

Monday, 18 July 2022

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, 18 July 2022**

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**

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HASTINGS DISTRICT COUNCIL
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TE KAUNIHERA Ā-ROHE O HERETAUNGA

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, 18 July 2022

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Hastings District Council

Risk and Assurance Committee Meeting

Kaupapataka

Agenda

<i>Mematanga:</i> Membership:	<i>Koromatua</i>
	Chair: Jon Nichols – External Independent Appointee
	<i>Nga Kai Kaunihera</i>
	Councillors: Simon Nixon (Deputy Chair), Alwyn Corban, Tania Kerr, and Geraldine Travers
	Heretaunga Takoto Noa Māori Standing Committee appointee : Robin Hape External Independent Appointee: Jaun Park Mayor Sandra Hazlehurst
<i>Tokamatua:</i> Quorum:	4 members
<i>Kaihokoe mo te Apiha</i> Officer Responsible:	Group Manager: Corporate – Bruce Allan
<i>Te Rōpū Manapori me te Kāwanatanga</i> Democracy & Governance Services:	Christine Hilton (Extn 5633)

Te Rārangi Take

Order of Business

1.0 Apologies – *Ngā Whakapāhatanga*

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.

3.0 Confirmation of Minutes – *Te Whakamana i Ngā Minitī*

Minutes of the Risk and Assurance Committee Meeting held Monday 11 April 2022.
(Previously circulated)

4.0 GM Corporate Update Report

7

5.0 Review of Emerging Risks on Council's Strategic Goals

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11.0	Minor Items – <i>Ngā Take Iti</i>	
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12.0	Urgent Items – <i>Ngā Take Whakahihiri</i>	
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13.0	Recommendation to Exclude the Public from Items 14, 15 and 16	53
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14.0	Contractor Health & Safety Performance Report	
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15.0	Flaxmere Waterworld Roof Fire Incident - Summary of Findings	
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16.0	Regional Aquatic Facility at the Mitre 10 Sports Park - Potential impacts on Hastings District Council Aquatics Facilities	
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Monday, 18 July 2022

Item 4

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: **GM Corporate Update Report**

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

- 1.1 ***Please note that COVID has had an impact on staff preparing this agenda and as such some of the reports are a little lighter on detail than expected. This detail will be covered through verbal updates by staff at the meeting.***

Internal Audit Contract

- 1.2 The Internal Audit contract with Crowe is at the end of its contracted terms following three years with two one-year rights of renewals which have been utilised. Napier City Council have lead the procurement process on behalf of the five Hawke's Bay councils. Officers may be able to provide the Committee with the outcome of that procurement process at the meeting should it be sufficiently completed.

Cyber Security

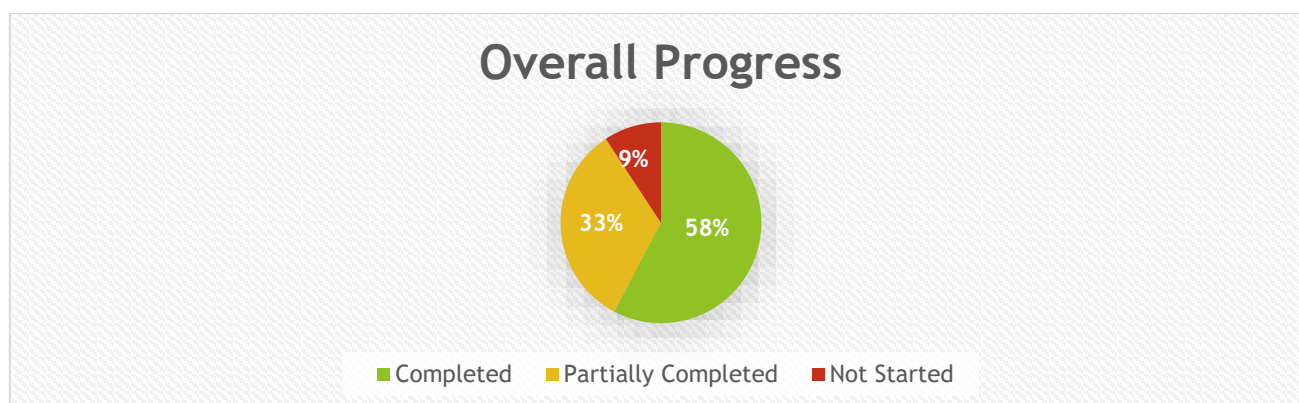
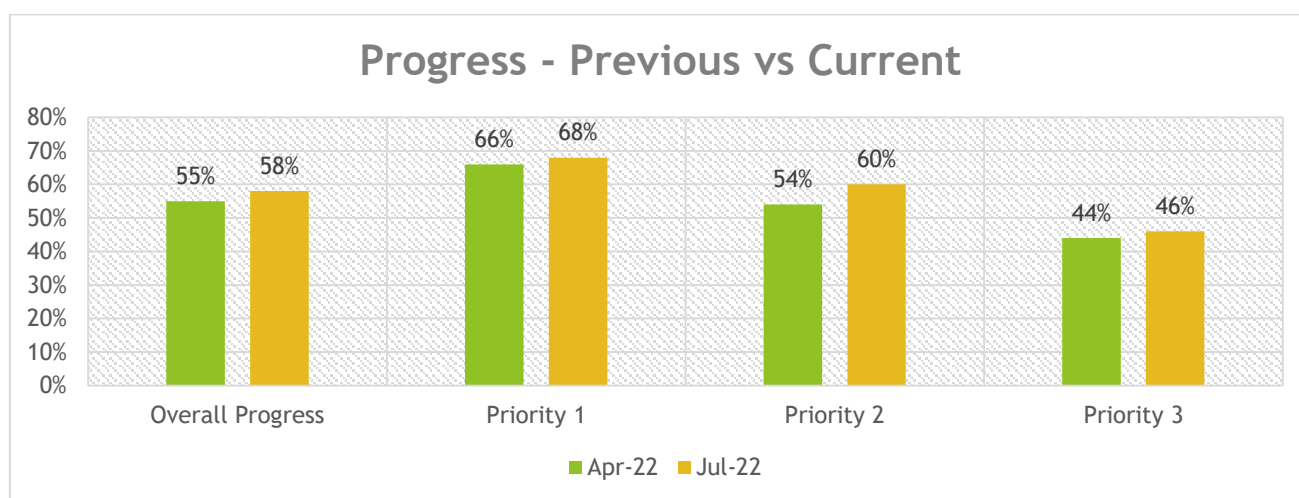
- 1.3 Council continues to implement both hard and soft controls to improve its security posture.

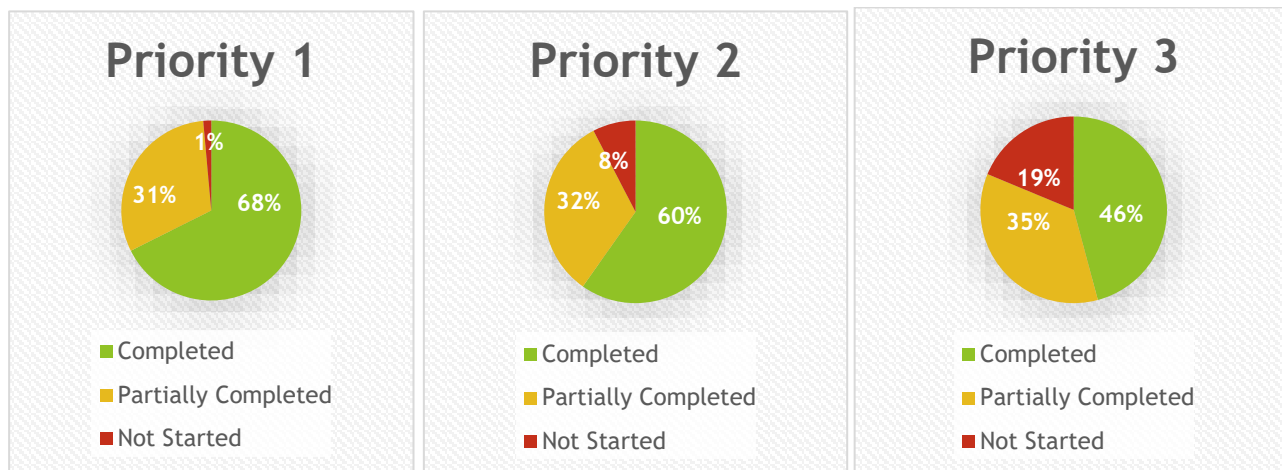
Recent Milestones

- Cybersecurity training completed by 81% of staff and 80% of Councillors. GMs and Mayor following up with anyone who has not completed it.
- New backup and recovery infrastructure implemented providing a plethora of recovery options.
- New next generation firewalls implemented replacing five-year-old firewalls.
- Cybersecurity Incident Management System implemented. This includes:

- A quick guide & full security incident management guide
- Cybersecurity incident management policy
- Standard operating procedures for nine different cybersecurity incident types / check lists
- Incident management plan
- Communication Strategy & Contacts list
- Project “Sandpit” scheduled for August 2022 to test Council’s incident management plan and restoration of enterprise system (Technology 1 Finance)
- Received ALGIM 2021 Cybersecurity award.

Centre of Internet Security (CIS) controls - Officers continue to work through the 281 CIS controls.





Insurance

- 1.4 AON have been engaged by the five Hawke's Bay councils to assess the potential Material Damage (MD) loss due to the impact of seismic events on property assets owned by member councils of the Group. This work will provide a high-level assessment of potential MD losses to the HB Councils' property assets due to earthquake damage. The Group's property portfolio predominantly includes buildings (e.g., admin and civic buildings, community facilities etc.) and above-ground 3 Waters infrastructure assets (e.g., pumping stations, reservoirs etc.). The analysis will focus on worst-case scenarios that could cause wide-spread damage across the Hawke's Bay region.
- 1.5 It is expected that this loss modelling will inform Council's decision making in terms of setting loss limits rather than the current approach of having all assets insured.
- 1.6 Officers are also reviewing the current asset schedule, identifying assets that would not be replaced if they were to be damaged or destroyed. Assets in this category and identified to date include:
- 1.7 Public Liability (PL) & Professional Indemnity (PI) - London has applied a 23.8% increase due to a deterioration in claims for the sector (those with claims do have a higher increase), increasing the premiums to \$143,883. PL & PI cover is provided through Marsh.

2.0 Recommendations - Ngā Tūtohunga

That the Risk and Assurance Committee receive the report titled GM Corporate Update Report dated 18 July 2022.

Attachments:

There are no attachments for this report.

Monday, 18 July 2022

Item 5

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: Regan Smith, Risk and Corporate Services Manager
From: Steffi Bird, Risk Assurance Advisor

Te Take:
Subject: Review of Emerging Risks on Council's Strategic Goals

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

- 1.1 The purpose of this report is to provide further context to the emerging risks reported at the Risk and Assurance Committee meeting on 14 February 2022. This information is provided to enable the Committee to fulfil its role of supporting Council to effectively manage risk.
- 1.2 Based on this information the Committee may wish to advise Council on additional steps that can be taken to navigate the volatility in the current operating environment in order to successfully deliver strategic outcomes.

2.0 Emerging Risk Profile

- 2.1 The following four emerging risks were previously identified as relevant to Council's strategic objectives:
 - Inflation.
 - Supply chain disruption.
 - Talent attraction and retention.
 - Energy costs.
- 2.2 To assess the effect that these emerging risks may have on Council's Long Term Plan goals, interviews were held with the relevant project owners. These discussions were focused on two time horizons: A short term view covering current management actions to respond to the emerging issues; and a medium term view that provides a context for future strategic decision making.

- 2.3 By assessing the effect of these emerging risks on Council's strategy, it may be possible to assess if the variation would be within Council's risk appetite, and whether Council should consider changes to the current projects to achieve strategic goals.
- 2.4 The attached table (**Attachment 1**) lists a summary of the possible short and medium term effects of the emerging risks on the current Long Term Plan focus areas. The key points from this summary are:

Short term issues:

- Increased management monitoring of key performance indicators to enable plans to be adjusted as needed.
- Investment in training & development of staff and provision of flexible working arrangements to support talent retention and attraction.
- Early contractor engagement, programme sequencing and product substitution to address construction project impacts.

Medium term issues:

- Undertaking analysis to determine the sensitivity of existing policies to unexpected future conditions (i.e. much lower than expected growth).
- Considering there is a general trend toward higher cost for delivery of projects, it will be important to critically review and prioritise projects to ensure key outcomes are delivered while maintaining a sustainable project and financial workload. This may also include reviewing service levels, including deciding on the relative balance between core maintenance vs general amenity.
- Due to the demand in the construction sector and constraints in supply chains, consideration should be given to adapting procurement practices to enable more innovation in the approach to contracting. In addition, reviewing delegations to ensure the organisation has sufficient agility to adjust work programmes to respond to immediate market conditions would be desirable.
- Developing a strategy that leverages the capability of Foodeast to address potentially significant changes in land and water use, as well as the need to up-skill the workforce to match the greater level of automation in food production that is likely in the next few years.

3.0 Climate Adaptation Risk

- 3.1 The following update is provided on the basis that Failure of Climate Adaptation is currently the top risk on Council's strategic risk register.
- 3.2 The Government has recently released two key policy documents that set the direction for the response to climate change. Those documents are the National Adaptation Plan and the Emissions Reduction Plan.
- 3.3 **National Adaptation Plan**
- 3.4 The Government's first National Adaptation Plan (NAP) acknowledges that there are locked in impacts of climate, regardless of any mitigating actions, and proposes actions to help New Zealand adapt to these irreversible impacts. The NAP prioritises actions for the next six years with the following vision, purpose and goals:
- 3.5 Vision: Our people, places and systems are resilient and able to adapt to the effects of unavoidable climate change in a fair, low-cost and ordered manner.
- 3.6 Purpose: To enable New Zealanders to prepare for and adapt to the impacts of climate change.
- 3.7 Goals:

3.7.1 Reduce vulnerability to the impacts of climate change.

3.7.2 Enhance adaptive capacity and consider climate change in decisions at all levels.

3.7.3 Strengthen resilience to climate change.

3.8 HDC staff consider the following risks to be a priority in regards to the draft NAP: water quantity and quality (*Strategic Risk #3*), natural disaster resilience (particularly land use planning) (*Strategic Risk #1*), ability to fund/financial sustainability (*Strategic Risk #9*), drought, erosion and sea level rise (HDC has significant assets in low-lying areas), extreme rainfall events, fuel prices and other externalities, and the resources (human and financial) required to adapt to Government policies.

3.9 The deadline for submissions on the NAP closed on 3rd June. After reviewing the situation Hastings District Council did not make an independent submission, but was supportive of the Hawke's Bay Regional Council views.

3.10 Emissions Reduction Plan

3.11 In addition to the NAP, the Government released New Zealand's first National Emissions Reduction Plan (ERP) during May, which sets out how New Zealand will meet the Government's first emissions budget.

3.12 Key actions from the Emissions Reduction Plan which have an impact on Local Government include:

- Transparency and management of climate risks.
- Low-emissions and resilient housing, and urban development.
- Financing for infrastructure to support low-emission urban environments.
- Development of a circular economy and bio-economy strategy.
- Improvements and initiatives to increase the use of cycling (including e-bikes), walking, electric vehicles and zero- or no-emission freight options.
- Improvements in the Building and Construction sector to accelerate low-emissions buildings.
- Improvements to both household and commercial waste management.

3.13 The actions within the ERP will require Council to effect change in three distinct arenas:

3.13.1 Operating Model: The way Council undertakes its activities will need to transition to a low-emissions profile (e.g. building energy efficiency and low/zero emission transport). A carbon assessment of Council activities is underway to develop a transition plan.

3.13.2 Core Services Delivery: Many of the initiatives in the ERP will involve Council giving effect to Government policy through statutory processes to drive a change in community behaviour (e.g. land use planning and transportation system changes). To be successful, Council will need to make the goals of the NAP and actions from the ERP key deliverables of core Council services such as; Environmental Planning, Resource Consenting, Building Consenting, Waste Management, Transportation.


3.13.3 Community Leadership: In order to achieve an orderly and equitable transition Council will need to play a proactive leadership role to adapt to the changes affecting our district and region. In this capacity, partnership with Maori/Iwi, local and central Government agencies and community groups will be important, as will be general community education.

3.14 To ensure HDC can respond effectively to the actions within the ERP, an internal working group is being established. The intention is to form a group of key representatives from the teams that are impacted by the actions within the Plan.

4.0 Recommendations - *Ngā Tūtohunga*

That the Risk and Assurance Committee receive the report titled Review of Emerging Risks on Council's Strategic Goals dated 18 July 2022.

Attachments:

- | | | | |
|---|---|---|---------------|
| 1 |  | Impact of Emerging Risks on Council Objectives
June 2022 | PMD-9-3-22-50 |
|---|---|---|---------------|

The following table outlines how the emerging issues of: Inflation, Supply Chain, Talent, and Energy Costs may affect Long Term Plan focus areas:

LTP Goal	Strategy (Projects)	Emerging Risk Time Horizon	
		Short Term Mitigation (6 months - 1 year)	Medium term Consideration (2- 3 years)
Economic Power House <ul style="list-style-type: none"> - Growing meaningful work and higher and valued jobs. - Becoming a leader in food and beverage innovation. - Diversifying to a knowledge-based economy. - Developing a Hastings Proud employers initiative. - Positioning as a centre for government relocations. - Enabling innovation in the primary sector. Appetite: Measured <i>Risk will be accepted if limited and heavily out-weighed by benefits.</i>	<ul style="list-style-type: none"> • Building futures Te Matua a Maui pre-employment and life skills programme. • Business attraction and the CBD. • Enabling primary sector innovation - Foodeast. • Industrial land – Omaha Rd and Irongate. • Extension of infrastructure services to allow for growth. 	<p>In the short term Foodeast, CBD business attraction and industrial land uptake will face cost challenges from general inflation and rising energy costs, and may suffer delays due to supply chain disruption.</p> <p>To respond to the uncertainty that this creates a range of actions have been put in place including: design reviews and regular monitoring of development progress to maintain target levels of land availability for development; establishing a new Future Growth team to lead spatial planning work; and intention survey to gauge future business need.</p> <p>A positive outcome of the talent shortages is likely to be continued demand for Building futures Te Matua a Maui pre-employment and life skills programme, which is not likely to be affected by the other emerging risks.</p>	<p>Inflation, energy costs and availability of talent are also likely to challenge primary sector production over the medium term. This is driving the business community toward higher levels of automation throughout the production cycle. As a result, there is likely to be a significant shift in the skills required in the future. Council may wish to consider how pathways for our people can support the workforce re-training required to avoid an inequitable transition.</p> <p>An additional risk facing the primary sector is the changing climate, which is likely to affect the crops that can be grown in the region. To respond to this challenge future Council strategies may need to address:</p> <ul style="list-style-type: none"> - Availability of water to support industry. - Alignment of new work practices developed by Foodeast with allocation of land and water resources. - Redistribution of capital investment to ensure delivery of priority outcomes.
Homes for our People <ul style="list-style-type: none"> - Protecting our good soils. - More compact housing choices, using available land. - Working with government and other partners on housing projects. - Rethinking future use of council housing provision for elderly citizens. Appetite: Measured <i>Risk will be accepted if limited and heavily out-weighed by benefits.</i>	<ul style="list-style-type: none"> • Affordable homes. • Residential growth programme - Medium density strategy. • Community housing. 	<p>In the short term maintaining consenting capacity to meet development demand is the main challenge to delivery of housing outcomes. Therefore, talent retention and attraction is the emerging risk with the greatest short terms impacts. To address this Council is focus on team morale and workload management through outsource support for consent processing.</p> <p>Price inflation may make infill or high density developments uneconomic, undermining the medium density strategy. In the short term this is managed by working to the LTP targets for land supply.</p>	<p>Over the longer term sustained inflation and higher energy costs may affect both the demand for different types of housing (i.e. high energy efficiency homes) as well as the viability of various types of development (i.e. infill becoming uneconomic). Because current plans are based on a high demand scenario Council faces financial risks associated with underutilised assets if actual demand falls short of projections. As a result, decisions on timing of infrastructure investment will be important. Therefore, determining how sensitive current strategies are to lower than expected demand over the medium term may be beneficial.</p> <p>Long term effects of COVID and recent Geopolitical instability create considerable uncertainty about the future reliability of global supply chains. Understanding how vulnerable Council housing strategies are to long term supply chain disruption would be beneficial to identify whether there are any policy changes Council could make to respond to this challenge.</p>

LTP Goal	Strategy (Projects)	Emerging Risk Time Horizon	
		Short Term Mitigation (6 months - 1 year)	Medium term Consideration (2- 3 years)
<p>Getting Around</p> <ul style="list-style-type: none"> - Investing in our ageing roading assets. - Progressing the use of freight hubs and road/rail/port integration. - Linking transport with future planned urban growth areas. - Advocating for improvement on our regional transport networks. - Developing our sustainable transport alternatives. <p>Appetite: Conservative <i>Risks will be accepted only when essential to the core outcome, and limited possibility/ extent of failure exists. Particularly compliance risks.</i></p>	<ul style="list-style-type: none"> • Key routes – corridors and roundabouts upgrades. • Efficient streets – lighting. • Walking and cycling. • Safety improvements and renewals. 	<p>Projects to upgrade key corridors and roundabouts are anticipated to experience deliver pressure in the short term due to inflationary cost rises, compounded by the availability of raw materials (e.g. roading aggregate) driven by climate change and a shortfall in existing funding. As far as practical, these factors are being managed by adjusting project sequencing and early contractor engagement.</p> <p>A positive outcome from inflation and energy cost pressures may be an increased demand for cycling.</p> <p>Street light upgrades have been completed at an opportune time to help minimise energy consumption. However, this has not resulted in proportionate cost reduction due to changes in electricity pricing models.</p>	<p>It is probable that funding for transport projects will come under even more pressure in the medium to long term. Inflation related cost increases, combined with a lack of certainty over availability of co-funding contributions, are likely to affect the viability of the current work programme.</p> <p>To minimise the chance of failure, it may be necessary to consider substantial changes to the scope of work set in this area, as well as reviewing the service levels that need to be achieved. In particular, consider how funding is balanced between long term maintenance of high value/high cost assets compared to short term amenity related factors.</p> <p>In the medium term energy costs may become a driver of changes in community habits relating to transportation (i.e. electric vehicle uptake, use of public transport and cycling), but in any case the road infrastructure needed is likely remain relatively similar. However, energy costs are also likely be a further driver of cost increases for delivery of transport services.</p>
<p>Rural Living</p> <ul style="list-style-type: none"> - Rural accessibility (a key priority). - Adaptation to new land use and farming futures (including climate change, farm ownership, workforce challenges and water access). - Enhancing rural connectivity (technology and communication). - Planning for future settlement development (and population decline). <p>Appetite: Conservative <i>Risks will be accepted only when essential to the core outcome, and limited possibility/extent of failure exists.</i></p>	<ul style="list-style-type: none"> • Key routes – bridges and roads. • Rural Halls support programme. 	<p>Supply chain disruption and availability talent, specifically staff and contractors with the necessary skills and experience, are factors that may impact short term delivery. The Professional Services Panel now in place provides Council with preferred supplier arrangements with major consulting firms. By providing access to a wide range of professional service this should help address talent related concerns.</p>	<p>Due to the technical nature of the asset management work relating to key routes and rural buildings, talent retention and attraction is likely to be the emerging issue with the most notable long term impacts.</p>

LTP Goal	Strategy (Projects)	Emerging Risk Time Horizon	
		Short Term Mitigation (6 months - 1 year)	Medium term Consideration (2- 3 years)
<p>Our natural treasures</p> <ul style="list-style-type: none"> - Promoting water and energy efficiency. - Enhancing biodiversity. - Sustainable infrastructure and climate agility. - Nurturing iconic landscapes. - Managing healthy waterways. <p>Appetite: Conservative <i>Risks will be accepted only when essential to the core outcome, and limited possibility/ extent of failure exists. Particularly safety risks.</i></p>	<ul style="list-style-type: none"> • Safe Drinking Water – drinking water and demand management strategies. • Wastewater upgrades • Stormwater quality - Lowes Pitt, Caroline Rd, Whakatu • Refuse – Transfer stations and kerbside collection & landfill development • Environmental enhancement - Havelock North streams 	<p>Most of the major water projects are well underway, so cost increases from inflation pressures should be relatively manageable. However, supply chain disruption poses is a significant challenge for all projects, particularly with further COVID-19 outbreaks in China affecting Shanghai port throughput. Operationally this is being managed through a range of strategies including; modifying design to allow for available materials, early ordering of supplies and managing schedules to avoid downtime. At a strategic level work is underway to re-phase growth funded projects based on a longer term view of the programme to provide stability for design, planning and market pipeline.</p> <p>The technical nature of projects in this area means that talent retention and attraction will be key to future success. There is currently pressure on retention due to more attractive offers being provided by private sector, and higher standards of living available in Australia. To address this Council is focusing on existing staff by providing development opportunities, providing flexible working arrangements and improved work environment.</p>	<p>In the medium term cost inflation, supply chain disruption and talent shortages are all likely to impact delivery of projects to support this goal. An additional driver of inflation in the construction market beyond national trends is the lack of competition in the local market. The sector is currently over-subscribed, and it is likely there will be more major projects to come on stream between HDC and NCC in the medium term. This continued inflationary pressure will make it impractical to hold prices on long term contracts. Therefore, considering how procurement processes should be adapted to reflect the new operating context to achieve viable contracts for future works is desirable.</p> <p>In addition to this, as project costs continue to climb the risk that budgets will be exceeded will increase, in turn putting pressure on Treasury limits. To work within the Conservative risk appetite for this goal a review of the project pipeline, including greater agility in decision making to adjust the programme to fit current circumstances, is warranted to ensure limited possibility of unmanageable financial commitments.</p> <p>Other factors that may complicate delivery are:</p> <ul style="list-style-type: none"> - Changes to project scope due to Government reform. - COVID re-emergence or subsequent outbreak locally or globally affecting supply chains further.
<p>Hastings alive</p> <ul style="list-style-type: none"> - Getting more people into the city. - Enhanced CBD vibrancy through the CBD activation plan. - Growing the youth vibe. - Uplifting other town centres. - Telling our diverse stories to strengthen our identity. <p>Appetite: Measured <i>Risk will be accepted if limited and heavily out-weighed by benefits.</i></p>	<ul style="list-style-type: none"> • CBD vibrancy and activation plan. • Civic square and central mall projects. • Cultural Precinct – municipal building. • Great Communities Strategy – Smart innovation. 	<p>In the short term the emerging risks identified are likely to have minimal impact on delivery of projects for the Hastings Alive outcomes. Note: A strategic review is underway to confirm that appropriate measures are in place for the CBD activation plan.</p>	<p>In the medium term continued Inflation and supply chain is likely to put further pressure on the tight local construction market. Therefore, adapting the Council procurement approach is likely to be necessary for successful achievement of the goals in for a vibrant Hastings.</p> <p>Other factors that may complicate delivery are:</p> <ul style="list-style-type: none"> - Constraints associated with accessing central precincts, including transportation and parking. - Availability of visitor accommodation.

LTP Goal	Strategy (Projects)	Emerging Risk Time Horizon	
		Short Term Mitigation (6 months - 1 year)	Medium term Consideration (2- 3 years)
<p>Pathways for people</p> <ul style="list-style-type: none"> - Development of a Rangatahi Co-lab. - Connecting people, skills and jobs through our connector programme. - Encouraging youth to stay in school. - Connecting the educational/ professional sector link by looking at multiple career pathways. - Improving equity in jobs, income and health outcomes. <p>Appetite: Justified <i>Willingness to take risk in the right conditions as long as the impacts are managed. With focus on managing safety impacts.</i></p>	<ul style="list-style-type: none"> • Youth development programme. • Great Communities Strategy – Positive Pathways. 	<p>The success of development programmes relies heavily on the people involved and the relationships they can foster. As a result, risks associated with talent retention and development present the most significant challenge for this goal. Some mitigation is provided by the Council structures (team, Committees and taskforces) that spread knowledge and responsibility for delivering programmes.</p>	<p>In the same way that talent is a short term issue, this is likely to be the key issue facing the youth pathways programmes in the medium to long term. Uncertainty over the future of Local Government services increases the need for people that are able to establish and maintain effective working relationships with a wide range of agencies (government and non-government) as well as individuals in the community.</p> <p>As a result, having clarity on the approach to partnerships that Council wants to apply will help provide support and clarity for those working in this space. In turn, this should help people feel valued and supported helping with talent retention.</p>
<p>Enhancing where we live</p> <ul style="list-style-type: none"> - Flaxmere Town Centre rejuvenation. - Working with communities on focused initiatives in neighbourhood uplift areas. - Enhancing community safety. - Planning for coastal settlement futures. - Enabling marae-based settlement development. <p>Appetite: Justified <i>Willingness to take risk in the right conditions as long as the impacts are managed. With focus on managing safety impacts.</i></p>	<ul style="list-style-type: none"> • Recreation/leisure services. • Playgrounds, reserves and sports grounds - Windsor/Cornwall Parks. • Community planning. • Community safety. • Multicultural strategy. • Regional Coastal Strategy. • Great Communities Strategy – Safe, Vibrant & Resilient. 	<p>In the short term the emerging risks that have been identified are likely to have minimal impact on delivery of projects for the Enhancing Where we Live. The programmes under the Community Wellbeing Action plan within the Great Communities Strategy are well established.</p>	<p>Delivery of construction projects to enhance where we live may be affected by inflation and supply chain as previously identified for other physical works projects.</p> <p>Talent retention could also have a noticeable impact on Enhancing Where we Live. This is likely to play out in two ways; the first is that retaining the right talent to bring plans to life will be key, and the second is that open travel with Australia is likely to result in significant migration that could affect local vibrancy. In order to determine the net impact of these drivers a means of measuring Community Wellbeing is needed. Consideration should be given to applying the Taituara Community Wellbeing Framework to track the success of wellbeing programmes.</p> <p>To address the possible impacts of energy cost rises, Council may considered setting standards for the level of investment in building energy efficiency measures to be applied during building upgrades to provide resilience to possible energy shocks.</p>

Monday, 18 July 2022

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: Steffi Bird, Risk Assurance Advisor
From: Elmien Steyn, Emergency Readiness & Business Continuity Advisor

Te Take:
Subject: Risk Assurance Update

1.0 Executive Summary – *Te Kaupapa Me Te Whakarāpopototanga*

1.1 This report provides the Committee with an update on key risk assurance updates since the last meeting, including:

- Approved changes to the Tier 2 Enterprise risks
- Approved Assurance Review Plan for 2022-2025
- Final audit reports for Records Management and Community Grants Management from Hastings District Council's independent auditor, Crowe
- A summary of actions from recent event and exercise debriefs

1.2 Tier 2 Enterprise Risk Register Changes

- Through a planned review, there has been a change to one of the risks managed by the HDC Management Team.
- Previously called 'Facility Failure', risk #19 has been reshaped to 'Community Service Failure' through a series of work between the Risk Assurance Team and the Risk Owner, Group Manager: Community Wellbeing and Services.
- The risk profile now reflects the risk event (or tipping point) being a failure to deliver services to the community, and failure of the facility is one of the threats that could lead to this event.
- The changes have been approved by the Lead Team and the new risk summary is provided to the Committee for awareness (**Attachment 1**).
- This risk is one of the enterprise risks which aggregates into the Tier 1 Strategic Risk, 'Significant Operational Service Failure' owned by Council.

1.3 Assurance Review Plan 2022-25

- The Assurance Review Plan 2022-2025 (**Attachment 2**) has been developed by the Risk Assurance Advisor and approved by the Lead Team.
- Based on prior discussion, the review plan is focused on providing assurance over the Tier 2 Enterprise risks.
- The below reviews have been prioritised for completion. These will be undertaken by the Risk Assurance function and an executive report provided back to the Committee at completion:
 - Environmental, Social & Governance Review
 - Fraud & Corruption Incidents
 - Man-made/natural disaster

1.4 Records Management & Community Grants Management Audit Report (undertaken by Crowe)

- Crowe, HDC's externally appointed, internal auditor, have undertaken Records Management and Community Grants Management audits for HDC.
- The **Community Grants Management** audit was based upon good practice guidance from the Office of the Auditor General which resulted in three findings (one rated low, and two rated moderate) and three subsequent recommendations.

Recommendation	Rating
As per the OAG's guide, the Council should ensure clear policies and procedures are in place for identifying the purpose and criteria of the grants that the Council will fund and the procedures that will be followed in ensuring the council's policy aims are effectively met. Additionally, there should be clear policies and procedures in place to ensure that public information on the availability of funds and processes for applying are appropriately made available.	Moderate
As per the OAG's guideline the council should perform regular reporting, monitoring and other checks to ensure compliance with the conditions of the grant and assess whether future grant is to be released. There should also be procedures in place enforcing penalties where conditions are not met. Additionally, any monitoring done for the purposes of publishing outcome information on the website should also be tracked in Smarty Grants forming part of the acquittal information.	Low
For transparency purposes, when grant funding is awarded, including the Community Events Grants, it should be ensured that the decision-making processes are documented and retained. Where required, it should also be ensured that decisions are made publicly available. The documentation should include (but not be limited to): <ul style="list-style-type: none"> • the full list of applicants • details of the grants awarded (including justification and amounts, if required) • the individuals making the decisions • any conflicts of interest identified and the steps taken to manage those conflicts. 	Moderate

- The Records Management Standard issued by Archives New Zealand was used as the basis for the audit on HDC's **Records Management** policies and procedures. The audit resulted in eight findings against the Standard's 20 requirements (one process improvement, two rated low, and five rated medium), with seven recommendations.

Recommendation	Rating
It is recommended that the Council reviews the Records Management Policy and related strategies and plans to ensure it remains up to date. It should be ensured that review dates for policies are adhered to or that reviews are undertaken whenever significant system changes or upgrades are implemented to ensure the policies remain valid.	Low

Consideration could be given as to whether the Project HPRM Requirements document used by 3 Waters could be implemented wider across the major contracting departments to ensure all documents required in HPRM are captured.	Process Improvement
The steps already identified to be completed as part of the Draft Digital Preservation Strategy. Completion of these steps will allow for the requirements for documents of high risk, high value or both to be met.	Moderate
<p>Departmental level operating procedures should be documented to ensure all staff are aware of the information management requirements and their responsibilities for information management.</p> <p>It should be ensured that these procedures provide sufficient detail to ensure all staff are aware of the type of information that should be retained, for how long and how it should be disposed.</p> <p>These details should include department specific requirements as well as council-wide requirements (for example emails giving advice or making decisions should be retained as opposed to general emails which may not need to be kept).</p> <p>The Executive Sponsor should ensure that appropriate procedures have been documented across all departments that manage records in systems other than HPRM.</p>	Moderate
<p>The Council should implement a process to regularly assess or audit its information and records management practices to demonstrate that its business rules, procedures and systems are operating routinely. This could be performed in a form of a self-assessment, described in 1.8.</p> <p>Each department should be accountable to ensure relevant policies and procedures are in place capturing the relevant records management requirement.</p> <p>The Executive Sponsor should be responsible for overseeing these assurance activities and ensuring they take place.</p>	Moderate
<p>We note that the Draft Digital Preservation Strategy includes the following goals:</p> <ul style="list-style-type: none"> • Infrastructure, tools, standard policies and procedures for managing HDC's digital information will be in place. HDC will promote the use of open format files where practicable. • Action plans for managing and preserving digital information will be in place to assist HDC in complying with the Archives New Zealand Information and Records Management Standard 2016 and the Public Records Act 2005. • Systems, environments, tools and resources will be in place to ensure that digital information as an asset is created, captured, accessible, has integrity and is authentic throughout its lifecycle. <p>It should be ensured that the strategy includes consideration of the data held on network drives and Microsoft Teams files.</p>	Moderate

- Final reports have been discussed with the respective management of each area audited and management actions agreed. Completion of actions is underway and will be monitored to completion.
- An executive summary of each of the final audit reports has been provided for the Committee (**Attachments 3 & 4**).

1.5 Summary of Event & Exercise Debrief Actions

- An overview is provided to the Committee on the learnings identified from real time responses, as well as from the business continuity exercises held between August 2021 and March 2022, including:
 - The COVID-19 Delta variant outbreak lock down of 17 August to 7 September 2021;
 - The 22 to 24 March 2022 rain event;
 - Ex-Tropical Cyclone Fili of 11 to 13 April 2022;
 - COVID-19 Delta outbreak with the LT: Operation Falcon, 4 August 2021 (exercise);
 - Active shooter incident at Toitoti: Operation Cedric, 18 November 2021 (exercise);

- Tsunami response for campgrounds (Evers-Swindell Reserve, Haumoana Domain & Clifton Road Reserve): Operation Lilo, 4 March 2022 (exercise);
 - Tsunami response for the Clive Wastewater Treatment Plant: Operation Outfall, 10 March 2022 (exercise); and
 - Tsunami response at the Clive War Memorial Pool: Operation Freestyle, 11 March 2022 (exercise).
- Below is an account of the key recommendations that were identified and a summary of the actions still open:

EVENTS		
TOTAL	CLOSED	OPEN
35	22	13
EXERCISES		
TOTAL	CLOSED	OPEN
30	9	21

2.0 Recommendations - Ngā Tūtohunga

That the Risk and Assurance Committee receive the report titled Risk Assurance Update dated 18 July 2022.

Attachments:

- | | | |
|---|--|---------------|
| 1 | Strategic Risk Summary - Community Service Failure | PMD-9-3-22-53 |
| 2 | HDC Assurance Review Plan 2022-2025 | PMD-9-3-22-55 |
| 3 | Audit Report for HDC Community Grants Management (Crowe) | PMD-9-3-22-56 |
| 4 | Audit Report for HDC Records Management (Crowe) | PMD-9-3-22-57 |

HDC Strategic Risk One Page Summary

Risk #19

Description

Community Services Failure

Details

A loss or degradation of service caused by a facility failure or loss of resources (including funding) resulting in negative wellbeing impacts to the community. Community facing services include libraries, community centres, swimming pools, sport centres, arts and culture, and youth services.

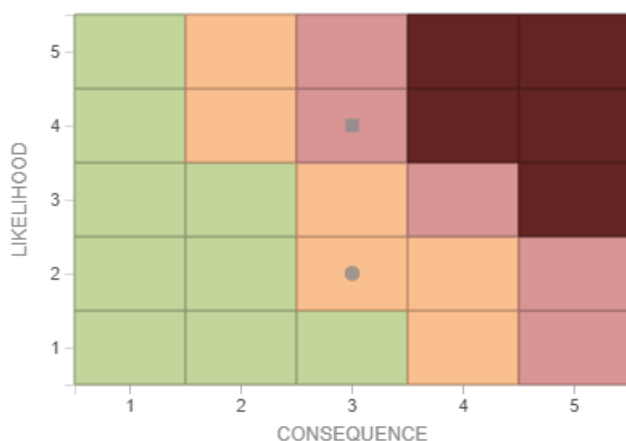
Ownership Risk Owner: Rebekah Dinwoodie

Trend:



Status

Escalating social and economic issues, such as the rising cost of living and declining social cohesion, are causing this risk to trend upwards. As is having sufficient resources to deliver desired services, including challenges with staff (and dependents) illness (COVID and non-COVID), talent retention and attraction. Operating under the orange setting of the COVID-19 Protection Framework continues to have an impact on the facilities but it is much improved since moving from red.



Risk Analysis

	INHERENT	RESIDUAL
LEVEL OF RISK	High (12)	Medium (6)

Notes

Inherent Risk Description

Without a proactive programme to maintain facilities and manage delivery of programmes, it is probable that a failure to deliver community services would occur, with possible reputation, wellbeing and tourism impacts.

Threats

Loss of skilled staff; Anti-social behaviour from public and/or users; Poor work culture; Poor facility condition; Isolation of facilities; Loss of facility access; Poor activity planning; Poor budget management; Lack of investment into facilities, equipment or services; Vandalism and/or theft; Poor consultation with community on services offered; Community unable to access facilities; Loss of revenue; Not meeting funding partners' expectations; Political agenda; Services not prioritised

Consequences

Loss of revenue; Public health or injury; Fatality; Loss of space for cultural experience; Negative economic impact; Tourism loss; Reputation impact; Inequitable job and health outcomes for community

Current Risk Description

Due to the fact that facilities are held across Hastings, Flaxmere and Havelock North there is an inherent level of resilience within the delivery of some community services. However, redirecting users to an alternative site does still cause impacts to the community. Council applies Asset Management Planning practices to the management of the physical facility to implement renewals and undertakes scheduled maintenance to minimise disruption. Management of the programmes are overseen by a central team to improve coordination. As a result the risk of service interruption is reduced to possible.

Controls

CONTROL
Insurance
Appropriate Relationship Management
Adequate Resources
Education, Training, Coaching
Organisation Culture
Working alone policy
Monitoring and Compliance
Security Measures
Organisational Culture
Community Engagement & Consultation
External Audit
Succession Planning
Forward Planning
Management Oversight
Agreement in place



Risk Assurance Review Plan 2022-25 HDC Risk Assurance

Risk Assurance	Risk Assurance Review Plan 2022 - 2025
Owner	Risk & Corporate Services, Corporate
Committee	Risk & Assurance Committee
Date of issue	10 May 2022
Date of Approval	3 June 2022

Review Plan

1. Executive Summary

1.1. Introduction

Hastings District Council (HDC) recognises that an independent and objective assurance program provided by the Risk Assurance function assists in demonstrating effective governance and risk management within the organisation.

The Risk Assurance role reports to the Risk & Corporate Services Manager for operational purposes and to the Risk & Assurance Committee for providing assurance on risk management activity within the organisation. The Risk Assurance Review Plan plays a key role in assuring Council, the Risk & Assurance Committee, Chief Executive (CE) and Lead Team that the internal controls are effective and embedded within the organisation and that continuous organisational improvement forms part of Council's Risk Management maturity journey.

The proposed Review Plan is supported by the Risk Assurance Charter (PMD-9-1-18-2).

1.2. Risk Assurance Objectives

The objective of the Risk Assurance Review Plan is to:

- Provide assurance to the Council, the Risk & Assurance Committee, the CE, and the Lead Team that critical risks and controls have been identified, along with any opportunities for improvement.
- Assist management to achieve their objectives and accountabilities.
- Provide insights and value to improve Council's operations.
- To identify strengths and weaknesses within the organisation and provide guidance and oversight in ensuring Council is address opportunities for improvement.

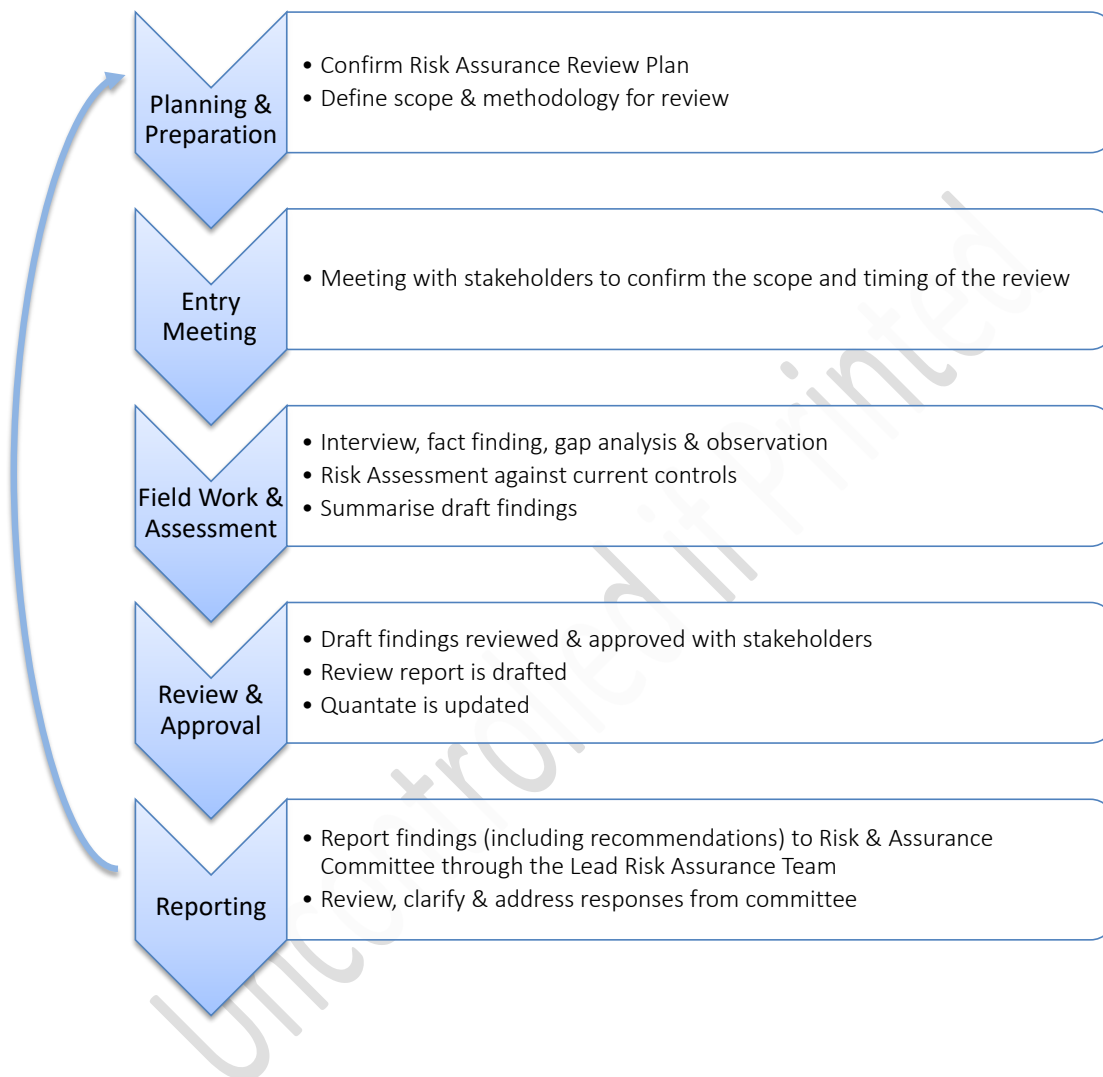
1.3. Risk Assurance's Review Planning Approach

Risk Assurance's planning approach to developing the Review Plan has included:

- Reviewing the Enterprise Risk Register
- Items being highlighted and prioritised by management within Council;
- Receiving and reviewing previous and current audit programs provided by contracted external auditors such as Crowe and Audit New Zealand;

1.4. Methodology

The methodology below describes the approach that is applied when undertaking each review.



2. Review Plan for 2021/22

Environmental, Social & Governance (ESG) and Cultural Failure	
Inherent Risk Rating	Extreme
Key Risk Category	Legal Compliance, Service Delivery, Reputation, Environment
Suggested Timeframe	Jul – Oct 2022
Notes	A stocktake of the Council's current operations against the Global Reporting Initiative's Universal Standard for sustainability reporting

Corruption & Fraud Incidents	
Inherent Risk Rating	Extreme
Key Risk Category	Reputation, Legal Compliance, Financial
Suggested Timeframe	Nov – Feb 2023
Notes	This review is likely to be undertaken by an externally appointed auditor, as part of their annual audit plan, due to workload priorities for internal resource.

Natural/man-made disaster	
Inherent Risk Rating	High
Link to Strategic Risk / Key Risk Category	People Safety, Service Delivery, Financial, Environment
Suggested Timeframe	Mar – Jun 2023
Notes	In light of the internal work to strengthen emergency management, and NEMA's "Trifecta" Programme

3. Summary of Review Plan 2022 – 2025

Review Activity (Enterprise Risk)	Inherent Risk Rating	Key Risk Category	FY 23	FY 24	FY 25
ESG&C Failure	Extreme	Legal Compliance, Service Delivery, Reputation, Environment	✓		
Corruption & Fraud Incidents	Extreme	Reputation, Legal Compliance, Financial	✓		
Natural/man-made disaster	Extreme	People Safety, Service Delivery, Financial, Environment	✓		
Ineffective Regulatory Oversight	Extreme	Legal Compliance, Financial, Reputation, People Safety		✓	
Procurement Failure	Extreme	Significant Operational Failure (Strategic Risk)		✓	
Community Service Failure	High	Legal Compliance, Financial, Reputation, People Safety		✓	
Officer Error/Omission	Extreme	Legal Compliance, Financial, Reputation, Service Delivery			✓
Failure to meet legal obligations	Extreme	Service Delivery, Legal Compliance			✓
Inadequate Available Funds	Extreme	Financial, Service Delivery, Reputation			✓

Risk Reviews to be scheduled for future years:

- Infrastructure service failure
- Information security failure
- Failure to achieve business as usual performance
- Business interruption
- Loss of key knowledge

Next Steps

Task	Task Owner
Review the Risk Assurance Review Plan for 2022-2025 and provide any feedback to Risk Assurance Advisor	Lead Team
Approve the Risk Assurance Review Plan for presentation to the Risk & Assurance Committee by Risk Assurance Advisor	Lead Team
Endorse the Risk Assurance Review Plan for 2022-2025	Risk & Assurance Committee
Completion of the relevant Risk Assurance Review each quarter	Risk Assurance Advisor
Present report and findings from each review to the Lead Team	Risk Assurance Advisor
Present executive summary and findings from each review to the Risk & Assurance Committee	Risk Assurance Advisor
Present an annual report to Council outlining the Risk Assurance Review Program for awareness	Risk & Assurance Committee Chair





1. Executive Summary



1.1. Objectives and scope

As part of our 2020/21 Annual Internal Audit Plan at the Hasting's District Council (hereafter "HDC" or "the Council") we have undertaken a Grants Management internal audit.

The scope of this internal audit incorporated the following steps:

- A benchmark of the Council's policies and procedures with regard to grant applications, selection and management of members' interests against the following good practice guidelines:
 - [The OAG's good practice guide: Public sector purchases, grants, and gifts: Managing funding arrangements with external parties](#)
 - [The OAG's good practice guide: Principles to underpin management by public entities of funding to non-government organisations.](#)
 - Our own experience with local government and other public sector entities
- An evaluation of the key expectations at the various stages of the grants process by a review of policies and procedures and sample testing of a representative sample of grants.
 - Planning stage
 - Selection stage
 - Monitoring stage
 - Review stage.

1.2. Background

The Council manages a range of grants and funding opportunities which are available to community groups and, in some cases, individuals, all with specific criteria designed to enhance the lives of residents through events, programmes, services, and facility improvements. Grants are contestable and non-contestable. For contestable grants, the success of the applicant depends on how well the project fits with the criteria, the priorities compared with others, and the grants money available for allocation. Grants include:

- Single-Year Community Grant
- Multi-year Strategic Community Partnership Fund
- Single-Year Community Event Fund
- City Vibrancy Fund
- Council Facility Fee Assistance
- Creative Communities Funding
- Waste Minimisation Contestable Fund
- Marae Development Fund
- Rural Halls Maintenance Fund
- Contract for Services – Arts Heretaunga – Blossom Festival 2021
- Contract for Services – Arts Heretaunga – Community Arts 2021
- Contract for Services – Arts Inc Heretaunga – Arts Festival 2021

Typical Grants Process



Note: Information taken from the Council's website and subject to change.

1.3. Key observations

The 'good practice' for managing grants in the public sector environment in New Zealand has been described in the Office of the Auditor-General's Good practice guide '*Public sector purchases, grants, and gifts: Managing funding arrangements with external parties*'. This Guide introduces several important principles that govern all funding arrangements and several key practical considerations that public entities should apply in practice to ensure that its approach to managing public money is fit for purpose.

The Council's Community grants that fall in scope of our review are of low value and low complexity. They are what the Guide classifies as "grants with limited conditions". These grants have different set of expectations compared to conditional grants or other public sector purchases. In line with the principle of simplicity and proportionality, it is unreasonable to expect that such low value-low risk grants have complex evaluation criteria, comprehensive monitoring and reporting mechanisms. We have taken these factors into consideration during our review.

We noted the following **key strengths** in the Council's grant management operations:

- **Knowledgeable key personnel** involved in the process. This helps the Council ensure all grants are processed consistently and with sufficient quality.
- **Structured and repeatable processes and systems** to review and evaluate individual applications, document the results of the assessment decisions and to monitor successful grants.

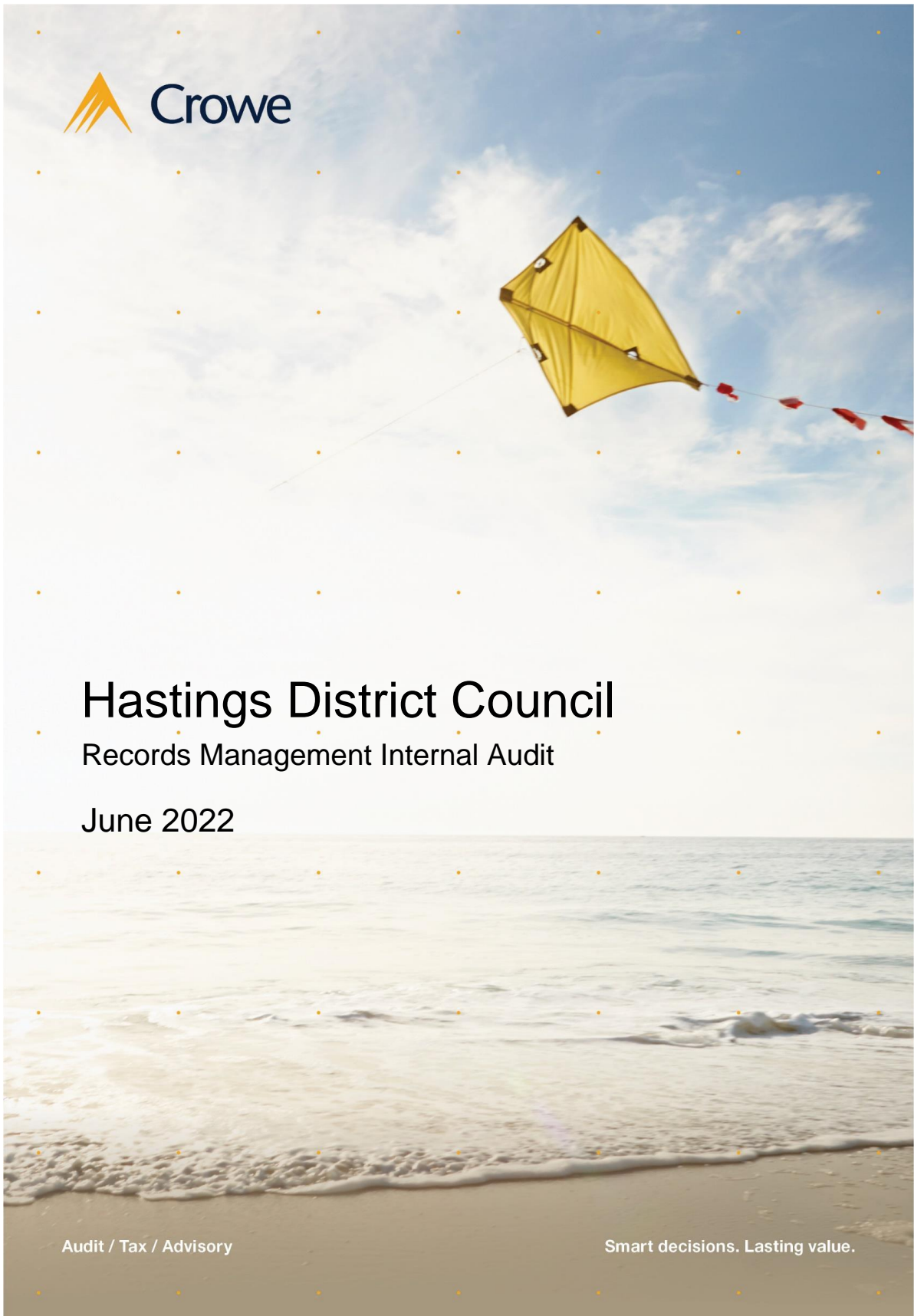
We have identified 3 findings (2 moderate risk and 1 low risk). We note that these findings relate to documentation of policies and procedures and individual circumstances where transparency over decision-making appeared to be lacking.

Key considerations for managing public money



1.4. Basis and use of report

This report has been prepared in accordance with the objectives and approach set out in the scoping document dated June 2021, and subject to the limitations set out in Appendix 4 "Basis and Use of Report".



1. Executive Summary

1.1. Scope and objectives

As part of our 2021/22 Annual Internal Audit Plan at the Hasting's District Council (hereafter "HDC" or "the Council") we have undertaken a Records Management internal audit.

The objective of this review was to assess the records management policies and procedures in place at the HDC.

The scope of the audit was to assess the extent to which the records management policies and procedures adhere to the minimum compliance requirements of Information and Records Management Standard ('the Standard') issued by Archives New Zealand in July 2016.

The scope of the audit incorporated the following steps in relation to the Principles defined in the Standard which include minimum compliance requirements the Council is obliged to meet:

- Principle 1: Organisations are responsible for managing information and records.
- Principle 2: Information and records management supports business.
- Principle 3: Information and records are well managed.

The detailed audit objectives and scope of the work undertaken are provided in Appendix 1.

1.2. Key observations

The public sector and local councils have obligations under the Public Records Act 2005, the Official Information Act 1982 and the Local Government Official Information and Meetings Act 1987 about how they should manage its information and records.

Information and records management continues to be a challenge across public sector in general. It is traditionally an 'under-resourced and under-valued' area as acknowledged by the Chief Archivist in its latest 'State of Government Recordkeeping' report (<https://chiefarchivistsreport.archives.govt.nz/>).

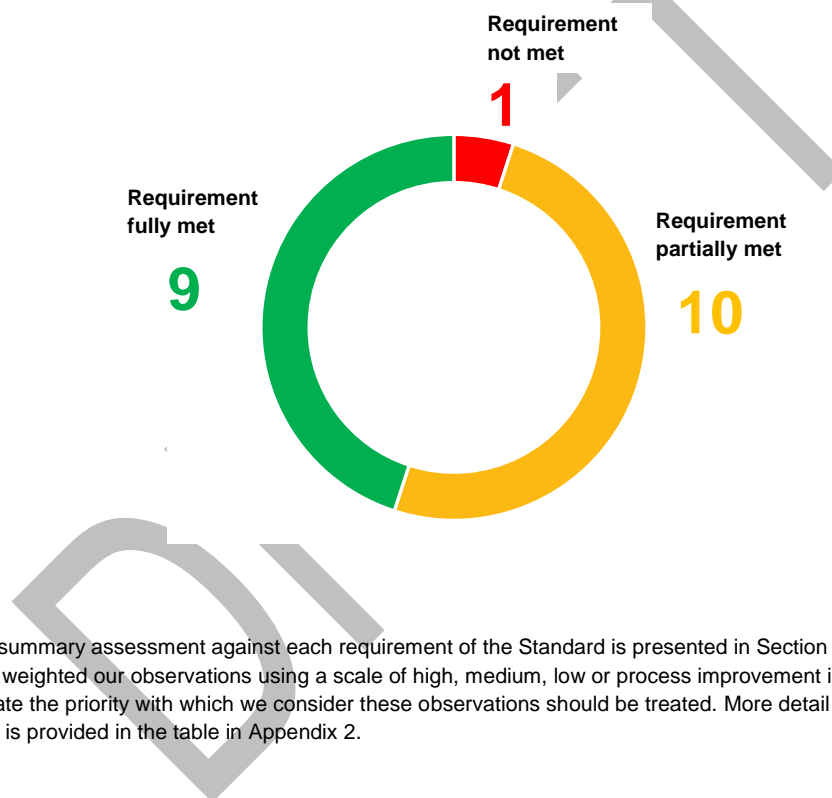
Recognising the importance of this area for the wider public sector, Archives New Zealand is strengthening its focus on compliance with the Standard and has developed a 5-year plan to audit over 200 public offices. These audit activities do not include local authorities at this stage.

"Information management staff play a critical role in upholding democracy, promoting the accountability and transparency of government, and preserving our country's memory. Anyone who contributes to ensuring robust and accurate government information is fundamentally part of sustaining and strengthening our democracy through improved accountability and better governance"
Chief Archivist, "State of Government Recordkeeping"

Overall, we noted that the Council has effective policies and procedures in place (albeit the Records Management Policy is out of date) for the management of records in the Council's Records Management system (HPRM),

There is however a significant amount of records that are managed in other core systems such as IPS, Elmo and RAMM and significant volumes of data are held on network drives and on Microsoft Teams files. Records management policies and procedures are not fully documented in all of these areas.

A draft Digital Preservation Strategy exists which includes initiatives to review all current systems and environments to ensure all information is included in Records Management policies and procedures. As a consequence of this, a significant number of the records management objectives tested have been assessed as partially met (even where the HPRM procedures may be effective).



Our summary assessment against each requirement of the Standard is presented in Section 2 below. We have weighted our observations using a scale of high, medium, low or process improvement in order to indicate the priority with which we consider these observations should be treated. More detail on the rating scale is provided in the table in Appendix 2.

1.3. Basis and Use of this Report

This report has been prepared in accordance with the objectives and approach set out in the Scoping Document dated June 2021, and subject to the limitations set out in Appendix 3 "Basis and Use of Report".

Monday, 18 July 2022

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: Craig Thew, Group Manager: Asset Management

Te Take:
Subject: GM Assets Update Report

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

- 1.1 The Group Manager: Assets update report will be presented as a verbal update for this meeting due to a COVID inflicted interruption that has prevented a written report being prepared.
- 1.2 The Group Manager: Assets will also provide an update to the Committee on 3 Waters Reform.

2.0 Recommendations - *Ngā Tūtohunga*

That the Risk and Assurance Committee receive the report titled GM Assets Update Report dated 18 July 2022.

Attachments:

There are no attachments for this report.

Monday, 18 July 2022

Item 8

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: Jennie Kuzman, Health and Safety Manager
From: Bronwyn Bayliss, Group Manager: People and Capability

Te Take:
Subject: Health and Safety Report: COVID-19 Response Update

1.0 Executive Summary – Te Kaupapa Me Te Whakarāpopototanga

- 1.1 The purpose of this report is to provide an update to the Risk and Assurance Committee in regards to the management of Health and Safety risks within Council.
- 1.2 This report provides an update on Council's COVID-19 Response.

2.0 Recommendations - Ngā Tūtohunga

That the Risk and Assurance Committee receive the report titled Health and Safety Report: COVID-19 Response Update dated 18 July 2022.

3.0 Background – Te Horopaki

- 3.1 The purpose of this report is to provide information to the Committee in regards to the management of Health and Safety risks within Council.
- 3.2 This issue arises due to the Health and Safety at Work Act 2015 and the requirement of that legislation for Elected Members to exercise due diligence to ensure that Council complies with its Health and Safety duties and obligations.

4.0 Discussion – *Te Matapakitanga*

4.1 COVID-19 response update

- 4.2 As previously reported to the Committee at the February and April 2022 meetings, the established COVID-19 Response team has been supporting the organisation through its business continuity response and planning for any COVID-19. This approach continues to work well and is providing a joined up organisation-wide approach to managing the constantly changing environment.
- 4.3 Given the fast moving and constantly changing environment that we are operating in a verbal update will be provided to the Committee at the meeting, based on the most up-to-date information at that time.

Attachments:

There are no attachments for this report.

Monday, 18 July 2022

Item 9

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: Jess Noiseux, Financial Improvement Analyst
From: Aaron Wilson, Financial Controller

Te Take:
Subject: Annual Report 2022 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 year-end issues.
- 1.2 This report concludes by recommending that the report be received.

2022 Annual Report

- 1.3 Staff have completed the annual year end timetable for the 2022 year end. The timetable is inclusive of all the processes and requirements of the production of the Annual report and requires a high degree of coordination across Council. Normally the Local Government Act stipulates that the Annual Report must be adopted by Council by 31st October each year. However the impact of Covid-19 resulted in the Annual Reporting and Audit Time Frames Extensions Legislation Act 2021 which pushes the adoption date out to 31 December 2022.
- 1.4 To meet publishing deadlines in time for the Christmas shut down period, this year the date set for Council approval is 8th December. Other key dates for the audit process are:
 - Draft financial statements available for Audit 23rd September
 - Full Annual report available for Audit 23rd September
 - Summary Annual Report available for Audit 23rd September
 - Final Audit begins – audit on-site 31st October
- 1.5 As was advised in the GM Corporate's update in April, Audit NZ have communicated that they will not be able to complete the HDC 2022 Annual Report in time for the outgoing Council to adopt the

audited accounts before the election. The key dates outlined above are reflective of Officers commitment to provide the completed unaudited Annual Report for outgoing Councillors to endorse prior to the election. The incoming Council will then be required to formally adopt the audited 2022 Annual Report once they have been officially sworn in.

- 1.6 There are minor amendments to the Public Benefit Entity (PBE) reporting standard PBE IPSAS 2 *Cash Flow Statement* that Officers have assessed will result in added disclosures required in the 2021/22 Annual Report. PBE IPSAS 40 *PBE Combinations* also comes into effect, however Officers have assessed that this standard has no impact on the presentation of Council's financial statements.
- 1.7 Officers have chosen to early adopt PBE IPSAS 41 *Financial Instruments* in line with our accounting policy statement in the Long Term Plan 2021-31. The early adoption of this accounting standard impacts on classification of financial assets and how impairment on these financial assets is calculated. Council do not have complex financial assets and the impact of this standard does not materially affect the 2021/22 Annual Report.
- 1.8 Last year Council received a qualified audit opinion over the activity groups' statement due to issues in two separate performance measures:
 - Incomplete information about the number of complaints Council received related to 3 waters complaints. This was an issue across a number of councils in both the 2021 and 2020 financial years, partly due to the ambiguity in some of the guidance from the Department of Internal Affairs (DIA) and how this was interpreted. In August 2020, Council implemented a number of changes to resolve the issues identified by Audit. However, Council is also reliant on Palmerston North City Council's system and processes for recording complaints received after hours and limitations in this process resulted in another qualification in the 2021 Annual Report.
 - Insufficient data to reliably measure real water loss from the Council's networked water reticulation system. Council do not have sufficient water meters installed on residential connection to report a statistically reliable water loss percentage. Officers have been exploring using a different measurement methodology (minimum nightly flow) that is allowable under the DIA framework. If this method proves reliable and accurate, Council should be able to report a reliable water loss percentage in the 2022 Annual Report.
- 1.9 Every year there are revaluation of various classes of assets that are performed on a rotational basis on a set schedule. This year it is the three water assets (water supply, sewerage and wastewater) that will be revalued. These valuations are being completed and are as at 30th June 2022.

2022 Audit Plan

- 1.10 In May Audit NZ provided their finalised Audit Plan for the year. The Audit Plan outlines audit logistics, specific areas of focus for Audit NZ and areas of potential risk for the Council. A copy of the finalised plan is attached as **Attachment 1**. The areas that Audit have identified in their Audit Plan as being areas of focus are:
 - Reporting on mandatory performance measures;
 - Revaluation of three waters;
 - Fair value assessment of other asset classes (land and buildings, roading, and parks);
 - Capital do-ability and carry forward of projects;
 - Accounting for central government funding;
 - Impact of three waters reform;
 - Configuration and customisation costs for Software-as-a-service (SaaS);
 - Covid-19 impact; and

- Adoption of PBE FRS 48 Service performance reporting.

Interim audit

- 1.11 Audit NZ were onsite during May and June and have completed their interim audit. Due to the timing of this, Officers have yet to receive an interim Management Report in time for inclusion in this report. Audit have yet to provide a memo for this meeting advising of key findings from their interim audit. A copy of this memo will be circulated once it is received. Any recommendations or updates will be included and reported on by Audit NZ during the final year-end audit process.

Covid-19 implications

- 1.12 We do not expect that year-end reporting will need to articulate the impact of Covid-19 in a significant way this year. Officers 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 2022 Update dated 18 July 2022.

Attachments:

- | | | | |
|-----|---|------------------|----------------------------|
| 1 ➡ | Financial Management - Audit Plan for 2022 from
Audit NZ | FIN-07-01-22-469 | Under
Separate
Cover |
|-----|---|------------------|----------------------------|

Monday, 18 July 2022

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: **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 on the 11th April, Council has had one forward start contract become “live” in replacing maturing debt of \$23m. In addition Council has in June 2022 borrowed \$32m additional funds to prefund 2022/23 capital expenditure and in July 2022 has entered into another forward start contract for \$21m for debt maturing in April 2023.
- 1.3 The Council’s current total external debt is \$237m as at 30th June 2022. Offsetting this is \$32m of bank deposits, giving a net external debt position of \$205m.
- 1.4 Council is currently compliant with its Treasury Management Policy.

The Reserve Bank of New Zealand (RBNZ) raised its Official Cash Rate (OCR) to 2.0% at its last review in May 2022.

2.0 Recommendations - Ngā Tūtohunga

- A) That the Risk and Assurance Committee receive the report titled Treasury Activity and Funding Update dated 18 July 2022.
- B) That the Committee endorse the recommended changes to the Treasury Policy as reviewed by council officers and outlined in the report in A) above.

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 Matapakitanga

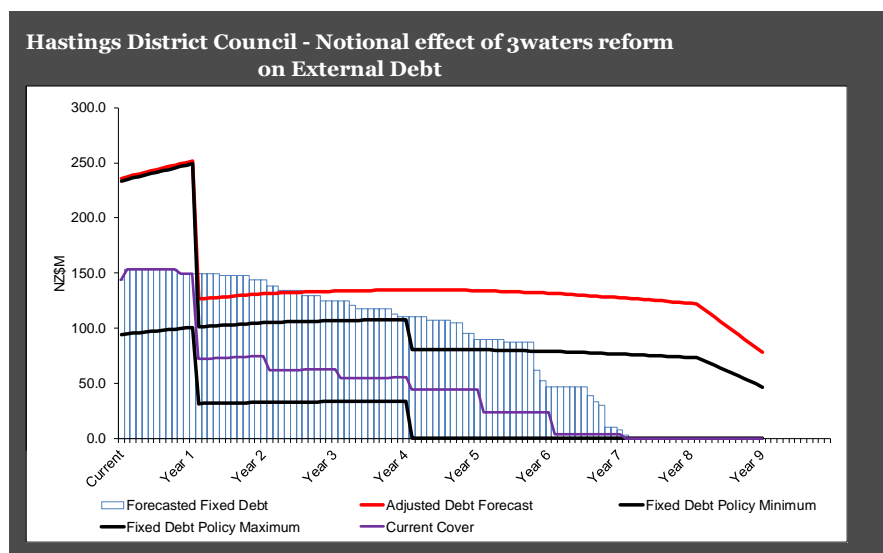
- 4.1 Council's debt portfolio is managed within macro limits set out in the Treasury Policy. It is recognised that from time to time Council may fall out of policy due to timing issues. The Treasury Policy allows for officers to take the necessary steps to move Council's funding profile back within policy in the event that a timing issue causes a policy breach.
- 4.2 Council's current total external debt is \$237.7m as at 30th June 2022 (\$205.7m as at 31st March 2022). Offsetting this are \$32m of bank deposits (\$16.6m as at 31st March 2022), giving a net external debt position of \$205m. This is supported by the Treasury Position 30th June 2022 Report (**Attachment 1**).
- 4.3 Council has bank deposits totalling \$32m which is to fund a significant capital spend budget.
- 4.4 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.
- 4.5 An in-depth financial analysis of S&P's metrics has been completed by officers in order to better understand what was required in order to maintain Council's rating from the prior year of AA stable. As a consequence liquidity was identified as an area that officers could affect by ensuring a higher level of prefunding both for capital spend and repayment of maturing debt.
- 4.6 In tandem with this analysis, officers forecasted cash flows needed in light of the large capital spend underway in Council. In consultation with Bancorp treasury advisors, Council borrowed \$32m, with a mix of fixed and floating and over different maturities. This is itemised in the table below:

Type	Deal Date	\$('000)	Maturity Date	Rate
Floating	30-Jun-22	10.00	15-Apr-26	BKBM + 39.0 b.p
Floating	30-Jun-22	12.00	15-Apr-30	BKBM + 54.0 b.p
Fixed	30-Jun-22	10.00	15-Apr-28	4.68%

- 4.7 In light of Council's current cash flows being able to meet its funding requirements, it is not expected that Council will engage in any further borrowing apart from just before year end ensuring Council maintains an ability to fund budgeted capital spend in the new financial year and meet Standard and Poors liquidity requirements.
- 4.8 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 remained 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.
- 4.9 In addition to this, officers engaged in a forward start contract for \$21m that will become "live" the day before the maturing debt for the same amount comes due in April 2023. Of this \$21m, \$10m was

a fixed interest rate bond, when it comes into effect in April 2023 it will increase the percentage of fixed interest rate cover that Council has, pushing Council towards the mid-point range of policy.

- 4.10 It should also be noted on the Treasury position dashboard, Council's cost of funds is now at 3.04%, which is a slight rise from the low of 2.76%.
- 4.11 As was requested at the previous Risk and Audit Committee meeting, officers have created a graph that forecasts the future level of debt cover that would be in place if the water reform was to take place and 50% of Council debt due to water was to be taken over by the new water entity.



Graph: Forecast

- 4.12 The light blue block shows the forecasted cover based on what will be happening over the next 5 -15 months. The purple line shows the amount of cover that would be still in place should Council's debt and some of the hedging cover be transferred to the new water entity. The two black lines are the maximum and minimum debt cover parameters as required by the treasury policy. These can be seen to be shifting down dramatically as the debt falls.
- 4.13 Officers are comfortable with the level of cover currently in place in relation to the level of debt held. There are a number of reasons for being cautious around committing Council to additional swap cover at this time. However, having said this in order to maintain compliance with the treasury policy officers have continued to fix debt prudently.
- 4.14 In May 2022 the Reserve bank has again raised the official cash Rate (OCR) to 2%.

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 [1](#) Financial Management - Treasury - Investment reporting - Funding and Interest Rate Risk 30th June 2022 FIN-15-01-22-27

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.

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

This proposal 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 decision/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.

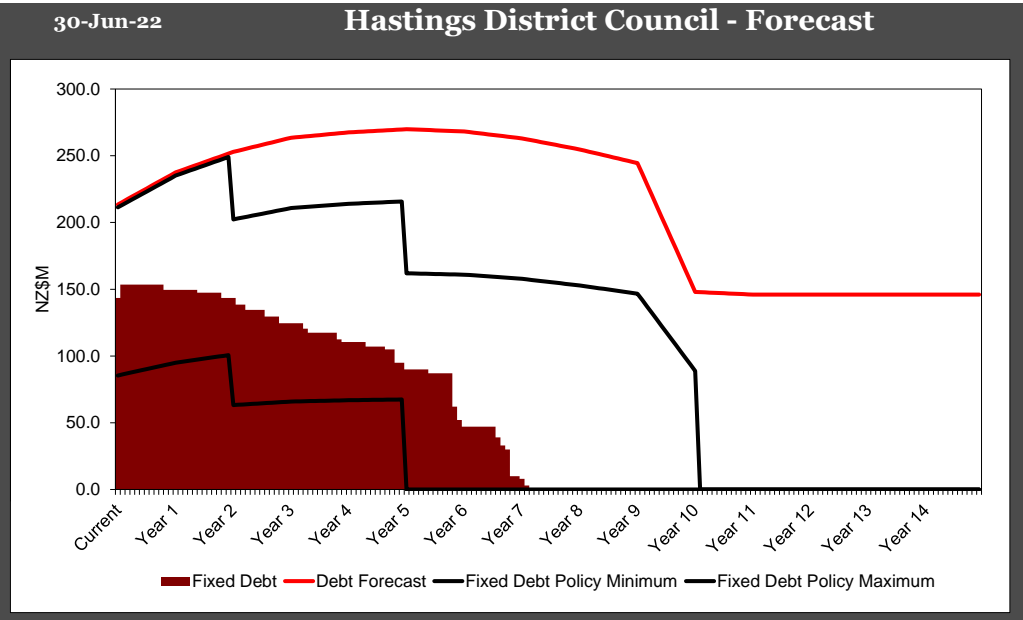
REWARD – <i>Te Utu</i>	RISK – <i>Te Tūraru</i>
To assist officers to manage Council's Treasury risk; Finances, Reputation.	Cashflows and finance costs; Finances, Service Delivery, Reputation.

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

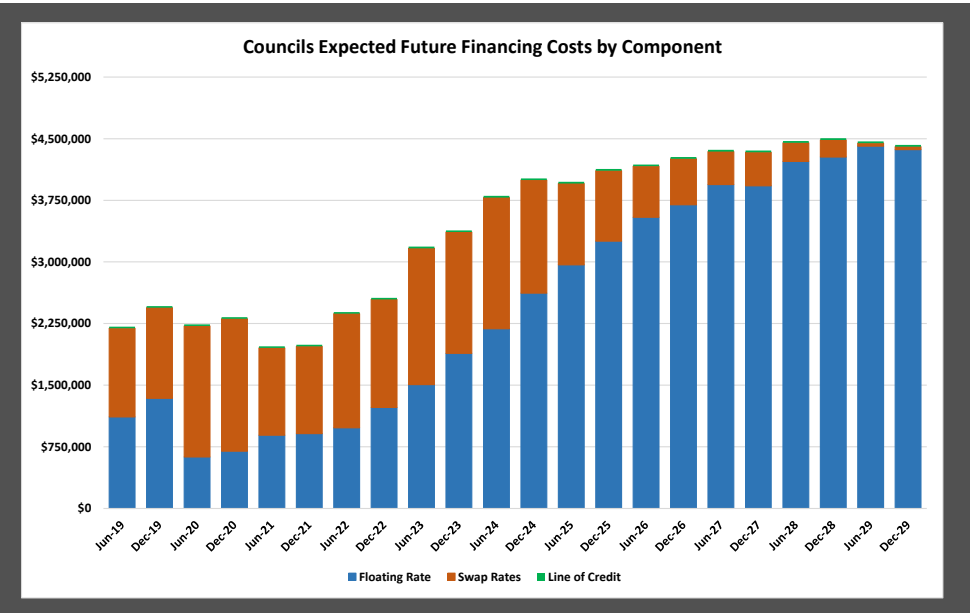
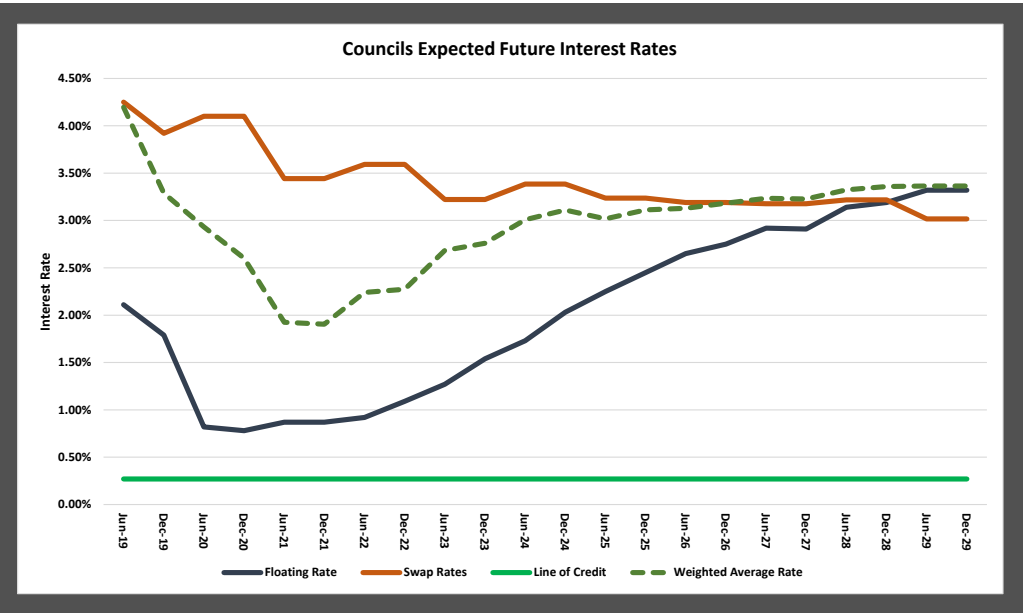
There are no implications for the Rural Community Board:

Interest Rate Risk Position

30 June 2022



Debt Interest Rate Policy Parameters					
(calculated on rolling monthly basis)					
Debt Period Ending	Debt Forecast	Minimum %	Maximum %	Actual	Compliant (Y/N)
Current	238	40%	99%	60%	Yes
Year 1	238	40%	99%	63%	Yes
Year 2	253	25%	80%	57%	Yes
Year 3	264	25%	80%	47%	Yes
Year 4	268	25%	80%	41%	Yes
Year 5	270	0%	60%	33%	Yes
Year 6	268	0%	60%	18%	Yes
Year 7	263	0%	60%	3%	Yes
Year 8	255	0%	60%	0%	Yes
Year 9	245	0%	60%	0%	Yes
Year 10	148	0%	60%	0%	Yes
Year 11	146	0%	0%	0%	Yes
Year 12	146	0%	0%	0%	Yes
Year 13	146	0%	0%	0%	Yes
Year 14	146	0%	0%	0%	Yes
Year 15	146	0%	0%	0%	Yes
Weighted Avg Cost of Fixed Rate Instruments				3.30%	
Value of Live Fixed Rate Instruments				\$ 143,500,000	
Weighted Avg Length of Fixed Rate Instruments				5.08 Years	

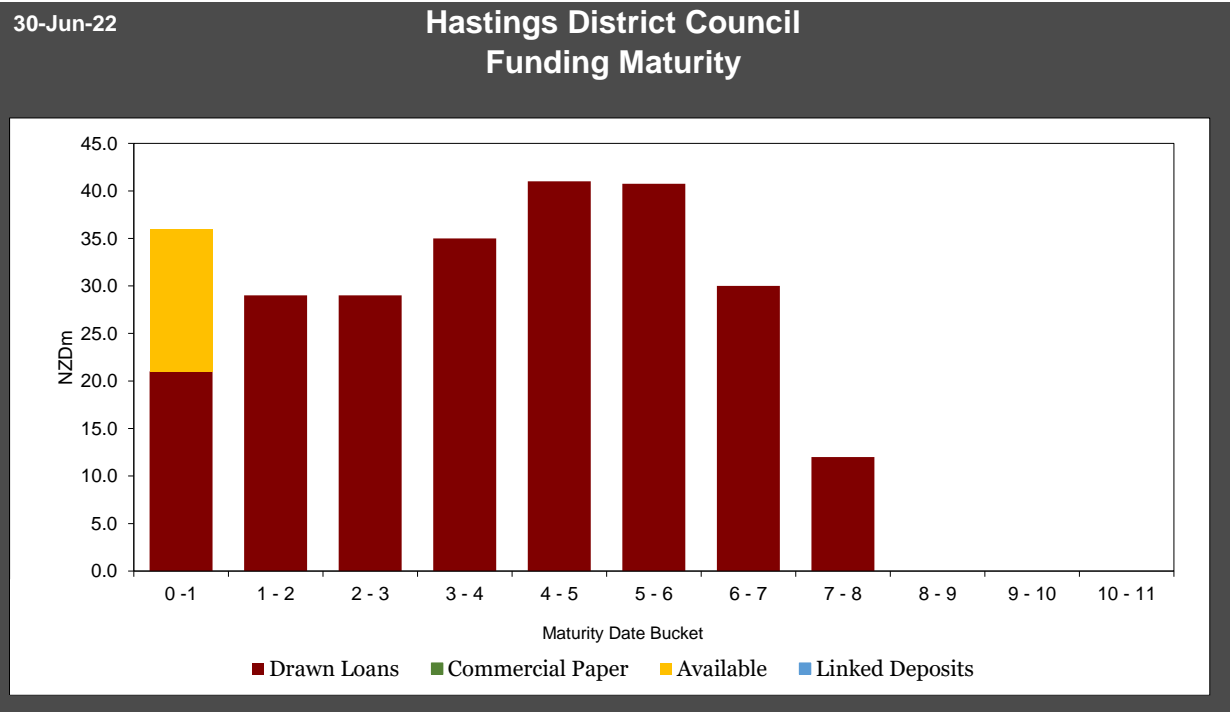


Cost of Holding Fixed Interest Position				30-Jun-22			30-Jun-21			Movement for Year		
Live Interest Rate Swaps	Notional Swap Value	Avg Int Rate	Valuation	85,500,000	3.79%	1,170,926	88,500,000	3.88%	(8,543,926)	Notional Swap Value	Avg Int Rate	Valuation
Forward Starting Interest Rate Swaps	15,000,000	3.95%	51,174	27,500,000	4.01%	(2,208,262)	(3,000,000)	(0.09%)	9,714,852			
Fixed Rate Cover Live & Forward	68,000,000	1.82%					(12,500,000)	(0.07%)	2,259,436			
Total Interest Rate Swaps	168,500,000	3.01%	1,222,100									

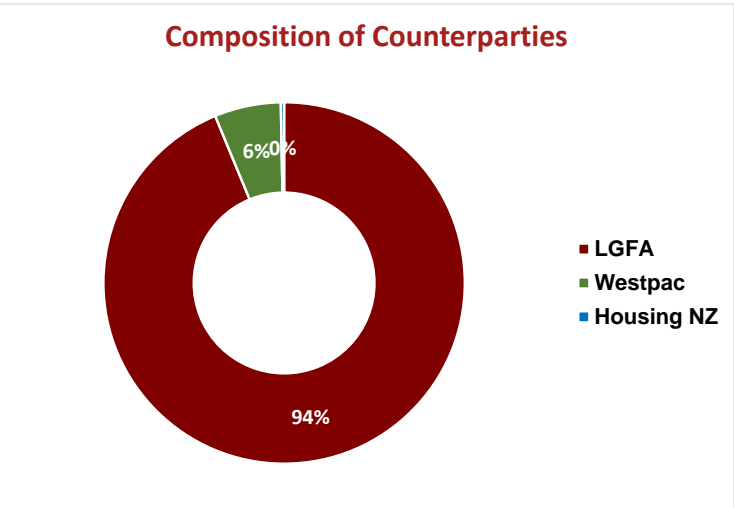
Average Cost of Funds				30-Jun-22			30-Jun-21			Movement for Year		
Fixed Rate Loans with LGFA	Notional Value	Avg Int Rate	58,000,000	2.58%		38,000,000	2.19%		Notional Value	Avg Int Rate	20,000,000	0.38%
Floating Rate Loans with LGFA	179,000,000	2.08%				167,000,000	0.97%		12,000,000	1.11%		
Live Interest Rate Swaps	85,500,000	3.79%				88,500,000	3.88%		(3,000,000)	(0.09%)		
Westpac Lines of Credit	15,000,000	0.27%				15,000,000	0.27%		0	0.00%		
Fixed Rate Loans with HNZ	740,000	0.00%				740,000	0.00%		0	0.00%		
Total External Loans / Average Cost of Borrowing	237,740,000	3.04%				205,740,000	2.24%		32,000,000	0.80%		

Funding and Liquidity Risk Position

30 June 2022



Funding KPI's				
	Minimum %	Maximum %	Actual	Compliant (Y/N)
Liquidity	110%	170%	120%	Yes
Fixed Interest Debt	40%	99%	60%	Yes
Funding Maturity Profile				
0-1 Year	0%	33%	24%	Yes
1-2 Year	0%	33%	10%	Yes
2-3 Year	0%	33%	10%	Yes
3-4 Year	0%	33%	12%	Yes
5-6 Year	0%	33%	14%	Yes
6-7 Year	0%	33%	14%	Yes
7-8 Year	0%	33%	11%	Yes
8-9 Year	0%	33%	4%	Yes
9-10 Year	0%	33%	0%	Yes
10-11 Year	0%	33%	0%	Yes
Net Debt as % Equity		20%	8%	Yes
Net Debt as % Income		175%	103%	Yes
Net Interest as % Income		15%	3%	Yes
Net Interest as % of Rates		20%	6%	Yes



Funding and Liquidity Characteristics	
Total External Council Drawn Debt	237,740,000
Forward Start Contract	21,000,000
Funds Drawn from LGFA	237,000,000
Undrawn Bank Facilities	15,000,000
Bank Deposits & Term Deposits	32,000,000
LIQUIDITY RATIO	1.20
Definition: (Cash Reserves + Lines of Credit + Drawn Debt) / Drawn Debt	
Weighted Average Length of Funding	4 Years

HASTINGS DISTRICT COUNCIL

RISK AND ASSURANCE COMMITTEE MEETING

MONDAY, 18 JULY 2022

Item 13

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:

- 14 Contractor Health & Safety Performance Report
- 15 Flaxmere Waterworld Roof Fire Incident - Summary of Findings
- 16 Regional Aquatic Facility at the Mitre 10 Sports Park - Potential impacts on Hastings District Council Aquatics Facilities

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:

GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED	REASON FOR PASSING THIS RESOLUTION IN RELATION TO EACH MATTER, AND PARTICULAR INTERESTS PROTECTED	GROUND(S) UNDER SECTION 48(1) FOR THE PASSING OF EACH RESOLUTION
14 Contractor Health & Safety Performance Report	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 parties.	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.
15 Flaxmere Waterworld Roof Fire Incident - Summary of Findings	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. This report contains sensitive Information relating to third parties.	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 Regional Aquatic Facility at the
Mitre 10 Sports Park - Potential
impacts on Hastings District
Council Aquatics Facilities**

Section 7 (2) (h)

The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities. Protect Commercial activities.

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.