews (Audit NZ), Legislative compliance, Internal finance support, Independent qualified advice, Adequate insurance, Quantify exposure / Asset valuations, Work well within loan cap, Revaluations, Insurance broker, Learnings, LAP fund contribution, Treasury Policy, Unwritten financial strategy.  
 Also refer to: Procurement, Corruption and Fraud, and Economic downturn risk analysis.  
 External reliance on LGA sector oversight.

**Mitigation :** Communications Plan, Legal advice, Defer non-essential spend, Prioritise service cut backs, Re-negotiate quickly, Good relationships, Business Continuity Plan, Union negotiation, HR retention strategy, Keep stocks.



## Risk 10: Economic Downturn



**Owner:** Council  
**Stakeholders:** HDC and residents.

### Risk Description

Changes in global economic conditions or political stability that adversely affect the local community, resulting in reduced demand and ability to pay for services.

**Risk Type:** Hazard (can only have negative impacts)

**Timescale:** Medium to long term

**Consequences:** Bank tolerance, Inability for businesses and public to pay Council rates and fees, Social decline, increased crime, homelessness, detrimental health impacts, increased emigration, Empty CBD/derelict buildings, Decreased usage of community facilities.

**Previous Event:** Impacts of global financial crisis 2008

### Inherent Risk

Possible x Severe = High

Instability in geo-politics, economic markets or terrorism creates economic volatility that can have an impact on local economic prosperity (e.g. housing crash) affecting the community and Council socially and financially.

**Threats:** Food exporters excluded from markets, Closure of major employer within the district, Lack of skilled labour, Limitations of infrastructure - Airport, Port, transport network, Biosecurity failure, Climate change resulting in failure in agricultural area, Cyclic nature of agriculture, CDEM event.

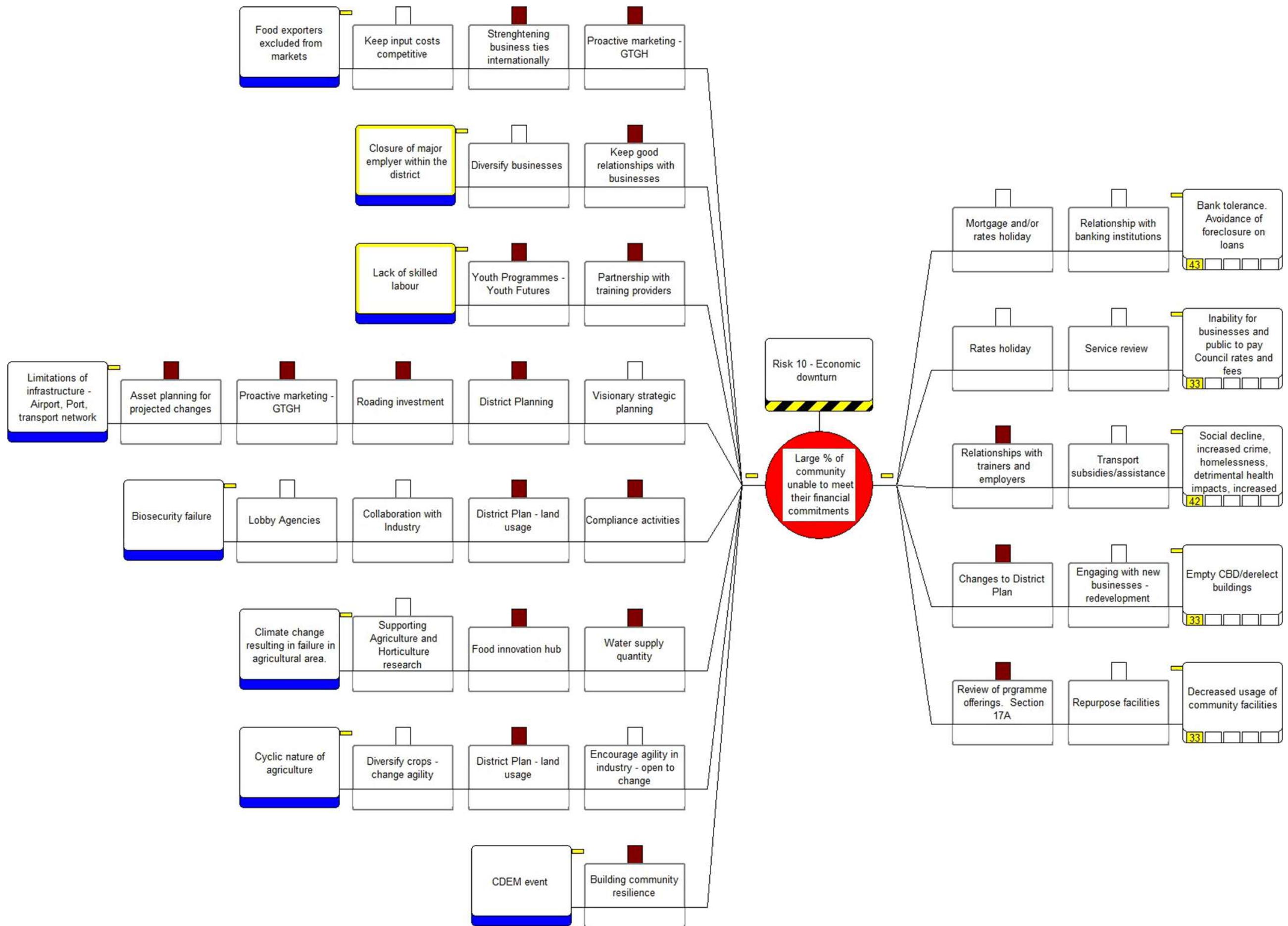
### Residual Risk

Possible x Major = Medium

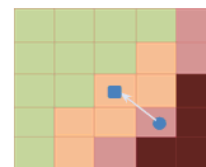
Through a combination of well informed land use and infrastructure planning, and an economic development initiative designed to promote economic diversity in the district, Council aims to minimise the impact of an economic downturn should it occur.

**Prevention:** Keep input costs competitive, Strengthening business ties internationally, Proactive marketing - GTGH, Diversify businesses and crops, Keep good relationships with businesses, Youth Programmes - Youth Futures, Partnership with training providers, Asset planning for projected changes, Roading investment, Visionary strategic planning, Lobby Agencies, Collaboration with Industry, District Plan - land usage, Compliance activities, Supporting Agriculture and Horticulture research, Food innovation hub, Water supply quantity, Encourage agility in industry - open to change, Building community resilience.

**Mitigation:** Avoidance of foreclosure on loans, Mortgage and/or rates holiday, Relationship with banking institutions, Rates holiday, Service review, Relationships with trainers and employers, Transport subsidies/assistance, Changes to District Plan, Engaging with new businesses - redevelopment, Review of programme offerings (Section 17A), Repurpose facilities.



## Risk 13: Corruption and Fraud Incidents



**Owner:** Chief Financial Officer  
**Stakeholders:** HDC, contractors and rate payers.

### Risk Description

Deliberate misuse of position or authority that results in loss of funds, loss of assets or reputation damage. Corruption and Fraud risk covers all aspects relating to avoiding corrupt activity within Council and includes deliberate acts of theft, undeclared conflicts of interest, gifting and coercion that results in financial loss or reputation damage for Council.

**Risk Type:** Hazard (can only have negative impacts) **Timescale:** Short to Medium term  
**Consequences:** Loss of cash or assets, Damage to reputation, Cost of legal advice, Increased premium or declined insurance cover, Credit rating implications, Outstanding liabilities, Litigation by other affected parties, Difficulty accessing adequate funds.  
**Previous Event:** Hastings Sport Centre invoice fraud 2017

**Inherent Risk** ● **Probable** × **Major** = **High**

Without adequate controls in place Council cash and assets will be vulnerable to theft or miss-use, and in an organisation the size of Council it is probable that a staff member would seize the opportunity for undue personal gain.

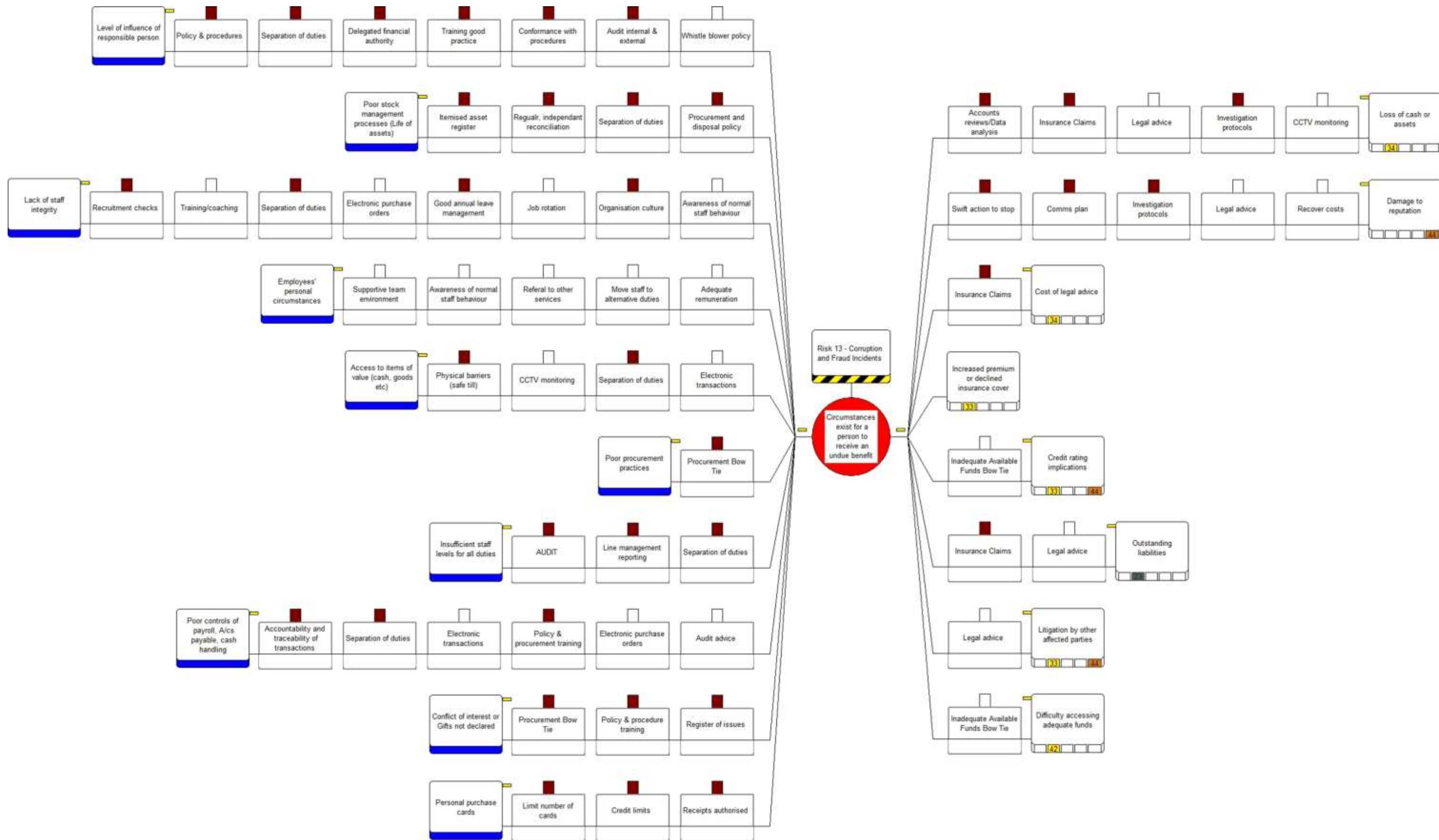
**Threats:** Level of influence of responsible person, Poor stock management processes (Life of assets), Lack of staff integrity, Employees' personal circumstances, Access to items of value (cash, goods etc), Poor procurement practices, Insufficient staff levels for all duties, Poor controls of payroll, A/cs payable, cash handling, Conflict of interest or Gifts not declared, Personal purchase cards.

**Residual Risk** ■ **Likely** × **Moderate** = **Medium**

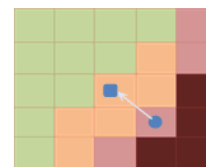
The chance and magnitude of potential fraud is mitigated through clear separation of duties and monitoring of spending activities, while corruption is minimised through robust organisation culture and declaration of gifts and conflicts of interest.

**Prevention:** Separation of duties, Policy & procedures, Delegated financial authority, Training good practice, Conformance with procedures, Audit internal & external, Whistle blower policy, Itemised asset register, Regular independent reconciliation, Procurement and disposal policy, Recruitment checks, Training/coaching, Electronic purchase orders, Good annual leave management, Job rotation, Organisation culture, Awareness of normal staff behaviour, Supportive team environment, Referral to other services, Move staff to alternative duties, Adequate remuneration, Physical barriers (safe till), CCTV monitoring, Electronic transactions, Line management reporting, Accountability and traceability of transactions, Audit advice, Register of issues, Limit number of cards, Receipts authorised, Credit limits

**Mitigation:** Accounts reviews/Data analysis, Insurance Claims, Legal advice, CCTV monitoring, Investigation protocols, Swift action to stop, Communications plan, Recover costs, Provision for maintaining adequate Funds.



## Risk 14: Business Interruption



**Owner:** Group Manager: Economic Growth and Organisation Improvement  
**Stakeholders:** HDC and residents.

### Risk Description

Business interruption caused by some unexpected event impacting service delivery. This risk covers unexpected events that disrupt delivery of Council services 24 hours a day 7 days a week. The disruption could be to any of the resources needed to deliver core services including; buildings, technology (e.g. websites, payment gateways, application services, telephony and email etc), people, utilities etc.

**Risk Type:** Hazard (can only have negative impacts) **Timescale:** Short to Medium term  
**Consequences :** Reputation loss, Loss of Revenue (pools etc), Legal challenge / liability, Loss of accreditation / failure to comply, Adverse public health impact, Compromised service levels, Inability to meet creditor deadlines.

**Previous Event:**

**Inherent Risk** ● **Probable** × **Major** = **High**

Relying solely on business as usual resources to provide an effective response to a service disruption is likely to result in a fragmented approach that will cause delays and additional cost to resume normal services.

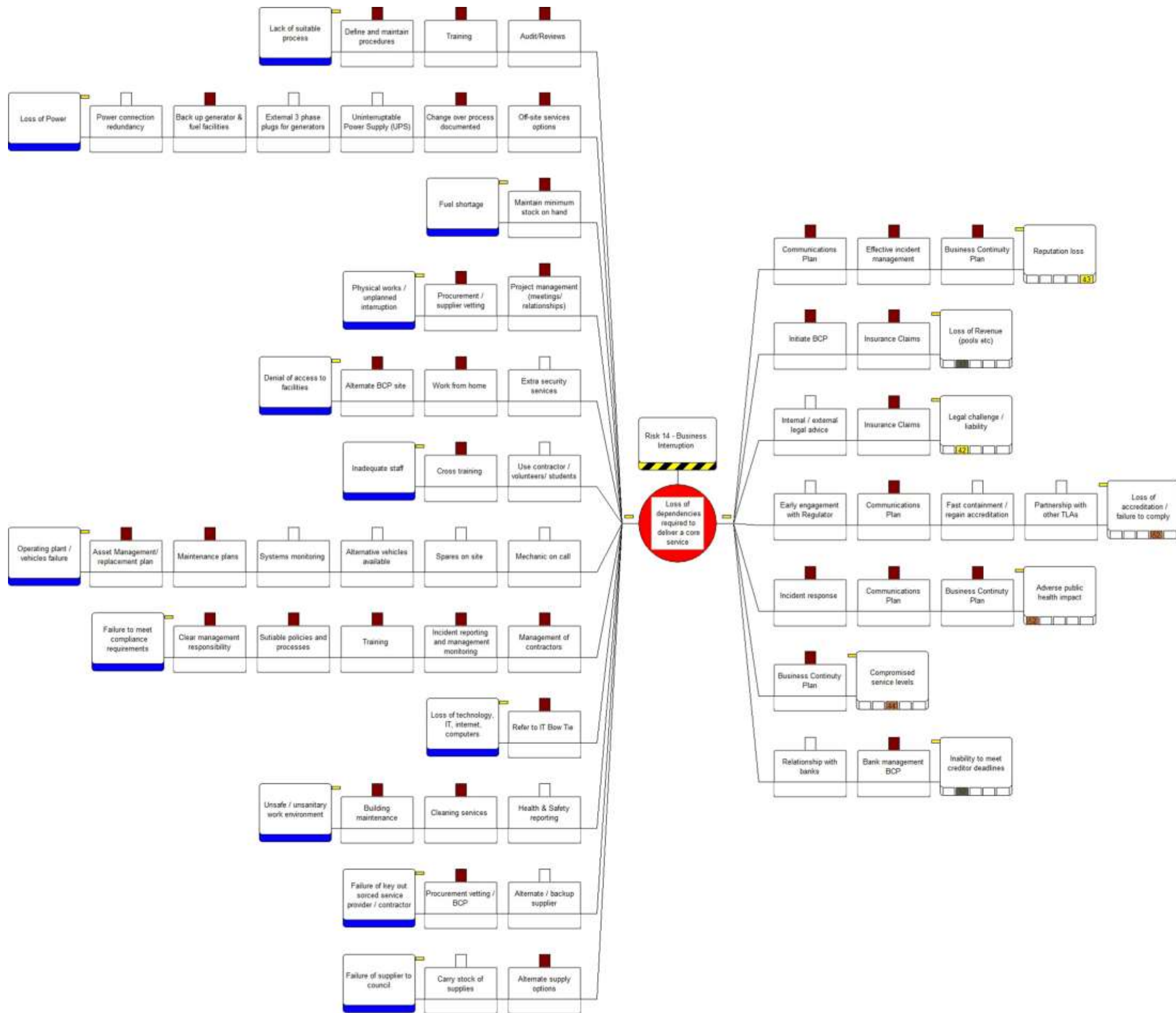
**Threats :** Lack of suitable process, Loss of Power, Fuel shortage, Physical works / unplanned interruption, Denial of access to facilities, Inadequate staff, Operating plant / vehicles failure, Failure to meet compliance requirements, Loss of technology, IT, internet, computers, Unsafe / unsanitary work environment, Failure of key out sourced service provider / contractor, Failure of supplier to council.

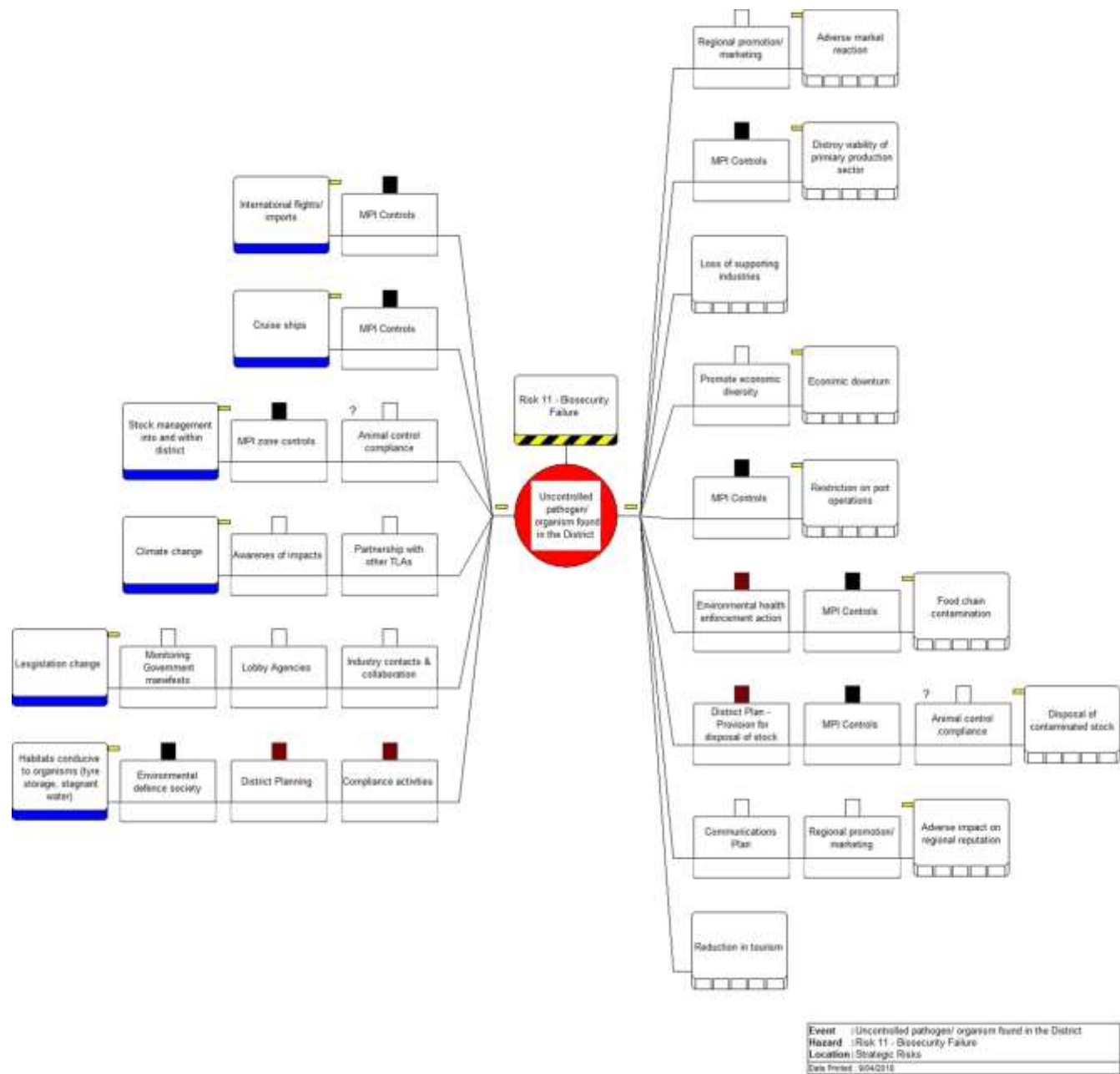
**Residual Risk** ■ **Likely** × **Moderate** = **Medium**

Council has a Business Continuity Framework that sets out the crisis management and business continuity planning principles to achieve efficient containment and recovery from disruptions. Supporting plans have been established for services that are highly sensitivity to disruption; such as water supply and customer services. Further development of these plans to improve operational application is underway.

**Prevention :** Audit/Reviews, Training, Define and maintain procedures, Back up generator & fuel facilities, Power connection redundancy, Uninterruptable Power Supply (UPS), External 3 phase plugs for generators, Change over process documented, Off-site services options, Maintain minimum stock on hand, Procurement / supplier vetting, Project management (meetings/ relationships), Alternate BCP site, Work from home, Use contractor / volunteers/ students, Cross training, Maintenance plans, Spares/stock on site, Systems monitoring, Alternative vehicles available, Asset Management/ replacement plan, Mechanic on call, Incident reporting and management monitoring, Clear management responsibility, Management of contractors, Health & Safety reporting, Building maintenance, Alternate supplier options. Refer to IT Bow Tie.

**Mitigation :** Communications Plan, Effective incident management, Business Continuity Plan, Insurance Claims, Internal / external legal advice, Early engagement with Regulator, Fast containment / regain accreditation, Partnership with other TLAs, Relationship with banks, Bank management BCP.







**REPORT TO:** RISK AND AUDIT SUBCOMMITTEE

**MEETING DATE:** TUESDAY 1 MAY 2018

**FROM:** CHIEF FINANCIAL OFFICER  
BRUCE ALLAN  
GROUP MANAGER: ASSET MANAGEMENT  
CRAIG THEW

**SUBJECT:** ASSET MANAGEMENT PLANS

---

## 1.0 SUMMARY

- 1.1 The purpose of this report is to provide information to the Risk and Audit Subcommittee in regards to the steps taken to provide assurance that the Asset Management planning at Council is well managed and that Councils assets are being appropriately maintained.
- 1.2 The Council is required to give effect to the purpose of local government as prescribed by Section 10 of the Local Government Act 2002. That purpose is to meet the current and future needs of communities for good quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses. Good quality means infrastructure, services and performance that are efficient and effective and appropriate to present and anticipated future circumstances.
- 1.3 This report concludes by recommending the report is received.

## 2.0 BACKGROUND

- 2.1 Strategic Risk Register identifies the following risk which is related to good asset management planning.

**Infrastructure Service Failure:** Infrastructure service failure resulting in loss, or compromised operation, of essential services causing harm to the community.

- 2.2 The mitigations identified in the strategic risk register include:
 

“The probability of a significant event is reduced through application of high service levels to all infrastructure services. These service levels are achieved through robust asset management planning based on international standards, which are monitored by external audits and 3 yearly external peer reviews.”
- 2.3 Council are required to have comprehensive asset management plans for the core infrastructure of Roads and the Three Waters. It is these asset management plans that are the focus of this report.
- 2.4 Asset Management Plans are living documents, continually being updated and reviewed based on changing and improving information. It is therefore the summaries of these plans that the Council will be asked to adopt, representing the knowledge and understanding of these important assets as at a point in time.

- 2.5 The asset management plans also include improvement plans, these improvement plans highlight initiatives that have been identified in the asset planning process to further develop the understanding and management of the future service needs of our community.

### 3.0 CURRENT SITUATION

- 3.1 During the 2018-28 Long Term Plan audit, Audit NZ take a close interest in the Asset- Management Plans and specialist auditors are allocated the task of reviewing these documents and the associated processes. In the Audit NZ report to Council on the Long Term Plan Consultation Document the following is noted in terms of the Water and Roding plans:

***“Quality of asset-related forecasting information***

*The Water and Roding Asset Management Plans (AMP) were reviewed by our sector specialists. Through discussion with infrastructure staff, a high level assessment of the District Council’s planning systems, review of the infrastructure strategy, and a review of the asset management plans the overall quality and material completeness of the Roding and Water Asset Management Plans was assessed as good. These are a sound basis on which to base the asset related forecasts and no significant improvements were noted.*

*We have specifically reviewed the projects in terms of the work that is required to the water infrastructure as a result of the Havelock North water contamination event and the required replacements of rural bridges. We have also gained an understanding of asset renewal expenditure. The renewal spend matches the requirements as modelled through the AMPs and there were no issues noted as a result of our review.”*

#### 3.2 Review process – Waugh Consulting

- 3.2.1 Council has an adopted an Asset Management Policy, as part of this Policy an assessment of the ‘appropriate level of asset management’ is defined for each of the asset areas. This approach is now more commonly referred to as asset management maturity (as noted in the new Treasury Investor Confidence Rating (ICR) system and in the updated Infrastructure Investment and Maintenance Manual (IIMM)).
- 3.2.2 This approach considers the relative risks of service delivery, across the different aspects of asset planning, with consideration of the Hastings context and the particular risks requiring management. The purpose is to ensure that the level of effort and complexity is balanced and focused on the need.
- 3.2.3 In 2014 the appropriate practice target level was reassessed externally by Ross Waugh (Waugh Consulting) and updated (attachment 1), taking into account context changes and improvements to the assessment approach. Following this re-assessment a compliance review of the previous Asset Management documentation was undertaken (by Ross Waugh) to identify

- gaps between the desired level and the information provided from the AMP documents.
- 3.2.4 This review highlighted a number of documentation opportunities where the Asset planning practice was not acknowledged in the documents. The review also noted areas of recommended focus. These become Asset planning improvement opportunities that are programmed and prioritised.
- 3.3 Over the last 3 year period significant changes to the operating context in drinking water have occurred. This has required a wide review of previous practice, planning assumptions, resourcing requirements, and approach. This process has taken considerable resources and re-prioritisation of tasks. The drinking water AMP therefore required a greater level of input and review to collate up to the latest information. It is expected that this area will continue to develop as the knowledge continues to develop and the legislative context changes.
- 3.4 To meet this increased need a greater level of oversight and assistance has been provided by Waugh Consulting. The external input is being used to provide additional tensioning and industry best practice in the updating process. The asset managers retain the responsibility for the updating and ownership of the AMPs.
- 3.5 Given the increased level of involvement by Waugh Consultancy, in particular Ross Waugh, officers are considering an alternative third party review. This would occur once the remaining documentation updates are completed.
- 3.6 Due to the workloads required for the water change process the GM of Asset Management engaged Neil Cook (Rationale) to provide an oversight and guidance role for the Transportation AMP update process.
- 3.7 NZTA review process for Transport
- 3.7.1 As a major co-investor the New Zealand Transport Agency completes a number of audits across the transport asset planning and delivery activities. These range from technical through to procedural audits. These audits include reviews of the asset management business case (told by the Transport AMP) that are required to support the funding request for co-investment.
- 3.7.2 For the 2018/21 Land Transport Programme applications Councils have been required to adjust their approach to respond to the new NZTA business case and One Network Road Classification (ONRC) system. The Road Efficiency Group (REG) and NZTA provided facilitated regional workshops (multiple per region) across NZ to provide increased practice development, sharing, and feedback. The Hastings DC staff played an active role in this workshop process and staff are also involved in the REG committees charged with developing practice and understanding across all road controlling authorities.
- 3.7.3 NZTA has yet to provide a formal review of the latest AMP document. Officers have received the initial feedback on the strategic business case and rated its confidence rating for the different areas of the plan.
- 3.7.4 The change in Government and the subsequent change in Transport policy direction (Government Policy Statement (GPS)) and funding priorities will need to be considered by Council to ensure new opportunities and risks are actively managed.

- 3.7.5 These sorts of changes are acknowledged in the Asset Planning process, and reflects the need to keep the full AMP's as working documents, continuously adapting and responding to new information. The executive summaries are the intended to be the public facing document that summarises the direction, key items, and the planned response.
- 3.7.6 The intent is for Council to adopt the AMP summaries as part of the LTP adoption and to publish these on the Council website with the other LTP documentation.
- 3.7.7 The asset planning improvements will also be programmed and progress on this programme will be managed alongside the management capital delivery programme.
- 3.7.8 The current versions of the amp overviews and executive summaries for the 3 waters and transport activities are attached for information.

#### 4.0 RECOMMENDATIONS AND REASONS

- A) That the report of the Chief Financial Officer and Group Manager: Asset Management titled "Asset Management Plans" dated 1/05/2018 be received.**
- B) That the Subcommittee 2018-28 Asset Management Plan summaries for Roading, Water Supply, Waste Water and Stormwater be received.**

**With the reasons for this decision being that the objective of the decision will contribute to meeting the current and future needs of communities for good quality local infrastructure in a way that is most cost-effective for households and business by:**

- i) Acknowledging that the planning and understanding of Councils important infrastructure assets are good.**

#### Attachments:

|   |                                                                                                    |              |
|---|----------------------------------------------------------------------------------------------------|--------------|
| 1 | Selecting appropriate AM level 2014 review                                                         | AST-1-1-18-4 |
| 2 | Asset Management - Asset Management Plans - Water - Water AMP Summary 2018                         | AST-1-1-18-5 |
| 3 | Asset Management - Asset Management Plans - Wastewater - Wastewater AMP Summary 2018               | AST-1-2-18-4 |
| 4 | Asset Management - Asset Management Plans - Stormwater - Stormwater AMP Summary 2018               | AST-1-3-18-3 |
| 5 | Asset Management - Asset Management Plans - Transportation - Transportation at a glance            | AST-1-4-18-2 |
| 6 | Asset Management - Asset Management Plans - Transportation - Executive Summary - extract from TAMP | AST-1-4-18-3 |

*Infrastructure Management*

**Hastings District Council**

**Selecting the Appropriate  
AM Level  
Update 2014**





## Quality Record Sheet

Hastings District Council

### Selecting the Appropriate AM Level Update 2014

| Issue Information         |                          |
|---------------------------|--------------------------|
| Issue Purpose             | <b>Draft for Comment</b> |
| Issue Date                | 8 August 2014            |
| Version Number            | 1.0                      |
| Authorisation             |                          |
| Hastings District Council | Craig Thew               |
| Date                      | 8 August 2014            |
| Prepared By               | Ross Waugh               |
| Reviewed By               |                          |
| Report Number             | 64-22-1026               |

Waugh Infrastructure Management Ltd Level 2 18 Woolcombe St PO Box 827, Timaru, NZ  
 Phone 03 686 6994 Fax 03 688 9138  
 E-mail [info@waughinfrastructure.co.nz](mailto:info@waughinfrastructure.co.nz)  
[www.waughinfrastructure.co.nz](http://www.waughinfrastructure.co.nz)



## TABLE OF CONTENTS

|                                                               |           |
|---------------------------------------------------------------|-----------|
| <b>EXECUTIVE SUMMARY</b>                                      | <b>7</b>  |
| <b>1.0 INTRODUCTION</b>                                       | <b>9</b>  |
| 1.1 Purpose of this Report                                    | 9         |
| 1.2 Assessment Methodology                                    | 10        |
| 1.3 Definition of "Intermediate" Asset Management Practice    | 11        |
| <b>2.0 ASSET MANAGEMENT POLICY STATEMENTS</b>                 | <b>15</b> |
| 2.1 General Policy Statement                                  | 16        |
| 2.2 Transportation                                            | 18        |
| 2.3 Utilities - Water Supply, Wastewater and Stormwater       | 21        |
| 2.4 Solid Waste                                               | 23        |
| 2.5 Community Facilities                                      | 25        |
| <b>APPENDIX A INITIAL RISK SCREEN – DISTRICT POPULATION</b>   | <b>27</b> |
| A1 Overview of New Zealand City and Town Populations          | 27        |
| A2 New Zealand Main and Secondary Urban Areas                 | 27        |
| A3 Analysis by Community Population                           | 28        |
| A4 Analysis by District Total Population                      | 29        |
| A5 Initial Risk Screen - Conclusion                           | 30        |
| <b>APPENDIX B CONSIDERATION OF DISTRICT WIDE RISK FACTORS</b> | <b>31</b> |
| B1 Identification of District Wide Factors                    | 31        |
| B2 Consideration of District Wide Factors - Conclusion        | 35        |
| <b>APPENDIX C SECTION 2.2.4 DETAILED FACTOR ANALYSIS</b>      | <b>37</b> |
| C1 Detailed Analysis Hastings District Council Asset Groups   | 37        |
| C2 Final Appropriate Asset Management Level Determination     | 39        |

## TABLE OF FIGURES, TABLES & APPENDIX TABLES

|                                                                                            |    |
|--------------------------------------------------------------------------------------------|----|
| Figure 1.1: IIMM (2006) "The Total Asset Management Process"                               | 10 |
| Figure 1.2: Methodology for Determining Appropriate Asset Management Level                 | 11 |
| Table 2.1: Transportation Activity Factor Assessment Results                               | 18 |
| Table 2.2: Utilities Factor Assessment Results                                             | 21 |
| Table 2.3: Solid Waste Factor Assessment Results                                           | 23 |
| Table 2.4: Community Facilities Factor Assessment Results                                  | 25 |
| Appendix Table A.1: Extraction of New Zealand City and Town Populations from WINZ Database | 27 |
| Appendix Table A.2: 2006 Census Main and Secondary Urban Areas                             | 27 |
| Appendix Table A.3: Hastings District Council                                              | 29 |
| Appendix Table A.4: Total District Population                                              | 29 |
| Appendix Table B.1: Identification of District Wide Risk Factors                           | 31 |
| Appendix Table B.2: Examples of District-Wide Risk Factors                                 | 32 |
| Appendix Table B.3: District-Wide Risk Factors and Impact on Assets and AM Planning        | 34 |
| Appendix Table C.1: Detailed Analysis Hastings District Council Asset Groups               | 37 |



## EXECUTIVE SUMMARY

Asset and Activity Management Plans (AMPs) have been developed as a tool for authorities to describe how they intend to manage assets, meet the level of service agreed with the community and understand expenditure and funding requirements. In the process of completing AMP's a wide range of data is reviewed to support decision making.

Authorities that manage assets on behalf of their communities need to define an appropriate level of asset management for the asset (e.g. A section of road, hall, pipe) and activity (e.g. Transportation, Utilities, Solid Waste, Community Facilities) being managed.

The Office of the Auditor General (OAG) may review AMPs as part of the Long Term Plan audit. The OAG have chosen to use the International Infrastructure Management Manuals (IIMM) as the benchmark to measure the standard of AMP's against. These documents have been compiled with significant New Zealand industry input, and are recognised internationally as best practice.

Within the IIMM, there is an opportunity for the authority to state the standard to which it will undertake asset and activity management - Section 2.1.3. The standards of the AMP's can be considered on a scale as follows:

- Core - often referred to as basic AMP's
- Intermediate - transition between Core and Advanced practice
- Advanced - most thorough AMP, accounting for all lifecycle elements

Assessing and adopting an appropriate AMP level will allow Council to identify what is Appropriate Best Practice for Hastings District, and therefore focus resources accordingly to enhance prudent management of the community infrastructure.

The purpose of this report is to outline the methodology used by Hastings District Council to select an Appropriate AM Level for each of the District's asset groups.

This methodology is required to be logical and robust, and able to be used by Council to adopt a position or policy on the appropriate level of asset management sophistication for each asset group.

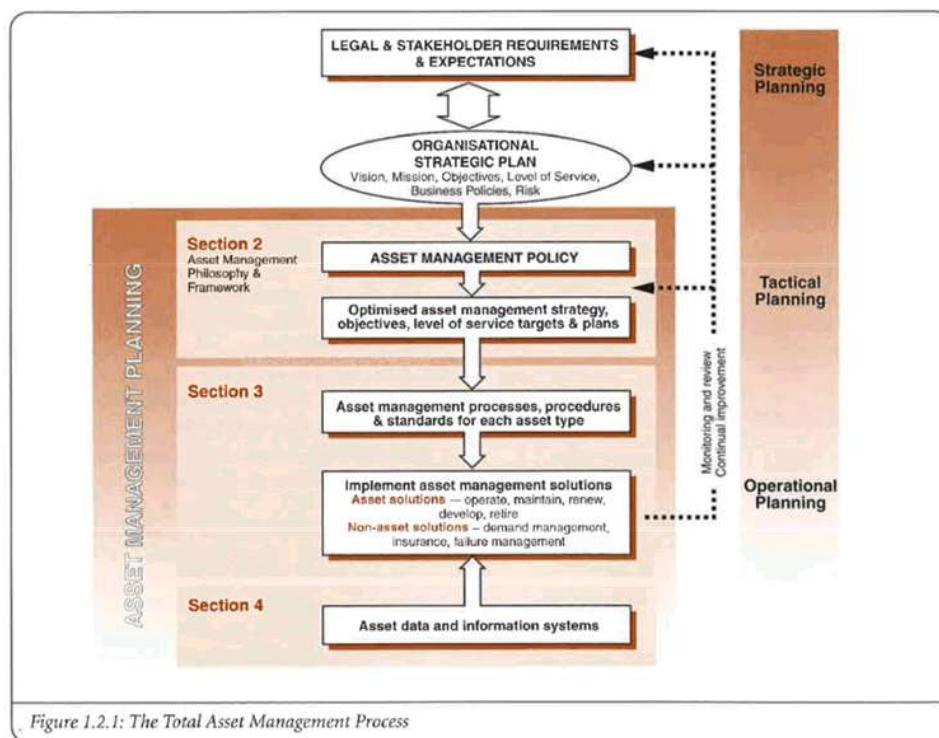
The methodology and Section 2.1.3 Appropriate AM Level adopted will be scrutinised by Council's Auditors and the methodology, and subsequent determination must be robust enough to withstand this scrutiny.

The requirement for an Asset Management Policy is outlined in the IIMM, Section 2.1. How the AM Policy fits within the asset management process as shown in Figure 1.2.1 from the IIMM (2006 edition) below.

This report provides a template Asset Management Policy Statement for each asset group considered.

The template Asset Management Policy Statement includes the results of the Appropriate AM Level determination.

## IIMM 'The Total Asset Management Process'



International Infrastructure Management Manual - Version 3.0, 2006 ©

Page 1.6

Hastings District Council staff with the assistance of Waugh Infrastructure Management Ltd established the base level at which they consider the AMPs should be delivered to the community. This level has been assessed against a range of parameters:

- District and Community Populations
- Issues affecting the district and each activities
- The cost and benefits to the community
- Legislative requirements
- The size, condition and complexity of the assets
- The risk associated with failures
- The skills and resources available to the organisation
- Customer expectation
- Sustainability

Having considered these factors, for each asset / activity group it is apparent that Hastings District Council should be managing its assets at the following levels:

- |                        |                         |
|------------------------|-------------------------|
| • Transport            | Intermediate / Advanced |
| • Utilities            | Intermediate            |
| • Solid Waste          | Intermediate            |
| • Community Facilities | Intermediate            |

For the Transport Activity risk and demand management practices will be at Advanced Practice. Minimum NZ Transport Agency requirements for Transport Activity practice will be met.



## 1.0 INTRODUCTION

Authorities that manage assets on behalf of their communities need to define an appropriate level of asset management for the asset or activity being managed. For some authorities and asset / activity groups this may not necessarily be fully advanced asset management practices.

Section 2.1 of the International Infrastructure Management Manual 2011 (IIMM) contains a section regarding the development of asset management framework and asset management policy.

AM Policy (from IIMM Section 2.1, page 2.2).

'The AM Framework typically includes an AM Policy, AM Strategy and AM Plan. These documents drive the implementation of AM in alignment with the organisation's strategic objectives.

The AM Policy should provide clear direction as to the appropriate focus and level of AM practice expected. This level should reflect the strategic business objectives as well as meeting legal requirements, community needs and available resources. The appropriate AM level will also depend on the costs and risks associated with the activity.

The AM Policy should be reviewed regularly so that it remains relevant to the changing business environment of the organisation.'

### Selecting the Appropriate Level of AM Practice (from IIMM Section 2.1.3, page 2.7)

Section 2.1.3 of the IIMM contains a section regarding selecting the Appropriate Level of Asset Management Practice. Parts of this Section are replicated below:

'The degree of complexity of AM will differ according to an organisation's corporate needs.....

Deciding on the appropriate AM level is a key strategic decision to be made for the organisation. Significant investment in systems, data, and processes is required to achieve advanced AM. Even within an organisation or activity there are likely to be different levels of sophistication sought.....'

Some organisations may not need to progress beyond a core approach. The decision will depend on a number of factors, including:

- The costs and benefits to the organisation
- Legislative and other mandated requirements
- The size, condition and complexity of the assets
- The risk associated with failures
- The skills and resources available to the organisation
- Customer expectations

A risk based approach can be applied to determine the appropriate level of AM practice.'

## 1.1 Purpose of this Report

The purpose of this report is to outline the methodology used by Hastings District Council to select an Appropriate AM Level for each of the District's asset groups.

This methodology is required to be logical and robust, and able to be used by Council to adopt a position or policy on the appropriate level of asset management sophistication for each asset group.

The methodology and Section 2.1.3 Appropriate AM Level adopted will be scrutinised by Council's Auditors and the methodology, and subsequent determination must be robust enough to withstand this scrutiny. Assessing and adopting an Appropriate AM Level will allow Council to focus resources accordingly and enhance prudent management of community infrastructure.

The requirement for an Asset Management Policy is outlined in the IIMM, Section 2.1. How the AM Policy fits within the asset management process as shown in Figure 1.2.1 from the IIMM (2006 edition) below.

This report in Section 2.0 provides a template Asset Management Policy Statement for each asset group considered. The template Asset Management Policy Statement includes the results of the Appropriate AM Level determination.

**Figure 1.1: IIMM (2006) “The Total Asset Management Process”**

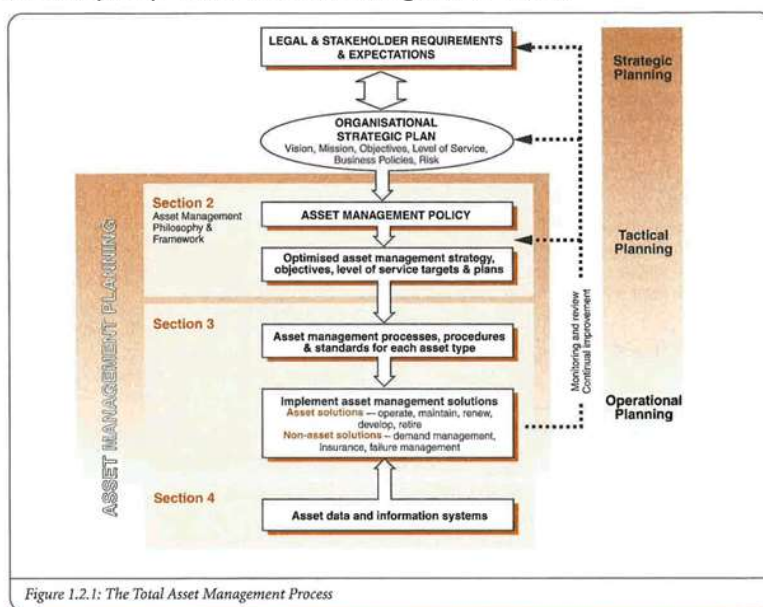


Figure 1.2.1: The Total Asset Management Process

International Infrastructure Management Manual - Version 3.0, 2006 ©

Page 1.6

The template for this report has been updated following comments on the process and report to another Council from Audit New Zealand and the New Zealand Transport Agency.

## 1.2 Assessment Methodology

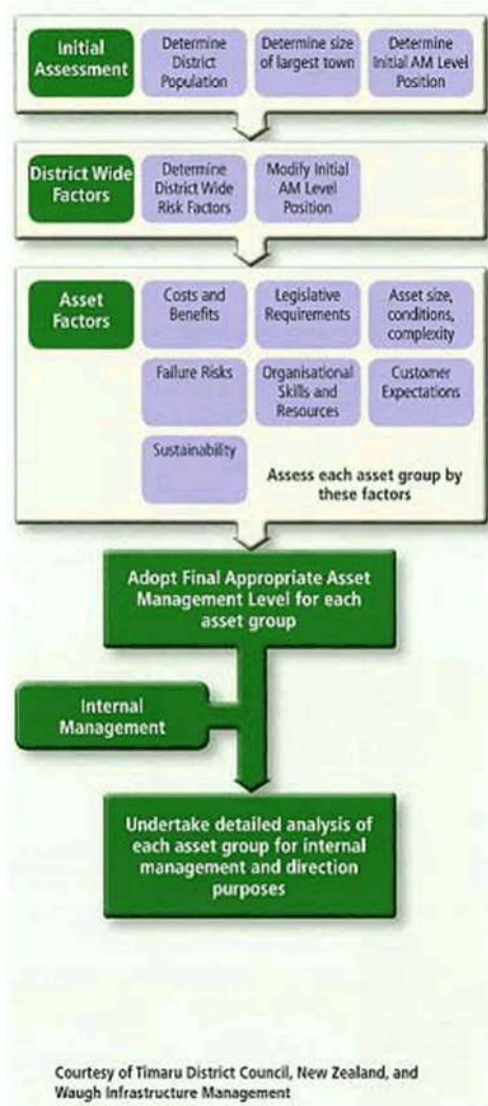
The assessment methodology, developed by Waugh Infrastructure Management Limited, in conjunction with a number of local authority partners, is as follows:

- Adopt a risk based approach using district population and largest town size as a proxy for risk and an initial screen
- Determine an initial position based on the population risk screening
- Modify initial position based on the District wide risk factors
- Examine each asset group and conduct a further analysis based on the Section 2.1.3 factors:
- Costs and Benefits
- Legislative Requirements
- Size, condition, complexity of assets
- Risks associated with failures
- Organisational skills and resources
- Customer expectations
- Sustainability (additional to IIMM list)
- Adopt a Final Appropriate AM Level position for each asset group based on the detailed factor analysis

This methodology is included in the IIMM (2011) as Case Study 10 (page 2.10) as shown below.



Figure 1.2: Methodology for Determining Appropriate Asset Management Level



Waugh Infrastructure Management has developed a subsequent methodology – the AMP Review/Compliance Status Report that:

- Uses a detailed analysis table to plot the adopted AM Policy position
- Uses the detailed analysis of asset groups to identify gaps between adopted appropriate practice and current practice

The AMP Review/Compliance Status Report does not form part of this report.

### 1.3 Definition of “Intermediate” Asset Management Practice

This report uses the concept of ‘Intermediate’ asset management practice. The IIMM (2011) identifies four levels of asset management practice; Minimum, Core, Intermediate and Advanced. For many asset owning authorities their desired practice levels, based on their infrastructure drivers will be

## Selecting the Appropriate AM Level



above core practice (as defined in the IIMM) but may well be below Advanced asset management practice.

For this situation the 'Intermediate' asset management practice is required. Intermediate Asset Management Practice is defined in some detail in the IIMM (2011).

The genesis of the thinking around this level of asset management practice goes back to the New Zealand Infrastructure Asset Management Manual (June 1998), which was superseded by the IIMM. Section 2.3 of the 2006 Edition covered the topic of Basic and Advanced Asset Management. The table on page 2.22 suggested six stages of asset management improvement as follows:

- Stage 1: Strategy Development
- Stage 2: Basic Asset Register
- Stage 3: Basic Technical Asset Management
- Stage 4: Improved Maintenance Management
- Stage 5: Introduce Advanced Asset Management Techniques
- Stage 6: System Optimisation (fully optimised decision making and advanced asset management practice)

This approach outlined in the 1998 Manual anticipated graduated stages of improving asset management practice. 'Intermediate' asset management practice covers Stage 4 and 5 using this approach.

So what is 'Intermediate' asset management practice? Is it:

- Core, plus one or two advanced categories fully compliant
- Core, plus with over 50% of advanced categories fully compliant
- Core, plus some advanced categories substantially compliant
- Core, plus most advanced categories. Substantially or fully compliant

Table 2.1.2 in the IIMM (2011) provides another outline of possible definitions of Core, Intermediate and Advanced asset management.

The answer is it could be any one of these and there may not be an appropriate single response due to the variations within any organisation. 'Intermediate' asset management practice is above core and below fully compliant with Advanced practice.

Therefore, each asset owner needs to consider the Appropriate AM Level on an activity basis, taking into account national, regional and local drivers of asset management practice for that asset.

The recommended methodology for assessing this is to use the Detailed Asset Management Practice Assessment Tables included in Section 5.0 of this report to assess appropriate practice levels for each activity or asset group. These tables cover detailed analysis of the following asset management practice areas:

- Description of Assets
- Levels of Service
- Managing Growth, including sustainability strategies
- Risk Management
- Lifecycle Decision-making
- Financial Forecasts
- Planning Assumptions, Linkages, and Confidence Levels
- Improvement Programmes
- Planning Qualifications
- Commitment by Asset Owner

For the asset owner where the overall practice has been set at 'Intermediate' there still could be variations of practice by asset or activity group.



It is possible for some organisations that their asset management practice for some activities may be required at nearly Advanced practice (e.g. Transportation), while their practice for others may be nearer to Core practice (e.g. Community Facilities).

Selecting the Appropriate AM Level



Item 7

Attachment 1



## 2.0 ASSET MANAGEMENT POLICY STATEMENTS

The Asset Management Policy Statements for the Activities assessed follow.

For the purposes of these policies, and further to the information set out in Section 1.0 three levels of asset management practice are defined as follows:

### 'Core' Asset Management Practice

'Core' asset management practice is basic technical asset management planning undertaken at a level designed to meet minimum legislative and organisational requirements for financial planning and reporting. 'Core' practice provides technical management outputs for current levels of service, demand management, asset lifecycles, asset forward replacement programmes, new capital expenditure and associated cash flow projections.

### 'Intermediate' Asset Management Practice

'Intermediate' asset management practice is undertaken at a level between 'Core' and 'Advanced' practice. The focus is to build on the basic technical asset management planning of 'Core' practice by introducing improved maintenance management and more advanced asset management techniques (as appropriate). Further use is made of risk management, asset lifecycle management, and service standard optimisation techniques.

### 'Advanced' Asset Management Practice

'Advanced' asset management practice is system optimisation planning undertaken to optimise activities and programmes to meet agreed current and future service standards. This is achieved through the development of management tactics based on the collection and analysis of key information on asset condition, performance, demand for service, lifecycle costs, risk costs and asset lifecycle treatment options.

### Purpose of the Detailed Factor Assessment Tables

The tables that follow have been prepared for provide a template for Councils Asset Management Policy, or to be inserted (in part) into the introduction of an Asset Management Plan. The Tables provide assessment of an appropriate level of asset management practice for each asset group. The initial population and city wide risk screens suggest 'Intermediate' asset management practice for Hastings District Council asset groups.

The tables assess factors and determine for the factors being assessed whether asset management practice should be **higher** (i.e. tending towards 'Advanced' practice), **same** (as the initial screening assessment), or **lower** (i.e. tending toward 'Core' practice).

The initial risk screen and factor assessments are summarised in a **Final Asset Management Level** assessment that then provides a broad target for asset management practice development in the asset group being considered.

## 2.1 General Policy Statement

The Hastings District Council Asset Management Policy Statement relating to all its infrastructure activities is outlined below. It is intended that this Policy Statement be added to the introduction of the Asset Management Plans, to set the direction of the overall Asset Management process.

### 2.1.1 Objective of the Asset Management Policy

The objective of the Hastings District Council's Asset Management Policy is to ensure that Council's service delivery is optimised to deliver the purpose of local government (as defined in the Local Government Act 2002), agreed community outcomes and levels of service, manage related risks, and optimise expenditure over the entire life cycle of the service delivery, using appropriate assets and non-asset solutions as required.

The Asset Management Policy requires that the management of assets be in a systematic process to guide planning, acquisition, operation and maintenance, renewal and disposal of the required assets.

Delivery of service is required to be sustainable in the long term and deliver on the purpose of local government and Council's economic, environmental, social, and cultural objectives.

### 2.1.2 Asset Management Policy Principles

The following principles will be used by Council to guide asset management planning and decision making:

- Effective consultation to determine appropriate Levels of Service
- Ensuring service delivery needs form the basis of asset management
- Integration of asset management with corporate, financial, business and budgetary planning using asset/activity management plans and Council's LTP to demonstrate this
- Integration with neighbouring authorities and other agencies including NZ Transport Strategy, National Land Transport Programme, and the Regional Land Transport Strategy, shared services agreements
- Integration of asset management within Council's strategic, tactical and operational planning frameworks
- Informed decision making taking a lifecycle management and inter-generational approach to asset planning
- Transparent and accountable asset management decision making
- Sustainable management providing for present needs whilst sustaining resources for future generations
- Landmarks commission and place based planning approach taking into account 4 well-beings – Economic, Environmental, Social and Cultural

### 2.1.3 Policy Linkages to Other Plans

This Asset Management Policy links to Council's LTP, the individual asset management plans for Council's infrastructural assets, the Hawke's Bay Regional Transport Strategy and Public Transport Plans, Council's Transportation Strategies (Walking, Cycling, Parking, District Transport, and Maintenance Intervention Strategies), the Water and Sanitary Services assessment, the Solid Waste Management Plan and Council's Reserve Management Plans. New Zealand Transportation Agency asset management requirements form this Policy's minimum asset management practice requirements.

### 2.1.4 Implementation and Review of Policy

This Asset Management Policy will be implemented in conjunction with the 2015 Asset Management Plans and 2015 LTP.

This next full review of this Asset Management Policy shall be completed in June 2017 (3 years) prior to completing asset plan updates to support the 2018 LTP.

### 2.1.5 Asset Management Implementation Strategy

Council staff have completed a detailed analysis of appropriate asset management practice within the guidance offered by this Policy. This analysis has examined asset description, levels of service,



managing growth, risk management, asset lifecycle decision making, financial forecasts, planning assumptions and confidence levels, improvement programmes, use of qualified persons and Council commitment to asset management planning.

From this detailed analysis Council's level of achievement and any gaps in appropriate asset management practice were identified.

Asset management practice gaps that were noted have been transferred to the Asset Management Improvement Programme for action.

## 2.2 Transportation

This Asset Management Policy sets the appropriate level of asset management practice for Council's Transportation Activity as 'Intermediate' practice.

**Definition:** 'Intermediate' asset management practice is undertaken at a level between 'Core' and 'Advanced' practice. The focus is to build on the basic technical asset management planning of 'Core' practice by introducing improved maintenance management and more advanced asset management techniques (as appropriate). Further use is made of risk management, asset lifecycle management, and service standard optimisation techniques.

### 2.2.1 Structured Assessment of Asset Management Practice

Council has undertaken a structured assessment of the appropriate level of asset management practice for the Transportation assets. This structured assessment follows the guidance provided in Section 2.1.3 of the International Infrastructure Management Manual. The results of this assessment are shown in Table 2.1: Transportation Activity Factor Assessment Results below.

**Table 2.1: Transportation Activity Factor Assessment Results**

| Criteria                              | Assessment             | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------------------|------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Population                            | Intermediate           | The initial population screen for Hastings District Council, using urban area, all town populations, and total district population showed that asset management practice should be 'Intermediate' across the activities                                                                                                                                                                                                                                                                                                    |
| District Wide Risks                   | Intermediate           | Analysis of identified District Wide Risks confirmed that asset management practice should be 'Intermediate' with extension of practice around demand and risk management issues. Changing demographics, regional growth, transportation mode changes and energy cost changes are all risks that impact Transportation. Regional growth issues, including HPUDS are requiring a higher level of demand management analysis                                                                                                 |
| Costs and Benefits                    | Largest activity (45%) | The Transportation budget is the largest in Council and represents higher risks if asset management practice is not at an appropriate level. These budgets also allow more scope to develop asset management practice as appropriate. The New Zealand Transport Agency (NZTA) requires three-year programmes to be submitted. NZTA requirements and methodologies (for example the introduction of Better Business Cases and One Network Road Classification) continue to change and require ongoing response from Council |
| Legislative Requirements              | Same                   | Hastings District Council policy is to meet minimum legislative requirements, or exceed requirements where deemed appropriate and cost effective through levels of Service Consultation. The asset management response to legislative requirements is a compliance based approach                                                                                                                                                                                                                                          |
| Size, Condition, Complexity of Assets | Same                   | The size and complexity of assets is normal for a mixed urban/rural authority. The network as a whole in good condition reflecting sustained long term investment. Significant asset and risks are well understood and have their own lifecycle management plans. Estuarine bridges have more complex management issues                                                                                                                                                                                                    |



| Criteria                            | Assessment | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-------------------------------------|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Risks Associated with Failures      | Same       | The risk of failure of funding or project implementation within the Transportation activity requires a pro-active management approach integrating with neighbouring authorities and other agencies. Any reduction in the Financial Assistance Rate from the New Zealand Transport Agency poses an economic risk. NZTA funding at current levels may be at risk going forward. Growth in demand and the impacts of HPUDS need to be carefully managed. Maintaining the sealed road pavement rehabilitation programme presents risks if sufficient investment is not made. Overall risks associated with asset failure have been assessed to be average. Risks to structures are known and managed. Coastal erosion is a threat                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Organisational Skills and Resources | Same       | <p>Hastings District Council is a large local authority ranked 11/66 in population size as detailed in Appendix Table A.4: Total District Population. Internal and external resources have been maintained. Succession Planning is required to cover several key positions where skills are held by one individual. The recent restructure of the Transportation Team has begun addressing this issue, and it is acknowledged by management. An emphasis on strategic and tactical planning has seen a progressive move away from operational and development activities determining Council's approach. Council is working towards consolidating core skills in-house, documenting knowledge, and developing appropriate operations manuals and standard operating procedures</p> <p>Council considers its approach and ability to deliver asset management in terms of its wider business approach. A regular self-assessment of Council's asset management processes assists to ascertain focus and areas for improvement. The organisational skills and resources applied to achieve the asset management objectives are outlined through Councils LTP, AMPs, Human Resources and Business Plans</p> <p>Health and Safety planning, systems and implementation will be an ongoing focus for Council with the introduction of new legislation, and an organisational focus on Health and Safety</p> |
| Customer Expectations               | Same       | <p>Council has developed and maintained assets to a good standard. Maintenance of current service levels is important to the community</p> <p>Overall customer expectations are judged to be typical – that is stable but with high expectations of maintaining and / or restoring service that have economic impacts on rural production and the district economy. Transportation undertakes community liaison with the urban communities using a collaborative approach</p> <p>The LGA/DIA Mandatory Performance Measures and NZTA One Network customer levels of service specification may create service level expectations and the risk of possible service level gaps which will need to be managed by Council</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Sustainability                      | Same       | Council sustainability policy will be applied to all assets and management. Council is also following the sustainability regimes of the Land Transport Management Act 2003, NZTS and RLTS requirements (including subsequent amendments and revisions) for Transportation. Sustainability initiatives and urban design principles have been incorporated into the Code of Practice                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

Selecting the Appropriate AM Level



| Criteria       | Assessment   | Commentary                                                                                                                                                                                                                                                             |
|----------------|--------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Final AM Level | Intermediate | Analysis of factors suggests that asset management practice should be 'Intermediate' with risk and demand management practices taking a 'Advanced' approach as a result of regional demand pressures and integration with land-use and place-based planning strategies |



## 2.3 Utilities - Water Supply, Wastewater and Stormwater

This Asset Management Policy sets the appropriate level of asset management practice for Council's Utilities Activity as 'Intermediate' practice:

**Definition:** 'Intermediate' asset management practice is undertaken at a level between 'Core' and 'Advanced' practice. The focus is to build on the basic technical asset management planning of 'Core' practice by introducing improved maintenance management and more advanced asset management techniques (as appropriate). Further use is made of risk management, asset lifecycle management, and service standard optimisation techniques

### 2.3.1 Policy Linkages to Other Plans

This Asset Management Policy links to, Council's LTP, respective Utilities Asset Management Plans and the Water and Sanitary Services Assessment. An approach where planning is based around communities of interest is favoured, as this aims to promote an integrated management regime and encourage efficiencies across the district's water schemes.

### 2.3.2 Structured Assessment of Asset Management Practice

Council has undertaken a structured assessment of the appropriate level of asset management practice for the Utilities assets. This structured assessment follows the guidance provided in Section 2.1.3 of the International Infrastructure Management Manual. The results of this assessment are shown in Table 2.2: Utilities Factor Assessment Results below:

**Table 2.2: Utilities Factor Assessment Results**

| Criteria                              | Assessment                        | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------------------|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Population                            | Intermediate                      | The initial population screen for Hastings District Council, using urban area, all town populations, and total district population showed that asset management practice should be 'Intermediate' across the activities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| District Wide Risks                   | Intermediate                      | Analysis of identified District Wide Risks confirmed that asset management practice should be 'Intermediate' with extension of practice around demand and risk management issues. Changing demographics, regional growth including HPUDS, aquifer abstraction capacity and future renewal peaks are all risks that impact Utilities                                                                                                                                                                                                                                                                                                                                                                                                              |
| Costs and Benefits                    | 26% of expenditure Large activity | The Utilities budget is large and represents higher risks if asset management practice is not at an appropriate level. These budgets also allow more scope to develop asset management practice as appropriate                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Legislative Requirements              | Same                              | Hastings District Council policy is to meet minimum legislative requirements, or exceed requirements where deemed appropriate and cost effective through levels of Service Consultation. The asset management response to legislative requirements is a compliance based approach. Legislative changes relating to drinking water standards as well as NPS and NES are impacting Utilities. In addition there are increasing external pressures on Council to implement a range of demand management and water conservation practices and to improve stormwater and wastewater treatment and disposal practices<br>The Water demand management strategy is a long term strategy with operational elements. Water consents refer to this strategy |
| Size, Condition, Complexity of Assets | Same                              | The size and complexity of assets is normal for a mixed urban/rural authority. Ongoing analysis of asset criticality and risks is being undertaken for utility assets to allow management of the risks and targeting of expenditure                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

## Selecting the Appropriate AM Level



| Criteria                            | Assessment          | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------------|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Risks Associated with Failures      | Higher              | Growth in demand and the network impacts of HPUDS need to be managed. Future availability of water from the aquifer may be an issue. AC pipe renewal peak will require management. Supply linkages and back up of supply is a known risk that is being considered and addressed using network modelling tools. Bore field failure has potential to impact the Havelock North water supply. Wastewater pipeline retention times require ongoing further analysis and overflows during exceedance rainfall events are no longer acceptable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Organisational Skills and Resources | Same                | <p>Hastings District Council is a large local authority ranked 11/66 in population size as detailed in Appendix Table A.4. Internal and external resources have been maintained. Succession Planning is required to cover several key positions where skills are held by one individual. An emphasis on strategic and tactical planning has seen a progressive move away from operational and development activities determining Council's approach. Council is working towards consolidating core skills in-house, documenting knowledge, and developing appropriate operations manuals and standard operating procedures</p> <p>Council considers its approach and ability to deliver asset management in terms of its wider business approach. A regular self-assessment of Council's asset management processes assists to ascertain focus and areas for improvement. The organisational skills and resources applied to achieve the asset management objectives are outlined through Councils LTP, AMPs, Human Resources and Business Plans</p> <p>Health and Safety planning, systems and implementation will be an ongoing focus for Council with the introduction of new legislation, and an organisational focus on Health and Safety</p> |
| Customer Expectations               | Same                | <p>Council has developed and maintained assets to a good standard. Maintenance of current service levels is important to the community</p> <p>Overall customer expectations are judged to be typical – that is stable but with high expectations of maintaining and / or restoring service that have economic impacts on rural production and the district economy</p> <p>Key relationships are maintained through liaison with government departments, regional council and major system users</p> <p>Improved reporting on performance will help to increase understanding of levels of service with customers and Council's performance against stated targets</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Sustainability                      | Same                | Council sustainability policy will be applied to all assets and management. Sustainability initiatives and urban design principles have been incorporated into the Code of Practice. Demand management principles are being used to test water conservation verses network expansion analysis                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Final AM Level</b>               | <b>Intermediate</b> | <b>Analysis of factors suggests that asset management practice should be 'Intermediate' with risk management practice tending toward a more Advanced approach</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |



## 2.4 Solid Waste

This Asset Management Policy sets the appropriate level of asset management practice for Council's Solid Waste Activity as 'Intermediate' practice.

**Definition:** 'Intermediate' asset management practice is undertaken at a level between 'Core' and 'Advanced' practice. The focus is to build on the basic technical asset management planning of 'Core' practice by introducing improved maintenance management and more advanced asset management techniques (as appropriate). Further use is made of risk management, asset lifecycle management, and service standard optimisation techniques

### 2.4.1 Structured Assessment of Asset Management Practice

Council has undertaken a structured assessment of the appropriate level of asset management practice for the Solid Waste assets. This structured assessment follows the guidance provided in Section 2.2.4 of the International Infrastructure Management Manual. The results of this assessment are shown in Table 2.3: Solid Waste Factor Assessment Results below.

**Table 2.3: Solid Waste Factor Assessment Results**

| Criteria                              | Assessment         | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------------------|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Population                            | Intermediate       | The initial population screen for Hastings District Council, using urban area, all town populations, and total district population showed that asset management practice should be 'Intermediate' across the activities                                                                                                                                                                                                                          |
| District Wide Risks                   | Intermediate       | Analysis of identified District Wide Risks confirmed that asset management practice should be 'Intermediate'. Economic growth, demographic change and service level affordability are all risks that must be considered by the Solid Waste Activity. Land use changes has potential to impact                                                                                                                                                    |
| Costs and Benefits                    | 15% of expenditure | The Solid Waste budget is smaller in the wider Council context, however the activity is important and subject to regional agreements                                                                                                                                                                                                                                                                                                             |
| Legislative Requirements              | Same               | Hastings District Council policy is to meet minimum legislative requirements, or exceed requirements where deemed appropriate and cost effective through levels of Service Consultation. The asset management response to legislative requirements is a compliance based approach. Legislative changes relating to zero waste and waste minimisation are current and have been incorporated into the Solid Waste Activity. The WMMP is in place. |
| Size, Condition, Complexity of Assets | Same               | Gas management and energy conservation requires careful management. A Landfill Gas to Energy plant is being added to the Landfill                                                                                                                                                                                                                                                                                                                |

## Selecting the Appropriate AM Level



| Criteria                            | Assessment          | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-------------------------------------|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Risks Associated with Failures      | Same                | <p>Management of the gas flare requires specialist expertise (externally sourced as required). Commercial risks to revenue exist around the opportunity for landfill users to consider other waste disposal options. The Gas to Energy Plant provides a second method of gas destruction and improves resilience of landfill gas destruction</p> <p>The cost variability of components of waste stream management may be a risk</p> <p>Technology changes could impact with other potential providers which is a commercial risk – with potential less waste stream and stranded assets</p> <p>A suitable consent for area B/C is required. Landfill capacity at current configuration and tonnage is estimated to 2025. A range of alternative options are currently (2014) being considered under the Waste Futures project</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Organisational Skills and Resources | Same                | <p>Hastings District Council is a large local authority ranked 11/66 in population size as detailed in Appendix Table A.4. Internal and external resources have been maintained. Succession Planning is required to cover several key positions where skills are held by one individual. The recent restructure has begun addressing this issue, and it is acknowledged by management. Operational and development responses still take precedence over strategic and tactical planning. Council is working towards consolidating core skills in-house, documenting knowledge, and developing appropriate operations manuals and standard operating procedures</p> <p>Council considers its approach and ability to deliver asset management in terms of its wider business approach. A regular self-assessment of Council's asset management processes assists to ascertain focus and areas for improvement. The organisational skills and resources applied to achieve the asset management objectives are outlined through Councils LTP, AMPs, Human Resources and Business Plans</p> <p>Health and Safety planning, systems and implementation will be an ongoing focus for Council with the introduction of new legislation, and an organisational focus on Health and Safety</p> |
| Customer Expectations               | Same                | <p>Council has developed and maintained assets to a good standard. Maintenance of current service levels is important to the community</p> <p>Overall customer expectations are judged to be high. A landfill users group is in place and a joint regional committee also monitors landfill service delivery</p> <p>Relationships with landfill neighbours are maintained at a high level</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Sustainability                      | Same                | <p>Council sustainability policy will be applied to all assets and management. Waste minimisation and recycling are key Solid Waste activities. Gas to Energy had been implemented. Waste Futures consultation and analysis is examining a range of complimentary waste management solutions</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Final AM Level</b>               | <b>Intermediate</b> | <b>Analysis of factors suggests that asset management practice should be 'Intermediate'</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |



## 2.5 Community Facilities

This Asset Management Policy sets the appropriate level of asset management practice for Council's Community Facilities Activity as 'Intermediate' practice.

**Definition:** 'Intermediate' asset management practice is undertaken at a level between 'Core' and 'Advanced' practice. The focus is to build on the basic technical asset management planning of 'Core' practice by introducing improved maintenance management and more advanced asset management techniques (as appropriate). Further use is made of risk management, asset lifecycle management, and service standard optimisation techniques

### 2.5.1 Structured Assessment of Asset Management Practice

Council has undertaken a structured assessment of the appropriate level of asset management practice for the Community Facilities assets. This structured assessment follows the guidance provided in Section 2.2.4 of the International Infrastructure Management Manual. The results of this assessment are shown in Table 2.4: Community Facilities Factor Assessment Results below.

**Table 2.4: Community Facilities Factor Assessment Results**

| Criteria                              | Assessment         | Commentary                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Population                            | Intermediate       | The initial population screen for Hastings District Council, using urban area, all town populations, and total district population showed that asset management practice should be 'Intermediate' across the activities                                                                                                                                                                                                |
| District Wide Risks                   | Intermediate       | Analysis of identified District Wide Risks confirmed that asset management practice should be 'Intermediate'. Economic growth, demographic change and service level affordability are all risks that must be considered by the Community Facilities Activity. HPUDS outcomes also have potential to impact the activity. Water availability issues and the potential impacts of climate change will require management |
| Costs and Benefits                    | 14% of expenditure | The Community Facilities budget is smaller in the wider Council context; however the activity is an important part of Council service delivery and district liveability. The operational focus of the budget has meant that asset management practice in Community Facilities is still developing. The analysis and strengthening of Earthquake Prone Buildings is ongoing                                             |
| Legislative Requirements              | Lower              | Hastings District Council policy is to meet minimum legislative requirements, or exceed requirements where deemed appropriate and cost effective through levels of Service Consultation. The asset management response to legislative requirements is a compliance based approach. Legislative changes relating to Building Act have potential to impact the Community Facilities Activity                             |
| Size, Condition, Complexity of Assets | Same               | A range of assets including retaining walls and bridges are managed. Issues with asset condition and risks are known. Some assets are nearing end of life and require more inspection, maintenance and intervention.<br>Since the Christchurch Earthquakes the assessment of earthquake prone buildings has occurred and remedial works are planned                                                                    |

## Selecting the Appropriate AM Level



| Criteria                            | Assessment          | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-------------------------------------|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Risks Associated with Failures      | Same                | <p>Risks associated with the retaining walls, buildings / structures and bridges. Management of coastal erosion issues is required. Changes in energy availability/cost have potential to impact on the cost of service delivery. Service delivery cost and community willingness to pay may lead to re-examination of service delivery standards</p> <p>Hastings DC has 20-30 earthquake prone buildings that are being actively managed</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Organisational Skills and Resources | Same                | <p>Hastings District Council is a large local authority ranked 11/66 in population size as detailed in Appendix Table A.4. Internal and external resources have been maintained. Succession Planning is required to cover several key positions where skills are held by one individual. The recent restructure has begun addressing this issue, and it is acknowledged by management. Operational and development responses still take precedence over strategic and tactical planning. Council is working towards consolidating core skills in-house, documenting knowledge, and developing appropriate operations manuals and standard operating procedures</p> <p>Council considers its approach and ability to deliver asset management in terms of its wider business approach. A regular self-assessment of Council's asset management processes assists to ascertain focus and areas for improvement. The organisational skills and resources applied to achieve the asset management objectives are outlined through Councils LTP, AMPs, Human Resources and Business Plans</p> <p>Health and Safety planning, systems and implementation will be an ongoing focus for Council with the introduction of new legislation, and an organisational focus on Health and Safety</p> |
| Customer Expectations               | Higher              | <p>Overall customer expectations are judged to be high, particularly for premier parks, sports parks and facilities</p> <p>There are ongoing changes in levels of service as a result of changes in community expectations and following community consultation. Demand for higher service levels at Changing Rooms are a recent example of this</p> <p>Use and location of the park, facility or property drives customer expectation. A high level of customer calls are generated when customer expectations are not met</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Sustainability                      | Same                | <p>Council sustainability policy will be applied to all assets and management. Sustainability initiatives are actively considered by Community Facilities staff and include energy saving, water conservation measures, and recycling initiatives. Procurement activities are guided by sustainability initiatives. Water take limitations are leading to the use of water management techniques including the using pop-up irrigation systems</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Final AM Level</b>               | <b>Intermediate</b> | <b>Analysis of factors suggests that asset management practice should be 'Intermediate'</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |



## APPENDIX A INITIAL RISK SCREEN – DISTRICT POPULATION

### A1 Overview of New Zealand City and Town Populations

In order to undertake an initial assessment on the District Population, Waugh Infrastructure Management Ltd extracted the New Zealand city and town populations from the WINZ data base. Analysis of this data shows that New Zealand is a nation of few metropolitan areas, a range of large towns and small cities and many small towns. From this analysis it is suggested an initial determination of Core and Advanced AM Levels can be made.

It is acknowledged that while populations provide a guide for community activities, it is less appropriate for broader activities such as Land Transport.

**Appendix Table A.1: Extraction of New Zealand City and Town Populations from WINZ Database**

| Number Towns | Population       | WIML Suggested Initial AM Level | Notes                                     |
|--------------|------------------|---------------------------------|-------------------------------------------|
| 6            | 90,000 and above | Advanced                        | Auckland Council counted as one authority |
| 68           | 10,000 – 90,000  | Intermediate                    |                                           |
| 38           | 5,000 – 10,000   | Core                            | Based on WS schemes incl. rural           |
| 551          | Less than 5,000  | Core                            |                                           |

Compiled from: <http://www.drinkingwater.org.nz/supplies/Suppliescompliance.asp> 12 March 2014

### A2 New Zealand Main and Secondary Urban Areas

The Table below contains an analysis of New Zealand's main and secondary urban areas, as defined by Statistics NZ. It can be seen that there are **communities within Hastings District** listed within the main and secondary urban areas identified by Statistics NZ. This suggests that based on a population risk screen Hastings District urban areas should be aiming for Intermediate as an appropriate level of asset management practice.

**Appendix Table A.2: 2006 Census Main and Secondary Urban Areas**

| Main and Secondary Urban Areas for the Census Usually Resident Population Count<br>Main/Secondary Urban Areas |                  |                  |                                         |
|---------------------------------------------------------------------------------------------------------------|------------------|------------------|-----------------------------------------|
| Main Urban Areas                                                                                              |                  | Population       | WIML Assessed Initial AM Practice Level |
| <b>Total New Zealand</b>                                                                                      |                  | <b>4,027,947</b> |                                         |
| <b>Total Main Urban Areas</b>                                                                                 |                  | <b>2,892,831</b> |                                         |
| <b>Total Secondary Urban Areas</b>                                                                            |                  | <b>243,081</b>   |                                         |
| Other                                                                                                         |                  | 892,029          |                                         |
| UA 004 Central Auckland Zone                                                                                  | Main Urban Areas | 395,982          | Advanced                                |
| UA 005 Southern Auckland Zone                                                                                 | Main Urban Areas | 371,658          | Advanced                                |
| UA 022 Christchurch                                                                                           | Main Urban Areas | 360,768          | Advanced                                |
| UA 002 Northern Auckland Zone                                                                                 | Main Urban Areas | 248,112          | Advanced                                |
| UA 003 Western Auckland Zone                                                                                  | Main Urban Areas | 192,339          | Advanced                                |
| UA 020 Wellington Zone                                                                                        | Main Urban Areas | 178,680          | Advanced                                |

Selecting the Appropriate AM Level



| Main and Secondary Urban Areas for the Census Usually Resident Population Count<br>Main/Secondary Urban Areas |                         |               |                                         |
|---------------------------------------------------------------------------------------------------------------|-------------------------|---------------|-----------------------------------------|
| Main Urban Areas                                                                                              |                         | Population    | WIML Assessed Initial AM Practice Level |
| UA 006 Hamilton Zone                                                                                          | Main Urban Areas        | 155,262       | Advanced                                |
| UA 023 Dunedin                                                                                                | Main Urban Areas        | 110,997       | Advanced                                |
| UA 009 Tauranga                                                                                               | Main Urban Areas        | 108,882       | Advanced                                |
| UA 018 Lower Hutt Zone                                                                                        | Main Urban Areas        | 97,149        | Advanced                                |
| UA 016 Palmerston North                                                                                       | Main Urban Areas        | 76,032        | Intermediate                            |
| <b>UA 013 Hastings Zone</b>                                                                                   | <b>Main Urban Areas</b> | <b>62,118</b> |                                         |
| UA 021 Nelson                                                                                                 | Main Urban Areas        | 56,364        |                                         |
| UA 012 Napier Zone                                                                                            | Main Urban Areas        | 56,286        | Intermediate                            |
| UA 010 Rotorua                                                                                                | Main Urban Areas        | 53,766        |                                         |
| UA 014 New Plymouth                                                                                           | Main Urban Areas        | 49,281        |                                         |
| UA 001 Whangarei                                                                                              | Main Urban Areas        | 49,080        |                                         |
| UA 019 Porirua Zone                                                                                           | Main Urban Areas        | 48,396        |                                         |
| UA 024 Invercargill                                                                                           | Main Urban Areas        | 46,773        |                                         |
| UA 015 Wanganui                                                                                               | Main Urban Areas        | 38,988        |                                         |
| UA 025 Kapiti                                                                                                 | Main Urban Areas        | 37,347        |                                         |
| UA 017 Upper Hutt Zone                                                                                        | Main Urban Areas        | 36,402        |                                         |
| UA 011 Gisborne                                                                                               | Main Urban Areas        | 32,529        |                                         |
| UA 026 Blenheim                                                                                               | Main Urban Areas        | 28,527        |                                         |
| UA 007 Cambridge Zone                                                                                         | Main Urban Areas        | 15,192        |                                         |
| UA 008 Te Awamutu Zone                                                                                        | Main Urban Areas        | 14,454        |                                         |
| UA 113 Timaru                                                                                                 | Secondary Urban Areas   | 26,886        |                                         |
| UA 101 Pukekohe                                                                                               | Secondary Urban Areas   | 22,515        |                                         |
| UA 103 Taupo                                                                                                  | Secondary Urban Areas   | 21,291        |                                         |
| UA 109 Masterton                                                                                              | Secondary Urban Areas   | 19,494        |                                         |
| UA 107 Levin                                                                                                  | Secondary Urban Areas   | 19,134        |                                         |
| UA 104 Whakatane                                                                                              | Secondary Urban Areas   | 18,204        |                                         |
| UA 112 Ashburton                                                                                              | Secondary Urban Areas   | 16,836        |                                         |
| UA 106 Feilding                                                                                               | Secondary Urban Areas   | 13,890        |                                         |
| UA 102 Tokoroa                                                                                                | Secondary Urban Areas   | 13,530        |                                         |
| UA 114 Oamaru                                                                                                 | Secondary Urban Areas   | 12,681        |                                         |
| UA 116 Rangiora                                                                                               | Secondary Urban Areas   | 9,294         |                                         |
| UA 117 Queenstown                                                                                             | Secondary Urban Areas   | 12,681        |                                         |
| UA 105 Hawera                                                                                                 | Secondary Urban Areas   | 10,776        | Core                                    |
| UA 111 Greymouth                                                                                              | Secondary Urban Areas   | 9,672         | Core                                    |
| UA 301 Gore                                                                                                   | Minor Urban Areas       | 9,648         | Core                                    |

Source: <http://www.stats.govt.nz/census/census-outputs/default.htm> 19 August 2008

### A3 Analysis by Community Population

The reality of New Zealand local authority asset management practice is that it is conducted at a Council level in a similar manner. The requirements of the largest population centre in the Council tends to set the appropriate practice level. Hastings District Council's town population is shown in the table below. Hastings City is the largest town, and based on the initial determination in 2.1 suggests an 'Intermediate' asset management practice level is appropriate.



Appendix Table A.3: Hastings District Council

| Rank | Town/Scheme Name      | WINZ Population | Number of Water Connections | WIML Assessed Initial AM Practice Level |
|------|-----------------------|-----------------|-----------------------------|-----------------------------------------|
|      | Hastings City         | 45,715          | 22,350                      | Intermediate                            |
|      | Havelock North        | 11,623          | Included above              |                                         |
|      | Haumoana / te Awanga  | 1,900           | 745                         |                                         |
|      | Whirinaki, Hawkes Bay | 750             | 169                         |                                         |
|      | Clive                 | 560             | 331                         |                                         |
|      | Whakatu               | 337             | 121                         |                                         |
|      | Bridge Pa             | 300             |                             |                                         |
|      | Parkhill Farm         | 288             |                             |                                         |
|      | Waimarama             | 260             | 310                         |                                         |
|      | Paki Paki             | 200             | 28                          |                                         |
|      | Omahu                 | 126             |                             |                                         |

Source: <http://www.drinkingwater.esr.cri.nz/supplies/SupplyCysForLA.asp>

12 March 2014

As some water supplies include rural and urban areas the community populations may be overstated in the WINZ database.

#### A4 Analysis by District Total Population

Analysis of the 2013 Census results of Council total population gives the following results for the following sample Councils. The sample set has been selected to illustrate a range of different sized Councils.

Appendix Table A.4: Total District Population

| Council                  | 2013 Population | Council Size Rank (66 Authorities) | AM Practice Level Indicated by Size (WIML Estimated Assessment)  |
|--------------------------|-----------------|------------------------------------|------------------------------------------------------------------|
| Dunedin City             | 120,246         | 5                                  | Intermediate, effectively Advanced in some areas/activities      |
| <b>Hastings District</b> | <b>73,245</b>   | <b>11</b>                          | <b>Intermediate, with near Advanced in some areas/activities</b> |
| Waikato District         | 63,378          | 13                                 | Intermediate, based on total District population                 |
| Timaru District          | 43,932          | 24                                 | Intermediate, with near Advanced in some areas/activities        |
| Manawatu District        | 27,456          | 37                                 | Intermediate with Core in some areas                             |
| Rangitikei District      | 14,019          | 48                                 | Core                                                             |
| Gore District            | 12,033          | 51                                 | Core                                                             |
| Buller District          | 10,473          | 54                                 | Core                                                             |

Source: <http://www.stats.govt.nz/Census/2013-census/data-tables/population-dwelling-tables.aspx>  
10 March 2014

---

Selecting the Appropriate AM Level

The mix of total District population and the size of the largest population centre provides a good initial screen for the risks associated with asset service delivery. It is acknowledged that Land Transport is managed on a network and regional basis and the relevance of population is lower than for other activities. This initial screen will be modified by consideration of the other factors as detailed in Section 3.

**A5 Initial Risk Screen - Conclusion**

Based on this initial screen of urban areas, all council population centres and total district population the suggested level of appropriate asset management practice for Hastings District Council is 'Intermediate'.



## APPENDIX B CONSIDERATION OF DISTRICT WIDE RISK FACTORS

### B1 Identification of District Wide Factors

Following the initial population screen based on appropriate practice for the largest population centre in Hastings City, further consideration needs to be given to other District Wide Risk Factors that may affect the initial assessment of 'Intermediate'.

The District Wide Risk factors identified in a workshop of Hastings District Council's Asset Managers on 22<sup>nd</sup> March 2010 include:

**Appendix Table B.1: Identification of District Wide Risk Factors**

| Item                                            | Comments                                                                                                                                                                                                                                 |
|-------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Demographics / Population Changes               | Projections are for slow growth, an aging population, and cultural shifts. Potential impact of EIT, Service Level requirements, willingness to pay                                                                                       |
| Economic growth and development                 | Sustainability of growth, affordability, economic planning \$. Impacts of proposed irrigation projects may improve regional economic forecasts                                                                                           |
| Service Level affordability                     | Higher expectations of service balanced against cost and affordability of service delivery. Availability of development contributions may change following recent legislative changes                                                    |
| Capital Expenditure and Renewal Programmes      | Integrated planning, and programme funding / affordability issues an ongoing tension                                                                                                                                                     |
| Port, CBD, Industrial areas                     | Regional Economic impacts, investment in growth and economy. Regional irrigation changes flowing into the economy                                                                                                                        |
| Water availability                              | Aquifer management issues, risks of aquifer contamination. Integration with national demand management frameworks, and longer term consents are management risks                                                                         |
| Drinking Water Standards                        | Implementation of drinking water standards requirements for District Water Supplies. Meeting Health Amendment Act requirements. Water Safety Plans, and operational compliance. National performance standards for water- implementation |
| Legislation, National / Regional policy changes | Changing legislation, changing national and regional policies. Health and Safety changes. HPUDS regional planning, local shared service initiatives are adding complexity to processes                                                   |
| Transportation Policy changes                   | GPS, RON impact, regional initiatives, and changes in subsidised road funding are ongoing. FAR review                                                                                                                                    |
| Landfill capacity and remaining life            | Impacts of national policies, zero waste and other landfills. Capacity to 2025. Waste Future Project                                                                                                                                     |

## Selecting the Appropriate AM Level



| Item                                                            | Comments                                                                                                                                                                                                                          |
|-----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Heretaunga Plains Urban Development Strategic Study (HPUDS)     | Impacts on Council planning, demand management and asset acquisition (capex) / renewal. Impacts include results of Heretaunga Plans Transportation Study, Regional Plan inclusion                                                 |
| Medium Density Housing                                          | Potential use of Medium Density Housing with impacts on assets and service delivery. Implementation of planning processes for medium density housing                                                                              |
| Industry structure and governance arrangements, Shared Services | Potential local and regional restructuring, changing governance models, increased use of shared services                                                                                                                          |
| Land Use Changes / Rural Technology changes                     | Changes in crop types (dairy, viniculture, forestry) and increased life style blocks have impacts on asset requirements and usage patterns. Irrigation economics based on dairy expansion. Hydro-carbon/gas exploration potential |
| Public / Private Asset changes                                  | Wider use of regional assets, and trends towards private asset provision                                                                                                                                                          |
| Climate change, sea level rise, ETS                             | Impact of climate change scenarios on service delivery and cost. Ongoing regional analysis and response planning                                                                                                                  |
| Civil emergency- lifelines event                                | Preparedness / Impacts. Regional coordination of responses and planning                                                                                                                                                           |
| Asset Resilience                                                | Built into decision making in future<br>Legislative changes and costs are expected                                                                                                                                                |
| Earthquake Prone Buildings                                      | Initial analysis completed. Remedial actions planned. Additional costs                                                                                                                                                            |
| Energy availability and cost                                    | Electricity, Hydrocarbon and Natural Gas availability, cost. Impacts in peak oil scenarios                                                                                                                                        |

By way of comparison, the Table below outlines the assessed District-wide risk factors for the sample Council's listed in Appendix Table A.4.

**Appendix Table B.2: Examples of District-Wide Risk Factors**

| Council | Population                         | Other Factors                                                                                                 | Appropriate Determination (WIML Assessment) | AM Estimated |
|---------|------------------------------------|---------------------------------------------------------------------------------------------------------------|---------------------------------------------|--------------|
| Rodney  | Intermediate, effectively Advanced | Rapid growth, heavily influenced by Auckland dynamics<br>Dispersed urban areas<br>Tourism/holiday destination | Advanced                                    |              |



| Council            | Population   | Other Factors                                                                                                                                                                                                                                                  | Appropriate Determination (WIML Assessment)                 | AM Estimated |
|--------------------|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|--------------|
| Hastings           | Intermediate | Regional growth with transportation impacts (HPUDS), changing land use, regional and district planning changes. Highly productive primary industry linked to regional port. Subsequent pressures on water resources as a result on growth and land use changes | Intermediate                                                |              |
| Timaru             | Intermediate | Geraldine – International Visitors; Major industries (Fonterra Clandebye); Regionally significant freight hub; Primary industry growth and subsequent transportation network impacts                                                                           | Intermediate                                                |              |
| Hauraki            | Core         | Flooding risks and impacts of changes to the rural sector economy, potential climate change impacts within this context                                                                                                                                        | Core with some extension of practice around risk management |              |
| Gore               | Core         | None                                                                                                                                                                                                                                                           | Core                                                        |              |
| Mackenzie District | Core         | Tourism development and increase in holiday homes                                                                                                                                                                                                              | Core                                                        |              |

Through the 2009-2019 Long Term Community Council Plan, Hastings District Council have sought input from its community and has reviewed its vision and strategic direction for the District.

Council have made the following commitments in response to submissions received:

- Establishment of a joint commercial land user reference group with the Hawke's Bay Regional Council
- Investigate the feasibility of an enlarged cultural event incorporating the International Cultures Day and seasonal workforce celebration
- Undertake appropriate tsunami response planning with coastal communities
- Inclusion of the Flaxmere Planning Committee and Hastings Crime Prevention Governance Group within impending strategy review processes such as the Liquor Licensing policy and Aquatic Strategy
- Incorporate input from key organisations such as the HB Chamber of Commerce and HB Federated Farmers into the Council funding review
- Appropriate Council Officers attend a meeting of the Disability Reference Group regarding safety concerns
- Inclusion of a Youth Council appointed representative to the Cycling Strategy Group
- Enhance the disclosure of legal fees paid within the Council Annual Report
- Work alongside Sport Hawke's Bay and other local Council's in the development of a regional BMX track
- Develop a comprehensive joint strategy and action plan with Hawke's Bay Regional Council on illegal dumping
- Develop a regional approach to energy efficiency and home insulation in conjunction with the Hawke's Bay Regional Council and Unison

Council have the following key strategic priorities:

- Manage our plains resources and urban development appropriately

## Selecting the Appropriate AM Level



- More conservation approach to the use of the aquifer and water resources in general
- Make Hastings an attractive place to visit, invest in and do business with
- We propose to move to higher density development in some urban areas
- We want to help the community to reduce its resource use and minimise waste requiring disposal
- We want to work with others to reduce levels of social disadvantage and income gaps in our community. We want a safe community
- We want to put people at the centre of planning and value the cultures and heritage of our area and people

In adopting an appropriate level of asset management it is essential that the approach taken is commensurate with the risks and strategic issues that the District faces.

The impact of district wide risks on assets and the asset management planning is summarised in the following table:

**Appendix Table B.3: District-Wide Risk Factors and Impact on Assets and AM Planning**

| Factors                         | Assets/Activity Groups most affected |           |             |                      | Risk | Comment                                             | Influence on AM Planning                                                                                 |
|---------------------------------|--------------------------------------|-----------|-------------|----------------------|------|-----------------------------------------------------|----------------------------------------------------------------------------------------------------------|
|                                 | Transportation                       | Utilities | Solid Waste | Community Facilities |      |                                                     |                                                                                                          |
| Demographic / Population Change | ✓                                    | ✓         | ✓           | ✓                    | H    | General impact across planning approach             | Part of normal AM Practice                                                                               |
| Economic Growth                 | ✓                                    | ✓         | ✓           | ✓                    | M    | General impact across planning approach             | Part of normal AM Practice                                                                               |
| Service Level affordability     | ✓                                    | ✓         | ✓           | ✓                    | H    | General impact across planning approach             | Part of normal AM Practice                                                                               |
| Capital / Renewal Expenditure   | ✓                                    | ✓         | ✓           | ✓                    | M    | General impact across planning approach             | Managing resource challenges and potential backlogs is part of normal AM practice                        |
| Port, CBD, Industrial Areas     | ✓                                    |           |             |                      | L    | Management in conjunction with regional initiatives | Part of normal AM Practice                                                                               |
| Water Availability              |                                      | ✓         |             | ✓                    | H    | Regional water allocation issues to be resolved     | High risk to District prosperity – involvement in regional policy setting and managing risks is required |
| Drinking Water Standards        |                                      | ✓         |             |                      | M    | Potential large additional costs for small supplies | Part of normal AM Practice                                                                               |
| Legislative changes impact      | ✓                                    | ✓         | ✓           | ✓                    | M    |                                                     | Part of normal AM Practice                                                                               |
| Transportation Policy Changes   | ✓                                    |           |             |                      | H    |                                                     | Part of normal AM Practice                                                                               |
| Landfill capacity and Life      |                                      |           | ✓           |                      | M    |                                                     | Risk management and monitoring approach is required                                                      |



| Factors                             | Assets/Activity Groups most affected |           |             |                      | Risk | Comment                                                                        | Influence on AM Planning                                                                |
|-------------------------------------|--------------------------------------|-----------|-------------|----------------------|------|--------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
|                                     | Transportation                       | Utilities | Solid Waste | Community Facilities |      |                                                                                |                                                                                         |
| HPUDS                               | ✓                                    | ✓         |             | ✓                    | M    | General impact across planning approach                                        | Part of normal AM Practice                                                              |
| Medium Density Housing              | ✓                                    | ✓         | ✓           | ✓                    | L    | General impact across planning approach                                        | Part of normal AM Practice                                                              |
| Structure / governance arrangements | ✓                                    | ✓         | ✓           | ✓                    | M    | Potential local, regional restructures and changed use of CCO arrangements     | AM practice will require realignment with any new structures or governance arrangements |
| Land use changes                    | ✓                                    | ✓         | ✓           |                      | L    | General impact across planning approach                                        | Part of normal AM Practice                                                              |
| Private / Public Assets             | ✓                                    | ✓         | ✓           | ✓                    | L    | Potential for more private assets integrating with public systems and networks | Manage integration as part of normal AM practice                                        |
| Climate Change, Sea Level Rise, ETS | ✓                                    | ✓         | ✓           | ✓                    | M    |                                                                                | Long term risk management approach is required                                          |
| Civil Emergency                     | ✓                                    | ✓         |             |                      | L    |                                                                                | Long term risk management approach is required                                          |
| Asset Resilience                    | ✓                                    | ✓         |             |                      | L    |                                                                                | Long term risk management approach is required                                          |
| Earthquake Prone Buildings          |                                      |           |             | ✓                    | M    |                                                                                | Analysis, remediation, monitoring                                                       |
| Energy Availability                 | ✓                                    | ✓         | ✓           | ✓                    | L    | HDC actively managing energy issues                                            | Cost implications may require reassessing if major energy cost shifts occur             |

These issues have been reflected in the Analysis of Hastings District Council Asset Groups in Section 4 of this report and Policy Statements in Section 5.

## B2 Consideration of District Wide Factors - Conclusion

Analysis of the District Wide Risk Factors shows a range of risks and changes that have potential to impact on the District. As shown 4 of these risks have been assessed as having high impacts, and 9 assessed as having medium impacts. Taken together these District Wide Risk Factors indicate a level or practice above 'Core' practice.

Based on the identified District Wide risk factors the suggested level of appropriate asset management practice for Hastings District Council is 'Intermediate' with some extension of practice around the demand and risk management issues identified.



## APPENDIX C SECTION 2.2.4 DETAILED FACTOR ANALYSIS

Following the initial population screen and assessment of District wide risks, a more detailed screening was developed for each individual asset group for the District.

### C1 Detailed Analysis Hastings District Council Asset Groups

A more detailed analysis of where the sophistication of Hastings District Council asset management should be uses the criteria outlined in Section 2.2.4 of the IIMM as a basis.

**Appendix Table C.1: Detailed Analysis Hastings District Council Asset Groups**

| Criteria                                                    | Transportation                                                                                                                                                                             | Utilities                                                                                                                           | Solid Waste                                                                | Community Facilities                                                                                                                                                     |
|-------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Population                                                  | <i>Intermediate</i>                                                                                                                                                                        |                                                                                                                                     |                                                                            |                                                                                                                                                                          |
| District Wide Risks                                         | <i>'Intermediate' with some extension of practice around the demand and risk management issues identified</i>                                                                              |                                                                                                                                     |                                                                            |                                                                                                                                                                          |
| Costs and Benefits<br>(Source 2012 LTP – 10 year estimates) | CAPEX<br>235M<br><br>OPEX<br>262M<br><br>Expenditure (% of District)<br>45%                                                                                                                | CAPEX<br>121M<br><br>OPEX<br>173M<br><br>Expenditure (% of District)<br>26%                                                         | CAPEX<br>56M<br><br>OPEX<br>114M<br><br>Expenditure (% of District)<br>15% | CAPEX<br>44M<br><br>OPEX<br>112M<br><br>Expenditure (% of district)<br>14%                                                                                               |
| Legislative Requirements                                    | Compliance approach                                                                                                                                                                        | Compliance. Health Amendment Act driving changes RMA changes will impact Demand management drivers                                  | Compliance approach. Zero waste and waste minimisation targets             | Compliance approach                                                                                                                                                      |
| Size, Condition, Complexity of Assets                       | Network as a whole is managed using the maintenance strategy intervention model. There are capacity issues with the East-West links. Estuarine Bridges have more complex management issues | New Wastewater Treatment assets. High risk assets identified. Integrated decision making for renewals (with road renewal programme) | Gas management and energy conservation requires careful management         | A range of assets including retaining walls and bridges. Issues are known. Some assets are nearing end of life and require more inspection, maintenance and intervention |

## Selecting the Appropriate AM Level



| Criteria                            | Transportation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Utilities                                                                                                                                                                         | Solid Waste                                                                                                                                                        | Community Facilities                                                                                                                                     |
|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Risks Associated with Failures      | Maintaining the sealed road pavement rehabilitation programme presents risks if sufficient investment is not made. Coastal erosion is a threat to Ocean Beach Road. Risks to structures are known and managed                                                                                                                                                                                                                                                                                                                                                                           | Growth in demand and the network impacts of HPUDS need to be managed. Future availability of water from the aquifer may be an issue. AC pipe renewal peak will require management | Management of the gas flare requires specialist expertise. Commercial risks to revenue around other waste disposal options. Suitable consent for area B/C required | Risks associated with retaining walls and bridges. Management of coastal erosion issues. Energy availability/cost and impact on cost of service delivery |
| Organisational Skills and Resources | Internal and external resources have been maintained. Succession Planning is required to cover several key positions where skills are held by one individual. The recent restructure has begun addressing this issue, and it is acknowledged by management. Operational and development responses still take precedence over strategic and tactical planning. Council is working towards consolidating core skills in-house, documenting knowledge, and developing appropriate operations manuals and standard operating procedures. There is still much work to be done in these areas |                                                                                                                                                                                   |                                                                                                                                                                    |                                                                                                                                                          |
| Customer Expectations               | Maintenance of current service levels is important to the community. Liaison with urban communities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Customer expectations are for current service levels to be maintained. No unusual expectations. Management of relationships with government and region important                  | High expectations. Liaison with landfill users. Relationships with landfill neighbours maintained at a high level                                                  | High expectations particularly for premier parks and facilities                                                                                          |
| Sustainability                      | Council sustainability policy will be applied to all assets and management. Sustainability initiatives and urban design principles have been incorporated into the Code of Practice. Potential impacts of climate change and sea level rise require a long term risk management approach                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                   |                                                                                                                                                                    |                                                                                                                                                          |
|                                     | Influenced by NZTA, GPS and RLTS. Materials innovation is being considered                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Legislative changes, regional and national standards impact. Conservation / demand management required                                                                            | Influenced by current legislative changes. Waste minimisation and recycling key initiatives                                                                        | Influenced by current legislative changes                                                                                                                |
| <b>Appropriate AM Level</b>         | <b>Intermediate with Advanced demand management practice</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>Intermediate with increased emphasis on risk management</b>                                                                                                                    | <b>Intermediate</b>                                                                                                                                                | <b>Intermediate</b>                                                                                                                                      |



## C2 Final Appropriate Asset Management Level Determination

The initial population screen for Hastings District Council, using urban area, all town populations, and total district population showed that asset management practice should be 'Intermediate' across the activities.

Further analysis of District Wide Risks confirmed that asset management practice should be 'Intermediate' with extension of practice around demand and risk management issues.

The examination of individual factors is summarised in Appendix Table C.1: Detailed Analysis Hastings District Council Asset Groups above and commentary on these factors is as follows:

### Costs and Benefits

The Transportation and Utilities budgets are the largest in Council and represent higher risks if AM practice is not at an appropriate level. These budgets also allow more scope to develop asset management practice as appropriate. Community Facilities represents 14% of total expenditure and is important expenditure, but are associated with less risk exposure. The Solid Waste budget represents 15% of total expenditure and is a significant and important activity for Council.

### Legislative Requirements

Hastings District Council policy is to meet minimum legislative requirements, or exceed requirements where deemed appropriate and cost effective through levels of Service Consultation. The asset management response to legislative requirements is a compliance based approach. It is recognised that changes in legislative and regulatory requirements are impacting all asset groups.

### Size, Condition and Complexity of Assets

Hastings District Council assets are generally in good condition. Assets are fit for purpose and generally not of unusual size or complexity. Transportation capacity issues were noted, and there are known complex management issues with the estuarine bridges. Council is aiming for integrated renewal decision making across asset groups.

### Risks Associated with Failures

Overall risks associated with asset failure have been assessed to be normal, and are well understood by Hastings District Council. Growth in demand and the impacts of HPUDS need to be carefully managed. The usual commercial risks affect landfill operation. Management of the gas flare at the landfill requires specialist skills and expertise. All activities are affected by funding risks, and the willingness and ability of the community to pay for services.

### Organisational Skills and Resources

Hastings District Council is a large local authority ranked 11/66 in population size as detailed in Appendix Table A.4 Internal and external resources have been maintained. Succession Planning is required to cover several key positions where skills are held by one individual. The recent restructure has begun addressing this issue, and it is acknowledged by management. Operational and development responses still take precedence over strategic and tactical planning. Council is working towards consolidating core skills in-house, documenting knowledge, and developing appropriate operations manuals and standard operating procedures.

Council considers its approach and ability to deliver asset management in terms of its wider business approach. A regular self-assessment of Council's asset management processes assists to ascertain focus and areas for improvement. The organisational skills and resources applied to achieve the asset management objectives are outlined through Councils LTP, AMPs, Human Resources and Business Plans.

## Selecting the Appropriate AM Level



Health and Safety planning, systems and implementation will be an ongoing focus for Council with the introduction of new legislation, and an organisational focus on Health and Safety.

### Customer Expectations

Council has developed and maintained assets to a good standard. Maintenance of current service levels is important to the community.

Overall customer expectations are judged to be typical – that is stable but with high expectations of maintaining and / or restoring service that have economic impacts on rural production and the district economy. There are high expectations by the users of the landfill, and these are managed by use of a user liaison group.

### Sustainability

Council sustainability policy will be applied to all assets and management. Council is also following the sustainability regimes of the Land Transport Management Act 2003, NZTS and RLTS requirements (including subsequent amendments and revisions) for Transportation. Sustainability initiatives and urban design principles have been incorporated into the Code of Practice. Waste minimisation and recycling initiatives are underway in the Solid Waste Activity.

### Conclusion

Having considered all these factors, for each asset / activity group it is apparent that Hastings District Council should be managing its assets at the following levels:

| Activity                          | Transportation                                                                                                                               | Utilities                                                        | Solid Waste         | Community Facilities                                                                  |
|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|---------------------|---------------------------------------------------------------------------------------|
| <b>Final Appropriate AM Level</b> | <b>Intermediate with Advanced demand management practice</b>                                                                                 | <b>Intermediate</b>                                              | <b>Intermediate</b> | <b>Intermediate</b>                                                                   |
| Comment                           | More sophisticated and nearer to Advanced approach in line with national requirements. Demand management strategies a key driver of practice | Emphasis on risk management practice to manage identified issues |                     | The gap between current practice and required 'Intermediate' practice is acknowledged |



**WATER SUPPLY  
ASSET MANAGEMENT PLAN  
EXECUTIVE SUMMARY  
2018**

**DATE 24/04/2018**



## Quality Assurance

### QUALITY ASSURANCE STATEMENT

|                                         |                              |
|-----------------------------------------|------------------------------|
| <b>PROJECT MANAGER</b><br>Brett Chapman | <b>REVIEWED BY</b>           |
| <b>PREPARED BY</b><br>David James       | <b>APPROVED FOR ISSUE BY</b> |

### REVISION SCHEDULE

| Rev No | Date          | Description             | Prepared By | Reviewed By | Approved By |
|--------|---------------|-------------------------|-------------|-------------|-------------|
| 1      | Feb 2018      | Draft AMP for AuditNZ   | David James |             |             |
| 2      | March 2018    | Final Draft for AuditNZ | David James |             |             |
|        | 24 April 2018 | Final Draft             | David James |             |             |
|        |               |                         |             |             |             |
|        |               |                         |             |             |             |
|        |               |                         |             |             |             |

### COUNCIL CONSIDERATION / ADOPTION

| Date | Minute Number | Reason / Decision |
|------|---------------|-------------------|
|      |               |                   |
|      |               |                   |
|      |               |                   |
|      |               |                   |
|      |               |                   |



## TABLE OF CONTENTS

|          |                                                 |          |
|----------|-------------------------------------------------|----------|
| <b>1</b> | <b>WATER SUPPLY AMP EXECUTIVE SUMMARY .....</b> | <b>2</b> |
| 1.1      | Activity Overview .....                         | 2        |
| 1.2      | Why We Do It .....                              | 3        |
| 1.3      | What We Do .....                                | 3        |
| 1.4      | Where We Are Now .....                          | 3        |
| 1.5      | Where We Want To Be .....                       | 3        |
| 1.6      | How We Are Going To Get There .....             | 4        |
| 1.7      | The Assets We Own .....                         | 7        |
| 1.8      | How We Monitor Our Performance .....            | 8        |
| 1.9      | Implications for Council .....                  | 9        |

## LIST OF TABLES

|                                                        |   |
|--------------------------------------------------------|---|
| Table 1: Performance Measurement Framework Table ..... | 8 |
|--------------------------------------------------------|---|

## LIST OF FIGURES


No table of figures entries found.



# 1 WATER SUPPLY AMP EXECUTIVE SUMMARY

## 1.1 Activity Overview


|                                                          |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|----------------------------------------------------------|--|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Provision of safe, potable water to ensure public health |  | <p>The focus of Water services is primarily to provide sufficient safe, potable water to ensure public health.</p> <p>Hastings District Council has undertaken a major review of all aspects of the supply and management of the Council water supply following the 2016 Havelock North water incident. The results of this review are reflected throughout the 2018 Asset Management Plan.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|                                                          |  | <p>The Water priorities and budgets align with the 30 Year Infrastructure Strategy and cover the following:</p> <p><b>Water Safety:</b> Implementation of Council's comprehensive updated Water Safety Plans focusing first on the high risk issues. Additional costs associated with this implementation are included in operation and maintenance budgets.</p> <p><b>Water Strategy:</b> The new Water Strategy provides strategic direction for source, treatment, conveyance and storage options for Council water supply systems particularly the Hastings/Havelock North supply. The strategy identifies key key objectives and related system upgrades and budget requirements.</p> <p><b>Operations, Maintenance and Compliance:</b> For investigations, operation and maintenance and compliance activities to ensure consistent levels of service and safeguard public health. Provision has been made for cost increases due to treatment improvements and additional compliance and monitoring requirements.</p> <p><b>New Capital for Growth:</b> New Capital Projects provide improvements to levels of service. Growth projects provide water capacity to meet future demand based on HPUDs growth forecasts.</p> <p><b>Renewals:</b> The renewals strategy aims to ensure that critical asset condition is understood and priority renewals are implemented as planned. Non-critical asset service capacity is optimised by providing an annual reactive renewals budget.</p> |
|                                                          |  | <p>There is a significant focus on ensuring water safety and quality compliance through the implementation of robust management systems and processes detailed in the Water Safety Plans.</p> <p>Council will ensure compliance with all water source abstraction consents for all Council water supplies. Water Conservation and Demand Management Plans form a significant part of the compliance process.</p> <p>Council has resolved to Implement water management plans and upgrade water treatment processes that will ensure sustainable and safe water for the community. Council's commitment to ensuring safe water currently exceeds its legal obligations in the Health Act 1956 and the Drinking Water Standards for New Zealand and aims to be in line with international good practice.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|                                                          |  | <p>Water services are delivered via a combination of in-house resources and contracted services including two major contracts; one for the network operation and maintenance activities and one for professional services for the planning, design and management of capital works. These contracts will be reset based on the Section 17A determination.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|                                                          |  | <p>A compliance and performance monitoring and reporting framework has been developed in the Water Safety Plan. This will ensure that Water safety and other KPIs are regularly monitored and reported on. As part of the Water Services organisational review process, the Water Team is further developing the framework to provide even more comprehensive assurance that risks are being managed.</p> <p>Mandatory non-financial performance measures are reported to Council annually.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |



**HASTINGS**  
DISTRICT COUNCIL

---

**RISK AND RESILIENCE**



The Water Safety Plan provides a robust risk management framework that ensures Council understands its water safety hazards, risks and management responses. This plan forms part of Council's overall risk management framework and reports to the Council Risk and Audit Committee. The Water Safety Plan helps ensure early detection of risk events and the implementation of appropriate responses.

Resilience is a key Water Strategy objective resilience consideration will influence future capital infrastructure upgrades, operational arrangements and processes

## 1.2 Why We Do It

The focus of Council's Water Supply activity is to provide safe, potable water to ensure public health.

## 1.3 What We Do

- Council provides a sufficient quantity of safe, continuous and reliable public water supply to residential, commercial and industrial properties in the urban areas of Hastings, Flaxmere, Havelock North and smaller communities of Waipatu, Waipatiki, Whirinaki and Esk, Omahu, Paki Paki, Whakatu, Clive, Haumoana/Te Awanga, Parkhill and Waimarama.
- Council owns, manages and operates a public water system that abstracts, treats and distributes potable water for domestic, firefighting and commercial purposes.
- Council has developed robust Water Safety Plans and Asset Management Plans, and is currently developing a Water Strategy. These plans identify priorities and help ensure the supply of safe water.
- Council has established systems and processes to ensure safety, quality and regulatory compliance.
- Council aims to operate and maintain its water supply systems and ensure timely response to customer complaints and loss of service issues.
- Council has modelling and system optimisation programmes to ensure ongoing improvement of the water network.
- Council aims to provide a water network in new areas with sufficient capacity for future domestic, industrial and firefighting demand
- Council has asset condition and performance programmes that help ensure the implementation of an optimised renewals programme.
- Council regularly monitors and reports on agreed Levels of Service and performance measures.

## 1.4 Where We Are Now

Hastings District Council has undertaken a major review of all aspects of the supply and management of the Council water supply following the 2016 Havelock North water incident. The results of this review are reflected throughout the 2018 Asset Management Plan and are summarised in the next section and summarises Council in the diagram below:

## 1.5 Where We Want To Be

Looking ahead Council aims to implement a robust water supply management framework that will ensure the supply of safe water to the community. The recent water review has identified a number of priorities that will be implemented over the next 3 to 5 years. These key Water Supply projects are detailed in the Water Strategy. The key themes of the water strategy are summarised in the diagram below:



The Water Supply key focus areas include:

- Implementation of all the Water Safety Plans and related improvement schedules and related compliance and risk management processes.
- Implementation of the Water Strategy priorities including future water source identification, treatment upgrades, reticulation and storage upgrades.
- Implementation of risk and hazard management strategies and ensuring risk management practices are embedded at all levels.
- Implementation of a robust Water quality sampling, monitoring and reporting system to provide assurance that the water delivered to the community is safe.
- Implementation of key water safety and back flow prevention initiatives.
- Consideration of climate change impacts and system adaption as a key component of future design and construction.
- Network modelling and optimisation to inform system upgrades and improvements to minimise water losses.
- Network expansion for growth.
- Optimised renewals planning by information modelling and analysis.
- Implementation of water services organisational review to optimize the efficiency and effectiveness of the Water Services Team (? Not sure if this is right? Is this coming out of the Change Management Program?).
- Ongoing development of collaborative multi agency relationships
- Development and implementation of demand management plans and related leakage reduction and pressure management initiatives along with Community awareness programmes.

## 1.6 How We Are Going To Get There

The Table below highlights key water supply focus areas for the 2018 LTP:



The water supply objectives will be achieved by ensuring:

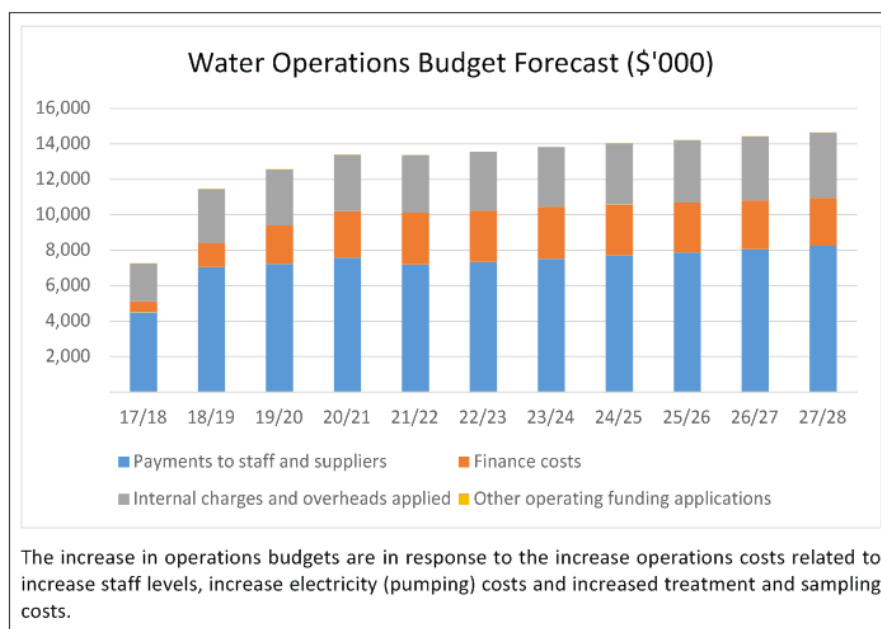
- The implementation the Water Safety Plans.
- The implementation of the Water Strategy.
- Robust asset management planning and ongoing progress with the delivery of the asset management improvement programme.
- Water Services organisational review outcomes are is implemented.
- Local Government Act Section 17a service delivery recommendations are effectively implemented.
- Development of practices as required to meet changing legislation, regulations and policies.
- Embedding risk and hazard management processes and practices into every process step of delivering water, from the catchment to the customers' taps.
- Ongoing development of emergency management responses and contingency planning.
- Delivery of operations and maintenance activities by new maintenance contract.
- Delivery of new capital and renewals through engineering alliance and market contracts for construction.

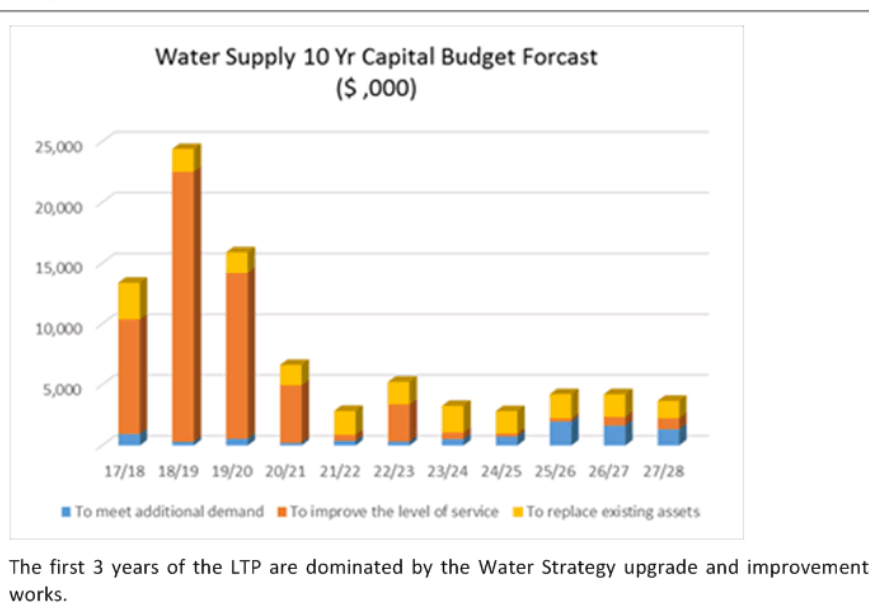


The table below summarises the 2018-28 water supply LTP priorities and budgets

| Key Matters                                                                                           | LTP Funding Impacts |            |            |
|-------------------------------------------------------------------------------------------------------|---------------------|------------|------------|
| Water Supply                                                                                          | 3 Year              | 4-10 Year  | 11-30 Year |
| Water Safety Plan Implementation. Embedding improved management and operations processes and systems. | Increasing \$       | Increasing |            |
| Water Strategy Implementation (Source, Treatment and Reticulation)                                    | Increasing \$       | Increasing |            |
| Network safety and risk management improvements                                                       | Increasing          |            |            |
| Network resilience, optimisation and growth planning                                                  | Adequate            | Increasing | Increasing |
| Ongoing renewals planning and investment                                                              | Adequate            | Adequate   | Adequate   |

#### Water Supply Summary Budget Forecast 2018-18





## 1.7 The Assets We Own

Council operates 11 water schemes across the District that provide the community with safe drinking water and firefighting capacity.

The water supply schemes represent significant capital investment over many years with a total replacement cost of \$151,324,199<sup>1</sup>. The water supply systems comprise of water sources, abstraction (bores) and treatment facilities and distribution networks including pipes, valves and pump stations. Key facilities have back-up power generators and there are a number of mobile generators to services other sites in the event of a loss of power.

The table below provides an overview of the schemes and the key assets:

| Scheme                                           | Mains (km) | Connections/<br>Laterals (No.) | Bores (No.) | Reservoirs (No.) |
|--------------------------------------------------|------------|--------------------------------|-------------|------------------|
| Clive                                            | 8,827      | 368                            | 2           | -                |
| Esk                                              | 12,851     | 91                             | 1           | 3                |
| Hastings, Havelock North,<br>Flaxmere, Bridge Pa | 415,621    | 20,146                         | 10          | 8                |
| Haumoana,<br>and Te Awanga                       | 24,182     | 803                            | 2           | 2                |
| Omahu                                            | 638        | 37                             | 2           | 1                |
| Paki Paki                                        | 1,708      | 35                             | -           | 4                |
| Waimarama                                        | 11,908     | 328                            | 1           | 6                |
| Waipatiki                                        | 1,821      | 71                             | 1           | 5                |
| Waipatu                                          | 109        | 14                             | 1           | -                |
| Whakatu                                          | 3,270      | 145                            | 1           | -                |

<sup>1</sup> See Section 5 of the AMP for detailed asset information.



|              |                |               |           |           |
|--------------|----------------|---------------|-----------|-----------|
| Whirinaki    | 10,632         | 191           | 3         | 1         |
| <b>Total</b> | <b>491,569</b> | <b>22,229</b> | <b>24</b> | <b>30</b> |

## 1.8 How We Monitor Our Performance

Monitoring our performance against our levels of service statements and established key performance indicators is important and a detailed performance monitoring framework has been developed. A number of performance drivers have been considered in the development of the KPIs including legislative, corporate, community and technical drivers.

Particular attention has been given to monitoring performance in relation to the Local Government Amendment Act 2012, Section 10.

The performance measures and KPIs are included in the Asset Management Plan, the Long Term Plan and the Annual Plan and are regularly monitored and reported on. Reporting takes place at a variety of levels both within Council and externally to the community and other government agencies.

The table below details the water supply DIA non-performance measures.

**Table 1: Performance Measurement Framework Table**

| Community Outcomes                                                                                                                                                                                                                                                                                                                                                                               | Level of Service Statement                                                                                       | Performance Measure                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Year 1 Target                                                                                                                                   | Year 2 Target                                    | Year 3 Target                                    | Year 4-10 Target                                 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| <b>LOCAL INFRASTRUCTURE</b><br>Council Objectives to which the Water Supply activity relates: <ul style="list-style-type: none"> <li>Sustainable use of land and water resources</li> <li>Healthy drinking water and sanitary services</li> <li>Infrastructure supporting economic growth</li> <li>Resilience to hazards and shocks</li> <li>Serviced land for industrial development</li> </ul> | Water Supply – Ensuring Healthy drinking water through the provision and effective management of water services. | DIA Non-financial performance Measure 1: (safety of drinking water)<br>The extent to which the local authority's drinking water supply complies with: <ul style="list-style-type: none"> <li>a) Part 4 of the drinking-water standards (bacteria compliance criteria), and</li> <li>b) Part 5 of the drinking-water standards (protozoal compliance criteria).</li> </ul>                                                                                                                                                                                                                                | Percentage Compliance<br>Target 100%.                                                                                                           | 100%                                             | 100%                                             | 100%                                             |
|                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                  | DIA Non-Financial performance Measure 2: (maintenance of the reticulation network)<br>The percentage of real water loss from the local authority's networked reticulation system. (Including a description of the methodology used to calculate this).                                                                                                                                                                                                                                                                                                                                                   | 20% Percentage Real Loss's or other recognised industry standard as specified in the HDC's 'Water Conservation and Demand Management Strategy'. | 20%                                              | 20%                                              | 18%                                              |
|                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                  | DIA Non-Financial performance Measure 3: (fault response times)<br>Where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured: <ul style="list-style-type: none"> <li>a) attendance for urgent call-outs: from the time the local authority receives notification to the time that service personnel reach the site, and</li> <li>b) resolution of urgent call-outs: from the time the local authority receives notification to the time that service personnel confirm</li> </ul> | Overall 95% Achievement Rate.<br><br>Urgent – 1 Hour response time to site.<br><br>Urgent – 2 Hour restoration of service.                      | 1 hour<br><br>2 hour<br><br>3 days<br><br>7 days | 1 hour<br><br>2 hour<br><br>3 days<br><br>7 days | 1 hour<br><br>2 hour<br><br>3 days<br><br>7 days |



| Community Outcomes | Level of Service Statement | Performance Measure                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Year 1 Target                                                                                            | Year 2 Target | Year 3 Target | Year 4-10 Target |
|--------------------|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|---------------|---------------|------------------|
|                    |                            | resolution of the fault or interruption.<br>c) attendance for non-urgent call-outs: from the time the local authority receives notification to the time that service personnel reach the site, and<br>d) resolution of non-urgent call-outs: from the time the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption.                                                                                       | Non-urgent – 3 days response time to site.<br><br>Non-urgent – 7 days call resolution                    |               |               |                  |
|                    |                            | DIA Non-Financial performance Measure 4: (customer satisfaction)<br>The total number of complaints received by the local authority about any of the following:<br>a) drinking water clarity<br>b) drinking water taste<br>c) drinking water odour<br>d) drinking water pressure or flow<br>e) continuity of supply, and<br>f) the local authorities response to any of these issues.<br>Expressed per 1000 connections to the local authority's networked reticulation system. | Count expressed per 1000 connections per annum<br>(Current Baseline = 1 complaint per 1,000 connections) | 3             | 3             | 3                |
|                    |                            | DIA Non-performance Measure 5: (demand management)<br>The average consumption of drinking water per day per resident within the territorial authority district.                                                                                                                                                                                                                                                                                                                | 410 Ltr per day per resident                                                                             | 410           | 410           | 410              |

## 1.9 Implications for Council

The key implications for Council related to the water supply activity are:

- Ensuring the Water Safety Plan and related action plan is effectively implemented
- Ensuring systems and process based on international good practice are effectively implemented to ensure safe water, by managing risks at every step of the process from the catchment to the customers' taps.
- Ensuring adequate funding for the implementation of the Water Strategy and related projects.
- Ensuring future service delivery arrangements continue to be customer focused and service issues are promptly resolved.
- Ensuring climate adaption assessments are undertaken and appropriate responses are made.
- Ensuring that current and future consenting and compliance requirements can be met.
- Ensuring detailed future growth planning is undertaken and growth budgets correctly allocated and prioritised.
- Ensuring that capital projects are delivered on time to required standards.



- Ensuring operations and maintenance works are delivered to agreed service levels.
- Ensuring that Council complies with all relevant legislation and regulations and any future legislation changes.



**WASTEWATER  
ASSET MANAGEMENT PLAN  
EXECUTIVE SUMMARY  
2018**

**DATE 24/04/2018**



## Quality Assurance

### QUALITY ASSURANCE STATEMENT

|                                         |                              |
|-----------------------------------------|------------------------------|
| <b>PROJECT MANAGER</b><br>Brett Chapman | <b>REVIEWED BY</b>           |
| <b>PREPARED BY</b><br>David James       | <b>APPROVED FOR ISSUE BY</b> |

### REVISION SCHEDULE

| Rev No | Date        | Description | Prepared By | Reviewed By | Approved By |
|--------|-------------|-------------|-------------|-------------|-------------|
| 1      | 24/04/25018 | Final Draft | D James     |             |             |
| 2      |             |             |             |             |             |
| 3      |             |             |             |             |             |
|        |             |             |             |             |             |
|        |             |             |             |             |             |

Previous AMP that this document has been based on:

| Rev No | Date       | Description                | Prepared By | Reviewed By | Approved By |
|--------|------------|----------------------------|-------------|-------------|-------------|
| 1.1    | 20/02/2015 | Initial Draft for Audit NZ | D James     |             |             |

### COUNCIL CONSIDERATION / ADOPTION

| Date | Minute Number | Reason / Decision |
|------|---------------|-------------------|
|      |               |                   |
|      |               |                   |
|      |               |                   |
|      |               |                   |



## Table of Contents

### CONTENTS

|     |                                        |   |
|-----|----------------------------------------|---|
| 1   | WASTEWATER AMP EXECUTIVE SUMMARY ..... | 2 |
| 1.1 | Activity Overview .....                | 2 |
| 1.2 | Why We Do It .....                     | 3 |
| 1.3 | What We Do .....                       | 3 |
| 1.4 | Where We are Now .....                 | 3 |
| 1.5 | Where we want to be .....              | 3 |
| 1.6 | How are we going to get there .....    | 4 |
| 1.7 | The Assets We Own .....                | 7 |
| 1.8 | How We Monitor Our Performance .....   | 7 |
| 1.9 | Implications for Council .....         | 9 |

No table of contents entries found.

### LIST OF TABLES

|                                                                |   |
|----------------------------------------------------------------|---|
| Table 1: How the Activity is Funded and Who Benefits .....     | 4 |
| Table 2: Funding Summary Tables .....                          | 5 |
| Table 3: Wastewater Activity Roles and Functions Summary ..... | 6 |
| <b>Table 4: 2016/17 Asset Valuation Summary Table</b> .....    | 7 |
| Table 11: DIA Performance Framework Table .....                | 8 |

### LIST OF FIGURES







No table of figures entries found.



## Table of Contents

# 1 WASTEWATER AMP EXECUTIVE SUMMARY

## 1.1 Activity Overview

|                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Provision of wastewater services that safeguard public health and the environment | <p><b>WASTEWATER</b></p>  <p>The primary focus of Wastewater Services is to safeguard community public health and the environment. Wastewater Services also enables and promotes business establishment and operation by allowing controlled Trade Waste disposal under Council's bylaw policies.</p> <p>Wastewater is a core Council activity and the wastewater system comprises of pipes, pump stations, treatment facilities and other assets that represent a significant council investment over many years.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|                                                                                   | <p><b>KEY AREAS AND BUDGETS</b></p>  <p>The wastewater priorities and budgets align with the Council 30 Year Infrastructure Strategy and covers the following:</p> <ul style="list-style-type: none"> <li>• <b>Operation and Maintenance:</b> These activities include investigations, operation and maintenance and compliance activities to ensure consistent levels of service are achieved. (\$2.7M p.a. , LTP Budget \$27M)</li> <li>• <b>Renewals:</b> The renewals strategy aims to ensure that critical asset condition is understood and priority renewals are implemented as planned. Non-critical asset service capacity is optimised by providing an annual reactive renewals budget.<br/>(Collection Renewals LTP budget \$34.3M, Disposal Renewals LTP Budget \$17.9M)</li> <li>• <b>New Capital and Growth:</b> Growth projects provide wastewater capacity to meet future demand based on HPUDs growth forecasts. New Capital Projects provide improvements to levels of service.<br/>(Growth LTP budget \$7.4M New Capital LTP Budget \$5.8M)</li> </ul> |
|                                                                                   | <p><b>COMPLIANCE</b></p>  <p>Council has a 35 year ocean outfall discharge resource consent. Council aims to achieve compliance with all resource consent conditions. Regular compliance monitoring and reporting is undertaken.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|                                                                                   | <p><b>SERVICE DELIVERY</b></p>  <p>The wastewater services are delivered via a combination of in-house resources and contracted services including two major contracts; one for the network operation and maintenance activities and one for professional services for the planning, design and management of capital works. These contracts will be reset in 2018 based on the Section 17A determination.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|                                                                                   | <p><b>PERFORMANCE</b></p>  <p>A comprehensive compliance and performance monitoring and reporting framework has been developed. This ensures that legislative requirements and other KPIs are regularly assessed and reported on. Mandatory non-financial performance measures are reported to Council annually.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|                                                                                   | <p><b>RISK AND RESILIENCE</b></p>  <p>A robust risk management framework has been developed that will ensure that Council understands its local hazards and risks and is able to detect risk events early and implement the appropriate responses.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |



## Table of Contents

### 1.2 Why We Do It

Council provides wastewater services as directed by legislation to safeguard public health, property and the environment.

### 1.3 What We Do

- Council provides public wastewater services to residential, commercial and industrial properties in Hastings, Flaxmere, Havelock North, Whakatu, Clive and Waipatiki.
- Council owns, manages and operates a public wastewater system that collects, conveys, treats (to consented standards) and disposes treated wastewater into Hawke Bay via a long ocean outfall at East Clive.
- Council maintains robust wastewater asset management plans are maintained and a related continuous improvement programme is implemented.
- Council meets its consenting and regulatory obligations related to the ocean outfall discharge consent. The outfall is consented until 2049.
- Council undertakes to provide uninterrupted wastewater services and ensure timely responses to complaints, repairs and any loss of service issues.
- Council aims to provide a wastewater network with sufficient capacity for future domestic and industrial demand.
- Council has improvement programmes to ensure ongoing understanding of asset condition and performance. This helps ensure the implementation of an optimised renewals programme.
- Levels of service and performance measures are regularly monitored and reported on.
- Risk, resilience and health and safety plans and processes have been developed and are regularly monitored.

### 1.4 Where We are Now

Wastewater is a Core Council Service that helps ensure the public and environmental wellbeing of the district. The services also provide trade waste services that provide important business enablers that contribute to the viability of the local economy.

The Asset Management Plan has been developed within the Council's strategic framework and has established linkages to the 30 Year Infrastructure Strategy, HPUDs Growth Strategy, the Long Term Plan and Annual Planning processes.

Council's key strategic objectives are based on legislative requirements and community outcomes. In particular *Section 10 of the Local Government Amendment Act 2012* defines the purpose of Local Government as *to meet the current and future needs of the communities for good –quality infrastructure, local public services, and performance of regulatory functions that is most cost-effective for households and businesses.*

Council has identified several strategic objectives that contribute towards meeting these local government purposes. The Wastewater activity is a core Council activity that contributes towards the *provision of quality infrastructure* and in particular the Council Objective *to provide healthy drinking water and sanitary services.* This activity also contributes towards ensuring public health and a safe and healthy natural environment.

### 1.5 Where we want to be

Looking ahead Council aims to:

2018 WASTEWATER ASSET MANAGEMENT PLAN  
VERSION 2

Date: 24 April 2018  
Status: Draft

Page 3



## Table of Contents

- Continue to achieve high levels of wastewater consent compliance for the ocean outfall discharge resource consent .
- Continue to respond and resolve service requests promptly
- Continue with the development and implementation of robust renewals strategies and programmes to help ensure infrastructure assets are optimized and renewed on time. Focussing on critical assets ie trunk sewers, rising mains and treatment plants
- Continue to plan new capital and future growth projects to meet housing demand drivers. There is collaborative planning within Council's Strategic Planning, Economic development and Asset Management departments.
- Identifying and understanding key issues such as asset performance and deterioration, resilience, climate change and technology advancement.
- Review and further development of a risk management strategies and practices.
- Review and further development of Health and Safety and Hazard Management systems and processes.

## 1.6 How are we going to get there

### 1.6.1 Focus areas

Looking ahead Council aims to maintain and build on the solid wastewater asset base to ensure service levels are achieved and future growth requirements are catered for. Key future wastewater focus areas include:

- The first discharge consent review is to be completed in 2023.
- Climate change planning and system adaption investigations.
- Embedding risk and hazard management strategies and practices.
- Network optimisation and resilience planning and implementation.
- Network expansion for growth.
- Optimised renewals planning by information modelling and analysis.
- Implementation of water services organisational development.

### 1.6.2 Funding

Council aims to deliver wastewater services in a cost effective and affordable manner within Council's Revenue and Financing Policy framework. The table below summarises how the wastewater activity is funded :

Table 1: How the Activity is Funded and Who Benefits

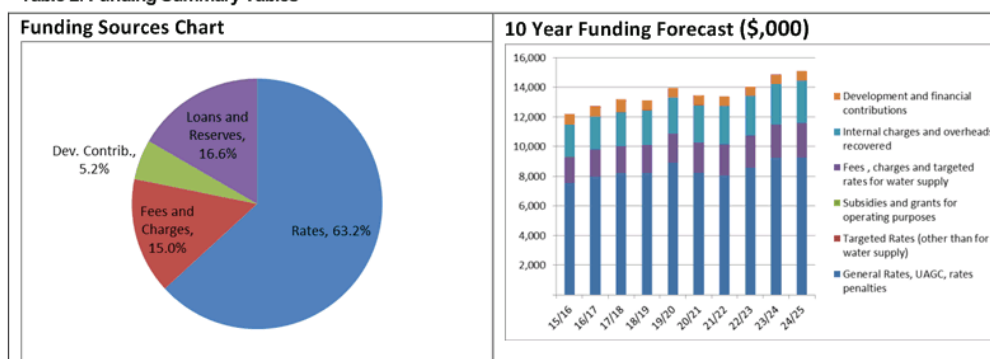
| Type of function/service                       | Who Benefits       |                       | Funding Sources           | Comment                                                                                                                       |
|------------------------------------------------|--------------------|-----------------------|---------------------------|-------------------------------------------------------------------------------------------------------------------------------|
|                                                | Community (Public) | Individuals (Private) |                           |                                                                                                                               |
| New Connections and Trade Waste Fees & Charges |                    | Yes                   | Fees & Charges            | Connection fees are charged to individuals for new connections to the wastewater system                                       |
| New Development                                | Yes                | Yes                   | Development Contributions | Development contributions are applied to new developments to recognise increased capacity requirements                        |
| Operation and Maintenance Activities           | Yes                | Yes                   | General Rate              | The community benefit component is funded through the general rate and differentiated to properties based on location and use |



## Table of Contents

| Type of function/service | Who Benefits       |                       | Funding Sources       | Comment                                                                          |
|--------------------------|--------------------|-----------------------|-----------------------|----------------------------------------------------------------------------------|
|                          | Community (Public) | Individuals (Private) |                       |                                                                                  |
| Capital Development      | Yes                | Yes                   | Loan Funding/Reserves | Loan funding and reserves are utilised to fund new capital and renewals projects |

Table 2: Funding Summary Tables

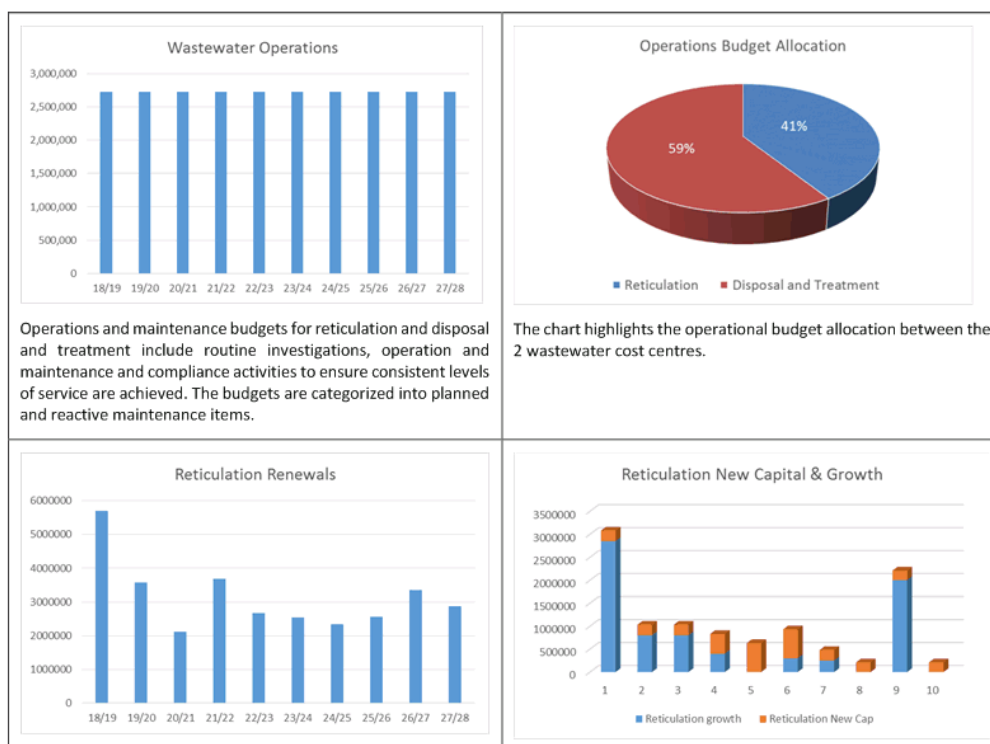


\*Funding and budget source –Draft Wastewater Funding Impact Statement at 18 February 2018-check update

### 1.6.3 Key Expenditure

The tables below summarises how wastewater funds are allocated between operation and maintenance, renewals new capital and growth budgets:

2018-2028 Wastewater budget summary charts:





## Table of Contents

|                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Reticulation renewals includes the renewals programme budgets for:</p> <ul style="list-style-type: none"> <li>The reticulation (split into planned and reactive programmes as per the renewals strategy)</li> <li>Pump station renewals</li> <li>Rising main renewals</li> </ul> | <p>The reticulation new capital and growth budgets include:</p> <ul style="list-style-type: none"> <li>Key growth projects ie Omaha Road, Howard Street, Iona/Middle Road, Brookvale Road</li> <li>New Capital projects including pump station improvements, CBD improvements and flow monitoring improvements.</li> </ul> |
| <p>Disposal New Cap</p> <p>Disposal new capital includes:</p> <ul style="list-style-type: none"> <li>Flow monitoring improvements at the WWTP and</li> <li>Process improvements budget allocation linked to the consent review process.</li> </ul>                                  | <p>Disposal Renewals</p> <p>Disposal renewals includes</p> <ul style="list-style-type: none"> <li>The trunk sewer renewals programme</li> <li>Emergency Beach outfall renewal</li> <li>Treatment plant renewals</li> </ul>                                                                                                 |

### 1.6.4 Service Delivery

Council aims to supply reliable, sustainable and cost effective wastewater services. In order to achieve this Council has established a management structure that ensures that key management and planning responsibilities are delivered by Council Staff and that external contractors and consultants are used to assist in the delivery of the wastewater service.

Council has two major contacts with consultants namely the Underground Services Maintenance Contract with City Care and the Professional Services Contract with Stantec Ltd (formerly MWH) that provides project planning, design and management services.

The table below summarises key management roles and functions:

**Table 3: Wastewater Activity Roles and Functions Summary**

| Who                | Roles and Functions                                                                                                                                                                                                                                                                                                                                                    |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Council Staff      | <ul style="list-style-type: none"> <li>Strategic and Asset Management Planning</li> <li>Financial Management and reporting</li> <li>Council Reporting</li> <li>Community liaison</li> <li>Interface Management</li> <li>Wastewater network and treatment plant operations and maintenance</li> </ul>                                                                   |
| Council Committees | <ul style="list-style-type: none"> <li>Council: Approval of strategic reports</li> <li>Tenders Sub-Committee: Approval of tenders</li> <li>Tangata Whenua Joint Wastewater Committee: Wastewater planning and reporting</li> </ul>                                                                                                                                     |
| Contractors        | <ul style="list-style-type: none"> <li>Operation and maintenance of water services(excluding the wastewater treatment plant)</li> <li>Construction of capital projects</li> </ul>                                                                                                                                                                                      |
| Consultants        | <ul style="list-style-type: none"> <li>Capital Project planning, design and construction management (Alliance)</li> <li>Specialist advice, such as modelling or defined studies.</li> <li>Asset management expertise to support Council's asset management team.</li> <li>Independent peer reviews of consolidated financial position and asset valuations.</li> </ul> |
| Audit NZ           | <ul style="list-style-type: none"> <li>Assessment of LTP , AMPs and Annual Plan implementation</li> </ul>                                                                                                                                                                                                                                                              |
| Regional Council   | <ul style="list-style-type: none"> <li>Discharge Consent Compliance</li> </ul>                                                                                                                                                                                                                                                                                         |



## Table of Contents

### 1.7 The Assets We Own

The wastewater system comprises a network of pipes, manholes, pump stations, control equipment, a treatment plant and long ocean outfall. This system has been developed over many years and represents a significant community investment.

We aim to manage and maintain the wastewater assets in a cost effective manner in order to achieve the required level of services on an on-going basis. This is achieved through the implementation of a combination of management, operations and maintenance, renewals and new capital development strategies.

Council has legislative requirements which relate to the valuation of infrastructure assets aligned to nationally recognised practice. We undertake regular asset valuation reviews that provide an assessment of the total value of wastewater assets, the depreciated replacement cost (or the replacement cost less allowance for physical deterioration) and the annual depreciation (loss of service potential) rates for various asset groups. The table below summarises the 2014 Wastewater Asset Valuation:

**Table 4: 2016/17 Asset Valuation Summary Table**

| ASSETS                    | UNITS | QUANTITY      | REPLACEMENT COST (RC)   | DEPRECIATED REPLACEMENT COST (DRC) | ANNUAL DEPRECIATION   | ESTIMATED % ASSET CONSUMED |
|---------------------------|-------|---------------|-------------------------|------------------------------------|-----------------------|----------------------------|
| Manholes                  | No.   | 5633          | \$25,227,347            | \$15,764,615                       | \$248,857             | 38%                        |
| Mains                     | m     | 402000        | \$211,092,496           | \$111,673,451                      | \$2,671,957           | 47%                        |
| Connections               | No.   | 18791         | \$64,645,602            | \$35,993,796                       | \$705,857             | 44%                        |
| Pump Stations & Equipment | No.   | 536           | \$8,851,594.00          | \$4,844,500                        | \$195,222             | 42%                        |
| Sewer Valves              | No.   | 169           | \$1,888,175             | \$1,192,597                        | \$35,775              | 37%                        |
| Pipe Bridges              | No.   | 9             | \$1,913,053             | \$721,128                          | \$25,507              | 62%                        |
| Flumes                    | No.   | 12            | \$314,423               | \$257,007                          | \$8,202               | 18%                        |
| WWTP                      | No.   | 276           | \$66,201,509            | \$40,294,432                       | \$2,033,679           | 32%                        |
| Consents                  | No.   | 1             | \$1,080,000             | \$992,431                          | \$ 32,491             | 2%                         |
| <b>TOTAL</b>              |       | <b>427427</b> | <b>\$381,214,198.49</b> | <b>\$211,733,956.73</b>            | <b>\$5,925,057.01</b> | <b>46%</b>                 |

The results from the asset valuation provides useful information on asset age, remaining life profiles, estimated replacement costs and annual depreciation forecasts. This information along with actual asset performance and condition assessment information provides a basis for long term renewals planning and investment.

The asset valuation indicates that the wastewater assets are, on average, half way through their useful life. There are a number of operations, maintenance and asset management initiatives that aim to ensure that the service potential of the assets is optimised. These initiatives include proactive and reactive maintenance activities and asset condition and performance assessments. The combination of these activities and the implementation of a renewals programme help ensure that the wastewater system meets desired service levels over the long term.

### 1.8 How We Monitor Our Performance

Monitoring our performance against our levels of service statements and established key performance indicators is important and a detailed performance monitoring framework has been developed. A number of performance drivers have been considered in the development of the KPIs including legislative, corporate, community and technical drivers.

Particular attention has been given to monitoring performance in relation to the Local Government Amendment Act 2012, Section 10.



## Table of Contents

The performance measures and KPIs are included in the Asset Management Plan, the Long Term Plan and the Annual Plan and are regularly monitored and reported on. Reporting takes place at a variety of levels both within Council and externally to the community and other government agencies.

The tables below summarise the linkages between Council's strategic objectives, legislative requirements to provide good quality core infrastructure services (Local Government Amendment Act 2012, Section 10) and the wastewater activity levels of service and performance measures:

### 1.8.1 Department of Internal Affairs (DIA) Non-Financial Performance Measures

Commencing from the 30 July 2014 the wastewater performance measures in the table below are required to be reported to the DIA in accordance with section 261B of the Local Government Act 2002. The table below includes Council's Community Objectives and level of service statements to which the performance measure relates:

Table 5: DIA Performance Framework Table

| Community Outcomes                                                                                                                                                                                                                                                                | Level of Service Statement                                                                                                    | Performance Measure                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Previous Year Actual | Year 1-3 Target                                                                                                                    | Year 4-10 Target    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| <b>LOCAL INFRASTRUCTURE</b><br><br><b>Council Objectives to which the wastewater activity relates:</b><br>-Healthy drinking water and sanitary services<br>-Sustainable use of Water Resources<br>-Infrastructure supporting economic growth<br>-Resilience to hazards and shocks | <b>Council will provide a safe a reliable wastewater service and ensure that service interruptions are kept to a minimum.</b> | <b>DIA Non-Financial Performance Measure 1:</b><br>Number of dry weather sewerage overflows from the Council's wastewater System, expressed per 1000 sewerage connections to that sewerage system.                                                                                                                                                                                                                                                                                                                                               |                      | 5 per 1000 connections per annum                                                                                                   | 5                   |
|                                                                                                                                                                                                                                                                                   |                                                                                                                               | <b>DIA Non-Financial Performance Measure 2:</b><br>Compliance with Council's resource consents for discharge from its sewerage system measured by the number of:<br>(a) Abatement notices<br>(b) Infringement notices<br>(c) Enforcement orders<br>(d) convictions                                                                                                                                                                                                                                                                               |                      | (a) 0 (Zero) Abatement notices<br>(b) 0 (Zero) Infringement notices<br>(c) 0 (Zero) Enforcement orders<br>(d) 0 (Zero) convictions | 0 (zero)            |
|                                                                                                                                                                                                                                                                                   |                                                                                                                               | <b>DIA Non-Financial Performance Measure 3:</b><br>Where the Council attends to sewerage overflows resulting from a blockage or fault in the Council's sewerage system, the following median response times are measured:<br>(a) Attendance time: From the time that the Council receives notification to the time that service personnel reach the site ,and<br>(b) Resolution time: From the time that the Council receives notification to the time that service personnel confirm resolution of the blockage or other fault reach the site , |                      | (a) 1 Hour response time to site (attendance time)<br><br>(b) 1 day Permanent Repair Completed (resolution time)                   | 1 hour<br><br>1 day |
|                                                                                                                                                                                                                                                                                   |                                                                                                                               | <b>DIA Non-Financial Performance Measure 4:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                      |                                                                                                                                    | 30 sewer complaints |



## Table of Contents

| Community Outcomes | Level of Service Statement | Performance Measure                                                                                                                                                                                                                                                                                                                                                               | Previous Year Actual | Year 1-3 Target                            | Year 4-10 Target    |
|--------------------|----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|--------------------------------------------|---------------------|
|                    |                            | <p>Total Number of complaints received by the Council about any of the following:</p> <ul style="list-style-type: none"> <li>(a) Sewage odour</li> <li>(b) Sewerage system faults</li> <li>(c) Sewerage system blockages</li> <li>(d) The Council's response to issues with its sewerage system</li> </ul> <p>Expressed per 1000 connections to the Council's sewerage system</p> |                      | Count expressed per 1000 connections annum | per 1000 customers. |

### 1.9 Implications for Council

The key implications for Council related to the wastewater activity are:

- Ensuring future service delivery arrangements continue to be customer focused and service issues are promptly resolved.
- Ensuring adequate funds and budgets are available to progress key wastewater renewals and new capital projects.
- Ensuring climate adaption assessments are undertaken and appropriate responses are made.
- Ensuring that current and future consenting and compliance requirements can be met.
- Ensuring detailed future growth planning is undertaken and growth budgets correctly allocated and prioritised.
- Ensuring that capital projects are delivered on time to required standards.
- Ensuring operations and maintenance works are delivered to agreed service levels.
- Ensuring that Council complies with all relevant legislation and regulations and any future legislation changes.



**STORMWATER  
ASSET MANAGEMENT PLAN  
EXECUTIVE SUMMARY  
2018**

DATE: 24/04/2018



## Quality Assurance

### QUALITY ASSURANCE STATEMENT

| PROJECT MANAGER | REVIEWED BY           |
|-----------------|-----------------------|
| Brett Chapman   |                       |
| PREPARED BY     | APPROVED FOR ISSUE BY |
| David James     |                       |

### REVISION SCHEDULE

| Rev No | Date          | Description              | Prepared By            | Reviewed By | Approved By |
|--------|---------------|--------------------------|------------------------|-------------|-------------|
| 1      | Dec 2017      | Draft for Review         | M Kneebone/<br>D James |             |             |
| 2      | March 2018    | Final Draft for Audit NZ | M Kneebone/<br>D James |             |             |
|        | 24 April 2018 | Final Draft              | M Kneebone/<br>D James |             |             |
|        |               |                          |                        |             |             |
|        |               |                          |                        |             |             |
|        |               |                          |                        |             |             |
|        |               |                          |                        |             |             |

### COUNCIL CONSIDERATION / ADOPTION

| Date | Minute Number | Reason / Decision |
|------|---------------|-------------------|
|      |               |                   |
|      |               |                   |
|      |               |                   |
|      |               |                   |



## Quality Assurance

|  |  |  |
|--|--|--|
|  |  |  |
|--|--|--|

Item 7

Attachment 4



## CONTENTS

|          |                                     |          |
|----------|-------------------------------------|----------|
| <b>1</b> | <b>EXECUTIVE SUMMARY .....</b>      | <b>4</b> |
| 1.1      | Activity Overview .....             | 4        |
| 1.2      | Why We Do It .....                  | 5        |
| 1.3      | What We Do .....                    | 5        |
| 1.4      | Where we are now.....               | 5        |
| 1.5      | Where we want to be.....            | 6        |
| 1.6      | How we are going to get there ..... | 6        |
| 1.7      | The Assets We Own.....              | 9        |
| 1.8      | Implications for Council .....      | 10       |

No table of contents entries found.

## LIST OF TABLES

|                                                                  |   |
|------------------------------------------------------------------|---|
| Table 1: Stormwater Revaluation as at 30 June 2016 (STORM) ..... | 9 |
|------------------------------------------------------------------|---|

## LIST OF FIGURES

No table of figures entries found.



# 1 EXECUTIVE SUMMARY

## 1.1 Activity Overview

|                                                  |                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|--------------------------------------------------|------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Protection of life, property and the environment | <b>STORMWATER</b>                  | The focus of Stormwater services is primarily to safeguard public health and the environment.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|                                                  | <b>KEY FOCUS AREAS AND BUDGETS</b> | <p>The stormwater priorities and budgets for the 2018 LTP align with the 30 Year Infrastructure Strategy and cover the following:</p> <p><b>Operation and Maintenance:</b> For investigations, operation and maintenance activities to ensure consistent levels of service. Expected to increase due to resource consent compliance and catchment management plans requirements(\$2.4M per annum)</p> <p><b>Renewals :</b> The renewals strategy aims to ensure that critical asset condition is understood and priority renewals are implemented as planned. Non-critical asset service capacity is optimised by providing an annual reactive renewals budget (LTP \$2.8M).</p> <p><b>New Capital and Growth:</b> Growth projects provide stormwater capacity to meet future demand based on HPUDs growth forecasts. New Capital provide improvements to levels of service. Projects (LTP \$9.8M)</p> <p><b>Stormwater Network Optimisation:</b> continue development of network and surface flow models to highlight capacity constraints in the network. These models will assist with future renewals planning and upgrade requirements. (LTP \$15.3M)</p> <p><b>Watercourse and Stream Management:</b> investigate the climate change impacts on dam and stream infrastructure in consideration of associated risks, bed degradation, management options, ownership and responsibility. This will require Council to study the options for future stream management in consideration of quality, quantity and the funding implications. (LTP \$300k approx)</p> |
|                                                  | <b>COMPLIANCE</b>                  | Council has stormwater consents covering the discharge from urban areas. Catchment management plans have been prepared to manage stormwater in consideration of the five adopted themes – Quantity, Quality, Management & Maintenance, Monitoring & Compliance, and Education.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|                                                  | <b>SERVICE DELIVERY</b>            | The stormwater services are delivered via a combination of in-house resources and contracted services including two major contracts; one for the network operation and maintenance activities and one for professional services for the planning, design and management of capital works. These contracts will be reset in 2018 based on the Section 17A determination.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|                                                  | <b>PERFORMANCE</b>                 | A comprehensive compliance and performance monitoring and reporting framework has been developed. This ensures that legislative requirements and other KPIs are regularly assessed and reported on. Mandatory non-financial performance measures are reported to Council annually.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |



## RISK AND RESILIENCE



A robust risk management framework has been developed that will ensure that Council understands its local hazards and risks and is able to detect risk events early and implement the appropriate responses.

## 1.2 Why We Do It

Council provides stormwater services as directed by legislation to ensure the protection of life, property and the environment.

## 1.3 What We Do

- Council provides an integrated public stormwater service to residential, commercial and industrial properties in the urban Hastings, Flaxmere, Havelock North, Whakatu, Clive, Haumoana and Te Awanga areas.
- Council owns, manages and operates a public stormwater system that collects, conveys, treats (to consent conditions) and discharge stormwater to the main receiving waters of the Karamu Stream, the Raupare Stream and the Clive River.
- Robust stormwater asset management plans have been developed and there is a related continuous improvement programme.
- Council meets its consenting and regulatory obligations related to the stormwater resource consents.
- Council undertakes to provide reliable, sustainable and cost effective stormwater services and ensure timely responses to complaints, repairs and any loss of service issues.
- Council aims to provide a stormwater network in new areas which meet the minimum level of service for a 5-year rain event and overland flow paths for the additional flow up to a 50-year rain event
- Council has improvement programmes to ensure ongoing understanding of asset condition and performance. This helps ensure the implementation of an optimised renewals programme.
- Levels of service and performance measures are regularly monitored and reported on.

## 1.4 Where we are now

The stormwater network has been developed over many years. The network is operating well and is meeting desired levels of service and compliance requirements. Over recent years there has been focus on:

- The development of Catchment Management Plans.
- The development of guidelines for onsite stormwater treatment standards.
- The development of robust renewals strategies and programmes to help ensure infrastructure assets are optimised and renewed on time.
- Planning new capital and future growth projects to meet housing demand drivers. There is collaborative planning within Council's Strategic Planning, Economic development and Asset Management departments.
- Identifying and understanding key issues such as asset performance and deterioration, resilience, climate change and technology advancement.
- Continued development of network and surface models to improve understanding of hydraulics and ponding issues of all catchments
- Review and further development of a risk management strategy
- Review and further development of Health and Safety and Hazard Management systems and processes.



## 1.5 Where we want to be

Looking ahead Council aims to maintain and build on the solid stormwater asset base to ensure service levels are achieved and future growth requirements are catered for. Key future stormwater focus areas include:

- Consent monitoring and compliance
- Stormwater treatment and quality improvements while managing stormwater volumes
- Climate change planning and system adaption investigations in consideration of levels of service, capacity requirements and associated risks especially around dam and stream infrastructure
- Embedding risk and hazard management strategies and practices.
- Network optimisation and upgrades to reduce flooding impacts.
- Investigate Havelock North streams future management and implement identified improvements
- Network expansion for growth.
- Optimised renewals planning by information modelling and analysis.
- Implementation of water services organisational development.

## 1.6 How we are going to get there

The Table below highlights key stormwater focus areas for the 2018 LTP:



Key stormwater objectives will be achieved by ensuring:

- Robust asset management planning.
- Ongoing progress is made with the delivery of the asset management improvement programme.
- Water services organisational development is implemented.
- Section 17a service delivery recommendations are effectively implemented.
- Development of practices as required to meet changing legislation, regulations and policies.
- Embedding risk and hazard management processes and practices.



- Ongoing development of emergency management responses and contingency planning.
- Delivery of operations and maintenance activities by new maintenance contract.
- Delivery of new capital and renewals through engineering alliance and market contracts for construction.

The tables below summarises the stormwater activity 2018-28 LTP priorities and budgets

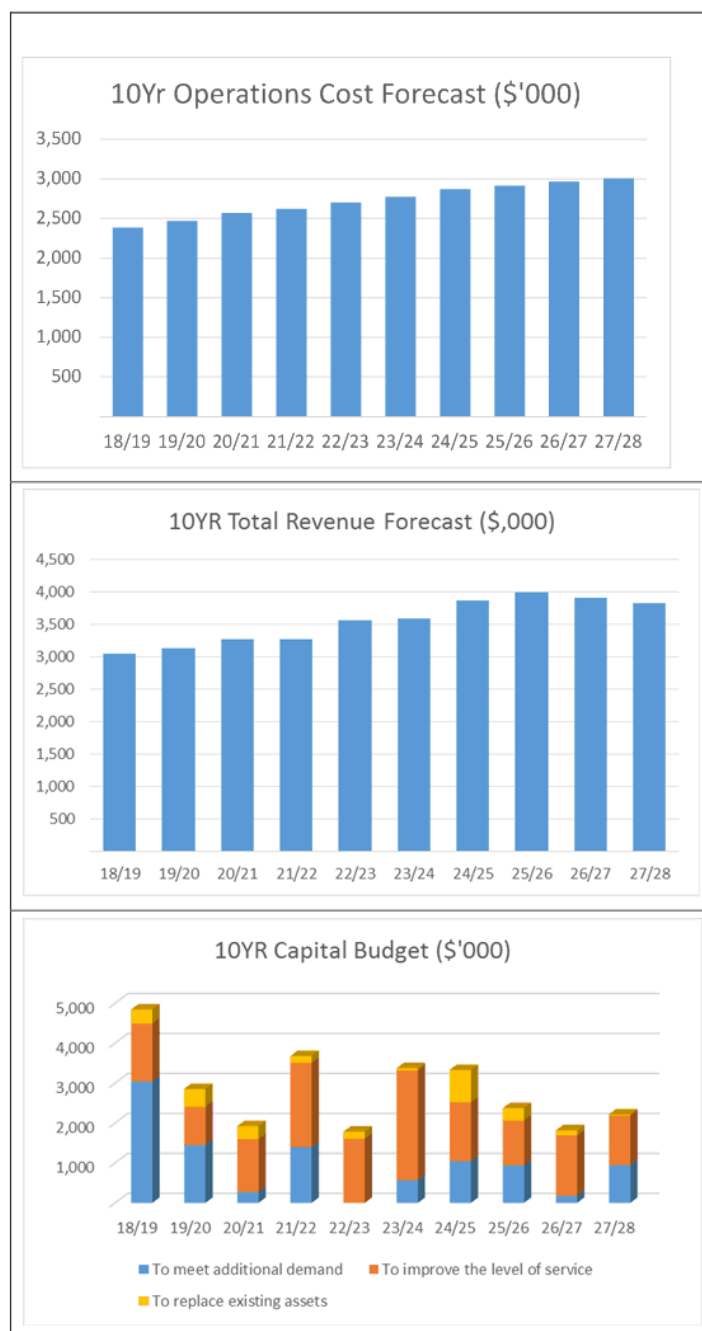
| Key Matters                                                  | LTP Funding Impacts    |            |            |
|--------------------------------------------------------------|------------------------|------------|------------|
| Stormwater                                                   | 3 Year                 | 4-10 Year  | 11-30 Year |
| Network consent renewal                                      | Increasing<br>Add \$\$ |            |            |
| Consent compliance                                           | existing               | increasing | increasing |
| SW treatment and quality improvements                        | Increasing to existing | increasing |            |
| Network optimisation and upgrades to reduce flooding impacts | existing               | increasing | increasing |
| Havelock North streams future management                     | existing               | increasing |            |
| Renewals strategy implementation                             | increasing             | increasing | increasing |

The stormwater budget forecasts are summarised in the tables below:

STORMWATER ASSET MANAGEMENT PLAN 2018  
VERSION 2

Date: 24 April 2018  
Status: Draft

Page 7





## 1.7 The Assets We Own

A full asset valuation of all, wastewater, water and stormwater assets owned by Council as at 30 June 2016. The valuation of Stormwater assets with ownership (STORM) in summary is detailed in the table below.

**Table 1: Stormwater Revaluation as at 30 June 2016 (STORM)**

|                           | REPLACEMENT COST<br>(RC) | REVALUED AMOUNT<br>(DRC) | ANNUAL DEPRECIATION |
|---------------------------|--------------------------|--------------------------|---------------------|
| Nodes                     | \$ 28,446,856            | \$ 15,930,196            | \$ 342,903          |
| Mains                     | \$ 162,553,030           | \$ 102,712,244           | \$ 1,634,778        |
| Pump Stations & Equipment | \$ 1,790,856             | \$ 1,223,145             | \$ 37,397           |
| Laterals                  | \$ 22,455,268            | \$ 13,358,342            | \$ 228,274          |
| Valves                    | \$ 16,437                | \$ 10,725                | \$ 247              |
| Dams                      | \$ 15,565,453            | \$ 12,041,579            | \$ 105,206          |
| Open drains               | \$ 22,013,868            | \$ 12,768,044            | \$ 440,277          |
| Seawall                   | \$ -                     | \$ -                     | \$ -                |
| Consents                  | \$ 209,090               | \$ 136,581               | \$ 11,930           |
| <b>TOTAL</b>              | <b>\$ 253,050,858</b>    | <b>\$ 158,180,855</b>    | <b>\$ 2,801,012</b> |

## 1.8 How we monitor our performance

Monitoring our performance against our levels of service statements and established key performance indicators is important and a detailed performance monitoring framework has been developed. A number of performance drivers have been considered in the development of the KPIs including legislative, corporate, community and technical drivers.

Particular attention has been given to monitoring performance in relation to the Local Government Amendment Act 2012, Section 10.

The performance measures and KPIs are included in the Asset Management Plan, the Long Term Plan and the Annual Plan and are regularly monitored and reported on. Reporting takes place at a variety of levels both within Council and externally to the community and other government agencies.

The table below details the stormwater DIA non-performance measures.

**Table 13: Performance Framework Table Stormwater**

| Community Outcomes                                            | Level of Service Statement                                    | Performance Measure                                                                                                                                               | Year 1 Target                                                                       | Year 2 Target | Year 3 Target | Year 4-10 Target |
|---------------------------------------------------------------|---------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|---------------|---------------|------------------|
| LOCAL INFRASTRUCTURE<br>To provide local infrastructure which | Council will provide a safe a reliable stormwater service and | DIA Non-Financial Performance<br>Measure 1: System Adequacy<br>The number of flooding events that occur in the Councils district.<br>For each flooding event, the | 0 (zero) floors affected per 1000 connections up to a 1 in 50 year ARI storm event. | 0 (zero)      | 0 (zero)      | 0 (zero)         |

STORMWATER ASSET MANAGEMENT PLAN 2018  
VERSION 2

Date: 24 April 2018  
Status: Draft

Page 9



| Community Outcomes                                                                                                                               | Level of Service Statement                               | Performance Measure                                                                                                                                                                                                                                                            | Year 1 Target                                                                                                                            | Year 2 Target | Year 3 Target | Year 4-10 Target |
|--------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|------------------|
| contributes to public health and safety, supports growth, connects communities, activates communities and helps protect the natural environment. | ensure that service interruptions are kept to a minimum. | number of habitable floors affected (expressed per 1000 properties connected to the Council network).                                                                                                                                                                          |                                                                                                                                          |               |               |                  |
|                                                                                                                                                  |                                                          | DIA Non-Financial Performance Measure 2: Discharge Compliance<br>Compliance with Council's resource consents for discharge from its stormwater system measured by the number of:<br>a) abatement notices<br>b) infringement notices<br>c) enforcement orders<br>d) convictions | a) 0 (Zero) Abatement notices<br>b) 0 (Zero) Infringement notices<br>c) 0 (Zero) Enforcement orders<br>d) 0 (Zero) convictions           | 0 (zero)      | 0 (zero)      | 0 (zero)         |
|                                                                                                                                                  |                                                          | DIA Non-Financial Performance Measure 3: Response Times<br>The median response time to attend a flooding event, measured from the time that the Council receives notification to the time that service personnel reach the site.                                               | 1 Hour                                                                                                                                   | 1 Hour        | 1 Hour        | 1 Hour           |
|                                                                                                                                                  |                                                          | DIA Non-Financial Performance Measure 4: Customer Satisfaction<br>The number of complaints received by Council about the performance of its stormwater system, expressed per 1000 properties connected to the Councils stormwater system.                                      | 15 complaints per 1000 connections.<br>NB: This is a baseline figure for stormwater related complaints received in the past eight years. | 15            | 15            | 15               |

## 1.9 Implications for Council

The key implications for Council related to the stormwater activity are:

- Ongoing assessment of Dam risks and hazards
- Ensuring future service delivery arrangements continue to be customer focused and service issues are promptly resolved.
- Ensuring adequate funds and budgets are available to progress key stormwater renewals and new capital projects.
- Ensuring climate adaption assessments are undertaken and appropriate responses are made.
- Ensuring that current and future consenting and compliance requirements can be met.
- Ensuring detailed future growth planning is undertaken and growth budgets correctly allocated and prioritised.
- Ensuring that capital projects are delivered on time to required standards.
- Ensuring operations and maintenance works are delivered to agreed service levels.
- Ensuring that Council complies with all relevant legislation and regulations and any future legislation changes.






STORMWATER ASSET MANAGEMENT PLAN 2018  
VERSION 2

Date: 24 April 2018  
Status: Draft

Page  
10



## Transportation at a glance

|                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>TRANSPORTATION</b></p>                                                                                                  | <p>Our primary objective is to provide a safe and efficient roading network that meets the short and long term needs of the District and is operated and enhanced in a sustainable manner at the lowest overall whole of life cost.</p> <p>Council provides and maintains a comprehensive network of roads and associated infrastructure such as bridges, footpaths, lighting, signs, and public transport infrastructure and traffic control systems.</p>                                                                                                          |
| <p><b>KEY AREAS AND BUDGETS</b></p>          | <p>The transportation priorities and budgets align with the 30 year infrastructure strategy and cover the following:</p> <p><b>Operations and Maintenance (\$9,835M per annum):</b> for general maintenance to ensure network performance</p> <p><b>Renewals (\$10.3M per annum):</b> maintain network condition over the longer term needs of the district at the lowest overall whole of life cost.</p> <p><b>New capital improvements (\$14.8M over three years):</b> Responding to the demands of growth and network improvements such as Whakatu Arterial.</p> |
|                                            | <p>NZTA adopted the business case approach (BCA) and all transport sector plans, development and investment for the upcoming 2018-21 LTP are using this approach. It is a principles based approach that clearly links strategy to outcomes and defines problems and their consequences thoroughly before solutions are considered.</p>                                                                                                                                                                                                                             |
|                                            | <p>The maintenance of the transportation assets is delivered by two road maintenance contractors, one for the urban and one for the rural network. These contracts will be reset in 2018 based on the section 17a determination. Asset renewals is undertaken by site specific contracts on an ongoing annual basis.</p>                                                                                                                                                                                                                                            |
| <p><b>ONRC PEER GROUP PERFORMANCE</b></p>  | <p>The ONRC peer group performance rates our network performance relative to our peers. In general the Hastings network performs well but some key issues relating to ongoing safety and relatively poor urban amenity performance have been identified.</p>                                                                                                                                                                                                                                                                                                        |
| <p><b>Risk and resilience</b></p>          | <p>Our risk management approach in the transportation activity aligns with the HDC Risk Management Framework and the guidelines contained within the International Infrastructure Management Manual. This consists of the identification, assessment, and prioritisation of risks followed by coordinated and economical application of resources to minimise, monitor, and control the probability and/or impact of unfortunate events or to maximise the realisation of opportunities based on a coherent strategy.</p>                                           |

#### 1.1.1 Where we are now?

In general the Hastings District Council's road network is safe and efficient, well managed and provides high satisfaction levels. In relation to its peers, the condition of the District's rural roads is rated as above average while the urban roads are below the peer group average. Our maintenance and renewal expenditure is lower than average. However, in terms of road safety, continued focus targeting the cause of accidents are required. Our safety programme is on track to address these issues.

Significant work has gone into improving footpaths over the last five years and the condition of the asset has improved significantly. Customer satisfaction surveys in relation to safe and efficient footpaths and cycling routes is programmed for 17/18. Our iWay programme is on track to make *"walking & cycling irresistible"* in Hastings).

Strategic planning has progressed significantly in Hastings since 2009. The Hastings Urban Area Transport Model and Heretaunga Plains Regional Transport Study were completed in 2009 & 2012 respectively and is due for an update during the 2018/21 LTP. Various other strategic studies will also be updated to reflect the outcomes of the regional model. The model update will inform Councils response to growth.

#### 1.1.2 What are our goals?

- To provide an affordable, integrated, safe, efficient, accessible, reliable and resilient transport network.
- To move people and goods in an efficient and safe manner.
- To offer a choice of travel for all road users.
- To create connected and accessible communities.
- To support economic growth and land-use productivity.
- To mitigate the effects of land transport on the environment.

#### 1.1.3 How are we going to get there?

Apart from the high level strategic response

1. Plan and embark on sustainable transport planning studies and initiatives, including corridor studies & area traffic management plans;
2. Implementation of our combined walking and cycling strategy (iWay);
3. Extend asset design planning horizon from 20 years to 50+ years;
4. Fully implement the ONRC throughout all maintenance contracts.
5. Plan for probable climate changes.
6. Implement streetlight LED replacement programme
7. Confirm the response to the long term renewal strategy

### 1.2 How are we planning for Demand & Growth?

Council has obligations under the Land Transport Management Act to have a demand management strategy to reduce levels of motorised traffic.

Hastings District has variable traffic volumes across the network, with low volumes in the rural area and moderate to high volumes in the urban areas. The Hawke's Bay Regional Transportation Study has highlighted a number of key areas of new infrastructure development to accommodate forecast growth and change of land use. This is reflected in the transportation programme with projects such as the Whakatu Arterial and projects associated with the development of the Irongate Industrial area.

At present, capacity is not considered to be a significant issue on the network. However, Council aims to be proactive in managing transport demand and will promote future strategies that will ensure sustainable levels of motorised transport in our communities. To help achieve this and inform future planning, Council has recently undertaken an Urban Area transportation study and is currently delivering a programme of long term corridor studies.

### 1.3 How are we taking a Sustainable Approach?

Sustainability is a key element of the management of the transportation network. The role of the network is to provide and protect the social and economic needs of the community from the environment as well as protect the environment from the effects of our social and economic activities.

Council is incorporating various sustainable practices into the management of the transportation activity through initiatives such as:

- Using recycling processes in pavement reconstructions;
- Adopting LED technology for streetlights
- Using pavement marking paints with lower volatile compounds;
- Adopting a place-based-planning approach to infrastructure works; and
- Narrowing excessively over-width roads in the urban area to assist storm water management and reduce dependency on bitumen.
- Promoting walking & cycling.

## 1 Executive Summary

|                                                                                                                                                                                                                                                                                                                                          |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| <p><b>In this Section:</b></p>                                                                                                                                                                                                                                                                                                           |  |
| <ul style="list-style-type: none"> <li>• <u>What we provide</u></li> <li>• <u>What the key issues in this plan are</u></li> <li>• <u>What Hastings District Council is aiming to achieve</u></li> <li>• <u>Future programmes &amp; strategies to achieve this</u></li> <li>• <u>Financial Implications for the Rate Payer</u></li> </ul> |  |
|                                                                                                                                                                                                                                                                                                                                          |  |

Our primary objective is to provide a safe and efficient roading network that meets the short and long term needs of the District and is operated and enhanced in a sustainable manner at the lowest overall whole of life cost.

Council provides and maintains a comprehensive network of roads and associated infrastructure such as bridges, footpaths, lighting, signs, and public transport infrastructure and traffic control systems. The network is essential for the safe and efficient movement of people and goods through and around the District.

The activity also consists of the provision of service lanes and parking assets (enforcement of parking controls is by the Regulatory department) to ensure a safe and functional environment exists for the community.

We use a strategic and systematic process of operating, maintaining, upgrading and expanding transportation assets to effectively manage the assets throughout their life cycle. This work involves applying business and engineering practices to resource allocation and use to ensure our decisions are based on quality information and well-defined objectives. This plan describes the services that our transport system provides now and in the future, how we intend to manage the assets we use, and how we intend to fund the work that is needed.

NZTA adopted the business case approach (BCA) and all transport sector plans, development and investment for the upcoming 2018-21 LTP is using this approach. It is a principles based approach that clearly links strategy to outcomes and defines problems and their consequences thoroughly before solutions are considered.

Following the BCA, considering input from stakeholders and using the evidence presented in the strategic case, the core programme remains on track to continue to deliver a transport network that satisfies the requirements of stakeholders for the immediate future. Looking further ahead there are packages of work that needs to be done now to inform Council and direct appropriate response at the appropriate time to continue to deliver the strategic objectives of council for future generations.

### 1.1 Strategic Assessment - What are the Key Issues?

#### 1.1.1 Problems, consequences and strategic response

The following issues and business needs for the Hastings District Transportation network were identified:

- The transportation network's ability to respond to Growth
- Lack of Accessibility and Resiliency on the transportation network
- The lack of the transportation network's ability to respond to land use changes
- The impact on the transportation network caused by ageing assets
- Road safety risks resulting in death and serious injury.

The network problems, strategic response and benefits of addressing the problems are shown in Table 1, presenting the outcomes of an investment logic mapping workshop held with network stakeholders.

| Problem                                                                                                                                                                    | Strategic response                                                                                                                     | Benefit                                                                                                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| Ageing transport assets are placing pressure on the effective management of the network (40%)                                                                              | Take a lifecycle approach to develop cost effective management strategies for the longer term that meets the defined level of service. | Provides an appropriate level of service in a safe, affordable, and cost effective manner. 35%              |
| Lack of resilience in the roading network can isolate communities and industry, negatively impacting on accessibility and the districts social and economic outcomes (20%) | Strategically identify, assess and appropriately control risks and resilience on the network.                                          | Minimise disruption when unplanned events occur. 15%                                                        |
| Increased industry productivity and changes in land use are resulting in unreliable travel time and safety of the network (20%)                                            | Update the strategic regional and local level network demand forecast models to inform the response to growth.                         | The network can respond to growth in a timely and affordable manner. 10%                                    |
|                                                                                                                                                                            | A road safety strategy and minor safety programme is developed to improve road and roadside safety.                                    | Freight and passenger users can safely, efficiently, and reliably get to their destinations as planned. 25% |
| Growth in traffic loading has put pressure on the capability of the network leading to increased stress on network assets (20%)                                            | Develop strategic multi modal implementation framework.                                                                                | The network can respond to changing transport demands and expectations. 15%                                 |
|                                                                                                                                                                            | Develop strategic smart city framework.                                                                                                |                                                                                                             |

TABLE 1-1 ILM MAPPING

### 1.1.2 Implementing the One Network Road Classification

With the introduction of the one network road classification (ONRC) across New Zealand, the ONRC performance measures has been established to allow national monitoring of network performance in terms of the following measures:

1. Safety
2. Resilience
3. Amenity
4. Accessibility
5. Travel time reliability
6. Cost efficiency measures

While these measures have an element of compliance they are intended to form the backbone of a thinking process to enable RCA's to identify problems on the network and translate these into a business case. For some of the measures an on-line tool has been established to provide standardised reporting using current RAMM data across RCA's in New Zealand. The tool can be found at <https://onrc.companyx.nz/> and access to

the tool can be arranged by the asset manager. The tool provides a number of reports showing how the network is performing in terms of the ONRC Customer levels of service (CLOS). The tool also allows comparative reporting between peer group RCA's. Refer to chapter three for an overview of the current performance of the Hastings District network in terms of the ONRC CLOS.

To measure the efficiency and effectiveness of how the CLOS are met the ONRC performance measures were established. There are three types of ONRC performance measures

- Customer outcome
- Technical output
- Cost efficiency

The primary use of the CLOS is to:

- Demonstrate stewardship of the network performance
- Satisfy stakeholder interest in how the network is performing
- To allow network managers to assess the results of investment decisions and adjust annual allocations to meet the service levels specified.
- Allow peer group comparison

Overall the Hastings District Council compares well with the peer group across all measures. Key Issues are:

- Serious injuries and fatalities - Continued focus on road safety is required to maintain the downward trend in death and serious injuries. In particular:
  - Loss of control on wet roads requires stronger intervention
  - Loss of control at night
  - Vulnerable users
- The urban network is rougher than the rural and is exceeding the local government maintenance guidelines for roughness for all classifications
- Hastings is performing relatively well when compared with the peer group
- Peer group comparisons confirm Hastings District Transportation network is providing an appropriate level of service at a lower cost than the national and regional peer groups across all activities.
- VDAM 2016 rule change will have a significant impact on accessibility on the network with 36 bridges not meeting the VDAM 2016 loading requirements.

## 1.2 What Assets do we have?

This plan covers all transportation activity assets, including service lanes and car parks. Table 1-2 Transportation Assets present the summary statistics of transportation assets owned by HDC

| Description                      | Value | Description              | Value  |
|----------------------------------|-------|--------------------------|--------|
| Population <sup>1</sup>          | 79500 | Street Lights (no.)      | 7,100  |
| Sealed pavement & surfacing (km) | 1,301 | Signs (no.)              | 18,718 |
| Unsealed pavement (km)           | 338.2 | Rails (km)               | 35.547 |
| Footpaths (km)                   | 466.3 | Edge Marking Posts (no.) | 13,283 |
| Bridges and Large Culverts (no.) | 257   | Bus Shelters (no.)       | 33     |
| Other structures (no.)           | 54    | Traffic Islands (no.)    | 833    |

<sup>1</sup>from [www.stats.govt.nz/Census/2013/profile](http://www.stats.govt.nz/Census/2013/profile) and summary reports. Updated 17/7/2017

|                                                      |                |                                                                    |             |
|------------------------------------------------------|----------------|--------------------------------------------------------------------|-------------|
| Culverts (km & no.)                                  | 133.2 (13,178) | Estimated Distance Travelled on the Network Each Year (million km) | 457         |
| Traffic Signals [incl. those managed for NZTA] (no.) | 19 sets        | Depreciated Replacement Value of all assets @ 30 June 2015 (\$000) | \$1,077,111 |
| Surface Water Channels (km)                          | 2,418.2        | Parking Meters                                                     | 510         |
| Off-road Cycle ways                                  | 19.4           | Pay and Display                                                    | 9           |

TABLE 1-2 TRANSPORTATION ASSETS

### 1.2.1 Where we are now?

In general the Hastings District Council's road network is safe and efficient, well managed and provides high satisfaction levels. In relation to its peers, the condition of the District's rural roads is rated as above average while the urban roads are below the peer group average. Our maintenance and renewal expenditure is lower than average. However, in terms of road safety, continued focus targeting the cause of accidents are required. Our safety programme is on track to address these issues.

Significant work has gone into improving footpaths over the last five years and the condition of the asset has improved significantly. Customer satisfaction surveys in relation to safe and efficient footpaths and cycling routes is programmed for 17/18. Our iWay programme is on track to make "walking & cycling irresistible" in Hastings.

Strategic planning has progressed significantly in Hastings since 2009. The Hastings Urban Area Transport Model and Heretaunga Plains Regional Transport Study were completed in 2009 & 2012 respectively and is due for an update during the 2018/21 LTP. Various other strategic studies will also be updated to reflect the outcomes of the regional model. The model update will inform Councils response to growth.

### 1.2.2 What are our goals?

- To provide an affordable, integrated, safe, efficient, accessible, reliable and resilient transport network.
- To move people and goods in an efficient and safe manner.
- To offer a choice of travel for all road users.
- To create connected and accessible communities.
- To support economic growth and land-use productivity.
- To mitigate the effects of land transport on the environment.

### 1.2.3 How are we going to get there?

Apart from the high level strategic response

1. Plan and embark on sustainable transport planning studies and initiatives, including corridor studies & area traffic management plans;
2. Implementation of our combined walking and cycling strategy (iWay);
3. Extend asset design planning horizon from 20 years to 50+ years;
4. Fully implement the ONRC throughout all maintenance contracts.
5. Plan for probable climate changes.
6. Implement streetlight LED replacement programme
7. Confirm the response to the long term renewal strategy

## 1.3 How are we planning for Demand & Growth?

Council has obligations under the Land Transport Management Act to have a demand management strategy to reduce levels of motorised traffic.

Hastings District has variable traffic volumes across the network, with low volumes in the rural area and moderate to high volumes in the urban areas. The Hawke's Bay Regional Transportation Study has highlighted a number of key areas of new infrastructure development to accommodate forecast growth and change of land use. This is reflected in the transportation programme with projects such as the Whakatu Arterial and projects associated with the development of the Irongate Industrial area.

At present, capacity is not considered to be a significant issue on the network. However, Council aims to be proactive in managing transport demand and will promote future strategies that will ensure sustainable levels of motorised transport in our communities. To help achieve this and inform future planning, Council has recently undertaken an Urban Area transportation study and is currently delivering a programme of long term corridor studies.

#### 1.4 How are we taking a Sustainable Approach?

Sustainability is a key element of the management of the transportation network. The role of the network is to provide and protect the social and economic needs of the community from the environment as well as protect the environment from the effects of our social and economic activities.

Council is incorporating various sustainable practices into the management of the transportation activity through initiatives such as:

- Using recycling processes in pavement reconstructions;
- Adopting LED technology for streetlights
- Using pavement marking paints with lower volatile compounds;
- Adopting a place-based-planning approach to infrastructure works; and
- Narrowing excessively over-width roads in the urban area to assist storm water management and reduce dependency on bitumen.
- Promoting walking & cycling.

#### 1.5 Lifecycle Management Plan

Council adopts a fit-for-purpose approach to lifecycle management ranging between an advanced approach in respect of critical or high value assets and a basic approach to other low value, non-critical assets. An advanced approach will involve long term planning (>20 years), risk analysis, condition monitoring, performance forecasting and optimised decision making. A basic approach will involve expenditure monitoring, short to medium term planning and maintenance inspections with typically reactive renewal activity based on observed failure/defect.

| Asset Group                                                           | Lifecycle Approach |
|-----------------------------------------------------------------------|--------------------|
| Sealed pavement and surfacing assets                                  | Advanced           |
| Unsealed pavement                                                     | Basic              |
| Footpaths                                                             | Intermediate       |
| Bridges and Large Culverts                                            | Advanced           |
| Other structures                                                      | Basic              |
| Drainage (culverts, sumps, surface water channels)                    | Basic              |
| Street Lights                                                         | Intermediate       |
| Traffic Signals                                                       | Intermediate       |
| Traffic Services (signs, markings, marker posts, rails, bus shelters) | Intermediate       |

| Asset Group    | Lifecycle Approach |
|----------------|--------------------|
| Parking assets | Basic              |

## 1.6 Our Key Assets at a Glance

### Sealed Pavements

Our roads are generally in good condition with a small percentage falling below the acceptable thresholds annually.

Some higher volume urban roads are underperforming in terms of the smoothness of the vehicle trip. The pavement condition is steadily improving in the urban area and holding at current levels for the rural area.

Condition forecasting indicates that rural service levels are at risk in the short to medium term with the current level of NZTA funding.

The age of our roads means that additional investment will be required in maintenance and road renewals over the longer term to maintain roads at their current levels. An increase in investment is being signalled in around 5 years' time in the urban area and around 10 years' time in the rural area

Asphalt surfacing in the urban is, apart from the CBD and in high stress environments, being replaced with chip seal. There is a significant renewal requirement of the existing asphalt over the next five years which will put tension on the urban reseal budgets.

### Drainage

Rural roadside drainage is a key strategic asset to protect the pavements and maintain storm damage resilience. The asset generally performs well as evidenced by the good performance of our pavements and seal and typically low levels of storm damage repair. Renewal is prioritised in high risk areas (network resilience & safety) and in conjunction with the reseal programme.

### Unsealed Roads

21% of the district roads are still unsealed and with limited funding support for seal extensions it is likely to remain at this level in the foreseeable future. NZTA dust seal policy has changed recently, providing an Investment assessment framework (IAF) that will assist Council in meeting their responsibilities under the RMA of which the primary responsibility is for regional management of discharge of contaminants into the air.

### Bridges

Some bridge structures in the district are under strength for current and future traffic conditions. The options are to strengthen these bridges or to place restrictions on the vehicles which can use them.

Recent changes to the VDM (2016) rule and subsequent network screening indicates that 31 bridges will have to be posted as they are not able to meet the new requirements. Council's response going forward is currently being investigated

NZTA funding allocations will potentially limit our ability to address substandard structures, leading to increases in bridge restrictions. The impacts of any load restrictions will be discussed with the community prior to implementation.

A recent HPMV assessment programme has the following routes full HPMV capable:

1. Waitara road
2. Kereru road

The following routes are being improved:

Taihapa road with 4 bridges requiring strengthening to HPMV status

### Streetlights

Council originally approved a six-year programme to change all streetlights to LED. With NZTA reviewing their subsidy rate to 85%, Council approved to accelerate the programme to one year. The target date for completing the installation of all streetlights on the network is December 2018. This will realise electricity savings and reduce maintenance. Light levels will also generally improve. In some locations sub optimal pole spacing and height is contributing to poor light levels. A pole infill/replacement programme will be further investigated but is a low priority at this stage.

#### Footpaths

Footpaths are currently in good condition with only 1.5 % of the footpath network in poor or worse condition. Many of these faults are caused by vehicles parking and driving on the footpath and street tree roots.

#### Walking and cycling infrastructure

Cycle paths are in good condition. Road marking budgets requires a top up to allow for the ongoing cycle lane repainting.

### 1.7 New initiatives & Contribution to Council's Changed Priorities

#### 1.7.1 Walking and Cycling Programmes

##### Goals:

- a) Providing an easy, desirable, safe and sustainable transport choice which links people with live, learn, shop, work and play that support a high quality urban form
- b) Improving public health and socio-economic performance
- c) Making Hastings District a model city which attracts people to live and work and will enhance the region's tourism potential
- d) Improving transport service capability (reallocation of space) and walking and cycling safety

#### 1.7.2 Transport Network Safety Planning and Programmes (high severity, corridor and network wide, school safety and working with our partners)

##### Goals:

- a) Improving public safety
- b) Reducing social and economic cost of crashes
- c) Proving safe transport network with improved service capability

#### 1.7.3 Transport Asset Management Programmes (bridge evaluation and strengthening, Streetlight Pole height and spacing improvement programme and increased rural emergency response)

##### Goals:

- a) Maintaining transport infrastructure service capability
- b) Building resilience and sustainability within our community
- c) Supporting sustained economic growth

#### 1.7.4 Transport Growth Projects (Irongate Industrial, Omaha Industrial, Arataki Residential, Iona Triangle residential, Lyndhurst Residential, CBD and Regional Sports Park)

##### Goals:

- a) Supporting industrial, commercial and residential growth
- b) Building resilience and sustainability within our community
- c) Supporting sustained economic growth
- d) Improving socio-economic performance

1.7.5 Transportation Studies and Strategic Planning (Area Wide Traffic Management Plans, Key Transport Corridor Management Plans, Accessibility Planning and Transportation Strategies)

Goals:

- a) Providing and maintaining transport infrastructure service capability
- b) Building resilience and sustainability within our community
- c) Supporting sustained economic growth
- d) Improving socio-economic performance

## 1.8 Financial Summary

RA1 = Rating Area 1, RA2 = Rating Area 2

| Area  | Replacement Cost | Depreciated Replacement Cost | Annual depreciation |
|-------|------------------|------------------------------|---------------------|
| RA1   | \$ 589,035,583   | \$ 432,600,730               | \$ 7,082,112        |
| RA2   | \$ 798,668,716   | \$ 668,709,817               | \$ 6,303,726        |
| Total | \$ 1,387,704,299 | \$ 1,101,310,547             | \$ 13,385,838       |

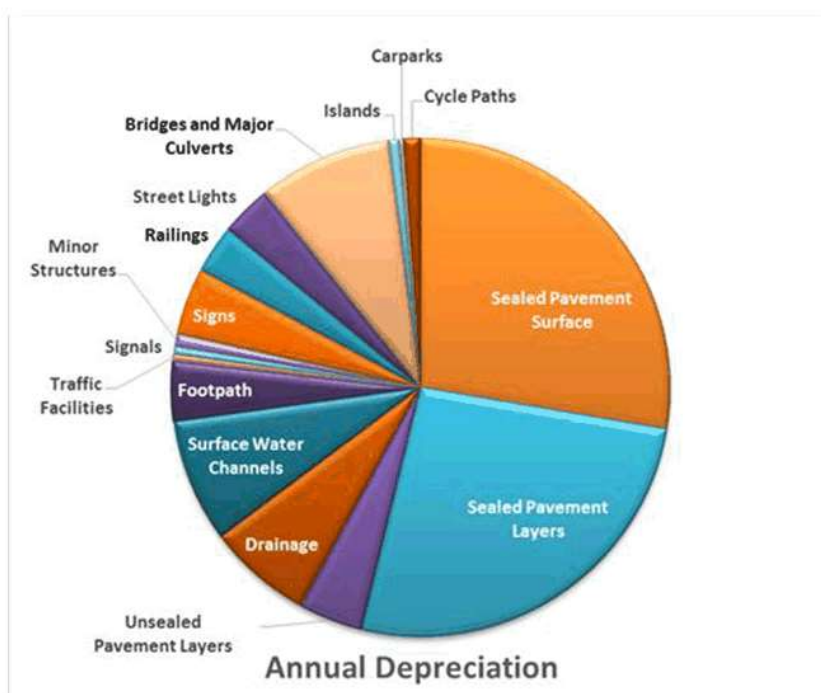
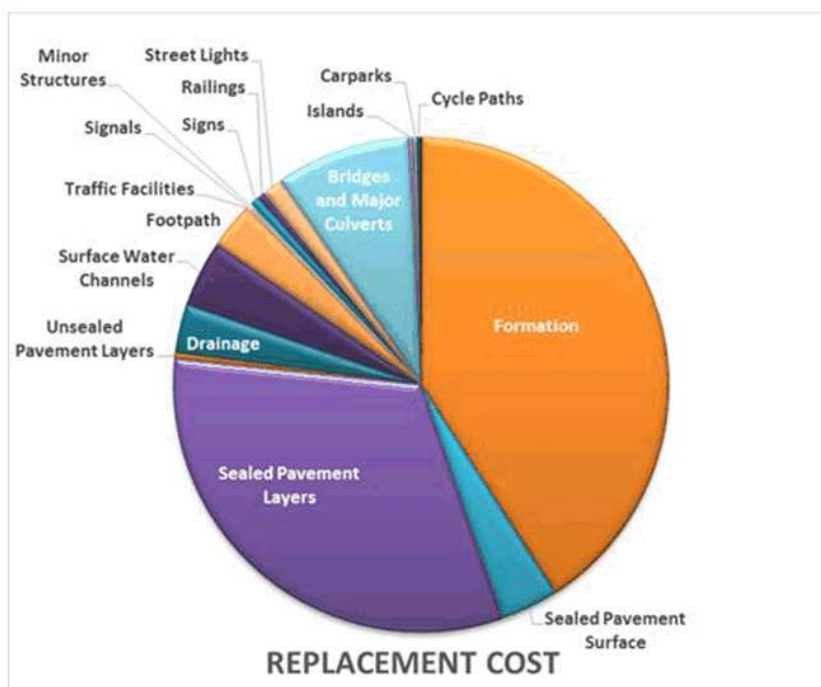
Valuation Summary 2017/18(updated 15 March 2018):

| Expenditure Category        | 2014/15   |          | 2015/16   |          | 2016/17   |           |
|-----------------------------|-----------|----------|-----------|----------|-----------|-----------|
| Rating Area                 | RA1       | RA2      | RA1       | RA2      | RA1       | RA2       |
| <b>Operational Projects</b> |           |          |           |          |           |           |
| Subsidised                  | \$ 3,733  | \$ 3,851 | \$ 4,262  | \$ 4,867 | \$ 4,156  | \$ 5,051  |
| Unsubsidised                | \$ 1,417  | \$ 48    | \$ 1,439  | \$ 75    | \$ 1,520  | \$ 66     |
| <b>Renewals</b>             |           |          |           |          |           |           |
| Subsidised                  | \$ 3,795  | \$ 4,179 | \$ 4,828  | \$ 4,455 | \$ 4,605  | \$ 4,848  |
| Unsubsidised                | \$ 1,033  | \$ 15    | \$ 970    | \$ -     | \$ 693    | \$ 5      |
| <b>New capital</b>          |           |          |           |          |           |           |
| Subsidised                  | \$ 6,372  | \$ 640   | \$ 5,544  | \$ 650   | \$ 12,340 | \$ 654    |
| Unsubsidised                | \$ 2,011  | \$ 16    | \$ 887    | \$ 0     | \$ 1,283  | \$ -      |
| <b>Total subsidised</b>     | \$ 13,900 | \$ 8,671 | \$ 14,633 | \$ 9,972 | \$ 21,101 | \$ 10,554 |
| <b>Total Unsubsidised</b>   | \$ 4,461  | \$ 80    | \$ 3,296  | \$ 76    | \$ 3,496  | \$ 70     |

Expenditure Summary (\$'000's) (non-inflated):

| Funding           | RA1  | RA2  |
|-------------------|------|------|
| General rates     | 40%  | 50%  |
| Targeted rates    | 0%   | 0%   |
| Fees and Charges  | 0%   | 0%   |
| Subsidies         | 40%  | 50%  |
| Dev Contributions | 0%   | 0%   |
| Loans reserves    | 20%  | 0%   |
| Other revenue     | 0%   | 0%   |
|                   | 100% | 100% |

Funding Summary (2017/18 budget):



#### Asset Management Practices

Council's asset management practices are based on collecting, storing and analysing asset & other decision making data in electronic format. The following table summarises the primary specific and corporate IT systems used by Council in respect of the transportation activity:

| Software                         |                                                |
|----------------------------------|------------------------------------------------|
| Description                      | What                                           |
| RAMM<br>(primary asset database) | Hosting                                        |
|                                  | License                                        |
|                                  | Pocket RAMM                                    |
|                                  | RAMM Contractor                                |
| Intramaps & ARC GIS              | Council wide GIS system                        |
| FinanceOne                       | FMIS                                           |
| TRIM                             | Document management system                     |
| ProClaim                         | Consents monitoring                            |
| IMS (Hansen)                     | Utilities Asset Register                       |
| NTZA CAS database                | Primary source of crash data                   |
| LTP On-Line                      | Subsidised funding applications                |
| S-Paramics                       | Urban area microsimulation model               |
| CUBE                             | Regional transport model                       |
| dTims                            | Pavement performance & deterioration modelling |
|                                  |                                                |

### 1.9 Monitoring and Improvement Plan

Chapter 10 contains the improvement plan. The main purpose of an improvement plan is to:

- Identify and develop specific elements of the activity management process
- Improve and develop areas of weakness and reduce uncertainty created by assumptions.
- Allocate and highlight priorities, timeframes, responsibilities, and required resources to complete the improvements
- Provide a mechanism from which the improvement progress can be monitored and controlled

The AMP and improvement plan are living documents, with incremental improvements continually being made on a prioritised basis. The current focus of improvements is on RAMM and dTims practices with the aim of improving dTims model results to better understand and plan for future requirements.

The adoption of the BCA and restructuring the AMP to be the BCA will also be an ongoing task.

**REPORT TO: RISK AND AUDIT SUBCOMMITTEE**

**MEETING DATE: TUESDAY 1 MAY 2018**

**FROM: MANAGER STRATEGIC FINANCE  
BRENT CHAMBERLAIN  
CHIEF FINANCIAL OFFICER  
BRUCE ALLAN**

**SUBJECT: GENERAL UPDATE REPORT AND STATUS OF ACTIONS**

---

## **1.0 SUMMARY**

- 1.1 The purpose of this report is to update the Subcommittee on various matters including actions raised at previous meetings.
- 1.2 The Council is required to give effect to the purpose of local government as prescribed by Section 10 of the Local Government Act 2002. That purpose is to meet the current and future needs of communities for good quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses. Good quality means infrastructure, services and performance that are efficient and effective and appropriate to present and anticipated future circumstances.
- 1.3 This report concludes by recommending that the report titled "General Update Report and Status of Actions" from the Manager Strategic Finance be received.

## **2.0 BACKGROUND**

- 2.1 The Audit & Risk Subcommittee members requested that officer's report back at each meeting with progress that has been made on actions that have arisen from the Audit & Risk Subcommittee meetings. Attached as **Attachment 1** is the Audit & Risk Subcommittee Action Schedule as at 1 May 2018.

## **3.0 CURRENT SITUATION**

- 3.1 Tech One Upgrade
  - 3.1.1 Work undertaken by staff to review the scope and nature of the upgrade to the Technology One Finance Module has taken place and has resulted in a plan with Stage 1 significantly "down-sized" which has minimised risk and cost while still achieving much of what was considered necessary when the project was first initiated.
  - 3.1.2 A consultant from TechOne spent three days onsite in April, and peer reviewed what Officers are proposing to undertake as part of Stage 1 and has suggested several refinements. An initial scoping meeting as also held to discuss the future implementation of Procure to Pay (Stage 2).
  - 3.1.3 Risks are being managed well with this upgrade being the first significant improvement project for quite some time. It is important that we build

capability to manage this change before we then take the next steps on an improvement plan that will be more significant and complex. Our aim is to build trust in the organisation that between Technology One and HDC that we can implement these improvements and manage risk appropriately.

### 3.2 Insurance

3.2.1 The annual insurance renewal process has begun with the five Hawkes bay Council's meeting with JLT in March. The outcome from the renewal programme will be reported to the Subcommittee in June, however general feedback on the insurance market is that we should expect increases in premiums for 2018/19.

- Material Damage – market suggesting 10-15% increase on last year, JLT hoping to get 10% due to our group power.
- Motor vehicles – market around 15% increase, aiming to reduce increase to around 5% due to group power and low claims for last 12 months.
- Public liability, market around 5% up, hoping to keep this flat.

3.2.2 Following the fraud incident at the Sports Centre an exclusion was placed on this policy in relation to financial segregation of duties. We will be writing to our insurers this year to request that this exclusion is removed as we don't believe that fraud perpetrated at the Sports Centre was because of a failure of segregation of duties to the point that no one individual can control the financial transactions from commencement to completion.

3.2.3 An exclusion was also applied to the Statutory Liability policy for Resource Management Act prosecutions following the Hawkes Bay Regional Council attempted prosecution following the Havelock North water contamination event. At this stage it is not expected that this exclusion will be removed and more time and evidence will be required to demonstrate a change in enforcement practice at HBRC.

### 3.3 Delivery Risks

3.3.1 The 2018-28 LTP has a significant capital programme and there are risks associated with the delivery of such a large programme. Measures are being put in place to ensure the organisation is better resourced to manage this programme of work with the recent appointment of Mr Graeme Hansen to the new senior role of Director: Major Capital Projects Delivery. Mr Hansen will lead a small team focused on major capital projects, where he will principally lead implementation of Council's major capital investments in water.

3.3.2 The delivery risk for the organisation is also broader than just the delivery of the capital programme. There is an ever increasing expectation on the organisation from the community to deliver more and this is placing increased pressure on staff across the organisation.

## 4.0 **SIGNIFICANCE AND ENGAGEMENT**

4.1 This report does not trigger Council's Significance and Engagement Policy and no consultation is required.

## **5.0 RECOMMENDATIONS AND REASONS**

**That the report of the Manager Strategic Finance titled “General Update Report and Status of Actions” dated 1/05/2018 be received.**

### **Attachments:**

1 Action Sheet 1 May 2018

CG-14-25-00035

CG-14-25-00035



**Hastings District Council  
Risk and Audit Subcommittee  
Status of Actions Sheet – 1 May 2018**

| Item No. | Meeting Date | Action                                                                                                                                                                                                                                                                                                | Reporting Officer        | Progress as at 16 April 2018                                                                |
|----------|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------------------------------------------------------------------------------------|
| 1        | 6/9/16       | <u>Local Authority Protection Programme</u> <ul style="list-style-type: none"> <li>Officers to keep a watching brief on the matter of the Local Government/Central Government split of LAPP premiums.</li> </ul>                                                                                      | CFO                      | Announcement by Treasury delayed<br><br>No further announcements since change of Government |
| 4        | 19/6/17      | <u>Water Services Review</u> <ul style="list-style-type: none"> <li>That the Chief Executive report to the Risk and Audit Subcommittee on the change programme progress against each of the review finding implication areas until the change programme is fully completed and signed off.</li> </ul> | CE                       | The fourth update report is included on this agenda.                                        |
| 5        | 19/6/17      | <u>Building Control Liability Issues</u> <ul style="list-style-type: none"> <li>The Subcommittee would take a watching brief and Officers would report back regularly in order to update the Subcommittee.</li> </ul>                                                                                 | Building Control Manager | No further update available at this stage                                                   |
| 8        | 28/11/17     | <u>Treasury Management Advisory Service</u> <ul style="list-style-type: none"> <li>Review the terms of the existing PWC treasury management advisory service contract</li> </ul>                                                                                                                      | MSF                      | No action taken to-date                                                                     |

**REPORT TO: RISK AND AUDIT SUBCOMMITTEE**

**MEETING DATE: TUESDAY 1 MAY 2018**

**FROM: CHIEF FINANCIAL OFFICER  
BRUCE ALLAN**

**SUBJECT: AUDIT REPORT FOR 2018-2028 LONG TERM PLAN**

---

## **1.0 SUMMARY**

- 1.1 The purpose of this report is to inform the Subcommittee about the Audit Management Letter received for the 2018-28 Long Term Plan Consultation Document.
- 1.2 The Council is required to give effect to the purpose of local government as prescribed by Section 10 of the Local Government Act 2002. That purpose is to meet the current and future needs of communities for good quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses. Good quality means infrastructure, services and performance that are efficient and effective and appropriate to present and anticipated future circumstances.
- 1.3 This report concludes by recommending that the Audit Management Letter from Audit New Zealand for the 2018-28 Long Term Plan Consultation Document be received.

## **2.0 BACKGROUND**

- 2.1 The audit of the 2018-28 Long Term Plan is completed by Audit New Zealand and is undertaken in two parts, with the first part being an audit of the Consultation Document.
  - 2.1.1 The Local Government Act requires the Consultation Document to contain a report from the Auditor-General on whether the consultation document gives effect to the purpose of the consultation document as set out in the Act and on the quality of the information and assumptions underlying the information provided in the consultation.
  - 2.1.2 The second part of the Long Term Plan Audit process is to provide an Audit opinion on the overall Long Term Plan. Most of this work is undertaken at the time of assessing the quality of the information and assumptions used for informing the Consultation Document. As such the final audit process for the LTP is more about understanding the changes that have been made through the consultative process and any additional reporting requirements not included in the information provided at the time of consultation. This is scheduled for the beginning of June.
- 2.2 On completion of each stage of the audit, an Audit management letter is produced to highlight any issues identified during the audit and suggested improvements. Attached as **Attachment 1** is the Report to Council from Audit New Zealand for Council's Long Term Plan Consultation Document 2018-2028.

### 3.0 CURRENT SITUATION

- 3.1 The Audit Management letter confirms that an unmodified opinion was issued on 22 March 2018 and provides the following positive comment:

*“Overall we found that the District Council had prepared well for the LTP CD and that the project plan was largely followed. The District Council staff were responsive to our queries and corrected items in both the LTP CD and the underlying information to ensure that this was as complete and accurate as possible for adoption by Council.”*

- 3.2 The areas of audit emphasis and noted in the report of Audit New Zealand were:

3.2.1 Water Systems – Audit considered that following the Havelock North water contamination incident the response to the water strategy was comprehensive and that the timeframes for projects included in the LTP are achievable and costed appropriately and they were satisfied with the costings and timing of water projects that give rise to the large increases in the water supply targeted rate.

3.2.2 Bridges – Audit noted that they were satisfied that the programme of bridge strengthening and replacements has been included in the underlying financials appropriately and that they are based on appropriate costings and the timing matches that planned by the District Council.

3.2.3 Municipal Building – While the exact scope of this redevelopment has yet to be confirmed, audit noted that they were satisfied that the funding required had been appropriately included.

3.2.4 Renewals, affordability and levels of service – Audit notes that there is no significant backlog of renewals which means that the headroom in its debt profile is more than adequate to cover unexpected failures.

3.2.5 Quality of asset-related forecasting information – Audit noted that the overall quality and material completeness of the Rooding and Water Asset Management Plans was assessed as good. These are a sound basis on which to base the asset related forecasts and no significant improvements were noted

- 3.3 Audit did note some areas of improvement in relation to quality assurance processes over documents submitted for audit to ensure that there is consistency between them and that when changes are made that they flow through all of the documents that make up the LTP CD and underlying information. Management accept that improvements could be made to this part of the LTP process and will be undertaking a full debrief to identify further improvement opportunities.

- 3.4 Officers have also identified a number of improvements that can be made to the financial model used to collate the LTP budget data, including how that

data flows through to the Statement of Financial position. These improvements will address the issues identified by Audit through the audit process.

#### **4.0 RECOMMENDATIONS AND REASONS**

**That the report of the Chief Financial Officer titled “Audit report for 2018-2028 Long Term Plan” dated 1/05/2018 be received.**

##### **Attachments:**

- |   |                                                |                  |
|---|------------------------------------------------|------------------|
| 1 | Management Letter to Council for the final LTP | FIN-07-01-18-400 |
|---|------------------------------------------------|------------------|

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

Report to the Council on the audit of

**Hastings District Council's**

Long Term Plan Consultation Document for the period

1 July 2018 to 30 June 2028

Report to the Council on the audit of Hastings District Council Long Term Plan Consultation Document  
for the period 1 July 2018 to 30 June 2028

Page 1

## Report to the Council

We have completed the audit of the Hastings District Council (the District Council) Long Term Plan Consultation Document for the period 1 July 2018 to 30 June 2028. This report sets out our findings from the audit and draws attention to our detailed findings, and where appropriate makes recommendations for improvement.

### Contents

|   |                                            |    |
|---|--------------------------------------------|----|
| 1 | Our audit opinion.....                     | 3  |
| 2 | Audit scope and objective.....             | 3  |
| 3 | Control environment .....                  | 3  |
| 4 | Areas of audit emphasis.....               | 5  |
| 5 | Other matters arising from our audit ..... | 8  |
| 6 | Audit of the final LTP.....                | 8  |
|   | Appendix 1: Mandatory disclosures.....     | 10 |

AUDIT NEW ZEALAND  
Māori Arotake Aotearoa

## Key messages

We have completed the audit of the District Council's Long Term Plan Consultation Document (LTP CD) for the period 2018-28 and issued an unmodified opinion on 22 March 2018.

### Issues identified during the audit

Overall we found that the District Council had prepared well for the LTP CD and that the project plan was largely followed. The District Council staff were responsive to our queries and corrected items in both the LTP CD and the underlying information to ensure that this was as complete and accurate as possible for adoption by Council.

The main issue identified during the audit was that the District Council could improve the quality assurance process over documents submitted for audit to ensure that there is consistency between them and that when changes are made that they flow through all of the documents that make up the LTP CD and underlying information (see items 3.1 and 3.2).

The District Council also needs to ensure that balances included in the statement of financial position are accurate. This relates to ensuring that all relevant items are inflated or are based on the financial information in the rest of the underlying information (see item 4.9.1).

### Future focus

As well as the opinion issued on the LTP CD we will also issue an opinion on the final LTP that will be adopted before 1 July 2018.

The Council needs to ensure that there are systems in place to monitor its actual performance against budgets, levels of service and performance measures included in the LTP from 1 July 2018. These systems will assist with annual reporting, and also internal monitoring and reporting to the Council.

### Thank you

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



Stephen Lucy  
Audit Director  
18 April 2018

## **1 Our audit opinion**

### **1.1 We issued an unmodified audit opinion**

We issued an unmodified audit opinion on the District Council's LTP CD on 22 March 2018.

This meant we were satisfied the District Council's LTP CD meets the statutory purpose and provides an effective basis for public participation in the Council's decisions about the proposed content of the 2018-28 LTP.

We found the underlying information and assumptions used to prepare the LTP CD provided a reasonable and supportable basis for the preparation of the LTP.

### **1.1 Unadjusted misstatements**

The LTP CD is free from material misstatements, including omissions. However, in the course of the audit, we found certain misstatements that are individually and collectively not material to the LTP CD.

We have discussed any misstatements that we found with management. All misstatements were amended prior to the Council adopting the LTP CD.

## **2 Audit scope and objective**

The scope of our audit engagement and our respective responsibilities are contained in our audit engagement letter dated 12 December 2017.

## **3 Control environment**

Our approach to the audit was to identify, confirm and assess the District Council's key processes and controls over the underlying information and ultimate production of both the LTP CD and the LTP. The purpose of this assessment was to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit opinions.

### **3.1 Quality assurance processes**

We noted during our audit that the quality assurance processes involved in the completion of the LTP CD and the underlying information could be improved. The examples below were noted during the audit and corrected but a good QA process would have corrected these prior to the audit.

- There were a number of inconsistencies noted between the corporate assumptions and the asset value information and expenditure and also between

the asset management plans (AMPs) and the financial and infrastructural strategies.

- In the financial and infrastructure strategies there were a number of inconsistencies caused by referencing uninflated versus inflated amounts between the documents.

A process for tracking the changes made in the supporting documentation and the LTP CD could be more formalised. This would ensure that any changes made in one document would follow through into the other relevant documents when the changes are made. This is particularly important where the documents are not formally linked in the systems.

### 3.2 Policies

The wording in the infrastructure strategy in relation to the funding depreciation policy needs to be updated to ensure that this is appropriate.

The current wording is as follows:

*As depreciation is a non-cash item of expenditure, the inclusion of the depreciation expense within total operational expenditure will result in a funding surplus from operations. It is then a council's decision as to how that surplus funding should be allocated. Broadly, there are four options:*

1. *repay debt*
2. *pay for renewal expenditure*
3. *acquire new assets*
4. *transfer to a reserve for the replacement or future renewal of an asset.*

We believe that the depreciation funding should not be used to acquire new assets.

We understand that when referring to "new assets" Council is acknowledging that not all assets will be renewed and could be replaced with something completely different because of technology or changing expectations in the community. As such, we recommend that the above wording in the infrastructure strategy be clarified to be clearer in this regard.

## 4 Areas of audit emphasis

During the planning stage of the audit, and our review of the content of the LTP CD, we identified the following key risks and issues which were areas of emphasis during our audit. In this section of the report, we comment on our findings on those matters.

### 4.1 Water Systems

As a result of the August 2016 water contamination event in Havelock North the District Council has completed and adopted a Water Strategy. The comprehensive response plan to this strategy, including the financial impact, has been worked through.

Our focus when reviewing this was to assess whether the response is reasonable in terms of the type of responses, the financial impact of the responses and the timeframes attaching to the responses. It was important that the District Council ensured that the response to the Strategy was comprehensive and that the timeframes for projects included in the LTP are achievable and costed appropriately.

The focus of the consultation document (CD) and the LTP is water and this has been included as the headline issue and has meant that the rates in the first three years of the plan are a lot higher. Effectively the water rate will double in three years.

We are satisfied that the costing and timing of the water projects that cause this increase in the rates are based on comprehensive plans and costings for those plans.

### 4.2 Bridges

The strengthening and replacement of bridges is a significant matter for the LTP, particularly as it pertains to Rating Area Two (Rural). The Council completed some pre-consultation on this issue and put a proposed approach and programme out to the community.

The need for the programme of bridge strengthening and replacements has arisen out of the introduction of new rules which have increased the allowable dimension and weight limits for vehicles on New Zealand roads.

The District Council in developing the approach to strengthening and replacement has looked at the traffic flows in the District and prioritised the bridge replacements in terms of the role they have in the economic productivity and main lifelines. 31 bridges are affected and the District Council is proposing to strengthen 22 of them and leave the other 9 permanently as weight-restricted.

We are satisfied that the programme of bridge strengthening and replacements has been included in the underlying financials appropriately and that they are based on appropriate costings and the timing matches that planned by the District Council.

#### 4.3 Municipal building

The Municipal building is adjacent to the Opera House Theatre. Both buildings, which are owned by the District Council, were assessed as being earthquake prone in 2014. Work is currently underway to strengthen the Opera House (following earlier consultation).

The District Council has been undertaking consultation and a scoping process with the arts community in relation to the Municipal building. This work is on-going and the District Council has set aside some funding in the LTP towards development of the building. Before any work is done or funds spent the group heading this work will present options to the Council and there will be consultation on the preferred design with ratepayers.

The funding that has been put aside (\$10.5 million) will only be used if the suitable options and supporting business case has community support.

We are satisfied that the funding has been included in the underlying information appropriately.

#### 4.4 Renewals, affordability and levels of service

The District Council has continued to improve its asset knowledge to better inform it of asset condition, priority, likelihood of failure and requirements for asset replacement. The District Council has adopted a policy of renewing critical assets and running other assets to failure. It has been able to do this on the back of the work that it has done to ensure that the information that it has in relation to its assets being greatly improved.

We have discussed this with the District Council infrastructural staff and have gained assurance that the current renewal program prioritisation and costs included in the projected financial forecasts have been based on the best available information. The District Council has prioritised the asset renewals based on criticality first and then age and the available asset condition/performance information. The asset information quality improvement programme will continue and asset renewal priorities will be reassessed as further information is gathered. This may result in an increase in the projected costs and changes in timing of planned renewal projects.

There is no significant backlog of renewals for the District Council which means that the headroom in its debt profile is more than adequate to cover unexpected failures.

#### 4.5 Quality of asset-related forecasting information

The Water and Roding Asset Management Plans (AMP) were reviewed by our sector specialists. Through discussion with infrastructure staff, a high level assessment of the District Council's planning systems, review of the infrastructure strategy, and a review of the asset management plans the overall quality and material completeness of the Roding and Water Asset Management Plans was assessed as good. These are a sound basis on which to base the asset related forecasts and no significant improvements were noted.

We have specifically reviewed the projects in terms of the work that is required to the water infrastructure as a result of the Havelock North water contamination event and the required replacements of rural bridges. We have also gained an understanding of asset renewal expenditure. The renewal spend matches the requirements as modelled through the AMPs and there were no issues noted as a result of our review.

#### **4.6 Coherence of the CD/LTP with other plans/policies**

We have reviewed the financial and infrastructural strategies and other relevant policies and found that there were generally good linkages between them and good coherence between the documents except as noted above in items 3.1 and 3.2.

#### **4.7 Assumptions**

We have reviewed the significant forecasting assumptions and are satisfied that these are complete and have been applied appropriately in the financial model. We also reviewed the supporting documentation key assumptions such as the BERL and Growth assumptions and confirmed these to external information.

There were no issues noted as a result of our review that have not been corrected.

#### **4.8 Content of the LTP CD**

We were satisfied that the LTP CD included appropriate information to enable consultation with the public on key issues.

In the initial draft of the LTP CD there were no options included for each of the issues that were being presented by the District Council for consultation. While we acknowledge that the District Council had conducted some pre-consultation engagement with the ratepayers the LTP CD still needs to comply fully with the Local Government Act 2002 (LGA). This was addressed in the final LTP CD that was adopted.

#### **4.9 Adopting and auditing the underlying information**

The District Council prepared and adopted the underlying information necessary to support the LTP CD.

##### **4.9.1 Flatlining of information**

We noted during the audit of the LTP CD and the underlying information that there were balances included in the statement of financial position that were flat-lined. The balances noted that have been flat-lined are cash and cash equivalents, inventories, derivative financial instruments, employee benefits and provisions.

The cash and cash equivalents balance being flatlined was explained to us as follows; however we are still of the view that the balance would move in line with the operations of the District Council rather than this movement being through the debt figures.

*"Cash and Cash equivalents is a figure that represents a realistic amount of working capital that would be held as at 30 June each year. The financial model does not link this to any other cash requirements. It is external debt that moves based on cashflows, linked to funding requirements in the model."*

There is no reliable information available to the District Council to be able to adjust the balances for the derivative financial instruments.

The amounts for employee benefits are not materially misstated by not including an inflation factor to the balances. The amounts for inventories and provisions are not material and there is no change required for these balances.

#### **4.10 Project management, reporting deadlines and audit progress**

The development of the LTP CD and LTP is a significant and complex project and a comprehensive project plan is required for a successful LTP process.

We would like to commend the Council on the project management process and we are appreciative of the help and responsiveness throughout the LTP CD audit that we received.

#### **4.11 Self-assessment**

The District Council provided a self-assessment in order to assist our audit planning. This was useful in that it confirmed our assessment of the key matters that would be included in the LTP CD that would need to be audited and also whether there were any changes in the environment at the Council.

### **5 Other matters arising from our audit**

We completed our planned work on the modules detailed in our audit proposal and arrangements letter and did not identify any further matters that need to be brought to your attention.

### **6 Audit of the final LTP**

The next step in the LTP audit process will be the audit of the final LTP. This is scheduled to be undertaken in the two weeks commencing 5 June 2018. To ensure our audit of the LTP is efficient we expect the District Council to prepare a schedule of changes to the financial forecasts, draft LTP and performance framework that were the basis of the LTP CD. This will enable us to assess the extent of changes as a result of community consultation and tailor our audit work accordingly.

Under section 94(1) of the Act, our audit report on the final LTP forms part of the LTP, which the Council is required to adopt before 1 July 2018 (section 93(3)). Our agreed timeframes will enable us to issue our audit report in time for the Council meeting on 27 June 2018, at which time the 2018-28 LTP will be formally adopted.

We are responsible for reporting on whether the LTP meets the statutory purpose and provides a reasonable basis for integrated decision making by the Council and accountability to the community. We considered the quality of the underlying information and assumptions as part of the audit of the LTP CD so for the audit of the LTP. We will focus on how these are reflected in the LTP. We will consider the effect of the decisions that come out of the consultation process and review the LTP to gain assurance that appropriate, material, consequential changes and disclosures have been made.

At the conclusion of the LTP audit, we will ask the Council to provide us with a signed management representation letter on the LTP. The audit team will provide the template for the letter during the LTP audit.

## Appendix 1: Mandatory 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 2018-28 Long Term Plan Consultation Document (LTP CD) and reporting that opinion to you. This responsibility arises from section 93C(4) of the Local Government Act 2002.</p> <p>The audit of the LTP CD does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter dated 12 December 2017 contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>                                                                                                                                                |
| Auditing standards                            | <p>We carry out our audit in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (revised): <i>Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</i>, the International Standard on Assurance Engagements 3400: <i>The Examination of Prospective Financial Information</i>, and the Auditor-General's Auditing Standards.</p>                                                                                                                                                                                                                                                                                                                                       |
| Auditor independence                          | <p>We confirm that, for the audit of the District Council's LTP CD for the period 1 July 2018 to 30 June 2028, we have maintained our independence in accordance with the requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.</p> <p>In addition to this report on the Council's consultation document and all legally required external audits, we have provided an assurance report on certain matters in respect of the District Council's Debenture Trust Deed. These assignments are compatible with those independence requirements. Other than these assignments, we have no relationship with or interests in the District Council or any of its subsidiaries.</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 District 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 District Council during or since the end of the financial year.</p>                                                                                                                                                                                                                                                                                                                                        |

Report to the Council on the audit of Hastings District Council's Long Term Plan Consultation Document  
for the period 1 July 2018 to 30 June 2028

Page 11

---

| Area                     | Key messages                                                                                                                                                                                                                       |
|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Unresolved disagreements | We have no unresolved disagreements with management about matters that individually or in aggregate could be significant to the LTP CD. Management has not sought to influence our views on matters relevant to our audit opinion. |

Item 9

Attachment 1



**REPORT TO: RISK AND AUDIT SUBCOMMITTEE**

**MEETING DATE: TUESDAY 1 MAY 2018**

**FROM: MANAGER STRATEGIC FINANCE  
BRENT CHAMBERLAIN**

**SUBJECT: LOCAL GOVERNMENT FUNDING AGENCY UPDATE**

---

## **1.0 SUMMARY**

- 1.1 The purpose of this report is to update the Committee on the performance of the Local Government Funding Agency (LGFA) to date.
- 1.2 This issue arises from the annual visit to Hastings District Council by senior executives from LGFA. Officers have taken the opportunity to align this visit with the Risk and Audit Subcommittee meeting and LGFA executives will make a brief presentation to the Subcommittee.
- 1.3 The Council is required to give effect to the purpose of local government as prescribed by Section 10 of the Local Government Act 2002. That purpose is to meet the current and future needs of communities for good quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses. Good quality means infrastructure, services and performance that are efficient and effective and appropriate to present and anticipated future circumstances.
- 1.4 This report concludes by recommending that the report be received.

## **2.0 BACKGROUND**

- 2.1 The LGFA was established on 1 December 2011 with 18 Local Government shareholders and the Crown. Hastings District Council became a shareholder with a shareholding investment of \$400,000 (1.8%). The LGFA is a Council Controlled Organisation.
- 2.2 During 2012 12 new shareholders joined the LGFA as part of the second opening with Council selling down some shares to the 12 new shareholders. This reduced HDC's shareholding to \$373,196 (1.77%).
- 2.3 As of 6<sup>th</sup> April 2018 there are 53 Council who have borrowed a total of \$7.6 billion through the LGFA.
- 2.4 Other than the New Zealand Government each shareholder in LGFA must be a Guarantor. The guarantee is in favour of the Security Trustee in relation to the obligations of the LGFA. Any call under the guarantee will be allocated across all guarantors on a pro rata basis in relation to their rates revenue. As of 6<sup>th</sup> April 2018 there are 45 Councils acting as guarantor (30 shareholding, and 15 non shareholding Councils).
- 2.5 LGFA has a prudent approach to risk management. All Councils that borrow from LGFA are obliged to:

- Provide security in relation to their borrowing from LGFA and related obligations.
- Issue securities to LGFA (every \$100 of borrowing is matched by a \$1.60 investment in LGFA borrower notes).
- Comply with their own internal borrowing policies
- Comply with the following LGFA financial covenants:

| Financial covenant               | Lending policy covenants | Foundation policy covenants |
|----------------------------------|--------------------------|-----------------------------|
| Net debt/Total revenue           | <175%                    | <250%                       |
| Net interest/Total revenue       | <20%                     | <20%                        |
| Net interest/Annual rates income | <25%                     | <30%                        |
| Liquidity                        | >110%                    | >110%                       |

- 2.6 Auckland Council is limited to a maximum of 40% of LGFA's total Local Authority assets. As of 6<sup>th</sup> April 2018 Auckland accounted for 27.4% of LGFA's total lending (\$2.08 billion), and Christchurch accounted for a further 21.1% (\$1.56 billion).
- 2.7 LGFA covers 85% of the New Zealand council sector debt (Auckland, Christchurch, and Dunedin do some borrowing in their own right outside of LGFA).
- 2.8 The primary objective of the LGFA is to optimise the debt funding terms and conditions for participating local authorities through:
- Savings in interest costs
  - Availability of longer term borrowings
  - Enhance certainty of access to debt markets

### 3.0 CURRENT SITUATION

- 3.1 Andrew Michl, Manager, Credit and Client Relations, LGFA, will be attending the meeting and will update the Subcommittee on the LGFA and trends in the NZ debt market.
- 3.2 As at 9th April 2018, Hastings District Council has 9 active loans with the LGFA totalling \$70m, offset by \$1.12m investments in LGFA borrower notes. This loans have maturities that range from 15th March 2019 to 15th April 2027.
- 3.3 By having an "AA" credit rating, Hastings District Council can borrow at a 0.2% discount to a non-rated Council with a guarantee (0.3% to a non-guarantor). In practical terms, the cost of new loans as at 18th April 2018 was:

| Fixed Rate<br>Long Term Borrowing | Base Yield | Borrowing Yield<br>AA rated Councils | Borrowing Yield<br>AA- rated Councils | Borrowing Yield<br>A+ rated Councils | Borrowing Yield<br>Unrated Guarantors | Borrowing Yield<br>Non Guarantors |
|-----------------------------------|------------|--------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|-----------------------------------|
| Mar-19                            | 2.26%      | 2.35%                                | 2.40%                                 | 2.45%                                | 2.55%                                 | 2.65%                             |
| Apr-20                            | 2.44%      | 2.54%                                | 2.59%                                 | 2.64%                                | 2.74%                                 | 2.84%                             |
| May-21                            | 2.68%      | 2.78%                                | 2.83%                                 | 2.88%                                | 2.98%                                 | 3.08%                             |
| Apr-22                            | 2.90%      | 3.00%                                | 3.05%                                 | 3.10%                                | 3.20%                                 | 3.30%                             |
| Apr-23                            | 3.10%      | 3.21%                                | 3.26%                                 | 3.31%                                | 3.41%                                 | 3.51%                             |
| Apr-25                            | 3.50%      | 3.61%                                | 3.66%                                 | 3.71%                                | 3.81%                                 | 3.91%                             |
| Apr-27                            | 3.75%      | 3.86%                                | 3.91%                                 | 3.96%                                | 4.06%                                 | 4.16%                             |
| Apr-33                            | 4.34%      | 4.45%                                | 4.50%                                 | 4.55%                                | 4.65%                                 | 4.75%                             |

| Floating Rate<br>Long Term Borrowing | Base Margin | Borrowing Margin<br>AA rated Councils | Borrowing Margin<br>AA- rated Councils | Borrowing Margin<br>A+ rated Councils | Borrowing Margin<br>Unrated Guarantors | Borrowing Margin<br>Non Guarantors |
|--------------------------------------|-------------|---------------------------------------|----------------------------------------|---------------------------------------|----------------------------------------|------------------------------------|
| Mar-19                               | 10 bps      | 19 bps                                | 24 bps                                 | 29 bps                                | 39 bps                                 | 49 bps                             |
| Apr-20                               | 11 bps      | 21 bps                                | 26 bps                                 | 31 bps                                | 41 bps                                 | 51 bps                             |
| May-21                               | 24 bps      | 34 bps                                | 39 bps                                 | 44 bps                                | 54 bps                                 | 64 bps                             |
| Apr-22                               | 27 bps      | 37 bps                                | 42 bps                                 | 47 bps                                | 57 bps                                 | 67 bps                             |
| Apr-23                               | 41 bps      | 52 bps                                | 57 bps                                 | 62 bps                                | 72 bps                                 | 82 bps                             |
| Apr-25                               | 52 bps      | 63 bps                                | 68 bps                                 | 73 bps                                | 83 bps                                 | 93 bps                             |
| Apr-27                               | 68 bps      | 79 bps                                | 84 bps                                 | 89 bps                                | 99 bps                                 | 109 bps                            |
| Apr-33                               | 85 bps      | 96 bps                                | 101 bps                                | 106 bps                               | 116 bps                                | 126 bps                            |

- 3.4 LGFA have reported their provisional unaudited financial results for the half year to 31 December 2017. These show the LGFA had a net profit of \$6m, and equity of \$58.5m. This is on the back of interest revenues of \$178m for the half.
- 3.5 LGFA have reported that they were compliant with their internal treasury policy throughout the December quarter.
- 3.6 LGFA was issued with an “AA+” credit rating by S&P on the 25<sup>th</sup> September 2017, and “AA+” by Fitch on the 10<sup>th</sup> November 2017.

#### 4.0 SIGNIFICANCE AND ENGAGEMENT

- 4.1 The matters within this report do not trigger the thresholds within Council’s significance policy.

#### 5.0 RECOMMENDATIONS AND REASONS

- A) That the report of the Manager Strategic Finance titled “Local Government Funding Agency Update” dated 1/05/2018 be received.

#### Attachments:

There are no attachments for this report.



**REPORT TO:** RISK AND AUDIT SUBCOMMITTEE

**MEETING DATE:** TUESDAY 1 MAY 2018

**FROM:** CHIEF EXECUTIVE  
ROSS MCLEOD

**SUBJECT:** WATER SERVICES

---

## **1.0 SUMMARY**

- 1.1 The purpose of this report is enable staff to update the Subcommittee on progress with the Water Services Change Programme.
- 1.2 The Water Services Change Programme was commissioned by the Chief Executive in June 2017, following receipt of the capability and capacity review into the water services area that recommended that change work be undertaken. This followed on from the Havelock North water contamination event, and issues identified in some of Council's water supply arrangements.
- 1.3 In terms of governance oversight of the programme, Council asked that the Chief Executive report progress on the change programme to the Risk and Audit Subcommittee on a regular basis. Council is also receiving updates.
- 1.4 The Council is required to give effect to the purpose of local government as prescribed by Section 10 of the Local Government Act 2002. That purpose is to meet the current and future needs of communities for good quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses. Good quality means infrastructure, services and performance that are efficient and effective and appropriate to present and anticipated future circumstances.
- 1.5 The objective of this decision relevant to the purpose of local government is to provide governance oversight to the water services change programme in order to help Council ensure safe drinking water and fit for purpose, effective and efficient water services across the three waters.
- 1.6 This report concludes by recommending that the information be received

## **2.0 BACKGROUND**

- 2.1 The Havelock North water contamination event led to the identification of some areas of Council's organisational arrangements and performance that were not at the required standard. While the Inquiry found that Council did not cause the contamination event and outbreak (surface water from a pond in the Mangateretere Stream contaminated the aquifer and was drawn into the water supply), the Chief Executive moved to address the issues identified and undertake a significant review and improvement programme across the three waters activities.
- 2.2 The Chief Executive commissioned a capability and capacity review of the water services area. This was part of wider array of initiatives to ensure water safety and improve systems and performance that included additional

resourcing and support, modified processes and the use of new systems. The review was carried out by a review team comprising Bruce Robertson, Ross Waugh and Neil Taylor. A copy of the review report was circulated to members separately at the time of the first report to the Subcommittee.

- 2.3 The review identified a number of findings and implications of those findings. It made a number of recommendations which the Chief Executive adopted without modification.
- 2.4 In order to deliver on the review recommendations and enable improvement more broadly, a change management programme was initiated. This is led by a Change Management Team (CMT) that makes recommendations to the Chief Executive. The CMT is led by an independent Chairman, Mr Garth Cowie, and comprises a number of senior staff and an independent technical advisor, Mr Jim Graham, a water industry expert now with Water New Zealand.
- 2.5 The CMT is supported by a programme/change manager, and work is carried out through a series of workstreams that involve a combination of internal staff and external expertise.
- 2.6 The aim of the work being undertaken is to deliver a water supply that is among the safest in the country and, more broadly, the most cost-effective three waters arrangements. "Operationalised" risk management is one of the key areas of focus for the CMT to ensure that risks are actively being managed at an operational level.

### **3.0 CURRENT SITUATION**

- 3.1 Work on the change programme is well underway. Good progress has been being made in addressing the recommendations of the review team across the scope of the activities in the change programme.
- 3.2 In terms of specific progress, significant engineering and scientific resource has been added to the Three Waters team in order to meet the requirements of the emerging operating environment and the standard of care recommended through the Inquiry.
- 3.3 The first stage of the team engagement and culture development work stream has been completed, with a second stage to be undertaken now that a number of new staff have come on board.
- 3.4 Significant work has also been undertaken on process and documentation development, system development and risk management work.
- 3.5 The Chief Executive and members of the CMT will brief the Risk and Audit Subcommittee on aspects of the work programme and be available to answer questions.

### **4.0 RECOMMENDATIONS AND REASONS**

- A) That the report of the Chief Executive titled "Water Services" dated 1/05/2018 be received.**

**With the reasons for this decision being that the objective of the decision will contribute to meeting the current and future needs of communities for**

**good quality local infrastructure in a way that is most cost-effective for households and business by:**

- i) Providing for effective Governance oversight of the water services change programme.**

**Attachments:**

There are no attachments for this report.



**HASTINGS DISTRICT COUNCIL**  
**RISK AND AUDIT SUBCOMMITTEE MEETING**  
**TUESDAY, 1 MAY 2018**

**RECOMMENDATION TO EXCLUDE THE PUBLIC**

**SECTION 48, LOCAL GOVERNMENT OFFICIAL INFORMATION AND MEETINGS ACT 1987**

THAT the public now be excluded from the following part of the meeting, namely:

**15. Enforcement and Inspection Internal Audit Report**

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

| <i><b>GENERAL SUBJECT OF EACH<br/>MATTER TO BE CONSIDERED</b></i> | <i><b>REASON FOR PASSING THIS<br/>RESOLUTION IN RELATION TO<br/>EACH MATTER, AND<br/>PARTICULAR INTERESTS<br/>PROTECTED</b></i>                                                                                                                                                      | <i><b>GROUND(S) UNDER<br/>SECTION 48(1) FOR THE<br/>PASSING OF EACH<br/>RESOLUTION</b></i>                                                                                    |
|-------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>15. Enforcement and Inspection Internal Audit Report</b>       | <b>Section 7 (2) (h)</b><br>The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.<br>The internal audit includes the review of commercial arrangements as part of the audit process. | <b>Section 48(1)(a)(i)</b><br>Where the Local Authority is named or specified in the First Schedule to this Act under Section 6 or 7 (except Section 7(2)(f)(i)) of this Act. |