

Monday, 19 September 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, 19 September 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
207 Lyndon Road East, Hastings 4122 | Private Bag 9002, Hastings 4156
Phone **06 871 5000** | www.hastingsdc.govt.nz
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, 19 September 2022

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council

Risk and Assurance Committee Meeting

Kaupapataka

Agenda

Mematanga:

Membership:

Koromatua

Chair: Jon Nichols – External Independent Appointee

Nga Kai Kaunihera

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

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

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 18 July 2022.
(Previously circulated)

4.0 GM Corporate Update

7

5.0 Annual Report 2021/2022 Update

21

6.0 Climate Change Response Review

29

7.0 Strategic Risk Deep Dive - Truth Decay

41

8.0	GM Asset Management Update - To be circulated separately	47
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9.0	Health & Safety Risk Management Update	49
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10.0	Minor Items – <i>Ngā Take Iti</i>	
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11.0	Urgent Items – <i>Ngā Take Whakahihiri</i>	
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12.0	Recommendation to Exclude the Public from Item 13	55
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13.0	Contractor Health & Safety Performance Report	
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Monday, 19 September 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**

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

1.1 Insurance

1.2 Attached as **Attachment 1** is a letter from the Local Authority Protection Programme (LAPP) detailing changes to the 2022/23 contributions. The revaluation of the three waters assets undertaken this year has highlighted significant increases in asset replacement values, in some instances up to 100%. The letter acknowledges that replacement values have increased from \$1.162b to \$1.798b which will have a corresponding increase in contributions to the LAPP scheme. The impact of those revaluations and the general market increase has impacted on those contributions with the renewal period from 1 November 2022 increasing to \$561,107 (\$339,115 last year).

1.3 Work continues on the material damage renewals with two actions being undertaken to reduce the impact of further premium increases.

1.3.1 Assets to be removed from the asset schedule

A comprehensive assessment has been made of assets on the asset schedule as to whether it is necessary to include them on the schedule going forward. Consideration of assets to be removed have been classified into 3 groups:

- Buildings that Council will no longer insure, building that will be demolished in the next few months. This includes Heretaunga House and the Upper Mohaka Domain Toilets saving \$79,210 in premiums based on 2021/22 premiums.

- All 36 public toilets. The rationale of removing these assets from the schedule is that these buildings are typically very robust and incur very little damage for which a claim would be made. Removing these assets from the schedule would save \$29,000 on premiums per annum based on 2021/22 values.
- Buildings that will ultimately be demolished, but have not yet had timeframe put on their demolition. Those assets will be insured for demolition only as they will not be repaired or replaced if damaged. Those assets include, 206 Queen St West, 108 Eastbourne St (Aspyre Gym), 807 Sylvan Rd Netball Pavilion & toilet block, Romanes Dr 3 waters vacant building and 223 Heretaunga St West. The cost benefit of changing the classification for these assets is not yet known, however premiums associated for these building last year amounted to \$27,000 and they carried a combined insured asset value of \$10.4m.

1.3.2 Loss Limit calculation – Council currently fully insures the value of the asset schedule without consideration of the likely maximum probable loss that could be incurred from a single event. AON have been engaged to provide a loss limit calculation on behalf of the 5 Hawkes bay Councils. Unfortunately that report has not been received at the time of writing but will be used to inform material damage renewal decisions.

1.4 External Audit provider

1.5 In August 2022 Council was approached by the Office of the Auditor General (OAG) requesting consideration of a change in audit provider. They acknowledged that Audit New Zealand was struggling to attract sufficient resources to undertake Council's 2022 audit in a timely matter. Officers considered the impact on the delivery of the 2022 Annual Report and have agreed that this change can be made without too much of a negative on the year-end Annual Report programme.

1.6 Attached as **Attachment 2** is a letter from the OAG acknowledging the change to Ernst Young (EY) who will be taking over the 2022 audit effectively immediately.

1.7 Officers would like to acknowledge the support and guidance we have received from Karen Young and her team at Audit New Zealand. We have maintained professional relationships throughout and that has been very much appreciated by all staff who have had interactions through the Annual Report and Long Term Plan audits.

1.8 Further detail on the impacts of this change and the 2022 Annual Report programme is included on a separate agenda item.

1.9 Treasury Update

1.10 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.

1.11 Council's current total external debt is \$237.7m as at 31st August 2022 (\$237.7m as at 30th June 2022). Offsetting this are \$18m of bank deposits (\$32m as at 30th June 2022), giving a net external debt position of \$219.7m. This is supported by the Treasury Position 31st August 2022 Report (**Attachment 3**).

1.12 Council has bank deposits totalling \$18m which is to fund the debt funded portion of the capital budget.

1.13 Council are still waiting on a report from Standard & Poors Global advising of the latest Council rating.

1.14 It should also be noted on the Treasury position dashboard, Council's cost of funds is now at 3.01%.

1.15 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 including the potential impact of the 3 Waters reform. However,

maintaining compliance with the treasury policy, is still a priority and officers will continued to fix debt prudently.

- 1.16 In August 2022 the Reserve bank has raised the official cash Rate (OCR) to 3%.
- 1.17 Risk and Assurance Committee Survey
- 1.18 Attached as **Attachment 4** is the results of the survey undertaken of Committee members and staff that report to the Risk and Assurance Committee. Only 3 committee members took part in the survey and 4 staff.
- 1.19 Cyber Security
- 1.20 In August the Information Management and Business Transformation team in conjunction with the Strategic Risk Management team ran an exercise simulating a cyber security breach. It was a very valuable process to work through. It demonstrated a high degree of resilience that is built into Council's systems and highlighted the significant effect that a cyber breach can have on Council's business.
- 1.21 The respective teams that were involved in the exercise are now working through a de-brief and will be capturing learnings from the exercise.
- 1.22 Schedule of Actions
- 1.23 Attached as **Attachment 5** is the current status of actions for the Risk and Assurance Committee.

2.0 Recommendations - Ngā Tūtohunga

That the Risk and Assurance Committee receive the report titled GM Corporate Update dated 19 September 2022.

Attachments:

1↓	LAPP Member Contribution for 2022/23	IRB-3-20-22-102
2↓	OAG Letter re Change of Auditor	FIN-07-01-22-470
3↓	Treasury Dashboard August 2022	FIN-15-01-22-28
4↓	Risk & Assurance Survey Responses	CG-16-6-00186
5↓	Risk & Assurance Status of Actions - September 2022	CG-16-6-00185



Jeffrey Tiernan
Hastings District Council
Private Bag 9002
Hastings 4156

2 September 2022

Dear Jeffrey

Your Member Contribution and Invoice for Yearly Renewal of Cover from 1 November 2022

Following on from our letter of 10 August 2022 in which we advised you of your Council's LAPP membership contribution for the 2022-23 year providing cover for the period 1 November 2022 up to and including 31 October 2023.

This is confirming your Council's LAPP membership contribution for this annual renewal period from 1 November 2022 is \$561,107.94 plus GST. This compares to the previous year's annual contribution from 1 November 2021 of \$339,115.13.

Your recently declared asset valuation which is being used for this renewal period from 1 November 2022 to 31 October 2023 is \$1,798,020,669.00. This compares to a value of \$1,162,730,891.89 for the previous period 1 November 2021 to 31 October 2022.

As advised in our letter of 10 August 2022, the cover from 1 November 2022 to 31 October 2023 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, plus an estimated 7% general market increase in reinsurance cost as advised by our broker, Aon New Zealand.

We will be issuing you with two invoices for this renewal period, each representing 50% of your annual contribution. We have enclosed an invoice for your first 50% contribution for an amount \$280,553.97 plus GST which is due to be paid by 20 October 2022. Your second invoice will be issued before the end of March 2023.

Please note the difference between your Council's claim threshold of \$1,500,000.00 and claim deductible of \$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.

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

Your sincerely

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



TAX INVOICE

Page : 1

HASTINGS DISTRICT COUNCIL
PRIVATE BAG 9002
HASTINGS 4156

Referenc : 2448

Date : 2/9/2022
Customer : LA0023
Batch No : 6197
GST No. : 61-374-548
Order :

Description	Total
LAPP CONTRIBUTION	280,553.96
FOR: FIRST 50% LAPP MEMBER CONTRIBUTION FROM 1 NOVEMBER 2022 TO 31 OCTOBER 2023	

Subtotal	280,553.96
GST	42,083.10
Total	322,637.06

Please pay on this invoice as no statement will be issued.
Prompt payment is appreciated.

If paying by Direct Credit, please pay
into Bank Account 01-0527-0173311-28
Please quote Reference number.



OFFICE OF THE AUDITOR-GENERAL
Te Mana Arotake

100 Molesworth Street, Thorndon 6011
PO Box 5928, Wellington 6140, New Zealand
Telephone: +64 4 917 1500
Email: enquiry@oag.parliament.nz
Website: www.oag.parliament.nz

File ref: EN/LCA/3-0013

24 August 2022

Hastings District Council
Group Manager: Corporate
Bruce Allan

By email: brucea@hdc.govt.nz

For the attention of the Chief Executive and/or the Chairperson of Hastings District Council

Tēnā koe Bruce

Change of auditor

I'm following up to confirm our discussions over the past few days about this matter.

You may be aware that an industry-wide auditor shortage and subsequent Covid-related lockdowns have been disruptive for many audit firms, resulting in delays to the completion of many audits. We expect that it will take time to restore capacity throughout the audit profession.

It is important that the Auditor-General takes all possible steps to ensure that the audits of public organisations are completed in a timely manner, to help maintain trust and confidence in the public sector.

We have been working with all audit service providers to ensure that they are well positioned to complete their public sector audits on time. Some firms are able to access additional staff from their overseas offices, and most are able to make commercial decisions about the audits they take on or relinquish. Audit New Zealand is unable to take these steps.

As a result, we have been carefully considering the short-term and longer-term options for a number of audits and propose to reallocate some from Audit New Zealand to other audit service providers. In doing that, we have continued to apply the principles that are important in appointing an auditor – independence, their knowledge about public organisations and public sector audits, the particular audit skills required, and the need for the Auditor-General to always have access to enough audit capacity and capability.

Your audit is one that we propose to reallocate, from Audit New Zealand to a partner from the firm of Ernst & Young. This change will mean that your audit is completed as quickly as possible, this year and in subsequent years.

We recognise that reallocating your audit after your financial year has ended is not ideal and might cause you some disruption. We will expect your outgoing appointed auditor to work collaboratively with the incoming one, to ensure a smooth transition.

New Audit Proposal, and audit fees

Ernst & Young will need to prepare a draft Audit Proposal for discussion with you. The proposal will cover the statutory basis for the audit, key staff assigned to the audit, and the audit hours and fees for each audit year. The new proposal will be for an initial term commencing with the 2022 audit.

If audit fees have already been agreed for your audit, those audit fees will be honoured.

If audit fees have not been agreed for your audit, the new auditor will need to work with you to agree them. Under the Public Audit Act 2001, audit fees must be reasonable, which means they should be fair to the entity, and provide a fair return (but not more than that) to the auditor for the work that is required.

We provide audit firms with guidance to follow when setting audit fees. You and Ernst & Young need to agree a way to understand the real costs of the audit and agree future audit fees that are reasonable. We expect the Ernst & Young to use the first year to understand and properly scope future audits, and to propose audit fees for future years based on that initial year's understanding (excluding, as always, any first-year investment in understanding your entity).

The first year might need to have an estimated fee with an agreed means of confirming that during and after the audit. For example, a helpful process we have used requires the auditor and key entity staff to have a short regular debrief (for example, at the end of each week) to understand that week's work and costs, and especially to understand any inefficiencies from either side.

The Audit Proposal will contain the appointed auditor's expectations of your organisation in relation to the audit. You'll need to work together with them and take the opportunity to discuss those factors that are within your control to make the audit less time-consuming and more efficient. As we always do, we will review the proposed audit fees to ensure that they are reasonable.

Auditor independence

The Auditor-General sets independence standards for auditors acting on his behalf, which include the standards set by the External Reporting Board. He limits the nature and amount of work that an auditor can carry out for an organisation to the audit itself and other assurance work. If you have any concerns that some work your organisation expects your auditor to carry out, or might ask your auditor to carry out, is not assurance work, you are welcome to seek our views.

If you wish to discuss any aspect of this letter, or, after discussion with your auditor, require our analysis of the proposed audit fee, please contact me at Murray.Powell@oag.parliament.nz

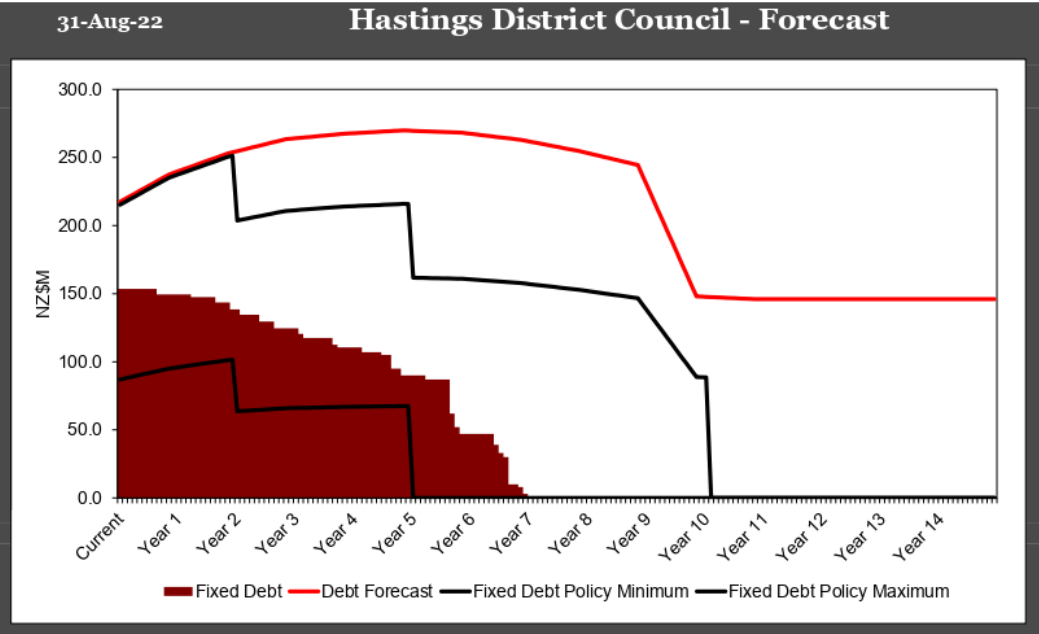
Nāku noa, nā



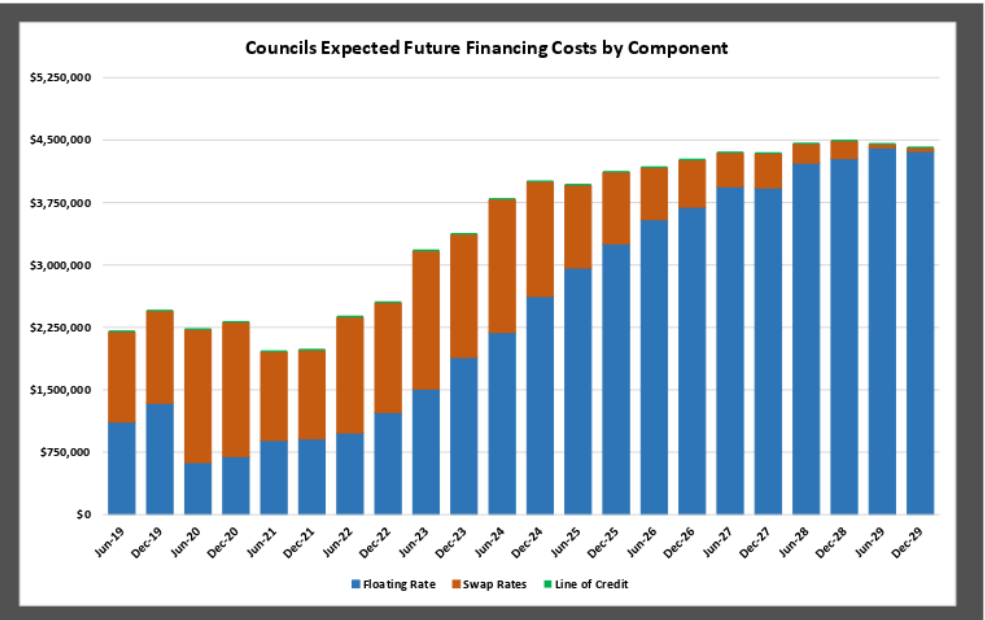
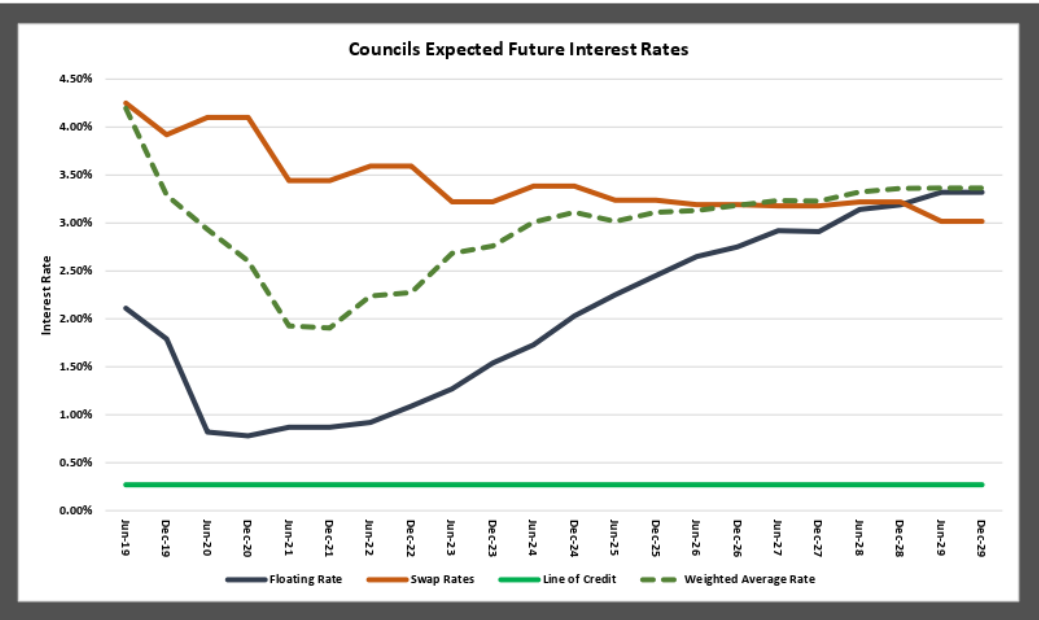
Murray Powell
Audit Projects Director

Interest Rate Risk Position

31 August 2022



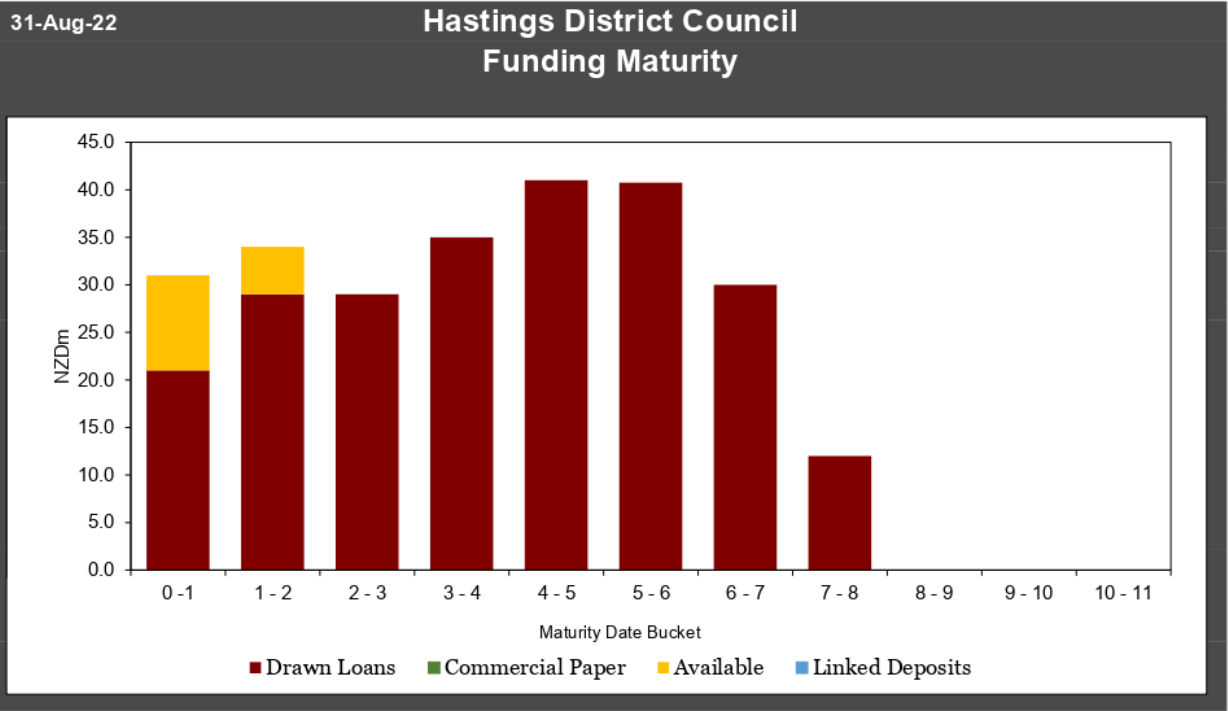
Debt Interest Rate Policy Parameters					
(calculated on rolling monthly basis)					
Debt Period Ending	Debt Forecast	Minimum %	Maximum %	Actual	Compliant (Y/N)
Current	238	40%	99%	60%	Yes
Year 1	240	40%	99%	62%	Yes
Year 2	255	25%	80%	54%	Yes
Year 3	264	25%	80%	47%	Yes
Year 4	268	25%	80%	41%	Yes
Year 5	270	0%	60%	33%	Yes
Year 6	267	0%	60%	18%	Yes
Year 7	262	0%	60%	0%	Yes
Year 8	253	0%	60%	0%	Yes
Year 9	228	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				4.92 Years	



Cost of Holding Fixed Interest Position				31-Aug-22			30-Jun-22			Movement for Year		
	Notional Swap Value	Avg Int Rate	Valuation		Notional Swap Value	Avg Int Rate	Valuation		Notional Swap Value	Avg Int Rate	Valuation	
Live Interest Rate Swaps	85,500,000	3.79%	1,600,656		85,500,000	3.79%	1,170,926		0	0.00%	429,730	
Forward Starting Interest Rate Swaps	15,000,000	3.95%	33,643		15,000,000	3.95%	51,174		0	0.00%	(17,531)	
Fixed Rate Cover Live & Forward	68,000,000	1.82%			68,000,000	1.82%						
Total Interest Rate Swaps	168,500,000	3.01%	1,634,299		168,500,000	3.01%	1,222,100		0		412,199	
Average Cost of Funds				31-Aug-22			30-Jun-22			Movement for Year		
	Notional Value	Avg Int Rate			Notional Value	Avg Int Rate			Notional Value	Avg Int Rate		
Fixed Rate Loans with LGFA	58,000,000	2.58%			58,000,000	2.58%			0	0.00%		
Floating Rate Loans with LGFA	179,000,000	4.05%			179,000,000	3.45%			0	0.60%		
Live Interest Rate Swaps	85,500,000	3.79%			85,500,000	3.79%			0	0.00%		
Westpac Lines of Credit	15,000,000	0.27%			15,000,000	0.27%			0	0.00%		
Fixed Rate Loans with HN2	740,000	0.00%			740,000	0.00%			0	0.00%		
Total External Loans / Average Cost of Borrowing	237,740,000	3.81%			237,740,000	3.58%			0	0.24%		

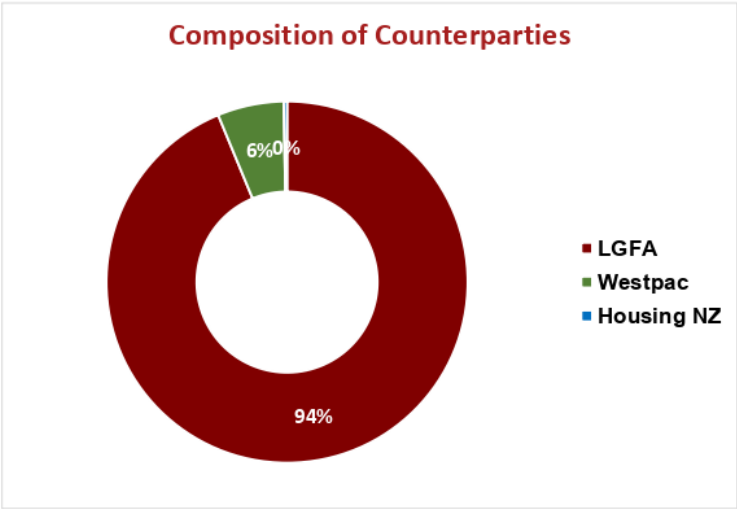
Funding and Liquidity Risk Position

31 August 2022



Funding KPI's

	Minimum %	Maximum %	Actual	Compliant (Y/N)
Liquidity	110%	170%	114%	Yes
Fixed Interest Debt	40%	99%	60%	Yes
Funding Maturity Profile				
0-1 Year	0%	33%	18%	Yes
1-2 Year	0%	33%	13%	Yes
2-3 Year	0%	33%	11%	Yes
3-4 Year	0%	33%	13%	Yes
5-6 Year	0%	33%	15%	Yes
6-7 Year	0%	33%	15%	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	LIQUIDITY RATIO	1.14
Bank Deposits & Term Deposits	18,000,000	Definition: (Cash Reserves + Lines of Credit + Drawn Debt) / Drawn Debt	
		Weighted Average Length of Funding	3.7 Years

Risk and Assurance Subcommittee Self-Assessment Survey 2022

Q1

Subcommittee role and membership: Please rate how much you agree with the following statements

The roles & responsibilities of the Subcommittee are clear, appropriate, and sufficient.	Agree	Agree	Agree	Strongly Agree	Agree	Agree	Agree
The members as a collective hold the relevant expertise and experience to address the areas of governance, finance, risk management and assurance; and specific issues related to the Council.	Agree	Strongly Agree	Agree	Strongly Agree	Agree	Agree	Agree
The external appointees bring additional insight and expertise.	Strongly Agree	Strongly Agree	Strongly Agree	Strongly Agree	Strongly Agree	Strongly Agree	Strongly Agree
There is sufficient rotation of members to ensure a fresh perspective.	Disagree	Agree	Agree	Strongly Agree	Disagree	Agree	Agree

Q2

Do you have any specific comments about the role and membership of the Subcommittee?

The team is highly diverse and effective. Great people with heaps of experience who is not afraid to challenge, but also support.
There hasn't been much rotation on this committee for a while. Alwyn and Jaun have been new additions but all others have been there for some time.
While the roles are clear, it would be good if the Committee were able to provide more direction back to the wider Council on matters considered. Specifically, to generate more specific actions from matters considered.

Q3

Subcommittee work programme: Please rate how much you agree with the following statements

The work programme enables the Subcommittee to discharge its responsibilities in risk management, statutory reporting, internal and external audit and assurance, monitoring of compliance with laws and regulations, including health and safety.	Agree	Strongly Agree	Agree	Strongly Agree	Strongly Agree	Agree	Strongly Agree
Members critically evaluate and challenge executive decision-making.	Agree	Strongly Agree	Agree	Strongly Agree	Strongly Agree	Agree	Strongly Agree
Members critically evaluate the internal and external auditors' plans and recommendations.	Agree	Agree	Agree	Strongly Agree	Agree	Agree	Strongly Agree
Members support management in improving organisation-wide responsibilities under the Health and Safety at Work Act 2015.	Agree	Agree	Agree	Strongly Agree	Strongly Agree	Agree	Strongly Agree

Q4

Do you have any specific comments about the Subcommittee's work programme?

The work programme is well thought through and enable members to discharge their governance responsibilities.
In addition to challenge the management team work programme and delivery, it would be worth the Committee challenging the Council LTP objectives and strategies, or to make sure there is good alignment from planning to delivery.

Q5

Information flows: Please rate how much you agree with the following statements

Other Council committees and subcommittees are kept sufficiently informed of the work of the Subcommittee.	Agree	Agree	Agree	Strongly Agree	Disagree	Agree	Disagree
Subcommittee members are up-to-date with relevant developments in other areas of Council.	Agree	Strongly Agree	Agree	Strongly Agree	Agree	Agree	Agree
Council officers provide information to the Subcommittee that meets its expectations in regards to nature, clarity, quality, and timeliness.	Strongly Agree	Strongly Agree	Agree	Strongly Agree	Agree	Agree	Agree
The Subcommittee ensures that its requests of officers to do further work or provide further information are reasonable.	Agree	Strongly Agree	Agree	Strongly Agree	Strongly Agree	Agree	Strongly Agree
The internal and external auditors have uninhibited access to the Subcommittee members independent of management.	Don't know	Strongly Agree	Agree	Strongly Agree	Strongly Agree	Agree	Strongly Agree

Q6

Do you have any specific comments about the information flows to and from the Subcommittee?

All Councillors should be invited to all R&A meetings even if not on committee. (No speaking rights unless approved by chair)
Information flow is more than sufficient to inform this committee as well as inform other committees relying on guidance from this committee.
There probably hasn't been much access to the internal auditor in recent times.
Agreeing key points during Committee meetings that should be communication to all Elected Members would be desirable. This could cover level of confidence in relation to standing items such as finances, audit, H&S and emerging issues/risk.

Q7

Do you have any other suggestions to improve the effectiveness of the Risk and Assurance Subcommittee?

Put in Councillors' diary even if not on committee.
No, the committee is highly efficient and effective and discharges its responsibilities in a highly structured way.
Looking for more quantified analysis of risk.

Q8

Please indicate if you are in a governance or management role?

(Survey responses will be anonymous)

Management - 4

Governance - 3



**Hastings District Council
Risk and Assurance Committee
Status of Actions – September 2022**

Item No.	Meeting Date	Action	Reporting Officer	Progress	Complete
1	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 provided at the previous meeting. No further update available.	Ongoing and partially complete
2	13/09/21	<u>Insurance</u> <ul style="list-style-type: none"> Report on possible Council self-insurance and whether deductibles could be increased, to be circulated prior to November meeting 	GM:C	Update included in GM: Corporate report.	
3	18/06/2022	<u>Annual Report</u> <ul style="list-style-type: none"> What is being done to solve the issues around recording and classifying Customer Services calls? 	GM:C/ Greg Brittin	Addressed in Annual Report update.	

CG-16-6-00184

Monday, 19 September 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: Aaron Wilson, Financial Controller
From: Jess Noiseux, Financial Improvement Analyst

Te Take:
Subject: Annual Report 2021/2022 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 the Annual Report and year-end processes.
- 1.2 This report concludes by recommending that the report be received.

2022 Annual Report

- 1.3 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
- 1.4 Last month the Office of the Auditor-General (OAG) approached Council about the possibility of changing our audit service provider from Audit New Zealand to Ernst & Young (EY) due to significant resource challenges facing Audit New Zealand.
- 1.5 Audit New Zealand gave officers assurance that they were currently still on track to complete our audit within the timeframes originally agreed. However the OAG communicated that there was a risk that this situation could change between now and our agreed upon sign off date of 8th December because of the resourcing pressures Audit New Zealand are currently facing (due to a nationwide auditor shortage). There was also indication that we could have EY reassigned to us as our audit service provider from next year's audit regardless.

- 1.6 With this in mind, and after confirmation from EY that they can meet our original sign off date of 8th December, officers agreed to the OAG's request that we switch audit service providers part way through the annual audit cycle.
- 1.7 There will likely be extra work required from officers as EY may need to duplicate some of the work already completed from the interim audit. However officers are confident that there are sufficient resources to meet these requirements.
- 1.8 Please note that there is one attachment with this report that is:
- Draft Financial Statements 2022 (**Attachment 1**)
- 1.9 Work on the full Annual Report is progressing well, even though there has been disruption across the Council over the last couple of months due to Covid and staff off sick or working from home. It is expected that officers will be able to provide a complete draft Annual Report to Council for their endorsement at the last Council meeting prior to elections.
- 1.10 As stated in the prior report to the Committee in July, there are no significant changes to Public Benefit Entity (PBE) standards that are likely to materially affect the 2021/22 Annual Report. The early adoption of PBE IPSAS 41 will require some changes to the presentation and disclosures of some areas within the Annual Report, but nothing significant as Council do not have complex financial instruments.
- 1.11 Council officers have been working to resolve the two issues in Council's performance measures last year that resulted in a qualified audit opinion for the Annual Report.
- *Number of complaints – issue around completeness of data*
Officers have been able to extract appropriate Customer Service call data to ensure all calls relating to complaints are captured in the reporting framework. Appropriate after hours call centre data from Palmerston North City Council has also been obtained. Officers are confident that this data provides a complete picture of the number of complaints per each of the 3 waters. The change in methodology has resulted in a significant increase in the number of water supply complaints (stormwater and wastewater have remained fairly consistent with prior year). We have included explanatory commentary in the Annual Report to reflect that this increase is due to a change in methodology for capturing complaint data rather than an actual increase in the number of complaints from prior year.
 - *Water loss – issue around reliance of reported data*
As discussed at the previous Committee meeting, Council do not have sufficient water meters installed on residential connections to report a statistically reliable water loss percentage. The alternative method allowable by the DIA for measuring water loss (minimum night flow analysis - MNF), has been explored and unfortunately it was concluded that the MNF methodology results were not reliable. Because both methods are considered statistically unreliable, officers have chosen not to report any results for this measure and to instead disclose what work is being done to improve the accuracy of the data for this measure.
- 1.12 As a result officers believe it is likely that Council will receive an unqualified opinion on the Annual Report.

- 1.13 Set out below is a summary of the of the 2021/22 financial year:

Unaudited Operating Accounting Result	BUDGET COUNCIL \$'000	ACTUAL COUNCIL \$'000	Variance
Operating Revenue	178,450	163,959	(14,491)
Less: Operating Expenditure	148,601	145,470	(3,131)
Net Surplus/(Deficit)	29,849	18,489	(11,360)
Unrealised movement on Swaps	-	(11,974)	(11,974)
Net Surplus/(Deficit) after Swaps	29,849	30,463	614
Gain/(Loss) on Revaluations	52,259	553,844	501,585
Net Surplus after accounting gains and losses	82,107	584,307	502,200

- 1.14 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 \$18.5m with an unfavourable variance to the budget of \$11.4m.
- 1.15 It is important to note that budget variances noted in the table above, refer to variances against year one of the Long Term Plan excluding carry forwards or any other budget adjustments as this is what Council is required to report against in the Annual Report.
- 1.16 The unrealised gain on interest rate swaps of \$12m 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 2022. Council is, however, extremely unlikely to do this and the gain is therefore recognised as an 'unrealised gain'.
- 1.17 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.
- 1.18 The revaluations for 3 waters, Roothing and library assets show an overall gain of \$554m. Within this were the following movements:

Asset Class	Asset value pre-valuation \$000	Valuation per valuation reports \$000	Increase/(decrease) in asset value \$000
3 Waters	\$1,191,240	\$1,358,361*	\$167,121
Parks	\$671,006	\$1,058,738	\$387,732
TOTAL INFRASTRUCTURE	\$1,862,246	\$2,417,099	\$554,853

*includes vested assets

- 1.19 Roothing: The increase in the roading valuation of \$167m from pre-valuation net book value is mainly due to a combination of significant increases in replacement cost unit rates and movement in the Waka Kotahi NZTA Cost Adjustment Factors (CAF). The main cost drivers for increases were primarily in bridges, sealed surfaces and formation asset categories. Because of the significant increase indicated by the out of cycle valuation report, officers have elected to revalue the Roothing assets in the 2022 Annual Report.
- 1.20 3 Waters: A finalised report has not yet been completed. However, the main drivers in the increase are a reflection of the significant changes in the market since 2020 when the unit rates were last formally reviewed against current contract rates. Officers obtained external assurance over the unit rates used to further bolster the evidence to support the significant increases.

- 1.21 We do not expect that year-end reporting in the financial statements will need to articulate the impact of Covid-19 this year, except perhaps as an explanation for any significant variances against budget.

2.0 Recommendations - Ngā Tūtohunga

That the Risk and Assurance Committee receive the report titled Annual Report 2021/2022 Update dated 19 September 2022.

Attachments:

1  Financial Statements 2022

FIN-09-3-22-349

ACTUAL COUNCIL 2021		ACTUAL GROUP 2021		BUDGET COUNCIL 2022		ACTUAL COUNCIL 2022
\$'000	\$'000		Notes	\$'000	\$'000	
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2022						
Revenue						
87,303	87,303	Rates, excluding metered water supply charges	3	95,280	94,974	
32,472	32,522	Fees, charges and metered water supply charges	3	34,437	31,091	
38,187	38,942	Subsidies and Grants (i)		37,808	26,179	
4,567	4,567	Development and financial contributions		5,785	5,125	
295	295	Donations		3,603	243	
519	527	Interest revenue (ii)	3	0	99	
2,852	3,412	Other revenue (iv)	3	537	786	
2,662	2,662	Vested infrastructural assets (v)		1,000	5,462	
168,857	170,230	TOTAL REVENUE		178,450	163,959	
Expenses						
99,856	100,228	Operational costs (vi)	4	104,289	100,756	
37,502	38,055	Depreciation and amortisation expense		36,566	38,782	
5,106	5,106	Finance Costs (vii)		7,747	5,932	
142,264	143,389	TOTAL EXPENSES		148,601	145,470	
(8,010)	(8,010)	Unrealised Loss/(Gain) on Swaps (viii)			(11,974)	
-	(136)	Share of associate surplus/deficit			-	
34,603	34,987	Surplus/ (deficit) before tax		29,849	30,463	
-	-	Income Tax expense	5	-	-	
34,603	34,987	Surplus/(deficit) after tax		29,848	30,463	
Impairment - fixed assets						
(20,524)	(20,524)	Gain/loss on infrastructural revaluations	13	52,259	554,853	
121,257	121,257	Gain/Loss on land and building revaluations	13	-	(-)	
598	514	Gain/Loss on other revaluations	13	-	(1,009)	
(-)	(-)	Financial assets at fair value through other comp	13	-	(-)	
101,331	101,247			52,259	553,844	
135,934	136,234	Total other comprehensive revenue and expense		82,107	584,307	
Net Surplus /(Deficit) attributable to:						
34,603	34,987	Hastings District Council		29,848	30,463	
-	-	Minority Interest		-	-	
34,603	34,987			29,848	30,463	
Total comprehensive revenue and expense attributable to:						
135,934	136,234	Hastings District Council		82,107	584,307	
-	-	Minority Interest		-	-	
135,934	136,234			82,107	584,307	

ACTUAL COUNCIL 2021		BUDGET COUNCIL 2022		ACTUAL COUNCIL 2022	
ACTUAL GROUP 2021					
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022					
2,102,757	2,127,302	Balance at 1 July	2,150,000	2,238,691	
-	-	- Adjustments on adoption of PBE IPSAS 41 and corrections	-	60	
2,102,757	2,127,302	Adjusted balance 1 July	2,150,000	2,238,751	
34,603	34,987	Surplus/Deficit	29,848	30,463	
101,331	101,247	Other comprehensive revenue and expense for the year	52,259	553,844	
135,934	136,234	Total comprehensive revenue and expense for the year	82,107	584,307	
2,238,691	2,263,536	Balance at 30 June	2,232,107	2,823,058	
Total comprehensive revenue and expense attributable to:					
135,934	136,234	Hastings District Council	82,107	584,307	
		Non-controlling interest	-	-	
135,934	136,234		82,107	584,307	

ACTUAL COUNCIL 2021 \$'000	ACTUAL GROUP 2021 \$'000	Notes	BUDGET COUNCIL 2022 \$'000	ACTUAL COUNCIL 2022 \$'000
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022				
ASSETS				
Current assets				
38,675	38,884		1,265	31,439
15,839	16,158	6	16,060	17,072
76	76		108	39
956	956		-	7,030
-	395		-	-
55,546	57,469		17,434	55,580
Non-current assets				
-	-	7	-	1,714
1,063	7,975	7	1,063	1,462
15	-	7	15	15
4,727	4,727	7	3,400	5,734
388	388		-	513
6,193	13,090		4,478	9,438
384,494	401,940	8	313,236	387,488
2,044,471	2,044,471	8	2,166,977	2,643,882
60	60	8	-	60
604	608		1,161	1,419
2,435,822	2,460,169		2,485,852	3,042,287
2,491,368	2,517,638		2,503,284	3,097,867
LIABILITIES				
Current liabilities				
-	-		0	-
30,180	31,436	9	25,039	30,331
3,761	3,799	10	3,398	4,517
501	501	12	-	-
23,000	23,000	11	23,328	21,000
57,442	58,736		51,755	55,848
Non-current liabilities				
1,559	1,690	18	1,640	945
684	684	10	333	783
10,251	10,251	12	7,500	492
182,741	182,741	11	209,949	216,741
195,235	195,366		219,422	218,961
252,677	254,102		271,177	274,889
2,238,691	2,263,536		2,232,107	2,823,058
Equity				
1,274,751	1,297,027	13	1,234,342	1,304,843
3,577	3,577	13	2,785	4,007
960,363	962,932	13	994,980	1,514,208
2,238,691	2,263,536		2,232,107	2,823,058

ACTUAL COUNCIL		ACTUAL GROUP 2021		BUDGET COUNCIL		ACTUAL COUNCIL	
2021		2021		2022		2022	
\$'000		\$'000		\$'000		\$'000	
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022							
<u>Cash flows from operating activities</u>							
<u>Cash was provided from:</u>							
87,547	87,547	Receipts from rates revenue		85,280		94,807	
37,046	37,776	Receipts from customers		40,759		36,489	
512	520	Interest received		-		263	
-	-	Dividends and commissions received		-		-	
36,187	40,859	Subsidies and grants received		41,411		25,060	
-	-	GST (net)		-		-	
163,292	166,702			177,450		156,619	
<u>Cash was applied to:</u>							
95,581	97,674	Payments to suppliers and employees		104,289		99,269	
5,058	5,058	Interest paid		7,747		5,529	
544	511	GST (net)		-		(40)	
101,183	103,243			112,035		104,758	
62,109	63,459	Net cash flows from operating activities (note 20)	A)	65,414		51,861	
<u>Cash flows from investing activities</u>							
<u>Cash was provided from:</u>							
2,642	2,687	Receipts from sale of property, plant and equipment (i)		467		1,481	
14,000	14,033	Maturing/sale of investments		-		-	
-	-	Losses and impairment / revaluation prior year and investments withdrawn		-		-	
16,642	16,720			467		1,481	
<u>Cash was applied to:</u>							
91,194	91,949	Purchase of property, plant & equipment and infrastructural assets		127,948		91,048	
-	-	Purchase of investments		228		524	
91,194	91,949			128,176		91,572	
(74,552)	(75,229)	Net cash flows to investing activities	B)	(127,709)		(90,091)	
<u>Cash flows from financing activities</u>							
<u>Cash was provided from:</u>							
71,372	71,372	Proceeds from borrowings		69,228		53,626	
<u>Cash was applied to:</u>							
20,000	20,000	Repayment of borrowings		8,933		22,632	
51,372	51,372	Net cash flows from financing activities	C)	62,295		30,994	
38,929	39,692	Net increase (decrease) in cash, cash equivalents and bank overdraft	(A+B+C)	-		(7,236)	
(254)	262	Cash, cash equivalents and bank overdraft at the beginning of the year		1,265		38,675	
38,675	39,884	Cash, cash equivalents and bank overdraft at the end of the year		1,265		31,439	
<u>Cash at end of year comprises</u>							
38,675	39,884	Cash and cash equivalents		1,265		31,439	
-	-			-		(i)	

Monday, 19 September 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:
From: **Regan Smith, Risk & Corporate Services Manager**

Te Take:
Subject: **Climate Change Response Review**

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 on the Council Climate Change response activity and recommend additional measures that the Committee may wish to recommend to Council.

2.0 Risk Description

- 2.1 Council has had a climate related risk on the Tier 1 strategic risk register since 2017. The risk current description is mostly focused on adaptation, but also includes mitigation measures where relevant.
- 2.2 The Failure of Climate Adaptation risk is currently described as:

“Lack of knowledge, protracted decision making or insufficient application of resources may cause climate change adaptation measures to fail adversely impacting economic, social and cultural wellbeing.”

3.0 Operating Context

- 3.1 Globally more focus and effort is being applied to address issues related climate change in response to the increasing number of extreme climatic events. Key outcomes from COP26 agreed at the United Nations Glasgow Climate Change Conference include “strengthened efforts to build resilience to climate change, to curb greenhouse gas emissions and to provide the necessary finance for both” ([The Glasgow Climate Pact – Key Outcomes from COP26 | UNFCCC](#)).
- 3.2 Nationally the NZ Government released an Emissions Reduction Plan in May 2022 (ERP) focused on “strategies, policies and actions for achieving our first emissions budget, as required by the Climate

Change Response Act 2002.” ([Ministry for the Environment, Aotearoa New Zealand’s First Emissions Reduction Plan, May 2022](#)). The ERP response includes a move to electric vehicles for passenger and heavy transport, improving energy efficiency, banning low/medium heat coal boilers, introducing emissions pricing for agriculture and a range of other measures.

- 3.3 The Government also released a National Adaption Plan (NAP) in August 2022. “The NAP sets out Aotearoa New Zealand's response to climate change impacts. While the Emissions Reduction Plan sets out our pathway to mitigating climate change” ([Aotearoa New Zealand’s first National Adaptation Plan \(NAP\) published 3 August 2022 - Te Tūāpapa Kura Kāinga - Ministry of Housing and Urban Development \(hud.govt.nz\)](#)). Hastings District Council (HDC) staff consider the following risks to be a priority in regards to the draft NAP: water quantity and quality, natural disaster resilience (particularly land use planning), ability to fund/financial sustainability, 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. The NAP does not currently place any specific responsibilities on Local Government at this stage, but the sector is likely to play a key role in many of the outcome sought in the NAP.
- 3.4 In addition the External Reporting Board (XRB) are in the process of consulting on a standard for Climate Related Financial Disclosures. The standard would include the requirement to makes disclosures on; Governance, Strategy, Risk Management, Metrics and Targets, and Assurance of Green House Gas Emissions. Initially the reporting requirements will only apply to large publicly listed companies and any Council’s meeting the definition of ‘issuer’. According to the information Taituarā have available this would only include Auckland Council and Christchurch City Council. However, it appears very likely that these same reporting requirements will eventually become required for most sectors. The timeframe for this is unknown.
- 3.5 The level of national planning and standards setting activity is sending a clear signal that the Government is seeking tangible action to respond to climate related issues and meet international obligations.

4.0 Current Council Activity

- 4.1 For some time Council has been incorporating actions that respond to the challenges of climate change into normal business activities. These changes have generally been at the discretion of the responsible officers or teams, and made within the limitations of existing budget provisions.
- 4.2 The Hastings Eco District Te Rautaki Tirohonga Whanui Strategic Overview 2021 provides a comprehensive stocktake of those activities currently underway. The Strategy identifies four NGĀ WĀHI WHAKAAROTAU - PRIORITY AREAS OF FOCUS, which include; Water and land, Better climate and carbon future, Natural environment is enhanced and protected, and Council services are green an healthy. The purpose and contents pages from the Strategy are attached for reference (Attachment 1). Progress reporting on activity is provided to the Eco District Committee by Group Manager: Asset Management.
- 4.3 It should be noted that one of the actions identified in the Eco District Strategy is a carbon assessment of Council activities. A contract has been signed with Ekos to undertake this assessment, and work is now underway to collect the data required for the report.
- 4.4 In addition to the Council carbon assessment, Hawke’s Bay Regional Council (HBRC) has commissioned a regional carbon assessment. This will include a section on the Hastings Community Emissions Footprint. It is expected that this report will be available before the end of this calendar year.
- 4.5 Council’s Growth Infrastructure team are drafting a climate change statement to go into a Constraints Report, and adaptation will play a significant part in future decision making as Council develops a response to growth.

- 4.6 Infrastructure planning in response to changing climate conditions has also been undertaken when reasonable within the bounds of existing resourcing. The following approaches are already underway.

4.6.1 Transportation

- 4.6.2 As part of the Transportation Asset Management Plan strategic case an Investment logic mapping session was completed which identified four problems affecting the transport network. One of the problems identified is: The lack of resilience in the roading network can isolate communities and industry, negatively impacting on accessibility and the district's social and economic outcomes.

- 4.6.3 With climate change the primary driver to the increasing weather events frequency and severity, the impact on our road network is broad and includes flooding, slips, fallen trees, damaged bridges and poor road condition. Our strategic response for this problem is to identify, assess and appropriately control risk and resilience on the network. There is a large piece of work underway called the Hastings Transport Resilience Programme Business Case (Attachment 2 - BCP Purpose Extract). The purpose of this Resilience PBC is to identify a programme of activities that will maintain or improve the resilience of the HDC road transport infrastructure.

4.6.4 Storm Water

- 4.6.5 Portsmouth Rd future detention area (off-set mitigation) to manage urban stormwater impacts from growth within Flaxmere. This will enable the efficient use of land for housing and ensure that increases in the frequency and intensity of storms can be managed.

- 4.6.6 Moving forward HDC will be reliant and working with HBRC to provide appropriate drainage outlet capacity as currently all urban stormwater finds its way to the Karamu stream.

4.6.7 Wastewater

- 4.6.8 Future strategies are considering the impact of sea level rise and inundation at the coast for the East Clive WWTP. Triggers will include the timing for when the ocean outfall is to be replaced and the consequent risk to wastewater treatment operations and disposal including alternative options such as retreat.

4.6.9 Drinking Water

- 4.6.10 Source water risk management plans will include an understanding of the impact to our sources of drinking water from climate change including rising temperatures and drought which can increase demand. This exacerbates shortages from lower rainfall and higher evapotranspiration. A comprehensive demand management strategy is currently in development.

4.6.11 Waste Management

- 4.6.12 Council has identified and inspected all known "public" closed landfill sites in the district. The HDC is working with the HBRC to undertake armoured work on the Black Bridge closed landfill site which borders the Tuki Tuki River. Costs relating to the construction of this work have been budgeted for in the 2023/24 year. Investigation and design work commenced in the 2020/21 year and is ongoing.

4.6.13 Parks & Open Spaces

- 4.6.14 For parks and reserves the responses have been based on passive actions that help hold the coastal edge as best that can be achieved. This involves some minor beach scraping to infill dips in the crest ridgeline, and revegetation work to try to stop dune and coastal edge erosion.
- 4.6.15 Work is also being done to reduce dependence on water which is becoming a scarce commodity. This consists of changes to plant palettes to use drought resistant plants that will better cope in changing climatic conditions, and rolling out pop up irrigation systems to better target watering to reduce water consumption.

4.6.16 Building Assets

- 4.6.17 From a planning perspective for building assets Council is undertaking a stocktake of public buildings in the coastal margin with a view of assessing their vulnerability to rising sea levels and wave surge impacts. From this a strategy will be proposed that might respond to protecting or moving the assets.

5.0 Best Practice

- 5.1 There is various guidance material available for planning a climate response. Most of this material focuses on the process that should be followed to develop a response plan, rather than defining specific activities. However, the following steps are important to any planning process, so incorporating these in to existing business activities would be good practice:
- 5.1.1 Integrated management program that includes climate planning that covers; development, maintenance, Review and Financing.
 - 5.1.2 Climate related data collection and management to support decision making.
 - 5.1.3 Climate related performance management indicators.
 - 5.1.4 Independent assessment of these activities.

6.0 Way Forward

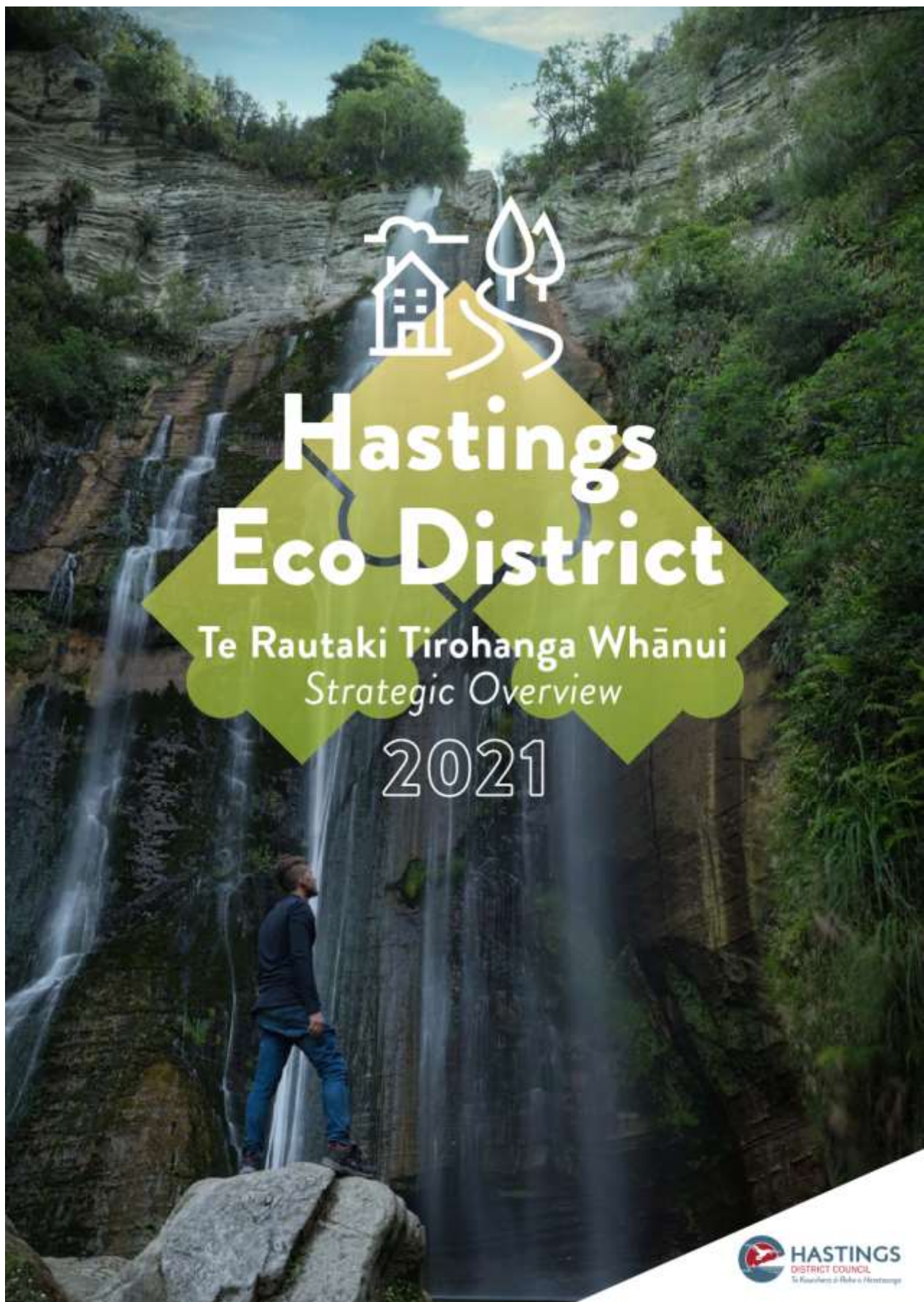
- 6.1 The information provided in this paper briefly summarises the activity that is underway to respond to climate change. However, as there are strong signals that more needs to be done, it would be appropriate to consider whether any additional steps should be incorporated in to the future climate change response plan.
- 6.2 A key part of this a will involve committing resources to undertake carbon assessments, determine modifications needed to design standards, improved data quality, amongst other things. An external assessment of these aspects by a credited firm may help to highlight where the most important gains can be made.
- 6.3 In the meantime the following recommendations are proposed for the Committee to consider. The objective of these recommendations is to drive a proactive and integrated approach to responding to the effects of climate change.

7.0 Recommendations - Ngā Tūtohunga

- A) That the Risk and Assurance Committee receive the report titled Climate Change Response Review dated 19 September 2022.
- B) That the Committee recommend to Council that the following additional steps be put in place support a coordinated response to climate change challenges:
 - i. Define an agreed climate future that should be used for planning.
 - ii. Undertake a risk assessment of the impacts resulting from the agreed climate future on Hastings District Council services and assets.
 - iii. Develop a set of success criteria that can be used to evaluate whether climate change related actions are being successful.
 - iv. Implement a carbon reduction plan for Council activities based on an evaluation of the Council's current carbon footprint.

Attachments:

1	Eco District Strategic Purpose Extract	PMD-9-3-22-58
2	HDC PBC Summary Purpose Extract	PMD-9-3-22-59



Te Kaupapa – Purpose

This document provides an overview of Council's strategic work that contributes to environmental sustainability. This strategic overview has been developed to contribute to a healthy environment and community.

Hastings District Council established the Eco District Subcommittee in 2019. This document is the **first** Eco District Strategic Overview to be prepared by the Committee. The document is intended to be a **living document** that will keep evolving and remain responsive to new information and changes in central government priorities, whilst providing a solid foundation for Council's future ways of operation. It is recommended that the document will be reviewed on an annual basis.

Te Wawata – Our Aspiration

To develop a district that plans for a sustainable future, encourages enhancements to its natural and built environment; and importantly too, by partnering with our Tiriti partner represented by a number of mana whenua entities across Hastings district. To develop a district that plans for. With time, our district will realise the benefits to both society and the environment from creating and utilising clean energy, lowering greenhouse gas emissions, reducing our ecological footprint, and protecting our landscapes, wetlands and soils.

Ō Tātau Whāinga – Our Goals

With the help of key partnerships, Hastings District aims to have a sustainable future and a reduced ecological footprint through effective planning of infrastructure and the protection, maintenance and enhancement of our natural and built environment. To do this we have set ourselves the following key goals, which form the basis for our priority areas of focus:

1. To use our natural resources with respect, wisdom and foresight.
2. To minimise our carbon footprint and adapt to inevitable climate changes.
3. To treasure and nurture our natural environment.
4. To model sustainable action and to work with and inspire others.

Te Rautaki Tiro Whānui – Strategic Overview

This strategic overview contributes to Council's current Long Term Plan (2021-2031) which identifies the wellbeing of the environment as one of its main priorities and will give effect to district-wide mana whenua strategies and documents as appended to this strategic document. Whilst Eco District is directly linked to our environmental outcomes, it also affects community wellbeing and overlaps with other Council aspirations. Hereinafter Ringahora acknowledges that protecting our precious local natural taonga, our waters, land and our wider environment is everyone's responsibility.

There is a mature understanding that our current way of living creates an increasing burden on the planet. The environmental impacts of our activities are unsustainable and come with severe consequences, because the health of our people is significantly influenced by the health of our environment.

This document is not a regulatory rule based document, but it identifies priorities towards the achievement of long-term goals of sustainability. It therefore contributes to our identity as a district and as individuals in this district who are taking pride and actively participating in preserving and improving the environment by minimising harm.

Me Pēhea - How?

For this strategic overview to be successful it will require both, collective and individual responsibility and action. To deliver this strategic overview a simple three step process will be followed:

For successful outcomes a partnership approach with early and ongoing engagement is absolutely key. This will then lead to work programme development and coordinated delivery of actions.

Council needs to take a collective leadership role and demonstrate organisational commitment by being a role model and adopting a significant role in education and communication.



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Hastings Transport Network Resilience

Summary of Programme Business Case Development to Date

Prepared for Hastings District Council

Prepared by Beca Limited (Beca)

3 August 2022



1 Introduction and Purpose

Hastings District Council (HDC) maintains approximately 1,652 kms of local roads. The combined replacement value of these roads is estimated to be \$1.47b (2018 valuation). The road network is essential for the safe and efficient movement of people and goods through and around the District.

The road network is susceptible to weather and natural hazard events such as heavy rainstorms, high winds and extreme temperatures. The impact is broad and includes flooding, slips, fallen trees, damaged bridges and poor road condition. Climate change is increasing the frequency and severity of these events.

The increasing impact of natural hazard events on the roading network is leading to significant infrastructure damage, remedial cost increases, and loss of access for communities and businesses.

HDC and Beca are developing a Programme Business Case (PBC) with the aim of confirming the appropriate level of investment and actions that HDC can take to improve the Districts road network resilience and the transport system response to these events over the next 50 years, in conjunction with other services, such as power, that people rely on. Actions arising from the business case are yet to be defined but will include maintenance, renewals and more targeted studies to inform larger scale improvements and investment for particular corridors or locations.

The purpose of this summary report is to inform project partners and stakeholders about our findings to date (including new guidance on infrastructure resilience from Infrastructure Australia. Refer to Attachment), support planned discussions and request feedback that will inform completion of the business case (planned to be in draft by the end of 2022). This is a summary only and a full copy of the business case completed to date (up to short list option identification stage) can be provided upon request.

2 Focus of the PBC

The resilience of the road transport network can be affected by a range of hazards (events). Some of these are low frequency but high impact events, such as earthquakes, tsunamis, liquefaction, and volcanic eruptions that tend to trigger a civil defence emergency response. Other events are lower impact but occur more frequently, such as flooding, erosion, or landslips.

The PBC focuses on the high frequency low impact (HFLI) events such as flooding and slips that regularly impact on the resilience of the HDC transport network. These events can be addressed at a district level, whereas larger impact events which tend to trigger a civil defence response are considered in national level strategies and plans such as the National Disaster Resilience Strategy¹.

¹ Civil Defence, 2019

Focus of the PBC



The type of events specifically considered by the PBC include:

- Storm/wind/lightening
- Flooding and inundation
- Fluvial erosion
- Coastal erosion
- Snow and ice
- Landslides and debris flows
- Drought and heat
- Wildfire events

The geographic scope for the PBC is the Hastings District and the focus is predominantly on the rural inland and coastal areas that are particularly susceptible to resilience risks. Resilience has not been identified as a problem facing the urban community. The PBC also does not consider the resilience of the State Highway network that is addressed through the National Resilience PBC (Waka Kotahi), nor does it consider the resilience of rail, maritime or air transport as HDC has no control over these modes. The potential role of rail as an alternative transport service is considered at a high level.

The following map shows indicatively the nature and location of resilience events that have led to cost and access problems on the HDC road network in the last ten years.

Monday, 19 September 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: Steffi Bird, Risk Assurance Advisor

Te Take:
Subject: Strategic Risk Deep Dive - Truth Decay


1.0 Executive Summary – *Te Kaupapa Me Te Whakarāpopototanga*

- 1.1 The purpose of this report is to provide the Risk and Assurance Committee with the attached deep dive on the strategic risk, Truth Decay, and to provide recommendations for the Committee's consideration.
- 1.2 The deep dive aims to provide a greater understanding of Truth Decay, through establishing the risk's context, evaluation of the risk, existing controls in place to manage it, and consideration of additional treatment plans to further mitigate the risk.

2.0 Recommendations - *Ngā Tūtohunga*

- A) That the Risk and Assurance Committee receive the report titled Strategic Risk Deep Dive - Truth Decay dated 19 September 2022.
- B) That the Committee consider the following recommendations, as proposed in the risk deep dive as further treatment options:
 - i. Investment into a social media archiving software to enhance monitoring across platforms.
 - ii. Alternative approach to community engagement, where appropriate.

Attachments:

1  Truth Decay - Risk Deep Dive

IRB-3-15-22-55

Truth Decay Deep Dive – August 2022

Purpose
<i>The purpose of this deep dive is to provide the Risk and Assurance Committee with a greater understanding of the escalating phenomenon and risk of Truth Decay (aka Death of Truth). This review considers the possible impacts for Hastings District Council, what is being done to manage this risk from impacting Council, and any additional controls which should be put in place.</i>
Establish the context
<p>In early 2021, the Risk & Assurance Committee raised concerns on the increase in momentum towards some of the four trends which contribute to <i>Truth Decay</i>, also referred to as <i>Death of Truth</i>, which was beginning to play out throughout the country.</p> <p>After some investigation, <i>Truth Decay</i> was added to Council's strategic risk register in November 2021 and, based on community sentiment, there appears to have been a momentous shift in this space since then. <i>Truth Decay</i> can be characterised by the following trends (RAND, 2018):</p> <ol style="list-style-type: none"> 1. Increasing disagreement about facts and data 2. A blurring of the line between opinion and fact 3. The increasing relative volume and resulting influence of opinion over fact 4. Declining trust in formerly respected sources of factual information <p>Consequences may include (RAND, 2018):</p> <ul style="list-style-type: none"> - Erosion of civil discourse - Political paralysis - Alienation and disengagement of individuals from political and civic institutions - Uncertainty about policy <p>Some of the drivers of this risk in New Zealand can be attributed to: the COVID-19 pandemic response (such as mask and vaccination mandates); polarising effects of media; inequitable access to education, healthcare and technologies; the ability to share misinformation/disinformation at rapid speed through the internet and social media platforms; and information targeting and bias reinforcement practices.</p> <p>With groups of the community becoming distrustful of, and resistant to central Government and their decisions (e.g. the March 2022 Wellington Protest on Parliamentary grounds), coupled with limited knowledge on the segregation between the two types of governments in some areas, local authorities can be in the position of being painted with the same brush as central Government.</p> <p>An important part of this context to note is that 2022 is an election year for local authorities, and therefore, the potential effects of <i>Truth Decay</i> on democratic/electoral processes (further commentary below) and local decision-making could be more likely to come to light over the coming year.</p>
Risk Identification
Risk description
Increasing momentum towards the four trends of the 'Truth Decay' phenomenon, may lead to the erosion of civil discourse and disengagement of individuals from political institutes, resulting in an inability for Council to engage the community, plan for growth, or execute delivery of strategic goals effectively.

Reason			
<p>The current external environment has driven heightened awareness across the organisation and the Elected Members, and the risk is considered to be trending upwards.</p> <p>Truth Decay has been witnessed through the following events in New Zealand:</p> <ul style="list-style-type: none"> - Conspiracy groups encouraging their members to stand for their local Council, while hiding their affiliations to the respective conspiracy group. With one group stating a desire to "make the country ungovernable" through the next local election - Increasing anti-fluoridation sentiment across the country, following the Ministry of Health's directive for a number of Councils to fluoridate water in August 2022 <p>Internationally, the attack on the Capitol building in Washington on 6 January 2021 is a significant example of how the spread of misinformation online led to a threat on democracy.</p>			
Analyse and evaluate the risk			
<p>Using the organisational risk matrices for likelihood and impact, analyse the rating of this risk without any controls in place to prevent or mitigate it.</p> <p>Some recent examples of how truth decay is having an impact on Hastings District Council, include:</p> <ul style="list-style-type: none"> - Increasing tensions and instances of conflict/abuse with the public, in regards to mask and vaccination requirements at some HDC facilities, particularly during 2022 - Significant local media attention, community protests and anti-5G placards placed at site, in relation to a new Spark cell tower in Havelock North 			
Risk Rating	Impact	Likelihood	Rating
Inherent	Severe	Likely	Extreme
Risk Treatment			
Controls			
<p>What is already in place to manage this risk – are the controls effective and what level of certainty is there of their effectiveness?</p> <p>Key controls which are currently in place for this risk are based on transparency and inclusiveness, which include:</p> <ul style="list-style-type: none"> - Community engagement and consultation process, which provides the opportunity for Council to connect with the community, and understand their views - Communications and social media management to present accurate information in a fair and open manner - Council meetings which are open to the public and live streamed through the website, enabling the community to be present during discussions and decision making - Robust process of reporting Council's decisions and access to previous meeting minutes through the Council's website 			
Risk Rating	Impact	Likelihood	Rating
Current	Major	Possible	Medium
Future or additional treatments			
<p>Is there anything that should be implemented to further mitigate the risk?</p> <p>To further mitigate this risk, Council could consider the following options be investigated:</p> <ul style="list-style-type: none"> - Investment into a social media archiving software to enable real-time capture of social media content across all platforms and enhanced monitoring tools - Development of a citizen's assembly as an alternative approach to community engagement, where appropriate. A citizen's assembly project is currently in progress between Watercare (Auckland) and the University of Auckland's Centre for Informed Futures, Kōi Tū. 			

Monitoring, review and reporting
Assurance
<i>How does management get assurance that the risk is effectively managed to the extent possible?</i>
<p>Internally, the Marketing, Communications and Engagement team actively monitors social media channels and identifies instances that may require involvement from Lead Team, Councillors and/or the Mayor.</p> <p>Aside from the above, there is no other formal assurance for this risk in place currently.</p>
Emerging risks
<p>As stated in the RAND report a possible future issue could be political paralysis. Significant wide spread opposition to a Council policy could have a range of implications including:</p> <ul style="list-style-type: none">- Slowing the decision making process, or even preventing decisions.- Increasing the workload required to handle submissions and decision making processes.- Managing the security of Council assets and democratic processes.

Monday, 19 September 2022

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: Craig Thew, Group Manager: Asset Management

Te Take:
Subject: GM Asset Management Update - To be circulated separately

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

1.1 The report titled GM Asset Management Update will be circulated separately.

Attachments:

There are no attachments for this report.

Monday, 19 September 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:
From: Jennie Kuzman, Health and Safety Manager

Te Take:
Subject: Health & Safety Risk Management 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 information on:
 - Health Risk Management – Exposure Monitoring
 - COVID-19 response update
- 1.3 Additionally, Nicholas Browne (Occupational Hygienist) from Air Matters will (virtually) attend the meeting and can answer any queries that the Committee may have in relation to the on-going exposure monitoring programme that he has been undertaking across Council.

2.0 Recommendations - *Ngā Tūtohunga*

That the Risk and Assurance Committee receive the report titled Health & Safety Risk Management Update dated 19 September 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 Background – *Te Horopaki*

- 4.1 The purpose of this report is to provide information to the Committee in regards to the management of Health and Safety risks within Council.
- 4.2 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.

5.0 Discussion – *Te Matapakitanga*

5.1 Health Risk Management – Exposure Monitoring

- 5.2 Council has a legal obligation under section 36 (3(g)) of the Health and Safety at Work Act 2015 to *‘ensure, so far as reasonably practicable, that the health of workers and the conditions at the workplace are monitored for the purpose of preventing injury or illness of workers arising from the conduct of the business or undertaking’*.
- 5.3 In order to identify and manage the health risks to Council workers that arise from the work tasks that they do, Council needs to both monitor the exposure and monitor the health of workers. The type of monitoring required depends upon the type of work being undertaken.
- **Occupational Exposure monitoring** measures and evaluates what workers are being exposed to while they are at work. Examples of exposure risks are: noise, vibration, dusts/fibres/particulates, gases/fumes, pathogens, extremes heat/cold/Exposure. Exposure monitoring must be carried out by suitably qualified Occupational Hygienists.
 - **Occupational Health monitoring** looks at whether a worker’s health is being harmed because of what they are being exposed to while they are at work. Occupational Health monitoring must be carried out by suitably qualified medical practitioners.
- 5.4 Council has an ongoing occupational exposure monitoring programme and engages a consultant Occupational Hygienist to undertake this exposure monitoring on a regular basis.
- 5.5 Please see attached a summary report from Nicholas Browne, Occupational Hygienist from Air Matters Limited, regarding the work that has been undertaken for Council over the past 7 years. Mr Browne will be in attendance (virtually) at the subcommittee meeting and can provide more detail around the exposure monitoring carried out to date if required.
- 5.6 An update will be provided to the Committee at a later meeting in relation to Council’s Occupational Health monitoring programme.
- ##### 5.7 COVID-19 response update
- 5.8 As previously reported to the Committee at the July 2022 meeting, the established COVID-19 Response team has been supporting the organisation through its business continuity response and planning for COVID-19. This approach continues to work well and is providing a joined up organisation-wide approach to managing the constantly changing environment.
- 5.9 Given the fast moving and constantly changing environment that we are operating in, a verbal update will be provided to the Committee based on the most up-to-date information at that time.

Attachments:

- | | | |
|---|--|-----------------|
| 1  | Explanation of Exposure Monitoring for Hastings
District Council - Air Matters September - 2022 | HR-03-3-1-22-30 |
|---|--|-----------------|



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6/09/2022

Explanation of exposure Monitoring for Hastings District Council

This is a short fact sheet to explain the what, how, why and when of exposure monitoring as it relates generally to workplaces and also specifically to Hastings District Council. Worksafe New Zealand has a guidance document for PCBU's that goes into more detail (<https://www.worksafe.govt.nz/topic-and-industry/monitoring/exposure-monitoring/>).

What is exposure monitoring?

It is the measurement and evaluation of health hazards in the workplace. This can include monitoring workplace conditions and/or biological monitoring of the workers.

How is exposure monitoring carried out?

There are a variety of techniques used to assess exposures in the workplace. Biological monitoring is typically carried out by nurses but monitoring conditions of the workplace is part of what an Occupational Hygienist does.

In some cases, hazards cannot be measured directly so observation and indirect measurements are needed to assess risk. The following routes of exposure are important; dermal (skin), inhalation (lungs) and physical (e.g. ear drums). Effects on a worker can also be evident away from the point of entry (known as systemic effects) so the point of entry is not always the only important factor.

Monitoring of worker exposure is achieved through the workers wearing measurement equipment. Assessing controls is normally done by measurements taken from static locations. Measurement is often done over most of a work shift but in some cases, it may only be task specific.

Why is exposure monitoring carried out?

The Health and Safety at Work Act 2015 (HSWA) and the Health and Safety at Work (General Risk and Workplace Management) Regulations 2016 (GRWM Regulations) both require that exposure monitoring takes place. This is required so that the level of exposure is understood, and controls can then be introduced to effectively control the risk.

To understand exposure in the workplace a sample set of measurements is needed to build up a robust understanding of the variation in worker exposure. These results are used to make long term decisions about the level of risk and the effectiveness of controls. Regular re-evaluation is important to check that controls are working but also to determine if the level of exposure has changed.

The primary function of exposure monitoring is to identify risk so that controls can be introduced to reduce it. Effective controls are paramount to ensuring the PCBU has satisfied its obligations under the HSWA and GRWM Regulations.

Exposure monitoring for Hastings District Council.

Explanation of exposure Monitoring for Hastings District Council – 6/09/2022



Air Matters has been involved with providing occupational hygiene consulting services to Hastings District Council since 2015. We have carried out different exposure monitoring at the following locations:

Location	Exposure Monitoring		Frequency	
Transfer Station	Dust, noise, bioaerosols, diesel fume, combustion gases, asbestos, vibration		2015	
			2018	
			2022	
Maintenance depot	Noise, dust and diesel particulate		2015	
	Wood dust and welding fume		2017	
Cemetery	Vibration and noise		2022	
Crematorium	Dust, acid fume, mercury and noise		2016	
	Dust, acid fume, mercury and noise		2020	
Omarunui Landfill	Noise, dust, diesel, asbestos and gases		2015	
	Dust, diesel, crystalline silica, asbestos and landfill gases		2018	
	Dust, bioaerosol, noise, heat stress, UV exposure and vibration		2021	
	Vibration and landfill gases		February and May 2022	
Animal Welfare Centre	Noise and biological hazards		2020	
	Biological hazards		2021	
Civic Building	Indoor Air Quality		One-off due to complaint	
Wastewater Treatment Plant	Hydrogen sulphide and noise		2017	
	Pathogens		2018	
Splash Planet	Trichloramines		2020	
	Crystalline silica		2017	
	Engineering – dust, fume, diesel and noise		2016	
Community Pools	Crystalline silica	Noise	Trichloramines	
Clive	2017	2015	2019	2020
Flaxmere	2016	2015		
Frimley	n/a	2016	-	
Havelock North	2016	2016	-	

Of the locations mentioned above there have been a number with regular exposure monitoring carried out over the last seven years to ascertain robust information on exposure but to also cover certain tasks or hazards as they arise. These regular locations are the landfill, transfer station and crematorium with future monitoring to be undertaken in a similar frequency to the past.

The extensive monitoring undertaken at the Community Pools was in response to a health event with trichloramines generated as a result of pool use but elevated levels if ventilation is not sufficient. Upgrades to ventilation systems are underway and a retest will occur afterwards.

Exposure monitoring at other locations, such as the maintenance depot, all vibration monitoring and wastewater treatment plant, will be repeated again soon.

Page 3 of 3

Any of the other monitoring locations not specifically mentioned above are likely to be one-off risk assessments that do not require continuous monitoring due to the fact that the hazard can be managed or is considered a low risk.

I welcome any questions you may have on the above and can provide more detail around the exposure monitoring carried out to date, if required.



Nicholas Browne (MNZOHS, ICertOH)

Air Matters Ltd

HASTINGS DISTRICT COUNCIL
RISK AND ASSURANCE COMMITTEE MEETING
MONDAY, 19 SEPTEMBER 2022

Item 12

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:

13 Contractor Health & Safety 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>
13 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.