
Monday, 13 September 2021

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council

Risk and Assurance Committee Meeting

Kaupapataka

Agenda

Te Rā Hui:
Meeting date: **Monday, 13 September 2021**

Te Wā:
Time: **1.00pm**

Te Wāhi:
Venue: **Council Chamber
Ground Floor
Civic Administration Building
Lyndon Road East
Hastings**

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

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

**Watch Council meetings
streamed live on our website
www.hastingsdc.govt.nz**

Risk and Assurance Subcommittee – Terms of Reference

Fields of Activity

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

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

Membership

- Membership (7 including 4 Councillors).
- Independent Chair appointed by Council.
- Deputy Chair appointed by Council.
- 3 external independent members appointed by Council.

Quorum – 4 members

Delegated Powers

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

Monday, 13 September 2021

Te Hui o Te Kaunihara ā-Rohe o Heretaunga
Hastings District Council
Risk and Assurance Committee Meeting

Kaupapataka

Agenda

Koromatua
Chair: Jon Nichols – External Independent Appointee

Nga Kai Kaunihera
Councillors: Simon Nixon (Deputy Chair), Alwyn Corban, Tania Kerr, and Geraldine Travers
Robin Hape - Heretaunga Takoto Noa Māori Standing Committee appointee
Jaun Park – External Independent Appointee
Mayor Sandra Hazlehurst

Tokamatua:
Quorum: 4 members

Kaihokoe mo te Apiha
Officer Responsible: Group Manager: Corporate – Bruce Allan

Te Rōpū Manapori me te Kāwanatanga
Democracy & Governance Services: Christine Hilton (Extn 5633)

Te Rārangi Take

Order of Business

Apologies – Ngā Whakapāhatanga

- 1.0** 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.
-

2.0 Conflict of Interest – He Ngākau Kōnatunatu

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

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

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

Confirmation of Minutes – Te Whakamana i Ngā Miniti

- 3.0** Minutes of the Risk and Assurance Committee Meeting held Monday 5 July 2021.
(Previously circulated)
-

- 4.0 Emerging Risks Environment Scan** **7**
-

- 5.0 Reform Update** **9**
-

- 6.0 Council's Strategic Response to Community and Economic Growth Demands** **15**
-

- 7.0 Enterprise Risk Management Framework Review** **21**
-

8.0	Annual Report 2021 Update	23
------------	----------------------------------	-----------

9.0	Treasury Activity and Funding Update	29
------------	---	-----------

10.0	Insurance Update	35
-------------	-------------------------	-----------

11.0	Group Manager: Corporate Update Report	39
-------------	---	-----------

12.0	<i>Minor Items – Ngā Take Iti</i>	
-------------	-----------------------------------	--

13.0	<i>Urgent Items – Ngā Take Whakahihiri</i>	
-------------	--	--

14.0	Recommendation to Exclude the Public from Items 15 and 16	43
-------------	--	-----------

15.0	IT Cyber Security Update	
-------------	---------------------------------	--

16.0	Health & Safety Contactor Performance Report	
-------------	---	--

Monday, 13 September 2021

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Risk and Assurance Committee Meeting

Item 4

Te Rārangi Take

Report to Risk and Assurance Committee

Nā:
From: **Regan Smith, Risk and Corporate Services Manager**

Te Take:
Subject: **Emerging Risks Environment Scan**

1.0 Purpose and summary - *Te Kaupapa Me Te Whakarāpopototanga*

- 1.1 The purpose of this report is to present a sample of emerging risks for the Risk and Assurance Committee to consider in order to determine whether any changes to the top 10 strategic risks are warranted.
- 1.2 The approach adopted for the horizon scan is to look for signals in the operating environment that indicate a possible change that could affect known strategic risks or Long Term Plan objectives in the next 12 to 24 months.
- 1.3 Based on the current environment scan the following signals have been identified for consideration by the Committee:
 - 3 Waters, Resource Management & Local Government reform. Refer to the attached HDC Horizon Scan Diagram (**Attachment 1**).
 - Organisation culture degradation. Refer to the attached *Gartner, Top Ten Emerging Risks* number 4 (**Attachment 2**).
 - Supply chain disruption. Refer to the attached *Gartner, Top Ten Emerging Risks* number 5 (**Attachment 2**).
 - Post COVID talent retention and recruitment. Refer to the attached *Gartner, Top Ten Emerging Risks* number 6 (**Attachment 2**).
 - Diversity, Equity & Inclusion (DEI) responsiveness. Refer to the attached *Gartner, Top Ten Emerging Risks* number 7 (**Attachment 2**).

- Post COVID China. Refer to the attached *Gartner, Top Ten Emerging Risks* number 9 (**Attachment 2**).
 - Changing community expectations post COVID. Refer to the attached *McKinsey & Company, What 12 Australian families can teach us about changing consumers* (**Attachment 3**).
- 1.4 Feedback from the Committee will be used as inputs for the refresh of the Top 10 strategic risks later this calendar year, as part of the overall policy update.
- 1.5 The attached HDC Horizon Scan Diagram for August 2021 shows the relationship between these emerging signals and the current 10 Strategic Risks adopted by Council. This attachment also includes a table that maps these signals to a possible response strategy (Note: this assessment is purely qualitative based on the information available).
- Notes on the horizon scan diagram:
 - The horizon scan diagram is split into two halves. The left hand half of the page shows emerging signals that have been observed, and the right hand half of the page shows the current 10 strategic risks.
 - Each circle represents the perceived location of the risk or signal using the following approach:
 - The horizontal position from left to right indicates how much we know about the topic. The further the circle is to the left, the more uncertain and changeable (dynamic) the issue is, compared to topics that are well understood and managed, which will be shown on the right-hand side of the page.
 - The vertical position from top to bottom reflects whether the source of the issue comes from the external environment (i.e. global, national, regional), or the internal operations (i.e. Strategic, Tactics, Operations, Compliance).
 - The colour of the circle indicates that assessed current risk level of the associated risk. As no risk assessment is available for emerging signals the circle is white.

2.0 Recommendations - Ngā Tūtohunga

That the Risk and Assurance Committee receive the report titled Emerging Risks Environment Scan dated 13 September 2021

Attachments:

1⇒	HDC Strategic Risk Horizon Scan Diagram August 2021	PMD-9-3-21-38	Under Separate Cover
2⇒	Gartner Top Ten Emerging Risks 2nd Quarter 2021	PMD-9-3-21-39	Under Separate Cover
3⇒	What 12 Australian families teach us about changing consumers McKinsey & Company	PMD-9-3-21-40	Under Separate Cover

Monday, 13 September 2021

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Risk and Assurance Committee Meeting

Item 5

Te Rārangi Take

Report to Risk and Assurance Committee

Nā:
From: **Bronwyn Bayliss, Group Manager: People and Capability**

Te Take:
Subject: **Reform Update**

1.0 Purpose and summary - *Te Kaupapa Me Te Whakarāpopotanga*

- 1.1 The purpose of this report is to provide the Risk and Assurance Committee with an update on the major legislative and central government reforms currently underway. The Committee has identified the significant reform agenda to be a risk for Council that needs to be monitored and impacts managed.
- 1.2 **Three Waters Reform**
- 1.3 The Three Waters reform is discussed by government officials under 3 Pou,
 - The establishment of the drinking water regulator (Taumata Arowai, an independent crown entity).
 - Updated drinking water regulation, via Water Services Bill.
 - The 3 waters service delivery reform – the review of how council run 3 waters services are governed.
- 1.4 Taumata Arowai currently does not have authority as the Drinking Water regulator, this remains with the Ministry of Health until the Water Services Bill is passed into legislation. Taumata Arowai is at present in both the forming (adding staff) and shaping (developing standards and acceptable solutions) phases. Once enacted it will take over the regulatory aspects of Drinking Water and the oversight role of wastewater and stormwater performance. Following this they will also be able to commence their required consultation of the any new Standards and acceptable solutions provided.

1.5 The Water Services Bill has been through the Select Committee phase with amendments being made post the consultation. The Bill needs to return to the house for its 2nd reading, and there is potential for further changes leading up to and during that process.
(https://www.parliament.nz/en/pb/bills-and-laws/bills-proposed-laws/document/BILL_99655/water-services-bill).

1.6 The water services bill (once enacted) and the operation of Taumata Arowai is independent of the 3 Waters service delivery review – in that it will go live regardless of the outcomes and timing of service delivery reform process. Therefore Council will need to work with these new requirements.

3 Waters Service delivery reform

1.7 A regional session was held on 16 August 2021, where members were provided with information on the government-led 3 Waters reform. The reform is currently proposing that four entities be established across New Zealand, with Hastings becoming part of ‘Entity C’ along with 21 other councils. Ownership would remain with the councils, albeit considerably removed from direct input.

Attachment 1 provides information.

1.8 At the regional session the Hawke’s Bay authorities agreed to write to the Minister expressing their desire to form a Hawke’s Bay entity, rather than joining Entity C. **Attachment 2** is the letter that was sent on 19 August 2021. As yet, the final water regulations have not yet been released, so authorities do not yet have confirmation of the standards expected.

1.9 **Attachment 3**, a document drafted by LGNZ provides a good summary of the situation as it presently stands. Currently we are in an eight week period that the government and LGNZ agreed to which is to provide local government with the space to consider the reform proposals before government taking decisions on next steps in the reform pathway. The purpose of this period as stated by LGNZ is to provide time for all local authorities to:

- engage with and understand the large amount of information that has been released on the nature of the challenges facing the sector, the case for change, and the proposed package of reforms, including the recently announced support package;
- take advantage of the range of engagement opportunities to fully understand the proposal and how it affects your local authority and your community; and
- identify issues of local concern and provide feedback to LGNZ on what these are and suggestions for how the proposal could be strengthened.

1.10 **Attachment 4** is the Hawke’s Bay Councils’ quick guide to the government three waters reforms. Here it explains the reasons for the changes, what they might mean for Hawke’s Bay ratepayers and communities, and what is happening over the next eight weeks.

1.11 Whilst Council anticipated that communication with the Hawke’s Bay public would be undertaken jointly, this did not occur, and as a result HDC initiated communications with the public in early September. The purpose of this communication is not to inform decision-making of Council at this stage as the proposal from government is yet to be finalised. The proposed process and timeline, that Council will be required to operate to, is also being further considered by Government. The communication the councils are putting out is to share with the community what the government is considering; where the process is at; what Council is looking to get further information on; and to gather a small amount of info to assist with the councils’ further response back to government on the service delivery proposal.

1.12 Officers are working on a report in regards to feedback to government on its proposal. The earlier risk assessment work (previously presented to Risk and Assurance) is being used to inform the key aspects where further information / clarity is desired from government. Consideration of the community feedback, along with common themes from across the Hawke’s Bay councils will be incorporated. It is expected that this report will be presented to Council on September 30th.

- 1.13 From a staffing perspective, the DIA has advised that any staff member who “works primarily in water will be guaranteed a role at the new entities that retains key features of their current role:
- Title
 - Salary
 - Location
 - Leave
 - Hours/days of work”.
- 1.14 For our part in relation to 3 Waters staff and managing the risks of staff loss in the lead-up to any reform implementation, we are focussed on 1. Continuing to deliver the service and continue improving our systems, 2. Trying to ensure staff are kept well informed with accurate and up-to-date information, and 3. Providing staff with learning and development opportunities so they are well placed along with working to provide a good environment for staff to work in, so that they are engaged and satisfied in their work. These steps will help mitigate risks in terms of potential loss of staff.
- 1.15 Officers will continue to monitor matters to ensure we are abreast of developments.
- 1.16 **Resource Management Act Reform**
- 1.17 In February 2021, the Government announced it would repeal the Resource Management Act and enact new legislation based on the recommendations of the Resource Management Review Panel. The three proposed acts are:
- Natural and Built Environments Act (NBA), as the main replacement for the RMA, to protect and restore the environment while better enabling development;
 - Strategic Planning Act (SPA), requiring the development of long-term regional spatial strategies to help coordinate and integrate decisions made under relevant legislation;
- and
- Climate Adaptation Act (CAA), to address complex issues associated with managed retreat.
- 1.18 **Attachment 5** provides an overview of the proposed system. The government has published the following in terms of its intentions with the suite of new legislation, that it will:
- protect and restore the environment and its capacity to provide for the wellbeing of present and future generations
 - better enable development within natural environmental limits
 - give proper recognition to the principles of Te Tiriti of Waitangi and provide greater recognition of te ao Māori including mātauranga Māori
 - better prepare for adapting to climate change and risks from natural hazards, and better mitigate emissions contributing to climate change
 - improve system efficiency and effectiveness, and reduce complexity while retaining appropriate local democratic input.
- 1.19 The Draft Bill will be out for Public Submission in the first quarter of 2022. The Natural & Built Environments Act and Strategic Planning Act is expected to be passed into law before the end of the current parliamentary term.
- 1.20 Officers will continue to monitor matters to ensure we are abreast of developments.
- 1.21 **Local Government Reform**
- In April 2021 the Minister of Local Government established a Review into the Future for Local Government. The Review is to consider, report and make recommendations on this matter to the Minister. In terms of the Purpose and Scope of the Review, the following has been published:

The traditional roles and functions of local government are in the process of changing. The work programmes the Government is advancing to overhaul the three waters sector and the resource management system are foremost among a suite of reform programmes that will reshape our system of local government. The sector, led by Local Government New Zealand (LGNZ) and Taituarā - Local Government Professionals Aotearoa, is calling for a programme of work to ‘reimagine the role and function of local government’, in order to build a sustainable system that delivers enhanced wellbeing outcomes for our communities.

The overall purpose of the Review is, as a result of the cumulative changes being progressed as part of the Government’s reform agenda, to identify how our system of local democracy and governance needs to evolve over the next 30 years, to improve the wellbeing of New Zealand communities and the environment, and actively embody the Treaty partnership.

The Minister is seeking recommendations from the Review that look to achieve:

- a resilient and sustainable local government system that is fit for purpose and has the flexibility and incentives to adapt to the future needs of local communities;
- public trust/confidence in local authorities and the local regulatory system that leads to strong leadership;
- effective partnerships between mana whenua, and central and local government in order to better provide for the social, environmental, cultural, and economic wellbeing of communities; and
- a local government system that actively embodies the Treaty partnership, through the role and representation of iwi/Māori in local government, and seeks to uphold the Treaty of Waitangi (Te Tiriti o Waitangi) and its principles through its functions and processes.

The scope of this matter comprises what local government does, how it does it, and how it pays for it. The scope should include, but not be limited to, a future looking view of the following:

- roles, functions and partnerships;
- representation and governance; and
- funding and financing.

1.22 In terms of the timeline, the following has been advised:

- 30 September 2021: an interim report presented to the Minister signalling the probable direction of the review and key next steps;
- 30 September 2022: Draft report and recommendations to be issued for public consultation;
- 30 April 2023: Review presents final report to the Minister and Local Government New Zealand.

1.23 Officers will continue to monitor matters to ensure we are abreast of developments.

2.0 Recommendations - Ngā Tūtohunga

That the Risk and Assurance Committee receive the report titled Reform Update dated 13 September 2021.

Attachments:

1	3 Waters Reform Overview	CG-16-6-00096	Under Separate Cover
2	Letter to Minister Mahuta 3 Waters Reform 19 August 2021 FINAL	CG-16-6-00097	Under Separate Cover
3	Three-waters-explained-August 21	CG-16-6-00098	Under Separate Cover
4	Three Waters Reform Update August 2021 Public	CG-16-6-00101	Under Separate Cover
5	Proposed RMA system	CG-16-6-00100	Under Separate Cover

Monday, 13 September 2021

Item 6

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Risk and Assurance Committee Meeting

Te Rārangi Take

Report to Risk and Assurance Committee

Nā:
From: **Craig Cameron, Group Manager: Strategy and Development**

Te Take: **Council's Strategic Response to Community and Economic Growth**
Subject: **Demands**

1.0 Purpose and Summary - Te Kaupapa Me Te Whakarāpopototanga

- 1.1 The purpose of this report is to brief the Risk and Assurance Committee on the Frameworks Council has in place to both comply with our Local Government responsibilities to plan well for future growth demands and to enable the Chief Executive to effectively manage Council's service delivery to support growth.
- 1.2 Future reports will be more data specific and intending to update the Committee on tangible progress, any risks that may be arising and how they are being managed.
- 1.3 Council signed off on the 2021-2031 Long-Term Plan (LTP) in June this year.
- 1.4 The elected Council has an ambitious programme for its community. It's aiming to improve amenity and quality of life, and address areas of inequality such as housing and youth opportunities. It wants to enhance environmental outcomes and enable the economy and community to flourish, while continuing to deliver high quality services.
- 1.5 The Chief Executive is tasked with delivering on the areas of focus in the LTP. They generally relate to expectations placed directly and indirectly on Council as Local Government to enable the community to be responsive to demands arising from community and economic growth and increasing service level compliance regulations and expectations.

2.0 Recommendations - Ngā Tūtohunga

That the Risk and Assurance Committee receive the report titled Council's Strategic Response to Community and Economic Growth Demands dated 13 September 2021.

3.0 Operational Context

- 3.1 The National Policy Statement on Urban Development Capacity (NPSUDC) 2020 requires Councils to plan well for growth and ensure a well-functioning urban environment for all people, communities and future generations. This includes:

Ensuring urban development occurs in a way that takes into account the principles of the Treaty of Waitangi (te Tiriti o Waitangi).

Ensuring that plans make room for growth both 'up' and 'out', and that rules are not unnecessarily constraining growth.

Developing, monitoring and maintaining an evidence base about demand, supply and prices for housing and land to inform planning decisions.

Aligning and coordinating planning across urban areas.

- 3.2 The Regional Policy Statement refers to Servicing of Developments with the following:

Within the region, territorial authorities shall ensure development is appropriately and efficiently serviced for the collection, treatment, disposal or re-use of sewage and stormwater, and the provision of potable water by:

- a) Avoiding development which will not be serviced in a timely manner to avoid or mitigate adverse effects on the environment and human health; and*
- b) Requiring these services to be designed, built, managed or upgraded to maximise their ongoing effectiveness.*

- 3.3 Council is also the administering body for numerous other pieces of legislation. In simple terms we need to enable growth that constrains the urban footprint, enables efficient infrastructure servicing and utilisation of energy, complies with resource and building regulatory standards, and protects fertile soils and the environment. This is recognised in the Vision for our LTP, 'Fertile Land & Prosperous People'.

'We are focused on protecting and enhancing our fertile land and the life giving waters which support it, and helping the people of this place to fulfil their aspirations and prosper together'.

The Government's proposed National Policy Statement for Highly Productive Land will also likely strengthen requirements for local authorities to manage New Zealand's most versatile and productive land to ensure its long-term availability for primary production.

4.0 Current Operational Framework

- 4.1 Under the NPSUDC Council must prepare and maintain a Future Development Strategy (FDS) to inform preparation of LTP's and District Plans.
- 4.2 The Heretaunga Plains Urban Development Strategy (HPUDS) currently serves as Council's FDS. It aims to assist, in a collaborative manner, the member Councils (Hastings District Council, Napier City Council, and Hawke's Bay Regional Council) to plan and manage growth on the Heretaunga Plains while recognising the value of water and soil as a significant resource for ongoing food production and as a major contributor to the regional economy. HPUDS seeks to quantify the level of growth

over the 30 year period, commencing from 2015, and how that growth is to be effectively managed. HPUDS also seeks to propose policies that guide the management and implementation of growth through the Regional Policy Statement, District Plans, LTP's, Community Plans, Regional Land Transport Strategy, and infrastructure and funding strategies.

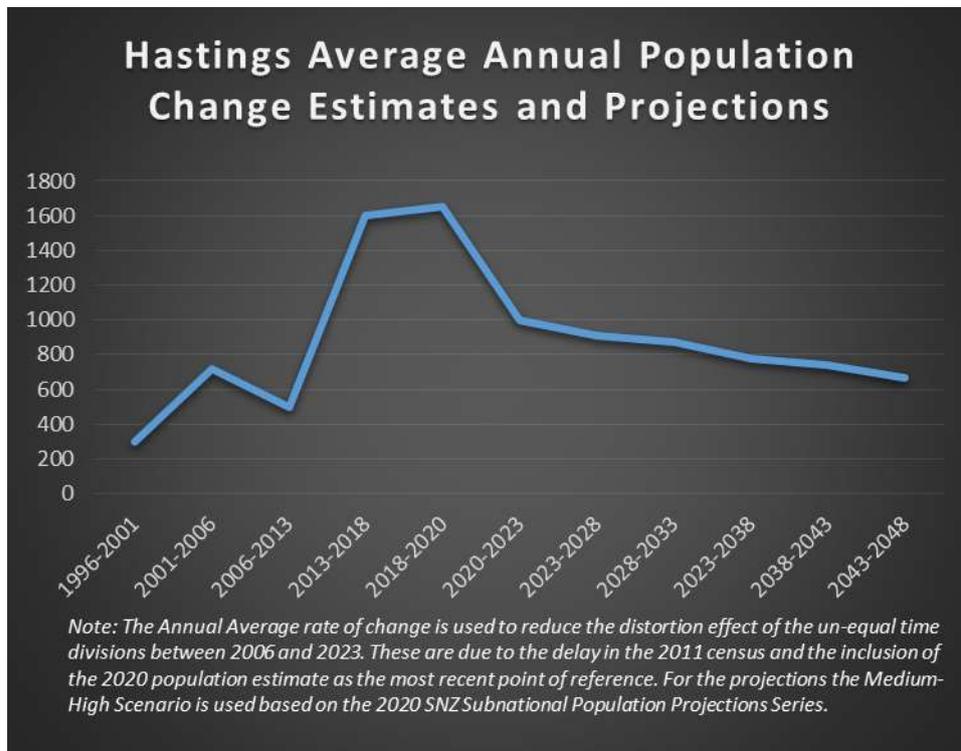
- 4.3 The Government is in the process of reviewing the Resource Management Act (RMA). At this stage the Review is recommending enactment of three new Acts of Parliament. One recommendation is the Strategic Planning Act (SPA). The SPA would integrate with other legislation relevant to development, and require Councils to develop long-term Regional Spatial Strategies.
- 4.4 Spatial Strategies/Plans require Council to partner with Iwi and other stakeholders & agencies to develop Spatial Plans that are a strategic framework for coordinated planning and policy development and future implementation. Essentially they have more layers than current FDS, such as considering educational and health future requirements or other layers as deemed appropriate.
- 4.5 Council is commencing the preliminary engagement processes with Iwi and partners with a view to developing a Spatial Plan over the next two to three years. Our obligations re HPUDS as an FDS remain in the interim so a review of HPUDS is also underway and will integrate with the Spatial Plan process.
- 4.6 Council has currently commissioned a Housing and Business Development Capacity Assessment (HBDCA) (required under NPSUDC) which is a comprehensive assessment of the demand and supply of housing and of business land. It also considers the impact of our planning and infrastructure decisions. This Assessment is expected to be completed by November 2021.
- 4.7 Council has adopted a Medium Density Housing Strategy to provide guidance to the community, developers and other agencies to assist in the achievement of the intensification targets of HPUDS. The future development vision is the achievement of identified residential density targets in order to achieve a more compact growth pattern.
- 4.8 Council has also adopted a Medium and Long-Term Housing Strategy. This Strategy has key Central Government and Agency Partners and aims to deliver sustainable, positive change through a programme of work encompassing affordable housing, social housing, market housing, Māori housing, senior housing, and Recognised Seasonal Employer accommodation, alongside skills training and employment creation. Council has, in 2021, received two Local Government National Awards in respect of this Strategy and the outcomes it is delivering.

5.0 Current Situation

- 5.1 Hastings currently has over 1500 people living in temporary / emergency accommodation. This number at times peaks over 1700. Demand for housing in Hastings District and the Napier-Hastings urban environment is very strong particularly relative to supply. The Hastings Medium and Long Term Housing Strategy 2021 provides indicators of the strength of this demand. Between 2015 and 2020, the median house price in Hastings District rose by 105% from \$315,000 to \$645,000; the lower quartile price rose by 137% from \$228,000 to \$540,000. The median rental rose by 40%, from \$299 per week to \$418; the lower quartile median rental by 48%, from \$241 to \$356.
- 5.2 Ministry of Social Development has commissioned research regards demand for Civil Works, Construction and General Trades services, and this research indicates that in Hawke's Bay anticipated demand exceeds supply capacity for at least 3 years. This situation may well be exacerbated with the current Covid lockdowns further impacting supply chains and access to skilled labour across all sectors of our economy.
- 5.3 Council is processing record numbers of building consents, (over 500 per year) and is regularly on a monthly basis unable to meet statutory processing timeframes due to the volume of work. These housing pressures and unprecedented development rates are due in large part to record immigration nationally over the 2015-2020 period, which has flowed out to the regions to a greater extent than previously experienced due to housing supply issues in Auckland.

Statistics New Zealand released subnational population projections based on the 2018 census earlier this year that indicates a growth rate lower than that experienced over the past five years, but still significantly above that for the preceding ten years or so. The combined historic populating estimates and forward projections (Medium & High) are combined in the attached graph, Figure 5.1

Figure 5.1



5.4 There are two broad segments of demand for housing accommodation.

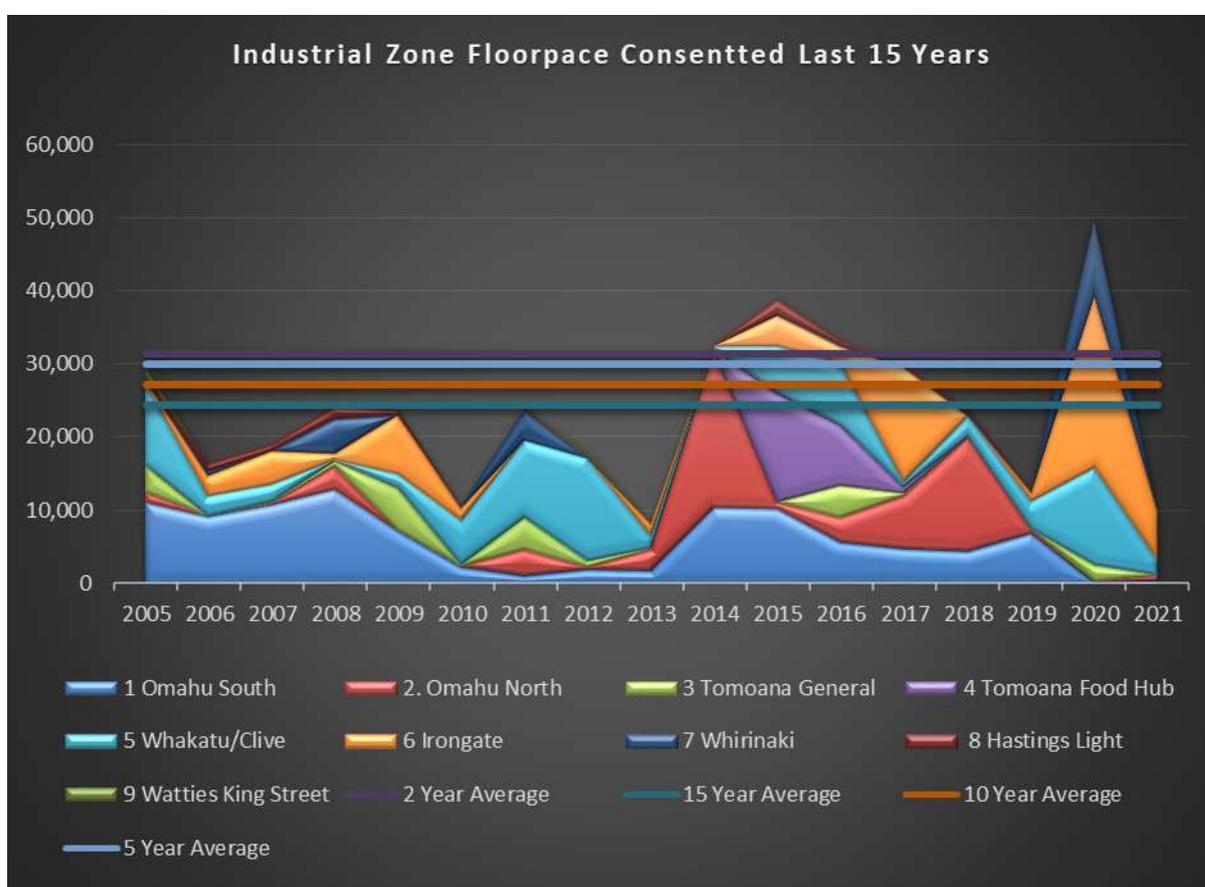
Members of the community who can afford to purchase a newly constructed home or existing home that comes to market. Council under HPUDS seeks to zone sufficient land and deliver service infrastructure to help ensure sufficient greenfields supply to meet demand. Some tension is needed here to encourage infill development under the Medium Density Housing Strategy which can be more challenging for developers than greenfields development. Early indications from the Capacity Assessments are Council is zoning sufficient land for greenfields supply as long as developments come online as programmed. As Council is generally not the land owner, we have limited tools to influence land banking behaviours. Council may need to make risk based Governance decisions re timing of investment into infrastructure and associated rates of land uptake and payment of Development Contributions. These investments are currently programmed across the 10 years of the LTP. Governance decisions may necessitate bringing forward planned investments for infrastructure to service residential and/or commercial land.

Members of the community who cannot finance their own home purchase, rely on rental accommodation if it is available and they can afford rents, or emergency/interim accommodation solutions. Central Government Partners under the Medium Long Term Housing Strategy are advancing Public Housing at pace to reduce the numbers living in temporary / emergency accommodation.

5.5 Council is developing over 180 sections on its own land in Flaxmere and is bringing these lots to market through to the end of 2022 to enable public housing and affordable home ownership outcomes.

- 5.6 Council has submitted three expressions of interest to Kāinga Ora's - Infrastructure Acceleration Fund, for more homes for Hastings. Council has clearly demonstrated its commitment to solving its district's housing crisis and proven its ability to plan and execute major projects to this end. Council is applying for funding to enable the next tranche of solutions in its Hastings Place-based Housing Plan to be realised. If the application(s) is successful, and dependant on the level of funding awarded, it could enable up to 7000-8000 homes to be developed over the next 10-20 years without any infrastructure funding constraints. The next stage in this process, if Council is successful in the first phase of our applications, will be to negotiate detailed proposals for Government Cabinet consideration. Council officers in this process will negotiate positions for Council that take account of our Risk appetites and everything will be subject to final Council approval.
- 5.7 The second phase of the HBDC, will examine commercial and industrial zones. This work is getting underway at the time of writing this report. Figure 5.2 demonstrates that there has been a spike in the last two years of consented industrial floorspace. This spike is dominated by fewer, but substantially larger building developments coming online. The HBDC will inform planning assumptions regards availability of commercial /industrial land available for development and Council decisions regards zoning sufficient land to ensure continuity of supply to meet demand.

Figure 5.2



6.0 Chief Executive Strategic Work Programme

- 6.1 The substantial LTP programme comes at a time of significant growth pressures on the Council as the population grows, the economy gets stronger, and the housing market tries to play catch up. At the same time, there are several Government reform and policy programmes underway that will affect Council – from Three Waters and Resource Management Act reform through to the Future for Local Government process. These initiatives will present a range of opportunities to be grasped and changes to be managed. Wider opportunities for our community continue to emerge all the time,

adding to our programme – such as the Infrastructure Acceleration Funds from which we are pursuing tens of millions in funding to accelerate growth infrastructure.

- 6.2 To assess how sustainable our programme and resourcing levels are, the Chief Executive has engaged a consultant (with considerable local government strategic management expertise and experience), to engage with key managers and personnel, to assess demands on Council in their areas of activity, and the adequacy of resourcing to deliver what is being asked of Council. An evidence based understanding will be built of how well growth pressures, Government reform work and improvement aspirations and supply constraints can be accommodated alongside our Business-as-Usual work.
- 6.3 In November the Chief Executive will be positioned to discuss with Council the scale of the programme and the risks, priorities and resourcing needs associated with it.

Attachments:

There are no attachments for this report.

Monday, 13 September 2021

Item 7

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Risk and Assurance Committee Meeting

Te Rārangi Take

Report to Risk and Assurance Committee

Nā:
From: Regan Smith, Risk and Corporate Services Manager

Te Take:
Subject: Enterprise Risk Management Framework Review

1.0 Purpose and Summary - Te Kaupapa Me Te Whakarāpopototanga

- 1.1 The purpose of this report is to present the annual review of the Hastings District Council Enterprise Risk Management Framework and Policy (the Framework) for consideration by the Risk and Assurance Committee.
- 1.2 Draft Version 5.0 of the Framework is attached (**Attachment 1**). Changes to this documented are indicated by a vertical line and associated text has been highlighted in yellow. Please note that a copy of the Strategic Risk Register is also provided for reference (**Attachment 2**).
- 1.3 The following points summarise the key changes to the Framework:
 - A reference has been added to the new Hastings District Council Water Safety Plan acknowledging that this plan includes risk impact, likelihood scales and risk matrix that is different to the corporate standard. This is required to align with the guidance issued for water safety plans.
 - Reference to other supporting documentation has been included in the framework.
 - Additional sections have been included to describe how opportunity risks should be assessed, including a new impact scale and an extended risk matrix.
 - An additional set of descriptors have been added to the threat impact assessment table to reflect the level of impact on the community. This is required to assist with appropriately assessing services that support community wellbeing.
- 1.4 It should be noted that the Risk Appetite section has not yet been updated to reflect the new Long Term Plan focus areas. This work will be undertaken over the next 2 months.

1.5 Feedback is on the attached draft is sought so that a fully updated version of the Framework can be presented at the December Committee meeting for endorsement.

2.0 Recommendations - Ngā Tūhonga

That the Risk and Assurance Committee receive the report titled Enterprise Risk Management Framework Review dated 13 September 2021

Attachments:

1⇒	DRAFT HDC Enterprise Risk Management Policy and Framework V5	PMD-9-3-21-41	Under Separate Cover
2⇒	HDC Strategic Risk Register at 2 Sept 2021	PMD-9-3-21-42	Under Separate Cover

Monday, 13 September 2021

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

Item 8

Te Rārangi Take

Report to Risk and Assurance Committee

Nā:
From: **Aaron Wilson, Financial Controller**

Te Take:
Subject: **Annual Report 2021 Update**

1.0 PURPOSE AND SUMMARY - TE KAUPAPA ME TE WHAKARĀPOPOTOTANGA

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

2021 Annual Report

- 1.3 Key dates for the audit process are:

- Draft financial statements available for audit 13th September
- Full Annual report available for Audit 13th September
- Summary Annual Report available for Audit 13th September
- Final Audit begins – audit on-site 20th September

- 1.4 The audit is scheduled to start a month later than last year due to resourcing pressures at Audit NZ. This means there will be less than a week between the end of the onsite audit visit (8th October) and the Council adoption of the Annual Report. It may be prudent to move the adoption date to the end of October to relieve pressure and ensure sufficient review time for Council prior to adoption of the finalised Annual Report.

- 1.5 Please note that there is one attachment with this report that is:
- Draft Financial Statements 2021 (**Attachment 1**).

- 1.6 The Finance team has a full complement of accounting resources this year with the new Financial Improvement Analyst position being filled in May by Jess Noiseux. Jess was previously an Assistant Manager at Audit NZ and supervised the Council's audit from 2016 – 2019. As a result we expect to improve the reporting process and systems and Officers are confident of providing Audit with completed draft financial statements for audit on 13th September prior to them arriving on-site.
- 1.7 Work on the Annual report is progressing well, even though there has been significant disruption with the finance team having to work individually from home due to COVID- 19 Alert Level 4 Lockdown. It is expected that officers will be able to provide Audit with a complete draft Annual Report for their arrival which will include revaluation reports for Rooding, Parks and Land & Buildings. As an action point from the last meeting officers have provided the Chair of the committee with the revaluation reports for review.
- 1.8 As stated in the prior report to the Committee in July, there are no significant changes to Public Benefit Entity (PBE) reporting standards that are likely to materially affect the 2020/21 Annual Report. Amendments to PBE IPSAS 1 will require some review of Council's going concern assessment, but this is unlikely to result in more specific disclosures in the Annual Report.
- 1.9 Last year Council received a qualified audit opinion over the activity groups' statement due to incomplete information about the number of complaints Council received related to 3 waters complaints. This was an issue across a large number of councils and as a result there is a working group at a national level on this with guidance being worked on to be submitted.
- 1.10 In addition to this officers have been working internally and with Palmerston North City Council on how calls have been coded and recording the level of detail needed to assess the nature of the call.
- 1.11 As was signalled in the last Risk and Audit Committee meeting in July 2021, officers expect to receive a similar opinion over the 2021 Activity Groups statement.
- 1.12 Set out below is a summary of the 2020/2021 financial year:

Unaudited Operating Accounting Result	BUDGET COUNCIL \$'000	ACTUAL COUNCIL \$'000	Variance
Operating Revenue	151,190	168,857	17,667
Less: Operating Expenditure	136,330	142,040	5,710
Net Surplus/(Deficit)	14,860	26,817	11,957
Unrealised movement on Swaps	-	(8,010)	(8,010)
Net Surplus/(Deficit) after Swaps	14,860	34,827	19,967
Gain/(Loss) on Revaluations	49,224	101,345	52,121
Net Surplus after accounting gains and losses	64,084	136,172	72,088

- 1.13 The draft unaudited financial result for the year ended 30 June 2021 before gains or losses on revaluations and losses on interest rate swaps is a surplus of \$26.8m with a favourable variance to the budget of \$11.9m.
- 1.14 It is important to note that budget variances noted in the table above, refer to variances against the Annual Plan excluding carry forwards or any other budget adjustments as this is what Council is required to report against in the Annual Report.
- 1.15 The unrealised gain on interest rate swaps of \$8m is an accounting entry and reflects the potential gain to Council of replacing all of its interest rate swaps at the prevailing swap interest rates on 30 June 2021. Council is, however, extremely unlikely to do this and the gain is therefore recognised as an 'unrealised gain'.

- 1.16 Council has interest rate swaps in place to hedge against interest rate exposure by reducing uncertainty of future cashflows. This is in line with Council's prudent financial approach and meets the requirements of Council's treasury policy.
- 1.17 The revaluations for Parks, Roothing and Land & Buildings assets show an overall gain of \$101m. Within this were the following movements:

Asset Class	Asset value pre-valuation \$000	Valuation per valuation reports \$000	Increase/(decrease) in asset value \$000
Roothing (excl land)	\$1,185,805	\$1,176,203	(\$9,602)
Parks	\$49,441	\$38,517	(\$10,923)
TOTAL INFRASTRUCTURE	\$1,235,246	\$1,214,720	(\$20,525)
Land & Buildings	\$227,206	\$348,471*	\$121,265
TOTAL	\$1,462,452	\$1,563,191	\$100,740

- 1.18 Roothing: The decrease in the rooothing valuation of \$9.6m from the 2019 valuation is due to those assets that haven't been replaced through renewals or other capital projects having increased with age, and therefore decreased are decreased in terms of remaining life.
- 1.19 Parks: A significant driver for the decrease in the parks valuation was the correction of how Carparks/rooothing within the park assets were valued. Previous valuations incorrectly used a treatment length measured in m2 when the unit rate used was for cubic metres. This has been corrected this year which results in a decrease in value of \$10m.
- 1.20 Land & Buildings: Increase in land values since 2018 were the main drivers for the increase in value. Land increased by \$94m which was an 81% increase against the 2018 valuation. Some of this increase was due to re-categorising wastewater land into land and buildings, as well as the purchase of new land in Queen Street with the acquisition of the carparks and old Briscoes building. But the majority of this increase is a reflection of the significant changes in the market where demand is outstripping supply and prices have increased significantly.
- 1.21 We do not expect that year-end reporting will need to articulate the impact of Covid-19 in a significant way this year, apart from a possible comment on impact in the "Post balance date" note. Staff will work with Audit NZ to ensure disclosure (if any) is sufficient for reporting purposes.

2.0 RECOMMENDATIONS - NGĀ TŪTOHUNGA

That the Risk and Assurance Committee receive the report titled Annual Report 2021 Update dated 13 September 2021.

Attachments:

[1](#) 2021 Financial Statements

Fin-09-3-21-346

ACTUAL COUNCIL \$'000	Notes	BUDGET COUNCIL \$'000	ACTUAL COUNCIL \$'000	
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE				
<u>Revenue</u>				
81,814	Rates, excluding metered water supply charges	3	87,919	87,303
28,198	Fees, charges and metered water supply charges (i)		28,620	32,472
21,772	Subsidies and Grants (ii)		27,702	38,187
4,281	Development and financial contributions		5,408	4,567
90	Donations		3	295
478	Interest revenue (iii)	4	0	519
746	Other revenue (iv)	5	537	2,852
5,098	Vested infrastructural assets (v)		1,000	2,662
142,477	TOTAL REVENUE		151,190	168,857
<u>Expenses</u>				
96,113	Operational costs (vi)	6	94,691	99,432
34,944	Depreciation and amortisation expense	7	34,936	37,502
4,991	Finance Costs (vii)		6,703	5
136,048	TOTAL EXPENSES		136,330	142,040
5,196	Unrealised Loss/(Gain) on Swaps (viii)			(8,010)
	Share of associate surplus/deficit			-
1,232	Surplus/ (deficit) before tax		14,860	34,827
	- Income Tax expense	8	-	-
1,232	Surplus/(deficit) after tax		14,860	34,827
<u>Other comprehensive revenue and expense:</u>				
	Impairment -fixed assets			
41,152	Gain/loss on infrastructural revaluations	19	49,224	(20,524)
(5,223)	Gain/Loss on land and building revaluations	19	-	121,265
(30)	Gain/Loss on other revaluations	19	-	605
	- Financial assets at fair value through other comprehensive revenue	19	-	()
35,898			49,224	101,345
37,131	Total other comprehensive revenue and expense		64,084	136,172
<u>Net Surplus /(Deficit) attributable to:</u>				
1,232	Hastings District Council		14,860	34,827
	- Minority Interest		-	-
1,232			14,860	34,827
<u>Total comprehensive revenue and expense attributable to:</u>				
37,131	Hastings District Council		64,084	136,172
	- Minority Interest		-	-
37,131			64,084	136,172

ACTUAL COUNCIL 2020 \$'000		Notes	BUDGET COUNCIL 2021 \$'000	ACTUAL COUNCIL 2021 \$'000
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021				
ASSETS				
Current assets				
-	Cash & cash equivalents		1,265	38,675
13,241	Receivables (i)	9	12,095	15,512
106	Inventory	10	108	76
1,693	Non-current assets held for sale		-	-
14,180	Short Term Investments		-	-
29,220	Total current assets		13,468	54,263
Non-current assets				
-	Derivative financial instruments	16	-	-
1,063	Investments in associates	11 (a)	1,066	1,063
Other financial assets				
15	Investments in CCO's and similar entities	11 (b)	1,063	15
3,172	Investment in other entities	11 (b)	1,568	4,727
-	Other non-current assets		-	388
4,251	Total other financial assets		3,697	6,194
250,837	Plant, property and equipment	12	242,116	385,449
2,019,005	Infrastructural assets	12	1,941,999	2,044,471
60	Biological Assets	12	-	60
294	Intangible assets		205	604
2,274,447	Total non-current assets		2,188,017	2,436,778
2,303,667	Total assets		2,201,485	2,491,041
LIABILITIES				
Current liabilities				
254	Bank Overdraft		0	-
23,710	Payables and deferred revenue (ii)	13	17,991	30,441
3,398	Employee entitlements	14	2,241	3,159
699	Derivative financial instruments	16	-	501
20,000	Borrowings and other financial liabilities (iii)	15	16,970	20,000
48,060	Total current liabilities		37,202	54,101
Non-current liabilities				
1,640	Provisions & Other Non-current Liabilities	13	659	1,559
333	Employee entitlements	14	480	460
18,063	Derivative financial instruments	16	13,500	10,251
132,815	Borrowings and other financial liabilities (iii)	15	152,732	185,741
152,851	Total non-current liabilities		167,371	198,011
200,911	Total liabilities		204,573	252,112
2,102,756	Net assets (assets minus liabilities)		1,996,912	2,238,929
Equity				
1,239,788	Accumulated funds	17	1,148,483	1,274,974
3,935	Restricted Reserves	18	2,615	3,577
859,033	Revaluation Reserves	19	845,814	960,378
2,102,756	Total equity		1,996,912	2,238,929

Monday, 13 September 2021

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

Item 9

Te Rārangi Take

Report to Risk and Assurance Committee

Nā:
From: **Aaron Wilson, Financial Controller**

Te Take:
Subject: **Treasury Activity and Funding Update**

1.0 Executive Summary – Te Kaupapa Me Te Whakarāpopototanga

- 1.1 The purpose of this report is to update the Risk and Assurance Committee on treasury activity and funding issues.
- 1.2 Since the last update in April, Council has borrowed \$40m in the quarter just ended, with an additional \$23m committed to in a forward contract to go live in May 2022.
- 1.3 Council has also repaid \$20m maturing debt in the quarter.
- 1.4 The Council's current total external debt is \$205m as at 30 June 2021. Offsetting this is \$38m of bank deposits, giving a net external debt position of \$167m.
- 1.5 Council is currently compliant with its Treasury Management Policy.
- 1.6 Standard & Poors, the rating agency has revised Hastings District back up to stable with the AA rating being affirmed.
- 1.7 The Reserve Bank of New Zealand (RBNZ) left its Official Cash Rate (OCR) at 0.25% at its last review.

2.0 Recommendations – Ngā Tūtohunga

That the Risk and Assurance Committee receive the report titled Treasury Activity and Funding Update dated 13 September 2021.

3.0 Background – Te Horopaki

- 3.1 The Hastings District Council has a Treasury Policy which is a summarised version of the Treasury Management Policy and forms part of the 2021-2031 Long Term Plan. Under these policy documents, responsibility for monitoring treasury activity is delegated to the Risk and Assurance Committee.
- 3.2 Council is provided with independent treasury advice by Miles O'Connor of Bancorp Treasury Services and receives daily and monthly updates on market conditions.
- 3.3 Under the Treasury Policy, formal reporting to Council occurs quarterly and regular more in depth treasury reporting is provided for the Risk and Assurance Committee.

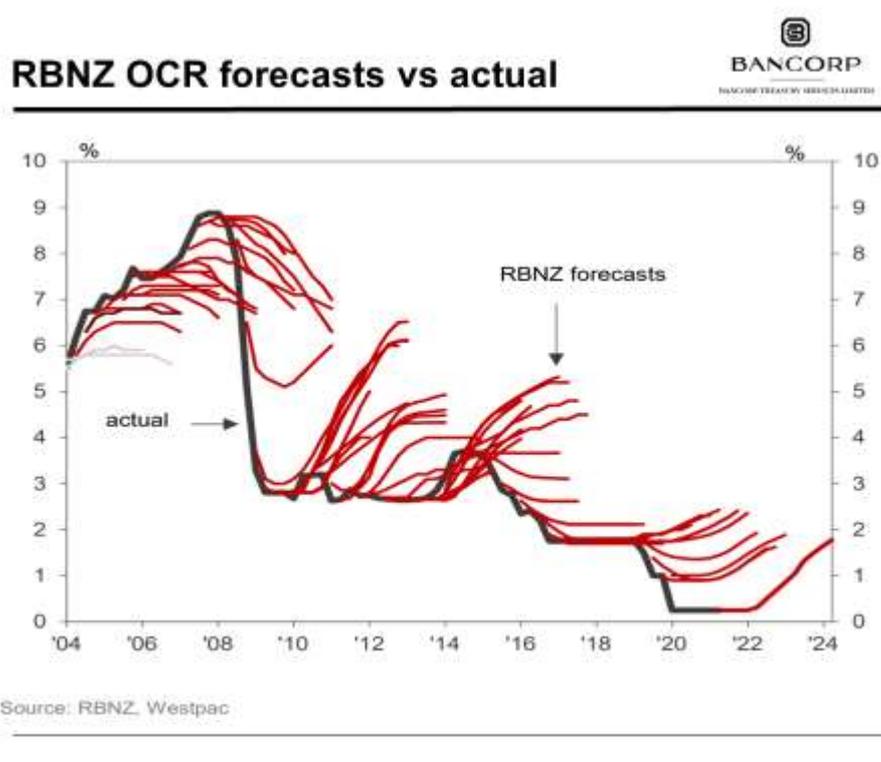
4.0 Discussion – Te Matapakitang

- 4.1 Council's debt portfolio is managed within 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. 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.
- 4.2 **Attachment 1** sets out Council's overall compliance with Treasury Management Policy as at 30 June 2021.
- 4.3 The Council's current total external debt is \$205m as at 30th June 2021. Offsetting this are \$38m of bank deposits, giving a net external debt position of \$167.74m. This is supported by the Treasury Position 30th June 2022 Report in Attachment 1.
- 4.4 Council has bank deposits totalling \$38m with a portion to be invested in term deposits whilst the remaining amount is funding a significant amount of capital spend.
- 4.5 The term deposits that were held at the end of last quarter with Westpac \$5m, BNZ \$10m, and Bank of China \$20m, have now been utilised to pay maturing debt of \$20m, along with funding the large capital spend mentioned in the previous paragraph.
- 4.6 Standard and Poors Global (S&P) Update – S&P conduct an annual ratings review on Council's Outlook based on a set of five metrics. These metrics are, Economy, Financial Management, and Budgetary performance, Liquidity, and Debt burden.
- 4.7 An in-depth financial analysis of S&P's metrics was completed by officers in order to better understand what was required in order to move Council's rating from the prior year of AA Negative watch to AA Stable. As a consequence liquidity was identified as a key area that officers could affect by ensuring a higher level of prefunding both for capital spend and repayment of maturing debt.
- 4.8 In tandem with this analysis, officers forecasted cashflows needed in light of the large capital spend underway in Council. In consultation with Bancorp treasury advisors, Council borrowed \$40m, with a mix of fixed and floating and over different maturities. This is itemised in the table below:

Type	Deal Date	\$ ('000)	Maturity Date	Fixed Rate
Floating	30-Jun-21	10.00	15-Apr-27	0.8050%
Fixed	30-Jun-21	10.00	15-Apr-28	2.04%
Fixed	30-Jun-21	20.00	20-Apr-29	2.20%

- 4.9 The mix of floating and fixed debt borrowed was in order to achieve two outcomes, firstly in terms of the fixed debt, to ensure that Council was compliant with Treasury policy parameters in terms of cover, secondly, the floating portion was to enable Council to continue to suppress and lower the cost of funds wherever possible in light of policy and market considerations.

- 4.10 In addition to this Officers engaged in a forward start contract for \$23m that will become “live” the day before maturing debt for the same amount comes due in May 2022. These actions by Council have played a significant role in the areas that Council can influence in S&P decision to upgrade Council’s outlook.
- 4.11 As a result S&P have issued a report showing that they consider Council’s outlook to now be AA stable, this is up from AA negative watch last financial year.
- 4.12 It should also be noted on the Treasury position dashboard, Council’s cost of funds has fallen from 3.62% as at the end of the last financial year to 2.73%, driven by an increasing proportion of floating rates and concluding some swap contracts at higher rates.
- 4.13 This has been due to a strategy of borrowing at floating rates over the last 2 -3 years and “banking” savings that would not be achieved if Council and the treasury advice it received had taken swaps positions based on reserve bank forecasts of the Official Cash Rate (OCR).



- 4.14 More explanation on the graph above will be given at the meeting, however it does show the Reserve Bank more often than not forecasts rates higher than what is actually occurring.
- 4.15 This financial year started with external debt of \$150m, along with live swaps of \$80.5m and forwards start swaps of \$53.5m. At the close of the 2021 financial year external debt now stands at \$205m, with live swaps of \$88.5m and forward starting swaps down to \$27.5m.

5.0 Next steps – *Te Anga Whakamua*

- 5.1 Council Officers will continue to work with Bancorp Treasury Services to keep Council’s financing costs to a minimum, maintaining adequate liquidity, while maintaining compliance with Council’s Treasury policy.

Attachments:

1  Treasury Dashboard 30th June 2021

FIN-15-01-21-24

Under
Separate
Cover

Summary of Considerations - *He Whakarāpopoto Whakaarohanga*

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

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

This report contributes to the purpose of local government by primarily promoting economic wellbeing and more specifically through the Council's strategic objective of sustainable use of resources and providing resilience to hazards and shocks.

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

This report promotes the economic wellbeing of communities in the present and for the future.

Māori Impact Statement - *Te Tauākī Kaupapa Māori*

There are no known impacts for Tangata Whenua.

Sustainability - *Te Toitūtanga*

This report promotes sustainable financing costs ensuring the economic wellbeing of communities in the present and for the future.

Financial considerations - *Ngā Whakaarohanga Ahumoni*

This report will ensure that financing costs are kept within Council's existing budgets.

Significance and Engagement - *Te Hiranga me te Tūhonotanga*

This report has been assessed under the Council's Significance and Engagement Policy as being of minor significance.

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

There has been no external engagement.

Risks

The purpose of this report and the Treasury Policies it refers to, assist officers to manage Council's treasury risk.

Rural Community Board – Te Poari Tuawhenua-ā-Hapori

There are no implications for the Rural Community Board.

Monday, 13 September 2021

Item 10

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Risk and Assurance Committee Meeting

Te Rārangi Take

Report to Risk and Assurance Committee

Nā:
From: Bruce Allan, Group Manager: Corporate

Te Take:
Subject: Insurance Update

1.0 Purpose and summary - *Te Kaupapa Me Te Whakarāpopototanga*

1.1 The purpose of this report is to provide the Risk and Assurance Committee with an update on recent insurance placements, insurance valuations and other matters arising through the November renewals process with AON.

1.2 Local Authority Protection Programme (LAPP)

1.3 The renewal date for LAPP is 1 November and we have been advised of the new renewal terms and attached as **Attachment 1** is the letter from LAPP with details of the annual renewal details. The Key points of the renewals are:

- Member contributions (premiums) have increased to \$340,275 compared to \$231,634 last year. This was partially foreseen and the budget for this cover was increased to \$291,000.
- The cover across the LAPP membership will be three events in any order of \$65m, \$105m and \$150m Loss limits. Previously the three events were \$60m, \$100m and \$140m. There is also some technical changes to how the reinsurance has been arranged which is mentioned in the attached letter.
- The declared asset valuation for replacement valuations has been increased to \$1.162b compared to \$872m last year.

1.4 The increased member contributions reflect changes to our declared asset valuation, the increased cover, plus an increase of 7.5% to reflect a general market increase.

1.5 **Other renewals**

- 1.6 The revaluation our assets covered under the material damage policy has been completed and as expected there has been an uplift in asset value from \$419.8m (2020 inflated value from 2018 valuation) to \$466.7m (most of this increase was waste treatment plant increase \$38.4m). Any uplift in asset value will obviously impact on premiums.
- 1.7 The market is stabilising due to large premium increases over the last 3 years which is seeing other insurers coming to the table with pricing as it now becoming worthwhile to re-enter the market. Early signs of around 5% premium increases are being forecast excluding any impact from the revaluation increase.
- 1.8 All renewal information has been submitted to our broker but we are unlikely to see anything back until early October at the earliest.
- 1.9 If insurances begin to become disproportionately expensive compared to the risk that is being covered, then Council may want to have a more significant review of its insurance strategy in this area. There are a number of levers that Council has to consider including:
- Increasing the current material damage excess beyond the current \$10,000
 - Reviewing loss limits, that is, setting a cap on how much cover Council has. For example, setting a loss limit of say \$100m when Council's total asset value is \$467m, but accepting some risk that not all of the assets will be damaged in one event. Note the insurer will still be very interested to understand the total asset value as this is an important factor in them understanding exposure and risk.
 - self-insuring certain assets
- 1.10 An assessment of historic claims and the benefit to premiums of increasing the excess limit will be undertaken for this renewal.

2.0 Recommendations - Ngā Tūtohunga

That the Risk and Assurance Committee receive the report titled Insurance Update dated 13 September 2021

Attachments:

[1↓](#) LAPP Annual Renewal of Cover

IRB-3-20-21-99

Jeffrey Tieman
Hastings District Council
Private Bag 9002
Hastings 4156



11 August 2021

Dear Jeffrey,

Your Member Contribution for Yearly Renewal of Cover Commencing 1 November 2021

The next LAPP annual renewal date is 1 November 2021. As LAPP has a two-month withdrawal notice requirement this would mean if you were intending to withdraw from the Fund from this next annual renewal date you would have to provide LAPP with your written notice of withdrawal before 1 September 2021.

As such we are advising you now of your Council's LAPP membership contribution for the 2021-22 year which is providing cover for the period 1 November 2021 up to and including 31 October 2022.

Your Council's LAPP membership contribution for this year's renewal period from 1 November 2021 is \$340,275.38 plus GST. This compares to last year's annual contribution from 1 November 2020 of \$231,634.40 plus GST.

Your recently declared asset valuation which is being used for this renewal period from 1 November 2021 to 31 October 2022 is \$1,162,730,891.89. This compares to a value of \$872,973,559.00 for the previous period from 1 November 2020 to 31 October 2021.

We have received feedback from members around the maximum level of cover provided by LAPP for a single event. The cover from 1 November 2021 to 31 October 2022 across the LAPP membership will be for three events in any order of \$65m, \$105m and \$150m, but for technical reasons LAPP's reinsurance program will only automatically cover the third event if at least one of the first two events that led to a LAPP reinsurance claim is an earthquake. A single non-earthquake claim on LAPP that triggers a LAPP reinsurance claim is unlikely, and two in the same year is very unlikely. If this happened or it looked like it could happen, LAPP would proactively seek to buy additional reinsurance.

The new contribution reflects the change in your declared asset valuation, the increase in cover, plus an estimated 7.5% general market increase in reinsurance cost as advised by our broker, Aon New Zealand.

Your Council's claim threshold for this period of cover is \$1,500,000.00 and claim deductible is \$600,000.00. The claim threshold is the amount of damage which must be reached before a member can make a claim, and the deductible is the amount the member pays towards the claim for their 40% share once the threshold has been reached.

We will be issuing you with two invoices for this renewal period, each representing 50% of your annual contribution. The first invoice will be issued before the end of September 2021 and payment is required by 20 October 2021. Your second invoice will be issued before the end of March 2022.

If you have any questions arising from this letter, please let me know.

Your sincerely


Ian Brown
Civic Financial Services
LAPP Administration Manager
Email: ian.brown@civicfs.co.nz
DDI: (04) 978 1263

Monday, 13 September 2021

Item 11

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Risk and Assurance Committee Meeting

Te Rārangi Take

Report to Risk and Assurance Committee

Nā:
From: Bruce Allan, Group Manager: Corporate

Te Take:
Subject: Group Manager: Corporate Update Report

1.0 Purpose and summary - *Te Kaupapa Me Te Whakarāpopototanga*

1.1 Group Manager Overview

1.1.1 Following feedback from the last Risk and Assurance Committee meeting the agenda has been slightly restructured to allow a more general conversation to be had at the start about emerging risks and an opportunity for a bit of an environment scan. It has also been acknowledged that while there is a lot going on across Council, there are two areas in particular that the Committee wanted to have a quarterly update on. Those two areas were around regulatory reform and in particular the reforms going on with the three waters, RMA and the Local Government Act and the impact that growth is having on our community and this organisations response to that.

1.1.2 The following comment was made in this report on the last agenda;

“Council continues to deliver its services to the community to a high standard, however community and organisational expectations continue to grow as does the fiscal constraints to which we operate in. A conundrum that will only get more challenging”.

This has obviously continued to be the case and it will be very pleasing to report to the Operations and Monitoring Committee at the end of September a rating surplus, despite the challenges that the 2020/21 financial year presented. Any consideration on how that surplus is utilised will need to be cognisant of the operating environment that we are working in and the need to deliver more, sometimes with the expectation of no extra resources. Therefore the recommendation from officers will be that any surplus is made available to help deliver on that ever increasing agenda and be held in a contingency reserve for that purpose.

1.1.3 The delivery of the Annual Report has continued in lockdown and an update on that is included on this agenda.

1.2 Covid Response – Business Continuity

1.2.1 Council’s preparedness for further Covid lockdowns has been tested through the recent outbreak of the Delta variant in Auckland and the subsequent Alert Level 4 lockdown. The Covid response teams have performed very well through this time and supported the organisation well as it transitioned firstly to Alert Level 4, then progressively resuming services as the alert levels were reduced.

1.2.2 Council’s essential services also responded very well and all essential services transitioned well and the services to our community progressed uninterrupted. The main challenges were associated with managing access to parks and freedom camping in reserves.

1.2.3 Support for Group Civil Defence and Emergency Management worked more effectively during this lockdown. Staff rostering was centrally coordinated through the project team enabling the team to ensure Council staff were well prepared for the roles they would be undertaking. This was a learning from previous events. The Welfare response was led by Group, along with partner agencies such as MSD.

1.2.4 The ability of the organisation to respond to these changes to Alert Levels at sometimes very short notice is testament to the preparedness work that has been put in, including an exercise run with the Executive Team on August 4th which tested our ability to respond and gave the response team some good learnings which were put into play only two weeks later.

1.3 SafePlus Health and Safety Assessment

1.3.1 This assessment previously scheduled for September has unfortunately been postponed due to the Covid lockdowns and staff are looking to reschedule it. Officers are still of the view that this review is a very useful assessment to have undertaken and will provide the necessary assurances as to the level we are operating at.

1.4 Outstanding Actions

1.4.1 Attached as **Attachment 1** are the outstanding actions from previous Risk and Assurance meetings.

2.0 Recommendations - *Ngā Tūtohunga*

That the Risk and Assurance Committee receive the report titled Group Manager: Corporate Update Report dated 13 September 2021.

Attachments:

1  Risk & Assurance Status of Actions Sheet - CG-16-6-00108
September 2021



**Hastings District Council
 Risk and Assurance Committee
 Status of Actions Sheet – September 2021**

Item No.	Meeting Date	Action	Reporting Officer	Progress	Complete
1	18/10/20	<u>Risk Assurance</u> <ul style="list-style-type: none"> Incorporate annual review of growth nodes (industrial and residential) for Committee, focusing on risks being addressed by Council 	GM:C	A focus for Council retreat 6 July, follow-up report to Risk & Assurance	Complete with standing agenda item
3	02/02/21	<u>IT Risk and Controls</u> <ul style="list-style-type: none"> Officers investigate a process to provide independent assurance for Council's IT systems to an appropriate level of security. 	CIO	Update report from CIO included on agenda	Ongoing and partially complete
4	12/04/21	<u>Insurance update and presentation from AON</u> <ul style="list-style-type: none"> Committees administering rural halls/buildings insured through HDC are invited to discuss whether buildings are insured at the right level. 	GM:C Jeff Tieman	Ongoing – renewal date November 2021	
8	12/04/21	<u>GM: Corporate Manager's Update</u> <ul style="list-style-type: none"> Council Policies – Officers to keep a close eye on policies, who is the owner and how often should it be reviewed. Lead Team to review list of policies and discuss how best to maintain timely reviews. 	GM:C GM:P&C	Ongoing, processes updated to ensure improved compliance to policy reviews	Complete
9	05/07/21	<u>Annual Report 2021 update</u> <ul style="list-style-type: none"> Financial Controller to provide revaluations for land and buildings, parks and roading to Chair 	Financial Controller	Completed and noted in FC report on this agenda for the Annual Report	Complete



10	05/07/21	<u>Risk Assurance Programme</u> <ul style="list-style-type: none"> Scoping documents of most relevant work required for the next six months to be emailed to the Committee Consider scheduling additional meetings over next financial year 	Regan Smith/ Steffi Bird GM:C	Scoping documents still in development 2022 meeting calendar currently in development. Will look to include an October meeting to capture Annual report adoption and Insurance renewals	
12	05/07/21	<u>3 Waters Reform Risk Analysis</u> <ul style="list-style-type: none"> Mayor has requested a paper go to full Council 	Regan Smith	Has been informally circulated and workshopped with Council which RCB, HTN MJC	Complete
13	05/07/21	<u>GM: Asset Management</u> <ul style="list-style-type: none"> Dashboard – delivery risk, what is aimed at, what is realistic and consequences. To be circulated prior to September meeting 	GM:AM	Addressed in the GM Assets update report	

HASTINGS DISTRICT COUNCIL

RISK AND ASSURANCE COMMITTEE MEETING

MONDAY, 13 SEPTEMBER 2021

Item 14

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 IT Cyber Security Update
- 16 Health & Safety Contactor Performance 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>GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED</i>	<i>REASON FOR PASSING THIS RESOLUTION IN RELATION TO EACH MATTER, AND PARTICULAR INTERESTS PROTECTED</i>	<i>GROUND(S) UNDER SECTION 48(1) FOR THE PASSING OF EACH RESOLUTION</i>
15 IT Cyber Security Update	Section 7 (2) (a) The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person.	Section 48(1)(a)(i) 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.
16 Health & Safety Contactor Performance Report	Sharing of security elements. Section 7 (2) (b) (ii) The withholding of the information is necessary to protect information where the making available of the information would be likely to unreasonably prejudice the commercial position of the person who supplied or who is the subject of the information. The report contains sensitive information relating to Third party (contractor) operations.	Section 48(1)(a)(i) 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.