HASTINGS
DISTRICT COUNCIL
Te Kaunihera ā-Rohe o Heretaunga

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

Kaupapataka

Attachments Under Separate Cover

Te Rā Hui: Meeting date:	**Monday, 31 July 2023**
Te Wā: Time:	**1.00pm**
Te Wāhi: Venue:	**Council Chamber** **Ground Floor** **Civic Administration Building** **Lyndon Road East** **Hastings**

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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

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Delegated Financial Authority
Policy

Policy expert	Financial Improvement Analyst
Policy owner	GM Corporate
Policy sponsor	Lead Team
Owner Department	Finance
Approval date	July 2023
Version	1.2
Review date	May 2025

Contents

Policy

1. Purpose

The delegation of powers and authority from Council to committees and to the Chief Executive is an essential part of having effective and efficient governance and management systems in place. Council has delegated many powers and authorities to the Chief Executive, including the power to sub-delegate. The purpose of this policy is to explain the system of internal financial delegation and the requirements for the exercise of delegated financial authority.

This Policy should be read in conjunction with the Hastings District Council Delegations to Chief Executive, last updated 2 May 2019, and the Register of Delegations from Chief Executive to Council Officers, dated 18 December 2020.

2. Scope

Part of Council's strategic and governance role is to ensure that its statutory responsibilities, duties and powers are carried out at the most effective and efficient levels. This Policy sets out the financial delegations from Council to the CEO and officers of Council.

This policy applies to all Hastings District Council employees.

This policy does not apply to Council Controlled Organisations, nor does it apply to elected members or committees of Council.

The intention of this policy is for Business As Usual purchasing activities.

3. Principles

Council retains ultimate responsibility for its governance, statutory and financial responsibilities, duties and powers at all times. No delegation relieves Council of the liability or responsibility for the performance of the delegated responsibility, duty or power.

Those with responsibility for a delegated task or function should always have the authority to carry it out effectively.

Subject to any legislative restrictions, a responsibility, duty or power delegated to an officer is also delegated to all officers in a direct line of authority above that officer and is also delegated to any officer who is in an acting capacity for that officer.

Depending on the circumstances in which a matter arises it may be prudent for employees to seek a higher level of authorisation. Likewise, it may be prudent for personnel to seek a higher level of authorisation for a matter not explicitly covered by the Delegations.

Whilst a transaction or other matter is within your delegation, employees must still have particular regard to the potential reputational consequences for Council, and in these cases should consider forwarding to their manager for approval.

Unless otherwise expressly stated in the Policy:

All financial values stated in this Policy are GST exclusive.

4.   Policy Statement

4.1. Definitions

This policy relates to financial delegations only.

The meaning of delegation

Financial delegation covers any commitment or expenditure that binds the Council to make payment to or otherwise confer a benefit on an external party. It includes all contracts and contract variations, Memorandum of Understanding's, rents and leases for equipment, as well as purchase orders, works orders, and other purchases of goods and services.

From time to time the Council may delegate authority by resolution to determine a specific issue. This specific delegation will exist only so long as that matter is unresolved and will then lapse at a specified time.

The delegations in this Policy are made in accordance with the Local Government Act 2002 and any other legislation permitting delegation.

Council cannot delegate the power to:

- Make a rate; or

- Make a bylaw; or

- Adopt a long-term plan, annual plan, or annual report; or

- Appoint a Chief Executive; or

- Adopt policies required to be adopted and consulted on under the Local Government Act 2002 in association with the long-term plan or developed for the purpose of the local governance statement; or

- Adopt a remuneration and employment policy.

(Local Government Act 2002 - Schedule 7, Clause 32 (1))

Delegated Authorities Specifically Excluded

This policy does not deal with the exercise of the authority to approve payroll, which is covered by a separate delegation.

This policy does not deal with the exercise of the authority over those matters covered by the Council's Treasury Policy.

This policy does not deal with the exercise of the authority to remit rates or other amounts due to the Council, or to write off bad debts. The remission of rates is the subject of the Council's Rates Remission and Postponement Policy. The authority to write off bad debts is dealt with by separate delegation.

This policy does not deal with gifts and koha, which are dealt with by the Council's Sensitive Expenditure Policy.

This policy does not deal with DFA change process in the event of a human communicable disease outbreak. Refer to the Pandemic Response Plan for this information.

~~This policy does not deal with the exercise of authority to approve spend under emergency response circumstances. (A separate policy for both local and regional incident response is to be developed as a matter of priority).~~

Policy Breach

A breach of the DFA Policy will be considered as potential misconduct or serious misconduct and will be handled in accordance with existing disciplinary procedures, as per staff policy and information manual. Any user who becomes aware of a breach of this policy is to notify Finance or People and Capability immediately so the correct remedial action can be taken. More information is available on the process to follow in the "Protected Disclosures Policy".

4.2. Financial Delegation

A permanent delegation of financial signing authority has a defined START date and generally no specific END date

All delegations are assigned to positions, rather than individual employees. This means that when an employee moves to a new position within Council, they leave their old delegations behind, and assume the delegations assigned to their new position.

Similarly, where an employee leaves Council, the new person employed to work in that position assumes the delegations assigned to that position. The exception to this is in the case of pCards, where an email from the Systems Accountant, is sent to the relevant Group Manager to review the needs of the position.

For new positions requiring delegation, a Delegated Financial Authority template form is to be completed and approved by the relevant group manager.

Temporary delegation is assigned when the officer is on leave and will be unavailable for a specified period of time with a defined START and END date.

Temporary delegation will be to an appropriate officer for the duration of the leave period.

No expenditure or other financial commitments may be made without authorisation by an officer holding either specific delegated authority or the appropriate Delegated Authority Level.

4.3. Delegated Financial Authority (DFA) Level

The DFA levels as shown in the summary below are defined by role. The detail for roles holding a delegation can be found below and within an individual's DFA form.

The "One-Up" Rule

Where expenditure exceeds an employee's Delegation Level, that expenditure shall be approved by the employee's line manager, rather than by another employee at a managerial level equivalent to or lower than that of the employee concerned. This is sometimes referred to as the "one-up" rule, and is intended to prevent any circumstances where an employee might feel obligated or pressured to approve an item of expenditure.

Due to the authorisation levels being role based, their line manager may be on the same authorisation level. Where this occurs the line manager may still approve, as the "one up" rule is met, due to that person being higher in the organisational chart hierarchy.

The Deputy Chief Executive (DCE) role incorporates the GM Corporate. Whilst the financial delegation for the Deputy CE/GM Corporate role is at the same level as that of the other GM's on the lead team, the DCE role is "one-up" from the other GMs and will be able to approve requests from the other GM roles in Council. The DCE is the "2IC" role and the most senior across the Level 1 managers.

Summary of DFA Levels

<table>
<tr><th colspan="6">HDC Delegated Financial Authorities</th></tr>
<tr><th colspan="3">Authorisation Levels</th><th></th><th colspan="2">Purchase Card Limits</th></tr>
<tr><th>Authorisation Levels</th><th>Role</th><th>Limit</th><th></th><th>Limit per Card Transaction (exc GST)</th><th>Card Limit per month (ex GST)</th></tr>
<tr><td>Level 0</td><td>CEO</td><td>$10,000,000</td><td></td><td>$5,000</td><td>$10,000</td></tr>
<tr><td>Level 1</td><td>Senior Managers</td><td>$2,000,000</td><td></td><td>$5,000</td><td>$10,000</td></tr>
<tr><td>Level 2</td><td>Functional Managers</td><td>$750,000</td><td></td><td>$2,000</td><td>$5,000</td></tr>
<tr><td>Level 3</td><td>Operational Managers</td><td>$100,000</td><td></td><td>$1,500</td><td>$3,000</td></tr>
<tr><td>Level 4</td><td>Others</td><td>$10,000</td><td></td><td>$1,500</td><td>$3,000</td></tr>
</table>

Please refer to link below: HDC Schedule of Delegated Financial Authorities for individual staff DFA details (including authorisation level and additional signing authorities).

Admin & Mgmt -
Group Admin & Mtc

Irrespective of the level of delegated financial authority held, expenditure must only be incurred for budgeted items, except in the case of emergency expenditure. Goods or services should only be purchased if they are consistent with the Annual Plan / Long Term Plan, or if a specific variation has been approved. Any un-budgeted expenditure that cannot be managed within a GM's overall budget must be approved by the Chief Executive. All procurement must be consistent with the rules outlined in the Procurement Manual and Procurement Policy.

The spreadsheet distinguishes between Expenditure types, along with tendered and non-tendered purchases. Staff can be involved in four distinct situations relating to purchases:

a. Committing Council to purchase goods or services;
b. Authorising purchase order for goods or services supplied under tender, including variations;
c. Authorising purchase order for non-tendered goods or services; and
d. Authorising purchase order for goods or services under emergency response circumstances.

4.4. Purchasing and Tendering

Committing Council to purchase goods or services

There is a clear distinction between the decision to purchase and the process on how that purchase is made. Council's Procurement Policy and Procurement Manual details the processes and expectations for staff undertaking procurement activities. All employess that undertake procurement activities should be familiar with these documents. A copy is available on Infokete using the Policies, Procedures and Manuals link. Once the decision to purchase has been made, following the correct purchasing procedure, the project manager can authorise expenditure within the scope of the contract and / or in accordance with their delegation level.

==Authorising purchase order for goods or services supplied under tender, including variations==

Total Value of the Contract

Contracts or agreements must not be executed by staff where the total value of the contract exceeds the the DFA level of the staff member or where the total value of the contract (or contracts) exceeds a financial authority level specifically authorised by resolution of Council or a Committee for completion of a project.

The total value of the contract for the purposes of this policy is the "Approved Contract Sum". Delegated officers may authorise variations: (i) within the approved contract sum (the contingent sum) or (ii) outside of the approved contract sum provided that in either case– the total amount approved (inclusive of the Approved Contract Sum) does not exceed the amount of their delegated authority.

Any variations to a contract needs to be adjusted by the requisitioner and the change re-approved by the DFA approver.

Where a contract exceeds the approved contract value the variance may be approved by the contract manager if the new total contract expenditure is within the contract manager's delegated authority and there are budgeted funds available to cover the increase.

If the new total contract expenditure exceeds the contract manager's financial delegation, then the new increased total contract value must be approved by a delegate holding the appropriate financial authority providing the change does not change the scope of the contract.

All contract variations that change the scope of a contract must be referred to the appropriate Group Manager before proceeding.

All expenditure variances and contract variations require the contract manager to check and confirm there is available budget prior to proceeding.

Contract – Engineer to Council Contracts

The Council routinely uses NZS 3910 (or similar conditions) as the conditions of contract. Under NZS 3910 the council appoints an engineer to the contract. The engineer to Council contracts is delegated the authority to allow variations as outlined above in the guidance provided for opex and capex contracts. Any amount over this must be referred to the appropriate delegated authority holder for authorisation. It is the engineer's responsibility to keep the appropriate manager informed on contract progress and make financial arrangement for the contract.

The Engineer to Contract may not always be a Council officer, when this occurs the delegated financial authority must be formally assigned.

Financial Authority for Approved Projects
Upon letting of physical works contracts by Hastings District Council, the Project / Contract Manager will be issued financial authority within which the physical works contract must be operated. Generally this financial authority is defined by accepted budget constraints, including:

a. The contract price.
b. An unscheduled work allowance contingency. (Generally a percentage of the contract price or a set amount to allow for unforeseen variations.)

c.   Non-contract commitments. (i.e.: costs of quality control testing, relocation of services, materials supplied by the principal, etc.).

Contract Allocation

Apart from emergency situations or where safety is at risk, the Project / Contract Manager has no ability to commit the Council to expenditure beyond the financial allocation for that particular contract. It is essential that the Project / Contract Manager notifies the Council of any likely or possible cost increases beyond the approved financial authority level before any commitment is made on behalf of the Council that could lead to such increases.

If such notice is received the Council will attempt to arrange additional finance or may issue alternative instructions.

For further details on dealing with contract variations and other contract management matters, refer to the Contract Management section of the HDC Procurement Manual.

Authorising Purchase Orders for non-tendered Goods or Services Received

For all purchases of goods and services there must be 2 separate individuals in the purchase order creation process. That is, an electronic purchase order requisitioner cannot also be the electronic purchase order approver. This is to safeguard individuals from possible accusation that goods were not for Council use.

The authority levels apply to purchasing as well as the negotiation and execution of Contracts on behalf of Council to procure or deliver goods and services. The limits apply to all contractual dealings undertaken on behalf of Council. If staff need to perform these tasks and authorise these activities on behalf of Council they will require a financial delegation.

The proposed delegated financial authorities will be used as the basis for approving expenditure as part of Council's electronic invoice approval process. The approval process must involve two people to ensure a separation of duties.

a.   The first officer (the requisitioner) creates and enters the codes for the purchase order requisition.
b.   A second officer (the approver) must approve the purchase order. When approving the purchase order the second officer is acknowledging that the goods and services to be procured are for legitimate business purposes and have been coded to the correct budget manager's cost centre and expense code. This approver must have the necessary delegated financial authority (i.e. $ limit and on a "one-up" basis) and ensure that the budget manager is aware of the expenditure.
c.   Once the goods or services have been supplied either the requisitioner or the approver shall receive the purchase against the PO.
d.   If there is a significant variance to the expected value, the PO is routed back to the requisitioner to adjust and resend to the approver.

Policy relating to Purchase Card (pCard)

A specific policy relating to use of Council pCards is supplied to all card holders and is also available on Infokete under Policies and Procedures and Manuals, Financial Guidelines. It is a requirement of Westpac for employees to provide photo ID, their date of birth and home address details when applying for a pCard.

Personal Expenditure

No employee shall authorise any expenditure that relates to themselves or for the purpose of personal gain. In all such instances where expenditure relates to themselves, the individual's Manager must authorise the expenditure.

Authorising purchase order for goods or services under emergency response circumstances

In an emergency situation, procedures for normal purchase order of non-tendered goods or services are expected to be followed where possible. However, rapid procurement may mean it is neither possible nor prudent to follow normal purchase order procedures at all times.

It is important that employees document and account for all emergency procurement activity to safeguard against any risk of fraud or corruption and that some form of approval is still obtained within the emergency DFA levels. This form of approval must be on a 'one-up' basis under the incident and emergency management structure.

The below DFA table identifies which employees can exceed their level of financial authority in the event of an emergency:

HDC Delegated Financial Authorities
Incident & Emergency Management
Only applies to local emergency events

Authorisation Levels			Purchase Card Limits	
Authorisation Levels	Role	Limit	Limit per Card Transaction (exc GST)	Card Limit per month (ex GST)
Level 2	Controller	$750,000	$2,000	$5,000
Level 3	Response Manager	$100,000	$1,500	$3,000
Level 4	Logistics Manager	$10,000	$1,500	$3,000

Any items of expenditure above the limits outlined above need to go to the Chief Executive for approval.

It is expected that individuals will act lawfully and with integrity when making emergency procurement decisions.

Once the situation is stabilised and there is no risk to human life, the environment or critical infrastructure, a recovery plan will be established to authorise any necessary procurement activity that has occurred.

4.5. Other delegations

Employment Delegations

The financial delegations do not confer any authority to appoint staff, conduct investigation/ disciplinary and/or performance processes, dismiss/issue warnings, agree records of settlement at Hastings District Council or act as signatories for payroll authorisation. Authority for employment delegations is found in a

memorandum from the Chief Executive on such matters. The Group manager from People and Capability can provide a copy should access be required.

Disposal of Assets

The Financial Delegations do not confer any authority to dispose of Council assets, or to forgive or remit any monies due to the Council. For the rules relating to the disposal of assets refer to the HDC Disposals Policy (currently being updated).

Remission of Monies

The Financial Delegations do not confer any authority to forgive or remit any monies due to Council. Specific delegation is required for any such action: this delegation may be recorded on the Delegated Financial Authority form, and recorded on the schedule of delegations, or it may take the form of a separate authorisation.

Sub-Delegation not permitted

No sub-delegation of financial delegation authority is permitted, unless an officer holds a specific authority to so sub-delegate. All sub-delegation must be in writing on the appropriate form. The Chief Executive has given senior managers authority to sub-delegate, but in general the officers in receipt of that sub-delegation do not themselves have the authority to sub-delegate. If an officer who holds a delegated financial authority takes leave or is going to be absent for a significant period, they should consider whether another officer requires temporary delegated authority to ensure continuity of service. Where an officer is often absent or is regularly called upon to authorise items that should not be delayed, a permanent stand-in should be nominated and suitably authorised.

Sensitive Expenditure

Sensitive expenditure is expenditure that provides, has the potential to provide, or has the perceived potential to provide a private benefit to an individual member of staff. It also includes expenditure that could be considered unusual for the Council's purpose and/or functions. Refer to Council's Sensitive Expenditure policy for further detail.

5.   Mandate and commitment

Authority and responsibility are inseparable. Those with the responsibility for a task or function should always have the authority to carry it out effectively. Those with authority should always be responsible for its wise use.

Delegations do not remove ultimate accountability of elected members, the Chief Executive and the Leadership Team for the affairs of Council.

6.   Strategic alignment

The Financial Delegations policy is an enabler to allow officers to fulfil the Council vision statement "*Great Living, today and tomorrow*". This is achieved through the Long Term goals that have been adopted by Council and sets the direction to accomplish the vision. Clear guidelines as to the delegation and authorisation of spend, ensure a prudent and efficient contribution to this.

7.   Roles and responsibilities

Role	Responsibility
Financial Improvement Analyst	Review of policy and any changes required therein
Systems Accountant	DFA changes both permanent and temporary
GM Corporate	Any policy changes to be reviewed and taken to LMT

8.   References

This policy should be read alongside the following Council policies and documents

- Purchase Card (pCard) Policy and Guidelines
- Procurement Policy and Buyers Guide
- Procurement Manual
- Fraud and Corruption Prevention Policy
- Treasury Policy
- Rates Remission and Postponement Policy
- Protected Disclosures Policy
- Disposals Policy
- Sensitive Expenditure Policy

9.   Review

This policy is maintained by the Finance Group. The content of this policy, and the systems in place for ensuring that this policy is complied with will be reviewed every two years. Any enquiries or comments regarding this policy should be directed to Jess Noiseux, Financial Improvement Analyst.

10. Change history

Amendment (s)	Date	Updated by and authority
Updated	15 November 2018	Financial Controller – Aaron Wilson
Signed off LMT	17 April 2019	Financial Controller – Aaron Wilson
Signed off LMT	2 May 2022	Financial Improvement Analyst – Jess Noiseux
Updated	24 July 2023	Financial Improvement Analyst – Jess Noiseux

Item 7

HASTINGS
DISTRICT COUNCIL

HDC Strategic Risk Register

Title	Description	Inherent risk level	Residual likelihood	Residual consequences	Residual risk level	Status
People Health, Safety & Wellbeing	Exposure to health & safety risks (as a result of activities undertaken or directed by Council) which could result in serious health effects to workers, customers and public.	Extreme	Possible	Harm to People: Severe Financial: No impact Service Level: Minor ~~No impact~~ Compliance: No impact Reputation: No impact Environment: No impact	High	Waste from properties (residential, commercial, agri) and the debris from the cyclone, has increased the number of H&S risks in the region. Internally, HDC's HS&W team are proactively managing these any new hazards, continuing health monitoring programmes and educating staff in regards to the management of risks that they may come across in their role. Council is supporting Te Whatu Ora's health advice for the public by sharing information on HDC's social media channels and providing community based drop in hubs. The significant increase in workload and/or workload complexity for many staff poses an increased exposure to wellbeing impacts. This is also being proactively managed internally through HDC's HS&W team, with onsite psychosocial support being offered, in addition to the usual EAP and wellbeing support for employees.
Significant Operational Service Failure	Operational failure that may have a material impact on the delivery of Council services to the community.	Extreme	Probable ~~Likely~~	Harm to People: No impact Financial: No impact Service Level: Major Compliance: Moderate Reputation: Moderate ~~Minor~~ Environment: No impact	Extreme ~~High~~	Much of Council's infrastructure remains in a vulnerable state following the cyclone, additionally, the profile of the enterprise risks which aggregate into this strategic risk have changed. The likelihood of an operational failure which may have a material impact on Council services has increased.

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Title	Description	Inherent risk level	Residual likelihood	Residual consequences	Residual risk level	Status
Water Quality & Quantity	As a result of climate change and human activities, there may not be a sustainable quantity of quality water to support the communities economic, social and environmental wellbeing aspirations.	Extreme	Likely	Harm to People: Major Financial: No impact Service Level: No impact Compliance: No impact Reputation: Moderate Environment: Moderate	High	While Hastings' water supplies are all back online following the cyclone, some require further repairs to restore the asset to pre-cyclone service level. The increasing frequency of extreme weather events heightens the likelihood of water resources coming under pressure in the future.
Financial Sustainability	Due to over committing to work programmes the financial sustainability of the Council may be compromised affecting delivery of all LTP goals.	Extreme	Possible ~~Rare~~	Harm to People: No impact Financial: Severe ~~Moderate~~ Service Level: Minor Compliance: No impact Reputation: Moderate Environment: No impact	High ~~Low~~	Increasing demands caused by the impacts of Cyclone Gabrielle, in addition to Council's existing work programme, could lead to unachievable financial decisions being made.
Growth planning	Failure to accurately understand community needs may lead to poor growth management planning that compromises delivery of the services required by the community, adversely affecting economic, social and cultural wellbeing, and impacting Council's ability to achieve LTP objectives.	Extreme	Possible	Harm to People: Moderate Financial: Major Service Level: Moderate Compliance: Minor Reputation: Moderate Environment: Minor	Medium	The effects of the cyclone have altered the environment for growth planning, due to the loss of and damage to homes in the community and, in some cases, a shift in the communities' perceptions of where and how they desire to live in the district.
Failure of climate adaptation	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.	Extreme	Likely	Harm to People: Severe Financial: Severe ~~Major~~ Service Level: No impact Compliance: No impact Reputation: Moderate ~~No impact~~ Environment: Severe	Extreme	Cyclone Gabrielle has left a sense by many in the community, of needing to see more climate action from Council. Council will need to ensure that as the repairs and restoration to damaged assets continues, that there is also sufficient attention to climate adaptation actions in conjunction with repair work.

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Title	Description	Inherent risk level	Residual likelihood	Residual consequences	Residual risk level	Status
Significant statutory reform	Failure to proactively adapt to statutory changes could adversely affect economic, environmental, social or cultural wellbeing, and cause significant delays and/or barriers to Council's delivery of LTP objectives.	Extreme	Possible	Harm to People: No impact Financial: Minor Service Level: No impact Compliance: Moderate Reputation: Moderate Environment: Insignificant	Medium	There is not considered to be any significant change to this risk, in the wake of Cyclone Gabrielle.
Failure to address ESG&C expectations	Failure to address Environmental, Social, Governance (ESG) and Cultural expectations during decision making processes may contribute to increasing levels of inequity, resulting in legal implications, financial costs, significant reputational impacts or damage to the environment.	Extreme	Possible	Harm to People: Moderate Financial: Moderate Service Level: Insignificant Compliance: Major Reputation: Moderate Environment: Moderate	Medium	Following the cyclone, there is likely to be significant expectations of Council to ensure an equitable recovery for all communities. This is not considered to alter the current impacts or likelihood ratings of this risk.
Truth Decay	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.	Extreme	Likely ~~Possible~~	Harm to People: Minor Financial: Minor Service Level: Moderate Compliance: Insignificant Reputation: Major Environment: Insignificant	High ~~Medium~~	Cyclone Gabrielle has resulted in several instances of misinformation circulating in the community. Due to the speed at which this information is transmitted it is difficult to identify and defuse.
Liability for legal challenge	*Final terms of Crown agreement and the responsibilities placed upon Council within that, may result in Council being the sole entity for any legal challenges to be raised against, related to the buyout conditions at both community and individual property level. Legal challenges would*	*Extreme*	*Almost Certain*	*Harm to People: Insignificant* *Financial: Major* *Service Level: Moderate* *Compliance: Minor* *Reputation: Major* *Environment: Insignificant*	*Extreme*	*Cyclone Gabrielle has been a significant event in New Zealand's history and the Hawke's Bay will be entering unprecedented territory through the property buyout discussions.* *Future treatments options could include independent legal advice, agreements, and adequate professional services in place.*

Item 8 (side margin)

Title	Description	Inherent risk level	Residual likelihood	Residual consequences	Residual risk level	Status
	have significant impacts on Council's finances through unbudgeted costs, reputation through a potential loss of trust and delivery of services as officers would be required to respond to/prepare for any legal challenge.					
Successful Strategic Partnerships	*Provision of sufficient capacity and capability within the organisation to manage relationships with other agencies, would lead to successful partnerships and a collaborative, effective approach to projects. This would result in a positive reputation with communities, better outcomes for the community and other stakeholders, and potentially limit financial costs for each partner.*	*Silver*	*Likely*	*Financial: Moderate* *Citizen Benefit: Major* *Service Innovation: Moderate*	*Gold*	*Due to the number of agencies that will be involved in cyclone recovery work, the breadth of activities required and the lengthy time horizons, effective partnerships will be critical to achieve successful and equitable community recovery.*

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Hastings District Council
Enterprise Risk Management
Policy & Framework

Policy expert	Risk and Corporate Services Manager
Policy owner	Council
Owner Department	Corporate
Approval date	6 July 2023
Version	5.2
Review date	31 July 2024

Contents

Change history

Amendment (s)	Date	Updated by and authority
First Release	12 Sep 2012	Updated by Business Service Manager. Authorised by Leadership Management Team
Annual Review V1.1 Minor changes to text for clarification	16 Sep 2013	Updated by Business Service Manager.
Full Review V2.0 Overview of risk management updated to reflect ISO 31000 standard. Guiding principles from the ISO 31000 standard included in risk framework. Roles and responsibilities, and conflict of interested included in Policy section. Need for risk management to be integrated in to all business activities reinforced throughout.	9 Feb 2017	Updated by Business Service Manager.
Audit & Risk V2.1 Protection of personal safety added to policy objectives. Risk matrix included as Appendix 1.	28 Feb 2017	Updated by Business Service Manager. Confirmed by Audit & Risk Subcommittee.
PWC feedback incorporated V2.2 CE commitment statement added Reference to Risk Handbook included. Enhancements include; - Annual policy review, principles moved to Policy section, risk process overview included, Additional guidance relating to consultation and treatment plans. Risk register management and monitoring Glossary of Terms added.	11 May 2017	Updated by Business Service Manager.
Purpose amended to include community outcomes	21 Jun 2017	Updated by Business Service Manager. Confirmed by Council
Draft removed. Version published	13 Jul 2017	Updated by Business Service Manager. Approved by Council 13 July 2018
Annual review. Moved to new policy template: - Add Architecture section. Include Council responsibilities in Purpose and Roles & Responsibilities. - Updated risk principles to match ISO31000:2018 - Updated Risk Appetite and Tolerance. - Risk Impact and matrix revised. - Minor amendments to Risk Process Analysis and Evaluation sections.	3 Aug 18	Updated by Risk and Corporate Services Manager. Approved by Council 31 January 2019
Annual review: - Architecture section updated to reflect current structure. - Risk appetite section added and tolerance statements included.	10 July 20	Updated by Risk and Corporate Services Manager. Approved by Council 8 December 2020
V5 changes include: - Supporting documentation listed 3 LOD model included in the framework. - Reference to the HDC Water Safety Plan included. - Opportunity risk descriptions added and community impact scale added. - Risk Appetite statement updated to match LTP.	17 Nov 21	Updated By Risk and Corporate Services Manager.
Annual review version 5.2 – No change recommended Note: Delayed due to Cyclone Gabrielle	6 July 22	Updated by Chief Risk Officer

Note: Changed sections are indicated by a vertical bar in the margin.

1. Purpose

The purpose of this document is to describe the Hastings District Council (HDC) Enterprise Risk Management (ERM) framework, including the architecture, strategy and protocols, and how ERM is used to manage significant risks that affect successful achievement of the organisation's objectives.

> Note: A Risk Management Handbook that includes a summary of the strategy and protocols described in this document is provided as a quick reference for staff.

1.1.   Background

"Organisations of all kinds face internal and external factors and influences that make it uncertain whether, when and the extent to which they will achieve or exceed their objectives[1]". The effect this uncertainty has on the organisation's objectives is 'risk'.

Risk management provides a structured approach that can be applied to any discipline or undertaking to reduce uncertainty and enhance value.

Risk management achieves this by creating visibility of operational risk (including assumptions and uncertainties), and by describing consequences to be avoided or opportunities to be pursued.

Successful implementation of risk management relies on informed and engaged staff, and incorporation of risk management into 'business as usual' activities. Risk management within HDC is supported by senior leadership in a 'no blame' reporting culture. All staff are expected to engage in identifying and communicating risks associated with their work.

1.2.   Governance Oversight

Collectively the Councillors are responsible for setting risk management tone and objectives, and for oversight of the organisation's strategic risks. This includes determining acceptable levels of risk exposure (refer to Risk Appetite and Tolerance) and confirming that management operate within the limits defined.

1.3.   Chief Executive Commitment

To ensure we can deliver the Council's long term plan and work programme safely and effectively, it is important we understand and address the risks we may face. Through the application of good risk management we can minimise the possibility of harm and loss, whilst taking advantage of opportunities to innovate. I am committed to ensuring that all Council staff are well equipped to follow good risk management practices. This is particularly important when it comes to protecting our people, our community and our environment.

Risk management enhances our service culture and should be engrained in our DNA. Risk management is a continuous journey of learning and its application underpins our ability to deliver positive outcomes for our community.

Nigel Bickle, Chief Executive

[1] ISO 31000:2018 Risk Management –Guidelines, Introduction, Page v.

2.Architecture

2.1.   Reporting Structure

The overarching responsibilities for managing risk within HDC are as follows:

- Overall responsibility for ensuring risks are mitigated resides with the Council as the governing body.
- The responsibility for ensuring robust risk management practices are in place is delegated to the Risk and Assurance Committee.
- The Executive Lead Team (LT) is ultimately responsible for ensuring risk are effectively managed.

Risk information flows down from the Council, and is reported up from Groups and business teams as shown in the diagram below:
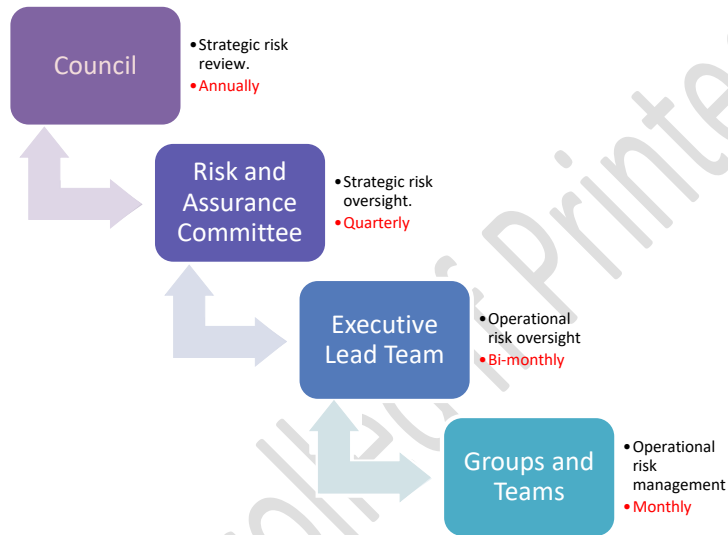
In addition to this regular information flow, issues that arise between reporting cycles will be raised with the appropriate forum in a timely manner to allow effective treatment decisions to be made.

Business units and underlying teams may adopt or adapt this framework to meet their needs as deemed appropriate by the line manager. However, in all cases high risk issues identified by these teams must be escalated to LT or Risk and Assurance Committee as described in this framework.
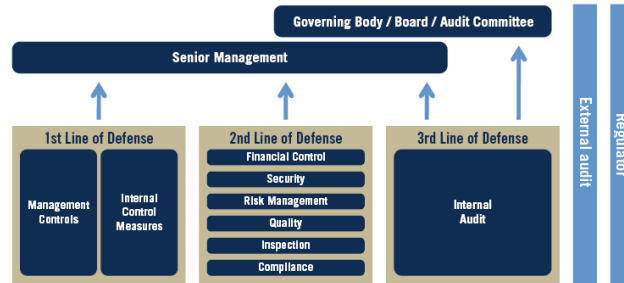
2.2.   Supporting Documentation

This Framework is supported by the Risk Assurance Charter and Risk Management Handbook.

2.3.   Roles and Responsibilities

Roles and responsibilities within this framework are based on the 3 lines of defence model as outlined in the image below (*taken from The Institute of Internal Auditors, Position Paper on The Three Lines of Defense in Effective Risk Management and Control, 2013*).

Adapted from ECIIA/FERMA *Guidance on the 8th EU Company Law Directive, article 41*

Role	Responsibility
All Staff	Actively involved in managing risk. Consult with and keep line managers informed about risk as appropriate.
Risk Owners	Accountable for management of assigned risks. Consult with and keep LMT informed about risk as appropriate.
Risk Assurance Advisor	Provide advice and support to Risk Owners and staff, as well as undertaking Assurance Reviews as defined in the Risk Assurance Charter.
Group Manager	Have practices in place within their Group to: - Identify, assess and monitor risks. - Assign responsibility for managing risks. - Develop and implement treatment plans to reduce risk exposure. - Regularly review risk controls and treatments. - Appropriately communicate and escalate risks as required. - Consider new, emerging and changing risks. - Support and encourage staff to engage in risk identification and response actions.
Lead Team (LT)	Assess and monitor the organisation wide risk profile. Regularly review risk controls and treatments. Set priorities and allocate resources for risk mitigation.
Councillors (Elected Members)	Responsible for setting risk management tone and objectives. Define the organisation's risk appetite. Confirm that risk is managed within prescribed tolerance. Review the Tier 1 strategic risk register and seek assurance that adequate controls are in place and effective.

2.4.   Conflict of Interest

Any conflicts of interest identified through the risk management process shall be handled in accordance with the Conflict of Interest and Gifts policy in the HDC Operations Manual.

3.Strategy

HDC is committed to managing risk to the organisation and community in an on-going and proactive manner.

Effective risk management enhances the ability of HDC to achieve the strategic objectives defined in the Long Term Plan (LTP) and meet its statutory obligations.

HDC manages risks in order to:

- Improve decision making.
- Identify innovations.
- Clearly document risk exposure.
- Appropriately communicate and report on risks.
- Integrate risk management culture into our business.

This framework and policy, supported by the HDC Risk Management Handbook, outlines the organisational risk management objectives and commitment in order to achieve proactive identification and mitigation of risks that arise as part of the organisation's activities.

3.1.   Scope and Applications

The scope of the Risk Management framework and policy is organisation wide and will be fully integrated into the organisation's strategic, operational and project planning activities. The development of the framework and process has been informed by the approaches used in these activity and planning areas.

3.2.   Guiding Behaviours and Measures

In line with organisation's risk management principles and industry best practice, the framework guides staff to:

- Identify, assess, treat and monitor risks.
- Appropriately communicate and escalate risks.
- Consider new and emerging risks.

Guiding Behaviours	Measuring Success
• The Chief Executive and Group Managers lead and promote risk management.	• Risk roles and responsibilities are well understood.
• We have a "risk smart" culture where risks are systematically managed, monitored and reported.	• Staff know how and when to discuss risk with management based on good process and a supportive environment.
• We ensure that staff are equiped with the skills and guidance needed.	• There are few surprises; risk reporting provides early warning.
• Our people are encouraged and supported to escalate risks as appropriate.	• Council's objectives and outcomes are met and the Council's reputation and image are protected.
• We openly and constructively engage in risk discussion at all levels.	• Risk management within Council is continuously reviewed and improved.
• We integrate risk management in to all decision making and planning.	• Internal and external stakeholders are confident that Council manages risk within acceptable levels.
• We proactively manage threats in line with risk appetite to reduce the consequence and likelihood of not meeting objectives.	• Risk management occurs throughout the development and implementaiton of any business plan, policy, programme or project.
• We proactively innovate to improve our delivery of objectives.	• All Groups speak the same risk language and respond to risk in a consistent way.

4. Policy Statement

In setting our objectives HDC will consider and take into account the risks associated with achieving those objectives.

HDC recognises that it is prudent to systematically manage and regularly review its risk profile at a strategic, operational and project level. The organisation does this by applying this risk management policy and protocols, which defines the management practices required to support the realisation of Council objectives. Not only does HDC wish to minimise relevant threats, but also to maximise its opportunities through innovation.

4.1.   Mandate and Commitment

Elected members and senior leadership support the use of risk management as a key management tool, and expect risk management to be an integral part of decision making. Managers and staff in roles responsible for managing risk will be provided with adequate training and systems to support the open and honest communication of risk information.

The risk management system will be monitored on a frequency considered appropriate by elected members and senior leadership.

4.2.   Objectives

The Council's risk management objectives are:

- Protection of personal safety is ensured in all undertakings.
- HDC has a current comprehensive understanding of its risks.
- All sources of risk are assessed before undertaking any activity.
- The organisation's risks are managed within the risk criteria (appetite) that have been established for the particular activity.

4.3.   Principles

For risk management to be effective, the following principles should be applied at all levels within HDC:

a) Integrated part of all organisation activities.
b) Structured and comprehensive approach.
c) Customised and proportionate to the organisation's needs.
d) Inclusive to achieve timely involvement of stakeholders.
e) Dynamic so that appropriate changes are made in a timely fashion.
f) Best available information applied to risk analysis.
g) Human and cultural factors are considered at each stage.
h) Continual improvement achieved through learning and experience.

4.4.   Risk Appetite and Tolerance

Risk appetite refers to the amount of risk Council is willing to accept or retain in pursuit of its goals. Depending on the nature of the activity there will be a range of outcomes that the Council could accept, this range in outcomes is organisation's risk tolerance.

In this sense risk management is about finding an acceptable balance between the impact on objectives should a risk be realised and the implications of treating the risk (i.e. financial cost, potential service level impacts and other consequential risks associated with a different approach must be considered). It should be recognised that all actions and approaches come with their own risks which should be considered throughout the risk management process.

4.4.1. HDC Risk Appetite Statement

The Council's over-arching risk appetite statement is as follows:

The Hastings District Council is responsible to the rate payers of the district to enable democratic local decision-making and action by, and on behalf of, communities to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.

To achieve these outcomes Council has a **conservative** appetite toward risk that would adversely affect core services. In contrast, there is a desire to leverage opportunities that enhance outcomes for the community. As a result there is a more open approach to considering innovation or solutions that create long term benefits.

Accordingly, whilst the overarching risk appetite may be conservative, Council recognises that it is not possible, or necessarily desirable, to eliminate all of the risks inherent in its activities. In some instances acceptance of risk within the public sector is necessary due to the nature of services, constraints within operating environment or a limited ability to directly influence where risks are shared across sectors.

Therefore, in relation to the Long Term Plan strategic priority areas Council's risk appetite may vary depending on the circumstances and trade-offs implicit in the specific context. Resources are aligned to priority outcomes based on the specific risk appetite, and arrangements are in place to monitor and mitigate risks to acceptable levels.

The risk appetite for each of the key focus areas in the current Long Term Plan is stated in Appendix 2.

4.4.2. Risk Appetite Terminology

	Rating	Philosophy	Tolerance for Uncertainty Willingness to accept uncertain outcomes or variations.	Choice Willingness to select an option puts objectives at risk	Trade-off Willingness to trade off against achievement of other objectives.
5	Flexible	Will take justified risks	Fully anticipated	Will choose option/s with highest return; accepting possibility of failure.	Willing
4	Justified	Will take strongly justified risks	Expect some	Will choose to put at risk, but will manage impact	Willing under right conditions
3	Measured	Preference for delivering expected outcome.	Limited	Will accept if limited and heavily out-weighted by benefits	Prefer to avoid
2	Conservative	Extremely conservative	Low	Will accept only if essential, and limited possibility/extent of failure	With extreme reluctance
1	Averse	Avoidance of risk is a core objective	Extremely low	Will always select the lowest risk option.	Never

5. Risk Process

Risk management at HDC is based on each team, business unit and all levels of management identifying, recording and assessing risks to their area of work.

5.1.   Integrated Risk Management

Each team must integrate the following risk assessment process into existing planning and decision making processes so that risk management principles can be applied. This will normally involve undertaking risk assessments as early as possible in a business process so that the greatest opportunity exists to mitigate potentially negative outcomes, or take advantage of innovations (e.g. all Asset Management Plans should contain a robust risk assessment).

The type of risk assessment used should be matched to the potential consequences. So where risk of failure is high a structured risk assessment process should be applied (i.e. bow tie), whereas for low risk activities a simple register could be sufficient.

5.2.   Risk Process Overview

The following diagram provides an overview of the risk management process. The risk management process should be a logical progression from establishing context, risk identification and assessment through to treatment of these risks. Recording and reporting, communication and consultation, and regular monitoring and reviews are required throughout the process.

5.3.   Risk Process Map

To support the risk process shown in 5.2 a process map has been developed to provide step-by-step guidance. The diagram below shows the high-level activities that form this process. For further detail refer to the Promapp process or the HDC Risk Management Handbook.

5.3.1.   Communication and Consultation

Effective risk management is based on continuous communication between internal and external stakeholders, and should include open two-way communication at all levels. This will help to ensure that individual risks are well understood so that robust risk ratings, risk treatment plans and monitoring requirements are established to increase confidence in successfully achieving Council goals

5.3.2. Establish Context

An important part of the risk management process is to consider the context for the activity being undertaken. Most importantly this involves developing a clear understanding of the key goals and objectives, and that the performance measures for these outcomes are considered.

When defining the context for a risk assessment, it is important to consider:

- The nature and type of hazards and consequences that might arise.
- How likelihood and impact are defined.
  IMPORTANT: By default the corporate standard definitions should be applied. However, in special cases it might be appropriate to define a tailored approach (e.g. for a major strategic project). If this is required the Risk & Corporate Services Manager or Strategic Projects Manager must be consulted.
- Whether combinations of risk should be taken in to account, and if so, how they should be considered.
- The level at which risk becomes acceptable or tolerable.
  IMPORTANT: By default the Tolerance statement in this framework should be applied. Any variation form this should be approved by LT.

At this stage of the process communication and consultation is important. To fully understand the context consideration should be given to consulting other affected parties or stakeholders and wider management.

5.3.3. Risk Identification

Risk workshops are considered an effective way to initially identify risks associated with HDC business and operations. Workshops should include a wide range of internal and external stakeholders to uncover the full scope of risks that may exist.

When considering the source of risk each of the factors on the impact scale (People Safety, Financial, Service Level, Compliance, Reputation and Environment) should be considered for potential threats or opportunities.

Risks are recorded in a risk register held by each group. Risk details will record an accurate description of the risk, cause and effect to provide clarity for analysis and preparation of treatment plans. Ownership for each Risk should be allocated to a member of the team responsible for the Risk Register on which the risk is recorded

5.3.4. Risk Analysis

Risk score is based on the likelihood and impact of an identified risk occurring. An inherent assessment of the risk should be made based on the assumption that no measures are in place to control the risk. This establishes the raw risk to which the organisation is exposed. A subsequent risk analysis should then be performed to understand the current risk considering all the controls in place to mitigate the issue. The difference between these two assessments provides an indication of the degree of risk mitigation achieved and effectiveness of controls.

To determine the impact rating for a risk analysis the normal practice is to use the impact category (i.e. personal safety, financial, service level, compliance, reputation or environment) that has the greatest/highest level of impact to combine with the likelihood assessment.

As any risk analysis is subject to the state of knowledge at a specific point in time it is good practice to regularly update the assessment as the environment and state of knowledge changes.

The default organisation wide impact and likelihood definitions are included in Appendix 1. These definitions provide a consistent language to encourage consistent assessment of risk. However, they are not absolute and should be used as a guide to validate the intuitive assessment of risk.

Approved specialised likelihood, impact and risk matrixes can be found in the following documents:

- HDC Risk Management Handbook.
- HDC Project Management Framework.
- HDC Health & Safety Manual.
- HDC Water Safety Plan

Note: There may be slight differences between the descriptions used in each area. This is intended so that the risk management tool is appropriately matched with the activity.

5.3.5. Risk Evaluation

The current risk score established during the risk analysis is then used to determine whether the risk is tolerable by comparison with the Council risk appetite. Any risks that are not tolerable should then be prioritise based on the risks score in order to identify the most important issues for treatment. This allows for effective allocation of resources to achieve the greatest benefit.

Threats classified as High or Extreme cannot be tolerated and treatments must be put in place to reduce the risk. In those situation where there is a low risk tolerance, all effort should be made to ensure the residual risk of the event occurring is As Low As Reasonably Practicable (ALARP). Refer to the Risk Tolerance statement and Escalation section for further guidance on tolerable risk and risk treatment requirements.

5.3.6. Risk Treatment

Development of risk treatments and action plans is key to the success of risk management, as this is how an increase in confidence for achieving key objectives is delivered.

When choosing a treatment option it is important to recognise that a new approach is likely to introduce new risks that need to be considered. The aim should be to achieve a balanced outcome for HDC and the customer/community using the service (e.g. the decision to require specific technical information for a type of consent may unduly slow the decision making process for all consents, and cause unnecessary frustration for the applicant for little overall reduction in risk).

In general there are four options to consider when treating a threat risk known as the 4Ts (refer to Appendix 3 or the Risk Management Handbook for further information):

- *Tolerate*: Accept or retain the risk and its likely impact.
- *Treat*: Take action to control or reduce the risk.
- *Transfer*: Move the risk to another party, for example through insurance.
- *Terminate*: Stop performing the activity to avoid or eliminate the source of risk.

IMPORTANT: The Health and Safety at Work Act and Regulations contain specific requirements on the hierarchy of controls for risk treatment. Refer to the reference to the H&S manual for details.

When considering opportunity risk the following treatment options known as the 4Es should be considered (refer to Appendix 3 or the Risk Management Handbook for further information).

- *Exist*: Monitor those opportunity that have minimal potential reward.
- *Explore*: When the likelihood of an opportunity being realised is probable, but the expected benefit is minor, the issue should be explored to see if the impact can be increased.
- *Expand*. Opportunities that present a substantial beneficial impact and will probably occur should be expanded across the Council to gain the greatest benefit.
- *Exploit*: When the Impact of an opportunity is major, but the likelihood is only possible, the outcome should be exploited to improve the chance of realising the benefit.

While Opportunities will be deliberately taken to realise a benefit, it is important to recognise the relationship between risk & reward. As a result, an assessment of the threat risks that come with the opportunity must be undertaken to ensure any downside risk is within the Council appetite before taking action to Explore, Expand or Exploit an opportunity.

To determine the most appropriate risk treatment option(s) the following factors should be assessed;
- impact on service levels,
- cost,
- feasibility, and
- effectiveness.

Treatment and action plans should include;
- Description of the proposed actions and due date for implementation,
- When appropriate, include reasons for selecting the treatment options,
- Identify who is responsible for completing the action and any other resources needed,
- When appropriate, identify performance measures for the control, and
- The reporting and monitoring requirements.

However, allocation of the treatment actions does not imply ownership of the risk itself. Risk ownership remains with the manager responsible for the risk. Treatment plans are to be updated on a regular basis and a note on current progress of treatment actions recorded as well as any changes in detail.

5.3.7. Risk Escalation

Risk owners are responsible for ensuring that risks are escalated to the appropriate level of management or to Council when necessary. Risks scored as High or Extreme according to the appropriate Risk Matrix must be reported to the next level of management and/or Council, whichever is appropriate.

The management team receiving an escalated risk shall review the issue and decide which level of the organisation is best placed to own, and be responsible for treating the risk. Based on this decision the risk may be:

1.   Accepted onto that management team's risk register, or
2.   Escalated further, or
3.   Referred back to the team or business unit for action.

The following table outlines the threat risk action and escalation requirements:

Risk Descriptors	Impact	Action
Extreme Urgent and active management is required. Must identify treatments and implement action plans.	Would stop a number of key objectives being achieved. May cause widespread financial loss, or loss of reputation and confidence in HDC.	Immediate escalation to relevant Group Manager and/or LT. Consider escalation to relevant Council committee or sponsor. Include in Enterprise risk register.
High Senior management attention is needed. Must identify treatments and implement action plans.	Would interrupt the quality or timeliness of HDC's business objectives or outcomes. May result in significant financial loss, capability reduction or impact on the reputation of HDC.	Escalation to Group Manager. As applicable may need escalation to Council committee, sponsor or LT. Include in Group risk register.
Medium Risks require effective internal controls and monitoring. Management responsibility must be specified.	Would interfere with the quality, quantity or timeliness of HDC's business objectives. May have minor financial loss, capability reduction or impact on the reputation of HDC.	A strategy must be in place focusing on monitoring and reviewing existing controls. Include in Group risk register.
Low Routine procedures are sufficient to deal with the impacts.	Minimal impact on HDC's business objectives. Minimal financial loss, capability reduction or impact on the reputation of HDC.	A strategy should be in place focusing on monitoring and reviewing existing controls. Include in Group risk register if appropriate.

The following table outlines the opportunity risk action and escalation requirements:

Risk Descriptors	Impact	Action
Platinum Senior management informed. Responsibility for management oversight must be specified	Would enhance a number of key objectives. May result in substantial financial gain, or enhance reputation and confidence in HDC.	Escalation to relevant Group Manager and/or LT. Consider expanding application across Council to maximise the benefits realised. Include in Enterprise risk register
Gold Senior management attention is needed. Should identify treatments and implement action plans.	Would noticeably improve the quality or timeliness of HDC's business objectives or services. May result in financial benefits, improved efficiency or enhanced reputation.	Escalation to Group Manager. Focus on exploiting the benefits. Include in Group risk register.
Silver Risks require effective internal controls and monitoring. Management responsibility must be specified.	Would improve the quality or timeliness of HDC's business objectives or services. May result in minor financial benefit, improved capability or enhanced reputation.	Activity should focus on exploring the potential benefits. Include in Group risk register.
Bronze No specific action required.	Minimal benefit to HDC's objectives. Negligible financial or reputation benefit.	No specific action required Monitor for change in context.

5.3.8. Risk Monitoring and Review

Risk monitoring provides for ongoing tracking of risk trends and treatment actions. Regular risk monitoring maintains visibility of risk activity and provides oversight for managers of the risks within business. Risk monitoring provides a common communication mechanism for maintaining awareness.

To facilitate this, management needs to provide feedback to relevant groups on risks accepted onto their risk register so staff are kept informed of progress on significant risks.

Risk monitoring is achieved by including Risk Management as an agenda item for all team and management meetings and is referred to in regular management reports. During management meetings risk reviews should monitor:

- Whether each risk still exists,
- Whether new risks have arisen,
- Whether the likelihood and/or impact of risks have changed,
- Report significant changes which affect risk priorities, and
- Deliver assurance on the effectiveness of risk controls.

Having risk as an agenda item at all scheduled meetings (e.g. monthly team meetings) enables risk registers to be reviewed and risk actions to be tracked on a regular basis. This approach supports the involvement of staff and integrates risk management into business as usual activities. Risks, risk treatments and actions inform planning and everyday business activities.

5.3.9. Risk Recording & Reporting

Risks are to be recorded in Quantate or in Risk Registers based on a standard template and are stored in Content Manager. Using a standard template for risk registers enables risks to be collated across business units and between levels of management. The registers also provide for reporting of risk trends and logging actions in response to identified risks.

6. References

The primary reference and guidance document for the development of the risk management framework is the ISO 31000:2018 Risk Management – Guidelines.

Other relevant risk management publications will be used to aid application of standards and other related techniques to particular business situations. These publications include but are not limited to HB 436 Risk Management Handbook.

7. Review

The risk management policy and framework will be regularly reviewed to ensure it remains relevant to the organisation culture and needs. Reviews shall be performed at least annually, and submitted to Risk and Audit Committee for comment before being approved by Council.

8. Definitions

Term	Definition
Consequence	The consequential effect on strategy or operational processes as a result of a risk event occurring. Note: The consequences that an event will have on the organisation will only be evident after impact has occurred.
Current Risk	Existing level of risk taking in to account the controls in place. Note: Previously called Residual Risk.
Impact	The effect on People, Finances, Service Levels, Compliance or Reputation when a risk event occurs. This is the direct and measureable impact. Standard terms for rating Impact are: Severe, Major, Moderate, Minor & Insignificant.
Inherent Risk	Level of risk before any control activities are applied.
Likelihood	An evaluation or judgement regarding the chances of a risk even occurring. Often described as a 'probability' or 'frequency'. Standard terms for rating Likelihood are: Almost Certain, Probable, Likely, Possible and Rare.
Mitigation Control	Any measure or system that is intended to reduce the impact (consequence) of an event should it occur.
Opportunity	Risk that can enhance or have a positive impact on objectives.
Prevention Control	Any measure or system that is put in place to stop a threat causing loss.
Risk	The effect that uncertainty about internal or external factors has on achieving HDC's objectives. The effect on objects can be positive or negative.
Risk Assessment	The process of risk identification and analysis.
Risk Analysis	A systematic use of available information to determine the likelihood of specific events occurring and the magnitude of their consequence.
Risk Appetite	The amount and type of risk an organisation is prepared to pursue or retain to achieve its strategic goals.
Risk Management	Management activities to deliver the most favourable outcome and reduce the volatility or variability of outcomes.
Risk Register	Document used to record risks, including the associated risk score and treatment plan.
Risk Score	The combination of consequence and likelihood assessments for a risk to derive an overall rating or priority for the risk.
Risk Tolerance	The degree of variability in attainment of goals, or capacity to withstand loss that an organisation is prepared to accept to achieve strategic goals.
Risk Treatment Plan	Actions aimed at reducing the likelihood and/or consequence of a risk.
Threat	Risk with adverse or negative impact on objectives.

9. Appendix 1: Likelihood, Impact and Risk Matrix Tables

9.1.   Likelihood Assessment Table

Likelihood	Probability (*per annum*)	Time Based Descriptor
Rare	<10%	Unlikely to occur within a 10 year period, or in exceptional circumstances.
Possible	10% - 40%	May occur within a 10 year period.
Likely	40% - 70%	Likely to occur within a 5 year period.
Probable	70% - 90%	Likely to occur within a 1 year timeframe
Almost Certain	>90%	Likely to occur immediately or within a short period of time.

9.2. Impact Assessment Table – Opportunity

Impact	Opportunity / Benefit		
	Financial	Citizen Benefit	Service Innovation
Substantial	A beneficial difference in budget of more than 50% OR $4M.	Changes directly benefit citizens across the entire district.	Service delivery time improved by more than 50% OR Entirely new service delivery method identified.
Major	A beneficial difference in budget between 25 - 50% OR $1M-$4M.	Changes directly benefit citizens of multiple communities.	Service delivery time improved by 25-50% OR Implementation of a leading edge practice.
Moderate	A beneficial difference in budget between 10 - 25% OR $200k-$1M	Changes directly benefit citizens of a single community	Service delivery time affected by 10-25% OR Able to implement current best practice.
Minor	A beneficial difference in budget of less than 10% OR between $10k-$200k.	Changes directly benefit members of a single group or association.	Service delivery time affected by less than 10% OR Efficiency gain in current process.
Insignificant	Insignificant budget impact OR less than $10k impact	Little or no citizen benefit.	Maintain status quo

9.3.   Impact Assessment Table - Threats

Impact	Threat						
	Harm to People *(ALWAYS assess first)*	Service Degradation	Financial Loss	Compliance	Environment	Reputation	Community
Severe	Fatality or permanent disability involving 1 or more people. OR Health impacts to >100 people.	Service delivery time reduced by more than 50% OR Total facility closure.	An adverse difference in budget of more than 50% OR $4M.	Fine or prosecution for failing to meet multiple core legal requirements	Adverse effects resulting in permanent/ irreversible change to the environment.	National/ International media attention OR Trust severely damaged and full recovery questionable	Permanent/ irreversible loss of food/water security, housing, employment or societal wellbeing (eg social isolation) affecting an entire community.
Major	Serious injury/ illness, temporary disability involving 1 or more people. OR Health impacts to <100 people.	Service delivery time reduced by 25-50% OR Partial facility closure.	An adverse difference in budget between 25 - 50% OR $1M-$4M.	Fine or prosecution for failing to meet a single core legal requirement.	Long term or significant adverse environmental effects where remediation is possible	High public interest or national media attention OR Trust recovery involves considerable cost and management attention	Complete loss of food/water security, housing, employment or societal wellbeing (eg social isolation) affecting an entire community
Moderate	Medical attention required for 1 or more people. OR Medium term health impact to 1-10 people	Service delivery time reduced by 10-25% OR Hours of service reduced.	An adverse difference in budget between 10 - 25% OR $200k-$1M	Warning about/or adverse public exposure for a non-compliance.	Medium term change or scale of environment impact	Significant regional public interest or media attention OR Trust recovery exceeds existing budget	Noticeable reduction in availability of food/ water, housing, employment or societal wellbeing affecting a large number of people in a community
Minor	First aid needed. Short term health impacts to a few people.	Service delivery time reduced by less than 10% OR Customer queue management required	An adverse difference in budget of less than 10% OR between $10k - $200k.	Self-detected non-compliance.	Short term or minor effect on ecosystem functions	Attention of group / local community or media OR Modest cost to recover trust	Short term in availability of food/ water, housing, employment or societal wellbeing affecting a number of people in a community
Insignificant	No treatment required. No noticeable physical impact.	No noticeable impact on service delivery.	An adverse budget impact OR less than $10k impact	Non-compliance of no consequence	Little or no change to environment	Individual interest or no media attention OR Little effort to recover trust	No noticeable impact on food/ water security, housing, employment or societal wellbeing

* Note: Food security, housing and employment are social impact factors identified by the World Health Organisation Social Dimensions of Climate Change discussion draft.

9.4.   Risk Matrix and Heat Map

Likelihood	Threat	Impact				Opportunity	Impact				Likelihood
	Insignificant 5	Minor 20	Moderate 40	Major 80	Severe 100	Substantial 100	Major 80	Moderate 40	Minor 20	Insignificant 5	
Almost Certain 0.7	Low 3.5	Medium 14	High 28	Extreme 56	Extreme 70	Platinum 70	Platinum 56	Gold 28	Silver 14	Bronze 3.5	Almost Certain 0.7
Probable 0.45	Low 2.25	Medium 9	High 18	Extreme 36	Extreme 45	Platinum 45	Platinum 36	Gold 18	Silver 9	Bronze 2.25	Probable 0.45
Likely 0.3	Low 1.5	Low 6	Medium 12	High 24	Extreme 30	Platinum 30	Gold 24	Silver 12	Bronze 6	Bronze 1.5	Likely 0.3
Possible 0.2	Low 1	Low 4	Medium 8	Medium 16	High 20	Gold 20	Silver 16	Silver 8	Bronze 4	Bronze 1	Possible 0.2
Rare 0.17	Low 0.85	Low 3.4	Low 6.8	Medium 13.6	High 17	Gold 17	Silver 13.6	Bronze 6.8	Bronze 3.4	Bronze 0.85	Rare 0.17

Notes on matrix heat map:

- In this matrix it can be observed that by redefining High risks they may become Golden opportunities, but conversely Platinum opportunities can become Extreme threats if pushed too far
- An event with Severe impact is considered High risk even if the chance of occurrence is Rare. An event with Insignificant impact is considered Low risk even if it is Almost Certain to occur.

9.4.1. Calculated Risk Score Ranges

Risk Descriptors		Low	High
Extreme	Platinum	>28	<=70
High	Gold	>16	<=28
Medium	Silver	>7	<=16
Low	Bronze	>0	<=7

10. Appendix 2:
Risk Appetite for LTP Strategic Priority Areas

10.1. The Economic Power House

Context

Hastings is the District's centre for employment and economic growth which is a position we will hold onto and develop in the future. Key focus areas:

- 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

Averse	Conservative	**Measured**	Justified	Flexible

Council intends to take a **Measured** approach to achieving this outcome on the basis that there is a desire try innovative ideas that may increase land development or economic growth initiatives. This means that risk will be accepted if limited and heavily out-weighed by benefits.

Tolerance & Measures

To ensure progress toward the desired outcome remains within an acceptable range the following tolerances and measures will be applied:

Risk Category	Extremely Low	Low	Limited	Expect Some	Anticipated
Safety		●			
Outcomes	No notifiable injuries or illness from growth projects due to poor health & safety practices by Council staff or a contractor engaged by Council.				
Financial				●	
Variation	Spend between -50% and +25% for all projects.				
Service Delivery			●		
Standard	A minimum 20% of vacant industrial land available for development (*LTP*). At least 1 Place Based Plan completed per annum (*LTP*)				
Compliance	●				
Outcomes	No material failures to comply with the life safety requirements of planning and building acts and regulations.				
Reputation			●		
Outcomes	Positive regional public interest or media attention is expected for creating liveable spaces, but outcomes should not result in adverse media coverage.				

10.2. Homes for Our People

Context

The type of housing available in Hastings should match the diversity and needs of our people while also managing urban sprawl onto the productive Heretaunga Plains. Moving forward this will require a more compact community connected by a range of effective transport choices. Key focus areas:

- 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	Averse	Conservative	**Measured**	Justified	Flexible

Council is prepared to take a **Measured** approach to achieving this outcome in order to meet the community need for sufficient housing. This means that risk will be accepted if limited and heavily out-weighed by benefits.

Tolerance & Measures

To ensure progress toward the desired outcome remains within an acceptable range the following tolerances and measures will be applied:

Risk Category	Extremely Low	Low	Limited	Expect Some	Anticipated
Safety		●			
Outcomes	No new houses constructed in at risk areas (i.e. natural hazard zones) without mitigation. All new houses meet safe and sanitary requirements (e.g. weather tightness).				
Financial			●		
Variation	Spend between -50% and +25% for all projects.				
Service Delivery			●		
Standard	A minimum 20% residential greenfields land available (*LTP*) A minimum of 85% of urban properties within 500m radius (walking distance) of a park (*LTP*).				
Compliance		●			
Outcomes	Time taken to process resource and building consent within statutory timeframes (*LTP*).				
Reputation				●	
Outcomes	Positive regional public interest or media attention is expected, and there is support for national recognition of successful innovation in provision of housing. However, events within Council's control should not result in adverse national media coverage.				

10.3. Getting Around

Context

It is important to connect our people, places, products and markets by providing a safe, effective road network that allows people and goods to travel where they need to go, however they choose. Key focus areas:

- 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.

Appetite

Averse	**Conservative**	Measured	Justified	Flexible

Council intends to take a **Conservative** approach to risk in order to achieve these outcomes due to the potential adverse impacts on public safety and economic prosperity as a result of failing to provide a transportation network and bridges that are able to cope with current and future demands. This means that risks will be accepted only when essential to the core outcome, and limited possibility/extent of failure exists.

In practice, assets will be prioritised based on sound research and data, and upgraded using the most suitable certified construction solution. In other words, Council is not looking to apply untested innovative solutions.

Tolerance & Measures

To ensure progress toward the desired outcome remains within an acceptable range the following tolerances and measures will be applied:

Risk Category	Extremely Low	Low	Limited	Expect Some	Anticipated
Safety		●			
Outcomes	Reducing trend of fatality and serious injury from previous year (*LTP*).				
Financial				●	
Variation	Spend between -25% and +10% for all projects.				
Service Delivery		●			
Standard	6% of sealed local road network is resurfaced per annum (*LTP*). No more than 1.5 % of footpaths classified poor or worse as measured by Council's condition rating system (*LTP*).				
Compliance	●				
Outcomes	Full compliance with NZTA funding requirements Full compliance with NZ Bridge Design Manual and Regulatory requirements				
Reputation		●			
Outcomes	Interest of local groups or individuals is expected, but events should not result in adverse regional or national media coverage. Some desire to be recognised for best practice asset management and renewal planning.				

10.4. Rural Living

Context

Our economic success is linked to the success of our rural areas and rural communities who we will support while adapting to the changing environment. Key focus areas:

- 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).

Appetite	Averse	**Conservative**	Measured	Justified	Flexible

Council intends to take a **Conservative** approach to risk in order to achieve these outcomes due to the potential long term adverse impacts on rural communities caused by unsuccessful projects or poor services delivery. This means that risks will be accepted only when essential to the core outcome, and limited possibility/extent of failure exists, particularly with regard to Safety.

Tolerance & Measures

To ensure progress toward the desired outcome remains within an acceptable range the following tolerances and measures will be applied:

Risk Category	Extremely Low	Low	Limited	Expect Some	Anticipated
Safety	●				
Outcomes	All bridges meet requirements for safe carriage				
Financial			●		
Variation	Spend between -25% and +10% for all projects.				
Service Delivery		●			
Standard	Journeys affected due to unplanned road closures not more than 500,000 per annum (*LTP*) Maximum of 27 (10%) weight and/or speed restricted bridges on the network.				
Compliance		●			
Outcomes	Less than 3.2% of the network inaccessible to Class 1 and 50MAX vehicles.				
Reputation		●			
Outcomes	Interest of local groups or individuals is expected, but events should not result in adverse regional or national media coverage.				

10.5. Our Natural Treasures

Context

Maximising output from the land by retaining versatile and productive soils for food production, managing land use, and managing human behaviour which impacts water quality (an essential resource) is one of the most important themes running through our strategic direction. As a community we need to waste less and embrace a more sustainable way of living and look after our precious outstanding landscapes such as Te Mata Peak. We recognise that the environment cannot be traded for economic gain. Key focus areas:

- Promoting water and energy efficiency
- Enhancing biodiversity
- Sustainable infrastructure and climate agility
- Nurturing iconic landscapes
- Managing healthy waterways

Appetite	Averse	**Conservative**	Measured	Justified	Flexible

Council intends to take a **Conservative** approach to risk in order to achieve these outcomes as decisions on activities affecting the environment can potentially have long term implications that are difficult to reverse. This means that risks will be accepted only when essential to the core outcome, and limited possibility/extent of failure exists, particularly with regard to Safety.

Tolerance & Measures

To ensure progress toward the desired outcome remains within an acceptable range the following tolerances and measures will be applied:

Risk Category	Extremely Low	Low	Limited	Expect Some	Anticipated
Safety	●				
Outcomes	Maximum of 20% percentage of real water loss from networked reticulation system (*LTP*) Full compliance with Part 4 and Part 5 of the drinking water standards (*LTP*)				
Financial			●		
Variation	Spend between -25% and +10% for all projects.				
Service Delivery		●			
Standard	Less than 0.2% of plan zone land (valuable soils) used for new housing per annum (*Note: this is equivalent to 62Ha or two times Lyndhurst Stage 1 & 2*). Greenhouse gas emissions from transport less than 295,800 tonnes (*LTP*).				
Compliance	●				
Outcomes	Full compliance with Hawkes Bay Regional Council consent requirements (*LTP*). Requirements under National Policy statements implemented in the required timeframes.				
Reputation		●			
Outcomes	Regional public interest or media attention is expected, but events should not result in adverse national media coverage.				

10.6. Hastings Alive

Context

For successful business investment and expansion, and talent attraction and retention, we need to be a place where people want to be. Encouraging people into Hastings requires an attractive urban environment and a vibrant, multi-functional city centre which is safe and offers a variety of things to do.
Key focus areas:

- 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

Appetite

Averse	Conservative	**Measured**	Justified	Flexible

Council intends to take a **Measured** approach to achieving this outcome on the basis that there is a desire try innovative ideas that could improve the utility of the City Centre. This means that risk will be accepted if limited and heavily out-weighed by benefits.

Tolerance & Measures

To ensure progress toward the desired outcome remains within an acceptable range the following tolerances and measures will be applied:

Risk Category	Extremely Low	Low	Limited	Expect Some	Anticipated
Safety		●			
Outcomes	CCTV live monitoring >70% of running time (*LTP*)				
Financial				●	
Variation	Spend between -50% and +25% for all projects.				
Service Delivery			●		
Standard	Less than 10% of retail spaces vacant on a quarter basis.				
Compliance		●			
Outcomes	100% of public buildings meeting minimum earthquake standards by 2033 (*LTP*).				
Reputation			●		
Outcomes	Positive regional public interest or media attention is expected for creating liveable spaces, but outcomes should not result in adverse media coverage.				

10.7. Pathways for People 😊

Context:

Our people ultimately hold the key to our collective success. The people of Hastings are changing in ethnic makeup, age and lifestyle preferences. We need to balance aspirations while meeting our community's varied educational and skill development needs to allow everyone to contribute to our society. Our environment and economy also depend on positive human behaviour and interactions. We want to develop our entrepreneurs who will help create economic sufficiency and growth. Key focus areas:

- Development of a youth employment/outreach hub
- 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

Appetite	Averse	Conservative	Measured	**Justified**	Flexible

Council is prepared to take a **Justified** approach to achieving community uplift due to the need to work collaboratively with local Hapu, community and other agencies. This means that there is a willingness to take risk in the right conditions as long as the impacts are managed.

Tolerance & Measures

To ensure progress toward the desired outcome remains within an acceptable range the following tolerances and measures will be applied:

Risk Category	Extremely Low	Low	Limited	Expect Some	Anticipated
Safety	●				
Outcomes	No programmes or placements put youth in potentially harmful situations.				
Financial				●	
Variation	Spend between -50% and +25% for all projects.				
Service Delivery				●	
Standard	1 social development review completed per annum				
Compliance		●			
Outcomes	No challenges against community programmes that can be upheld for lack of engagement or consultation. Compliance with Privacy Act obligations for all programmes.				
Reputation				●	
Outcomes	Positive regional public interest or media attention is expected for pathways for youth, but outcomes within Council's control should not result in adverse national media coverage.				

10.8. Enhancing Where We Live

Context:

Neighbourhoods nurture family and community: the safety, health, vibrancy and attractiveness of all neighbourhoods is fundamental to wellbeing in our district. Our urban areas also need to be resilient to the challenges of the future. Enhancing where we live will address targeted interventions required for some of our communities. Key focus areas:

- 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

Appetite	Averse	Conservative	Measured	**Justified**	Flexible

Council is prepared to take a **Justified** approach to enhancing community safety, health, vibrancy and attractiveness due to the level of change desired. This means that there is a willingness to take risk in the right conditions as long as the impacts are managed.

Tolerance & Measures

To ensure progress toward the desired outcome remains within an acceptable range the following tolerances and measures will be applied:

Risk Category	Extremely Low	Low	Limited	Expect Some	Anticipated
Safety		●			
Outcomes	No notifiable injuries or illness from infrastructure projects due to poor health & safety practices by Council staff or a contractor engaged by Council.				
Financial				●	
Variation	Spend between -50% and +25% for all projects.				
Service Delivery				●	
Standard	CCTV camera downtime <5% (*LTP*). Parks user satisfaction more than 97% (LTP)				
Compliance			●		
Outcomes	A District Plan current at all times within statutory timeframes (*LTP*)				
Reputation				●	
Outcomes	Positive regional public interest or media attention is expected for community lead plans, but outcomes within Council's control should not result in adverse national media coverage.				

10.9. Our Core Services

Context:

Local Infrastructure which contributes to public health and safety, supports growth, connects communities, activates communites and helps to protect the natural environment. Local public services which help meet the needs of young and old, people in need, visitors and locals, businesses and households.

Regulatory functions which help to prevent harm and create a safe and healthy environment for people, which promote the best use of natural resources and which are responsive to community needs. Key focus areas:

- Maintaining assets.
- Managing growth.

Appetite	Averse	**Conservative**	Measured	Justified	Flexible

Council intends to take a **Conservative** approach to delivery of core services as the community expects Council to provide safe, compliant and reliable services that reflect the needs of the community in a cost effective and efficient way. This means that risks will be accepted only when essential to the core outcome, and limited possibility/extent of failure exists.

Tolerance & Measures

To ensure progress toward the desired outcome remains within an acceptable range the following tolerances and measures will be applied:

| Risk Category	Extremely Low	Low	Limited	Expect Some	Anticipated
Safety		●			
Outcomes	Fewer than 10 medical attention or lost time injuries to Council workers (staff and contractors) per month (*refer Health & Safety Reports*).				
Financial	●				
Variation	Spend between -5% and +5% for all operations (*Aligns with Chief Executive Objectives*).				
Service Delivery		●			
Standard	No more than 10% variation from the LTP target levels of service. No decision reversed upon review.				
Compliance		●			
Outcomes	No legal challenges upheld for unsound Resource Consent or Building Consent decisions. All services provided meet regulatory requirements for safe operation.				
Reputation			●		
Outcomes	Interest of local groups or individuals may occur, but events within Council's control should not result in adverse regional or national media coverage. Positive media attention up to national level is desirable for innovative service.				

11. Appendix 3: Risk Control Techniques

The following diagrams illustrate how risk treatment strategies are generally applied to risks based on where they risk is placed on a risk heat map.

11.1. Treatments for Threat Risk
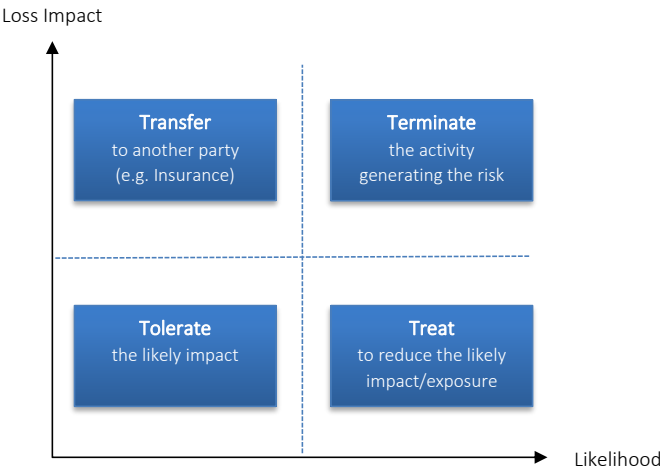
11.2. Treatments for Opportunity Risk
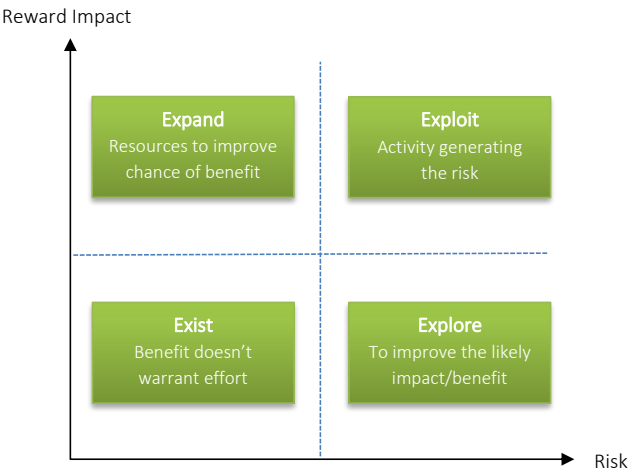
IMPORTANT: Before pursuing an opportunity an assessment of the unintended consequence must be undertaken. This is required to confirm that any potential threat risks that might arise are within the Council risk appetite. By doing so it is possible to confirm an appropriate balance between the risk vs reward is maintained.