HERETAUNGA HASTINGS DISTRICT COUNCIL

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council

Risk and Assurance Committee Meeting

Kaupapataka

Agenda

Te Rā Hui: Meeting date:	**Monday, 20 May 2024**
Te Wā: Time:	**10.00am**
Te Wāhi: Venue:	**Council Chamber** **Ground Floor** **Civic Administration Building** **Lyndon Road East** **Hastings**
Te Hoapā: Contact:	**Democracy and Governance Services** **P: 06 871 5000 | E: democracy@hdc.govt.nz**
Te Āpiha Matua: Responsible Officer:	**Deputy Chief Executive - Bruce Allan**

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Risk and Assurance Committee – Terms of Reference

Fields of Activity

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

• Effective management of potential risks, opportunities and adverse effects.

• Reasonable assurance as to the integrity and reliability of the reporting on financial performance of Council, including quality of audit services.

• Monitoring of Council's requirements under the Treasury Policy.

• Monitoring of Council's Strategic Risk Framework.

• Monitoring of Council's legal compliance.

• Monitoring of Council's health and safety compliance.

• Monitoring significant projects, programmes of work and procurement focussing on the appropriate management of risk.

• Oversight of preparation of the Long Term Plan, Annual Report, and other external financial reports required by statute.

In light of the impacts Cyclone Gabrielle has had on the communities in the district, the Committee will pay particular attention to activities affected within its Fields of Activity, including but not limited to and always in support of the work of Council and the Standing Committees:

• Oversight of cyclone-related insurance claims and issues.

• Monitor funding implications associated with recovery costs, including oversight of the process for recoveries from government.

• Monitor valuation process for cyclone-damaged assets, including impairments particularly relating to roading.

• Support post-cyclone expenditure planning by ensuring good process is applied.

Membership – 8 (including 5 Councillors)

- 5 Councillors - with one being the Chair of Performance and Monitoring, or its equivalent
- Independent Chair appointed by Council.
- Deputy Chair appointed by Council.
- 2 external independent members appointed by Council.
- 1 Heretaunga Takoto Noa Māori Standing Committee Member appointed by Council

Quorum – 4 members

DELEGATED POWERS

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

HERETAUNGA HASTINGS DISTRICT COUNCIL

Monday, 20 May 2024

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council

Risk and Assurance Committee Meeting

Kaupapataka

Agenda

Mematanga: Membership:	*Koromatua* **Chair:** Jon Nichols – External Independent Appointee *Nga Kai Kaunihera* **Councillors:** Simon Nixon (Deputy Chair), Alwyn Corban, Tania Kerr, Michael Fowler (Chair of Performance & Monitoring Committee) and a vacancy Mayor Sandra Hazlehurst External Independent Appointee: Graeme McGlinn Heretaunga Takoto Noa Māori Standing Committee appointee: Tom Keefe
Tokamatua: Quorum:	4 members
Kaihokoe mo te Apiha Officer Responsible:	Deputy Chief Executive – Bruce Allan
Te Rōpū Manapori me te Kāwanatanga Democracy & Governance Services:	Christine Hilton (Extn 5633)

HERETAUNGA HASTINGS DISTRICT COUNCIL

Te Rārangi Take

Order of Business

1.0 **Apologies** – *Ngā Whakapāhatanga*

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

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

2.0 **Conflict of Interest** – *He Ngākau Kōnatunatu*

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

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

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

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

Minutes of the Risk and Assurance Committee Meeting held Monday 12 February 2024.
(Previously circulated)

8.0	**Cyclone Gabrielle Recovery Risk Update** *Attachment 3 to this report is confidential in accordance with the Local Government Official Information and Meetings Act 1987 Section 7 (2) (j) - The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage.*	35
9.0	**Strategic Risk Register & Horizon Scan**	41
10.0	**Executive Overview and Status of Actions**	49
11.0	**Health, Safety & Wellbeing Update Report**	53
12.0	**Minor Items** – *Ngā Take Iti*	
13.0	**Urgent Items** – *Ngā Take Whakahihiri*	
14.0	**Recommendation to Exclude the Public from Item 15**	57
15.0	**Health & Safety Contracts - Contractors' Health & Safety Performance Report**	

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

Te Rārangi Take

Report to Risk and Assurance Committee

Nā: From:	**Angela Hirst, Procurement and Corporate Services Manager**
Te Take: Subject:	**Procurement Update**

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

1.1 The purpose of this report is to update the committee on progress being made with procurement at Council including the Smart Home of Procurement (SHOP) system implementation across the organisation.

1.2 Procurement Is identified as one of Council's enterprise risks (and aggregates into the strategic risk, significant operational failure), therefore the council's risk management principles are embedded into all aspects of the procurement lifecycle.

1.3 The report concludes by recommending that Council acknowledges receipt of this Procurement update.

2.0 Council's procurement profile and strategic context

2.1 Council currently spends in excess of $200 million annually on a variety of goods, works and services to enable the delivery of infrastructure, facilities and services for our community.

2.2 In undertaking procurement, Council must operate within a policy framework which includes wider Council strategic objectives and outcomes, Government legislative and regulatory frameworks and for transport investment, the Waka Kotahi New Zealand Transport Agency (NZTA) procurement rules and guidance.

2.3 The procurement function within Council has three objectives;

- optimising public value,
- supporting the delivery of Councils objectives through efficient and effective procurement; and

- to build procurement capability and capacity.

3.0 Background

3.1 Prior to Cyclone Gabrielle, the procurement work programme was largely driven by the recommendations within the Crowe Horwath (Crowe) contract management review in October 2018 and follow up in June 2019.

3.2 Since this review a number of improvements have been made including new and updated templates, training modules, buyers guide, regular review and updating of procurement strategy and policy, the development of a progressive procurement tool kit and suppliers guide and the procurement of SHOP.

3.3 The SHOP implementation began at the start of 2023. Essentially SHOP is a procurement and approval workflow that delivers user's the required templates and documentation relevant to the procurement activity they are carrying out. It has built in approval gate ways at key points along the procurement life cycle. SHOP knows when a user is undertaking procurement that sits outside our "normal" procurement guidelines and highlights to the user when an exemption is required to be approved by a GM e.g for direct engagements over $100k or for Invited tenders over $200k. Conflicts of interest are also managed in the system.

4.0 Update

4.1 So far, 133 staff have been trained using SHOP, of these 113 have a delegated financial authority. We also have staff without a DFA using SHOP e.g. administrators, engineering professional service panel members, project managers who will work in SHOP but will not be approving.

4.2 Currently we are working with new staff to the organisation and completing training with the 3 Waters team who were the last team to begin the transition to SHOP at the beginning of 2024.

4.3 In November 2023 we presented to Audit NZ on how we procure at Council, our controls in place and gave them a demonstration of SHOP. Martin Richardson, Director, Specialist Audit and Assurance Services of Audit NZ said:
"I wanted to write to say a huge thank you to you both for taking the time last week to speak to our team here at Audit New Zealand.
We spend a lot of time reviewing the procurement practices of government organisations and supporting them through our probity assurance. Given that we have seen a lot of differing approaches to procurement across the sector I was mightily impressed with the work you are doing both on making broader outcomes a reality and making good procurement process easy to comply with. I thought your procurement system was excellent and a great way to avoid many of the issues that seem repeatedly to crop up in other organisations.
I hope you didn't find some my colleagues' questions too challenging. I think you got them excited and being auditors, they quickly fell into questioning mode. I'm happy to chat further if you want to about anything that was discussed.
So once again, thanks for your time, and well done on such excellent procurement initiatives. Inspirational stuff".

5.0 Current Risks and Management

5.1 The current risks to meeting our objectives are:

- limited procurement capability and capacity across the organisation
    - The procurement team has limited resources consisting of the procurement and corporate services manager, a senior procurement advisor a procurement advisor and an administrator to assist and oversee procurement activities at Council.

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- The procurement function at Council is decentralised and a number of officers across the organisation with varying levels of experience are carrying out procurement and contract management as part of their roles.
- Increasing number of consultants outside the engineering professional services panel carrying out procurement functions with limited understanding of Local government procurement and procurement at HDC.
- While the procurement module in SHOP is being well used, we are seeing varying levels of skill and knowledge with regards to procurement fundamentals.
- The Contract module in SHOP isn't being used to its full potential. Once a procurement has been awarded, and a contract formed, this is where the data flow ends for many procurement activities which means the ability to report on meaningful contract management functions is limited e.g., variations to time, price conditions or quality, notices to contractors, delivery of KPIs or management of milestones.

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- sustainable outcomes (achieving public value) not identified early:
  - whilst sustainable outcomes should generally be identified at the project stage, we do have the progressive procurement tool kit for staff to utilise the procurement stage of projects and SHOP includes a dedicated section for consideration of sustainable outcomes early in the procurement process which flow through to the contract as KPI's to be monitored and delivered.

6.0 What next

6.1 Continue the implementation of SHOP across the organisation with ongoing support for users.

6.2 Working with the finance team to create better knowledge for DFA holders and understanding their responsibilities and limitations relevant to their DFA level.

6.3 A progressive procurement road show across the organisation demonstrating how to use and apply the tool kit.

6.4 SHOP has reporting functionality which enables us to build reports in the system. As more data goes into SHOP the quality of the reporting will improve.

7.0 Recommendations - *Ngā Tūtohunga*

That the Risk and Assurance Committee receive the report titled Procurement Update dated 20 May 2024.

Attachments:

There are no attachments for this report.

Item 5

Monday, 20 May 2024

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Risk and Assurance Committee Meeting

Te Rārangi Take

Report to Risk and Assurance Committee

Nā: From:	**Aaron Wilson, Financial Controller** **Ross Franklin, Chief Financial Officer**
Te Take: Subject:	**Treasury Activity and Funding Update**

1.0 Executive Summary – *Te Kaupapa Me Te Whakarāpopototanga*

1.1 The purpose of this report is to update the Risk and Assurance Committee on treasury activity and funding issues.

1.2 Since the last update in on 12th February 2024, Council has not borrowed any further new debt, however Council has had forward start contracts become "live" in replacing maturing debt of $29m in April.

1.3 Council's total external debt updated as at 31st April 2024 is $353m, with debt forecasted to rise to $396m by the end of the year. Looking forward officers will be borrowing $40m in June 2024 to meet forecasted cashflow requirements and will be rolling over maturing debt of $20m in July 2024.

1.4 Council's draft 2024-34 LTP is now out for consultation and this forecasts peak debt of $701m by June 2030. This higher debt forecast will require additional hedging for Council to remain in policy after the LTP is adopted in June.

1.5 On the advice of Council's treasury advisors, and in line with the interest rate strategy, officers have placed instructions with banks to monitor interest rate swaps between 2024 and 2030 and contact council officers if the interest rates swaps get close to the target rate. Firm pricing will be obtained so that further cover (additional interest rate swaps) can be locked in.

1.6 Our advisers consider that an interest rate swap at or under 4% will represent good long-term value for Council.

1.7 The initial target is to take out a further $45m of cover however, over time total additional cover of $135m will be required to match Council's new draft debt profile.

1.8 Council is currently compliant with its existing Treasury Management Policy for the 2023-24 debt profile.

1.9 The Reserve Bank of New Zealand's (RBNZ) Official Cash Rate (OCR) is at 5.5% at its last review on 10th April 2024. Its next review is 22nd May 2024.

2.0 Recommendations - *Ngā Tūtohunga*

That the Risk and Assurance Committee receive the report titled Treasury Activity and Funding Update dated 20 May 2024.

3.0 Background – *Te Horopaki*

3.1 The Hastings District Council has a Treasury Policy which is a summarised version of the Treasury Management Policy and forms part of the 2021-2031 Long Term Plan. Under these policy documents, responsibility for monitoring treasury activity is delegated to the Risk and Assurance Committee.

3.2 As part of the 2024 – 2034 Long Term Plan process the Treasury Policy has been updated and the new policy will be adopted when the 2024-34 LTP is adopted in June.

3.3 Council is provided with independent treasury advice by Bancorp Treasury Services and receives daily and monthly updates on market conditions.

3.4 Under the Treasury Policy, formal reporting to Council occurs quarterly and regular more in-depth treasury reporting is provided for the Risk and Assurance Committee. The Treasury Policy has been updated to reflect the current financial situation and in support of the 2024-34 Long Term Plan and is attached **(Attachment 1).**

4.0 Discussion – *Te Matapakitanga*

4.1 Current Situation:

4.2 Council's current total external debt is $353.7m at 30th April 2024 ($353.7m as at 12th February 2024). Supporting this in terms of liquidity are $7m of bank deposits along with a $45m bank facility.

4.3 Officers will be borrowing $40m in June 2024 to meet forecasted cashflow requirements and will be rolling over maturing debt of $20m in July 2024.

4.4 Forward start contracts for $29m become "live" in April 2024 and are replacing maturing debt. $20m is fixed and $9m is floating.

4.5 These contracts are at the following rates and maturities:

Draw Date	Fixed /Floating	Amount	Margin	Effective Interest Rate	Maturity Date
15/10/2024	Floating	$9m	0.48%	6.11%	15/04/2026
15/10/2024	Fixed	$20m		5.43%	15/04/2029

4.6 The 2023/24 Annual Plan forecast the debt as at June 2024 to be $322m. As at 30th April the Council debt is $353m and the closing debt is forecast to be approximately $396m.

4.7 Council's debt portfolio is managed within macro limits set out in the Treasury Policy. It is recognised that from time-to-time Council may fall out of policy due to timing issues. The Treasury Policy allows for officers to take the necessary steps to move Council's funding profile back within policy in the event that a timing issue causes a policy breach.

4.8 In April 2024 the Reserve bank kept the official cash Rate (OCR) at 5.5%, with the next meeting being in May 2024.

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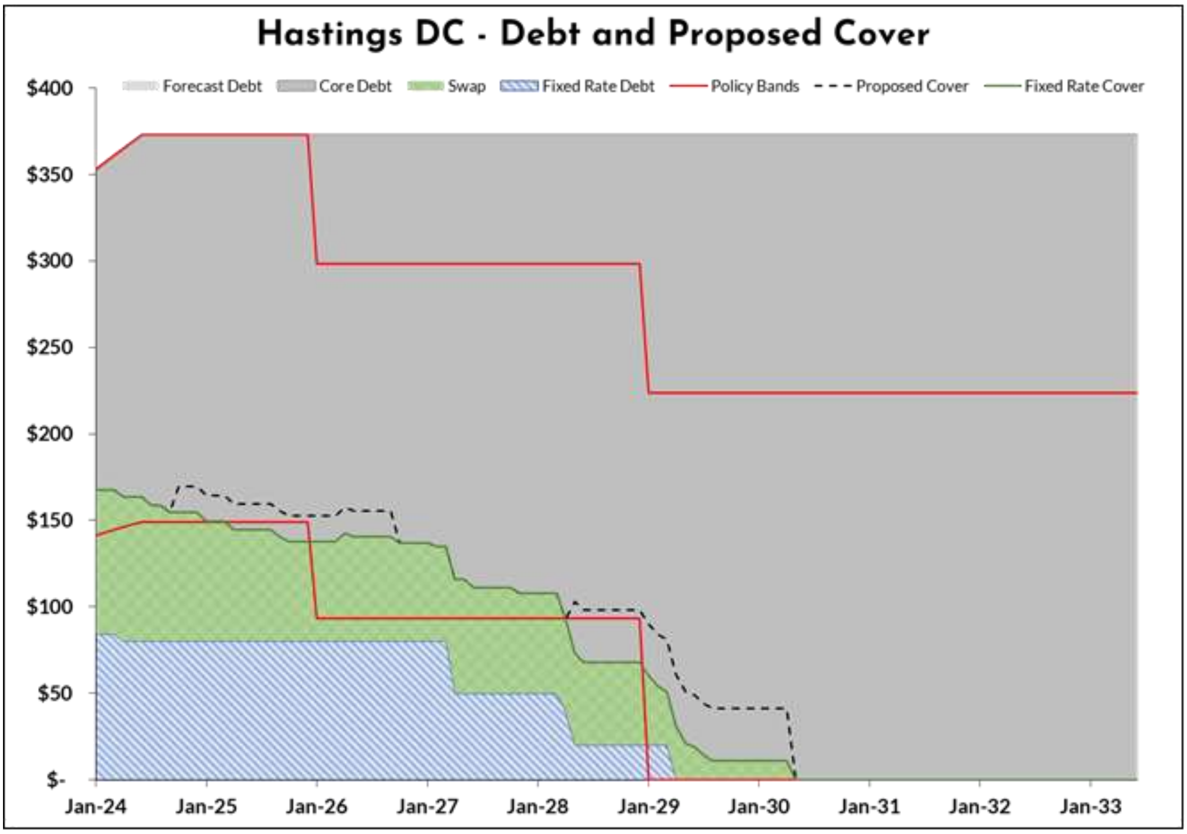
Debt Cover – Existing Policy (prior draft 2024-34 LTP)



4.9 As previously noted in the last report, as a starting point for the draft 2024-34 LTP, officers have forecasted a closing debt position of around $396m at the end of the 23/24 year.

4.10 Council's treasury advisors Bancorp have reviewed with officers the level of debt cover that will be required, should debt reach the expected year end level of $396m and whether Council currently are within policy. As advised in the previous meeting on some additional cover has been taken out to maintain cover within policy limits.

4.11 As noted in paragraph 4.3, $20m of the $29m debt rolling over is at a fixed rate of 5.43% with the remaining $9m floating.

4.12 As the current cover is at the lower end of the policy range, and future debt is forecast to increase further, the strategy agreed with Council treasury advisors is to actively take out additional forward cover and execute when market opportunities present themselves so that the rates at which cover is taken is still financially efficient.

4.13 Officers have issued instructions with banks to monitor and alert when swap rates fall into this range to enable this to happen.

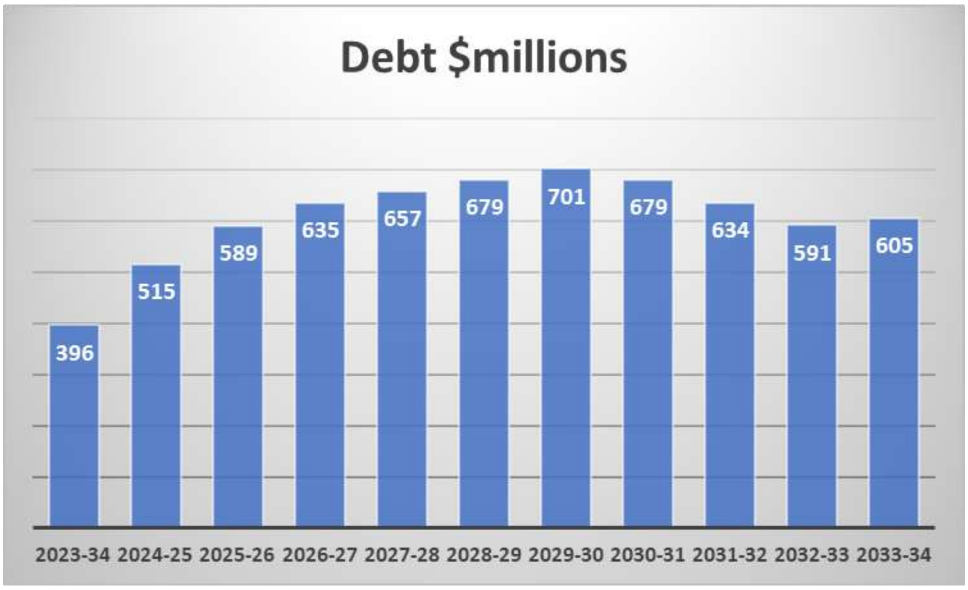
Looking forward – impact of draft 2024-34 LTP debt forecasts

4.14 In the draft 2024-34 LTP Council is proposing new policy limits. These are being reflected in an updated Treasury policy.

- The key measure is the Debt to revenue limit of 250%

This represents the debt to revenue ratio on continuing operations. This means one-off revenues such as capital and operational subsidies for new capital projects and cyclone recovery works are excluded.

4.15 Total council debt is forecast to reach $701m by June 2030 before dropping to $605m in June 2034



4.16 This higher forward debt profile will require changes to the level of forward cover Council has to ensure we stay within policy, once the LTP is adopted. Our advisers have modelled the revised, higher debt profile in the draft LTP and have identified additional cover that will be needed. This is set out in the following table. The table shows:

- The swap value by term
- The notional amount
- The forward start date
- The end date
- The target interest rate for officers to execute a swap in an economically efficient manner
- The current swap rate (as at 10 May 2024)

	Notional value $m	Start	End	Target Rate	Rate on 10 May
Swap 1	25.00	30-Sep-24	30-Sep-30	4.10%	4.41%
Swap 2	25.00	31-Mar-25	31-Mar-30	3.99%	4.30%
Swap 3	25.00	31-Mar-26	31-Mar-31	3.94%	4.27%
Swap 4	30.00	31-Dec-28	31-Dec-31	3.90%	4.47%
Swap 5	30.00	30-Apr-29	30-Apr-31	3.85%	4.45%

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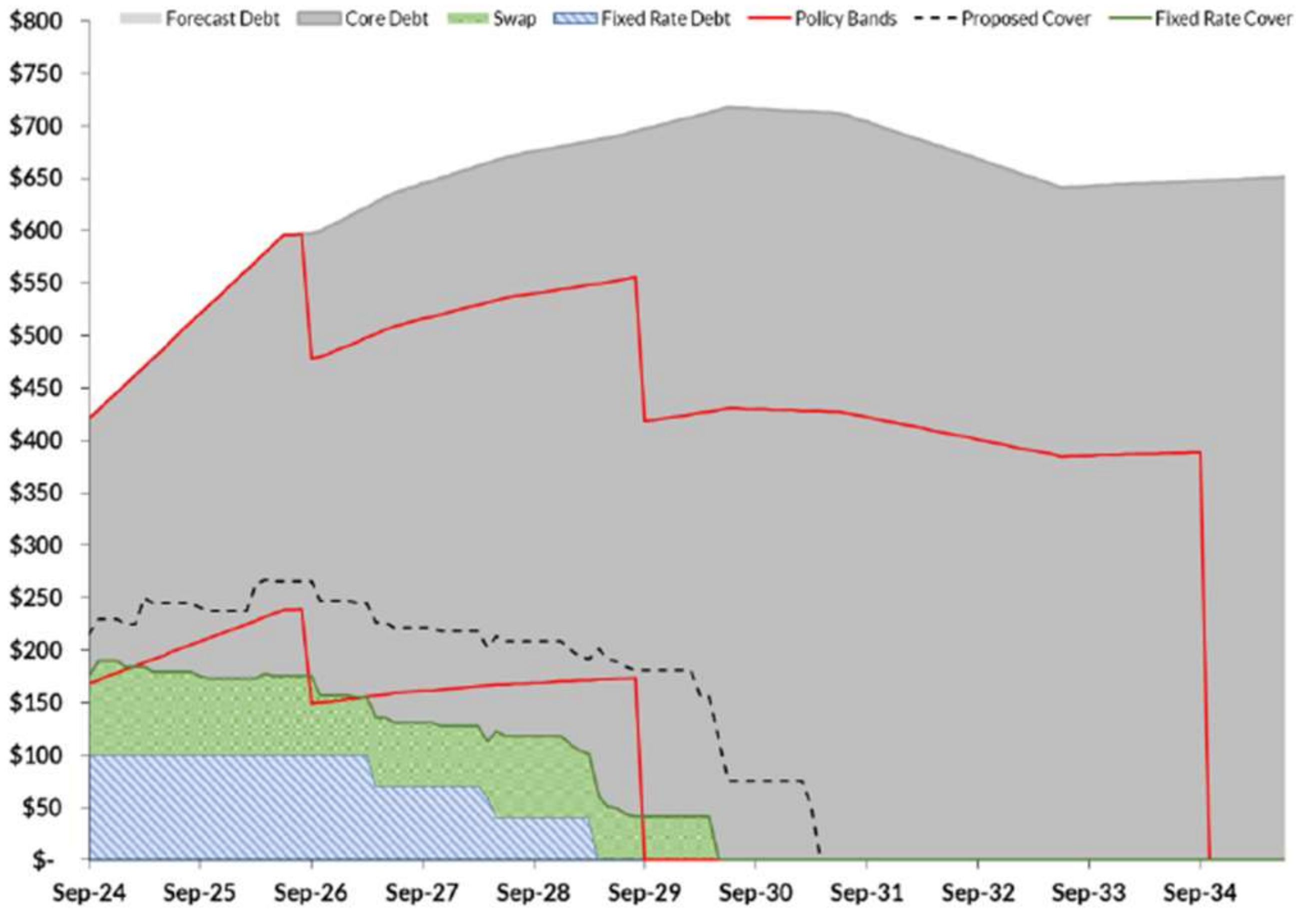
4.17 The following shows the existing and forecast position, after the additional hedging proposed in the table above, against the LTP debt profile.



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<u>Debt to Revenue Ratio Headroom:</u>

4.18 As highlighted above this is the key measure for Councils debt profile as it is the measure used by Council's major funders.

4.19 The closer Council gets to its limits the more likely it is that:

- The cost of funds will increase (lower credit rating and higher borrowing margins, and
- Council will experience problems raising new debt.

4.20 The Local Government Funding Authority (LGFA) have set the maximum allowable limit at 280% for a Council to be able to continue to borrow funds from LGFA.

4.21 The draft 2024-34 LTP and amended treasury policy proposes a debt to revenue ratio of 250% based on revenues from continuing operations.

4.22 While an increase in the policy limit was be needed Council must maintain sufficient headroom. This is why a policy limit of 250% using the modified revenue calculation was adopted. While the "official" measures will be much lower the adoption of the modified measure ensure Council does not unknowingly consume any head room prior to the loss of the one off revenues.

4.23 Within the LTP debt projections under-deliverability assumptions have been loaded. Between the current (2023-24) and LTP year one (2024-25) a total reduction of $35m has been assumed in modelling assumptions.

Attachments:

1⇩	HDC 2024-34 Draft Treasury Policy	CG-17-6-00109

Item 5

Treasury Policy

(Incorporates Liability Management and Investment Policy)

Table of Contents

1.0 Introduction and Objectives

1.1 Purpose of the Policy

The purpose of the Treasury Policy is to outline approved policies and procedures in respect of all treasury activity to be undertaken by the Council. The formalisation of such policies and procedures will enable treasury risks within the Council to be prudently managed.

1.2 Objectives

The objective of this Treasury Policy is to control and manage costs that can influence operational budgets and public equity. Specifically:

1.2.1 Statutory Objectives

- All external borrowing, investments and incidental financial arrangements (e.g. use of interest rate hedging financial instruments) will meet requirements of the Local Government Act 2002 and incorporate the Liability Management Policy and Investment Policy.

- Hastings District Council is governed by the following relevant legislation:
  - Local Government Act 2002, in particular Part 6 including sections 101,102, 104 and 105.
  - Local Government (Financial Reporting and Prudence) Regulations 2014, in particular Schedule 4.
  - Trustee Act 1956. When acting as a trustee or investing money on behalf of others, the Trustee Act highlights that trustees have a duty to invest prudently and that they shall exercise care, diligence and skill that a prudent person of business would exercise in managing the affairs of others. Details of relevant sectins can be found in the Trustee Act 1956 Part II Investments.
  - All projected external borrowings are to be approved by Council as part of the Annual Plan or the Long Term Planning (LTP) process, or resolution of Council before the borrowing is effected.

1.2.2 General Objectives

- Minimise the Council's costs and risks in the management of its borrowings and maximise its return on investments.
- Minimise the Council's exposure to adverse interest rate movements.
- Monitor, evaluate and report on treasury performance.
- Borrow funds and transact risk management instruments within an environment of control and compliance under the Council approved Treasury Policy so as to protect the Council's financial assets and costs.
- Arrange and structure external long term funding for the Council at a favourable margin and cost from debt lenders.
- Optimise flexibility and spread of debt maturity within the funding risk limits established by this policy statement.
- Monitor and report on financing/borrowing covenants and ratios under the obligations of the Council's lending/security arrangements.
- Monitor the Council's return on investments in Council Controlled Organisations (CCO's), Council Controlled Trading Organisations (CCTO's), property and other shareholdings.
- Maintain liquidity levels and manage cash flows within the Council to meet known and reasonable unforeseen funding requirements.
- Comply with financial ratios and limits stated within this Policy.
- Ensure that financial planning will not impose an unequitable spread of costs/benefits over current and future ratepayers.
- To minimise exposure to credit risk by dealing with and investing in creditworthy counterparties.
- Develop and maintain relationships with financial institutions, credit agencies, LGFA, investors and investment counterparties.
- Ensure the Council, management and relevant staff are kept abreast of the latest treasury products, methodologies, and accounting treatments through training and in-house presentations.

2.0 Management Responsibilities

2.1 Delegations of Authorities

Pursuant to clause 32 (2), schedule 7, of the Local Government Act 2002, the Council may make delegations to officers of the Council in order to allow for the efficient conduct of Council business. Clause 32 (3), schedule 7 of this Act allows officers to delegate those powers to other officers.

Not withstanding clause 32 (1) C, schedule 7 the power to borrow money,or purchase or dispose of assets, other than in accordance with the Long Term Plan (for example, the voluntary buyout activity below) remains the sole responsibility of Council and cannot be delegated.

The limits of approved delegation to Officers are contained within the Council's Delegations Register.

Please see details of Treasury organisational structure, responsibilities and delegation of authority limits in the full policy.

- Voluntary Buyout Activity – The Council has established a new unit (Voluntary Buyout Office) to administer voluntary residential property purchases from initial offer to final settlement as a result of Cyclone Gabrielle. For administrative efficiency and to ensure affected property owners receive the quickest resolution possible the Council has delegated this activity and the associated decisions to the Voluntary Buyout Office and its Officers.

3.0 Liability Management Policy

Council's liabilities comprise borrowings and various other liabilities. Council's Liability management policy focuses on borrowings as this is the most significant component and exposes the Council to the most significant risks. Other liabilities are generally non-interest bearing. Cash flows associated with other liabilities are incorporated in cash flow forecasts for liquidity management purposes and determining future borrowing requirements.

3.1 External Debt Ratios and Limits

External debt will be managed within the following macro limits.

Ratio	HDC Policy limits
Net external debt as a percentage of income	<250%
Net Interest on external debt as a percentage of income	<15%
Net Interest on external debt as a percentage of annual rates income	<20%
Liquidity range (liquid funds and committed bank facilities as a proportion of external debt)	110% – 170%

Income is defined as regular ongoing earnings from rates, government grants and subsidies, user charges, interest and other revenue and excludes non-government capital contributions (e.g. developer contributions and vested assets)) and any one-off revenues to support capital expenditure or a short-term operational project. .

Net external debt is defined as total external debt less liquid financial assets/investments.

Liquidity funds are defined as:

- Overnight bank cash deposits at 100% of value;
- Wholesale/retail bank term deposits no greater than 30 days at 100% of value;
- New Zealand Government bonds, Kauri bonds and LGFA bonds at 100% of market value;
- Bank Deposits less than 181 days at 100% market value; and
- Bank term deposits linked to pre-funding of term debt maturing in the next 365 days.The liquidity ratio excludes encumbered cash investments, such as cash held within special/reserve funds.

Annual Rates Income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 (including volumetric water charges levied) together with any revenue received from other local authorities for services provided (and for which the other local authorities rate). 'Rates' exclude regional levies.

External debt will be repaid as it falls due in accordance with the applicable loan agreement. Subject to the debt limits, a loan may be rolled over or re-negotiated as and when appropriate.

Disaster recovery requirements are met through the liquidity ratio and debt capacity within agreed macro limits.

3.2 Borrowing Mechanisms

The Council is able to externally borrow through a variety of market mechanisms including direct bank borrowing or accessing the short and long-term New Zealand capital markets directly or through the Local Government Funding Agency (LGFA). In evaluating strategies for new borrowing (in relation to source, term, size and pricing) the General Manager Corporate (GMCS) takes into account the following:

- Available terms from banks, The LGFA and the wider capital markets.
- The Council's overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time.

- Prevailing interest rates and margins of the available funding alternaltives. The market's outlook on future credit margin and interest rate movements as well as its own.
- Ensuring that the implied finance terms within the specific debt (e.g. project finance) are at least as favourable as the Council could achieve in its own right.
- Legal documentation and financial covenants together with security and credit rating considerations.

The Council's ability to readily attract cost effective borrowing is largely driven by its ability to rate, maintain a strong financial standing and manage its relationships with its investors, the LGFA and financial institutions and S&P. To this end it is the Council's intention to seek and maintain a strong balance sheet position.

The Council may use a mixture of short-term facilities (which generally have lower credit margins) as well as longer term facilities to achieve an effective borrowing mix, balancing the requirements of liquidity and cost.

3.3 Security

All the Council's external borrowings and interest-rate risk management instruments will generally be secured by way of a charge over the Council's rates and rates revenue offered through a Debenture Trust Deed. Under a Debenture Trust Deed, Council's borrowing is secured by a floating charge over all Council rates levied under the Rating Act. The security offered by Council ranks equally or pari passu with other lenders.

The Council offers deemed rates as security for general borrowing programs. From time to time, with prior Council approval, security may be offered by providing a charge over one or more of the Council's assets.

Physical assets will be charged only where:

- There is a direct relationship between the debt and the purchase or construction of the asset, which it funds (e.g. an operating lease, or project finance);
- The Council considers a charge over physical assets to be appropriate; and
- The GMCS ensures that the required register of charges and any associated documents are provided, filed and kept in accordance with the provisions of the Local Government Act 2002 and any other relevant legislation.

3.4 Debt Repayment

The funds from all asset sales, operating surpluses, grants and subsidies will be applied to specific projects or the reduction of debt and/or a reduction in borrowing requirements, unless the Council specifically directs that the funds will be put to another use.

Debt will be repaid as it falls due in accordance with the applicable loan agreement. Subject to the debt limits, a loan may be rolled over or re-negotiated as and when appropriate.

The Council will manage debt on a net portfolio basis at all times.

3.5 Guarantees/contingent liablilties and other financial arrangements

Council may act as guarantor to financial institutions on loans or enter into incidental arrangements of organisations, clubs, Trust, or Business Units, when the purposes of the loan are in line with Council's strategic objectives.

Council will ensure that sufficient funds or lines of credit exist to meet amounts agreed by Council or an appropriate Council Committee in aggregate or attached to a property.

3.6 NZ Local Government Funding Agency Limited Investment

Despite anything earlier in this Liability Management Policy, the Council may borrow from the New Zealand Local Government Funding Agency Limited (LGFA) and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:

a. Contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA;
b. Provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself;
c. Commit to contributing additional equity (or subordinated debt) to the LGFA if required;
d. Subscribe for shares and uncalled capital in the LGFA; and
e. Secure its borrowing from the LGFA and the performance of other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue.

4.0 Investment Policy and Limits

4.1 General Policy

As Council is a net borrower of funds and applies surplus funds to debt repayment. Investments are only maintained to meet specified business reasons. Such reasons can be:

- For strategic purposes consistent with the Council's long term strategic plan;
- The retention of vested land;
- Holding short term investments for working capital and liquidity requirements;
- Holding investments that are necessary to carry out the Council's operations consistent with annual and long term plans, to implement strategic initiatives, or to support inter-generational allocations;
- Pre-funding forecast capital expenditure;
- To reduce the current ratepayer burden;
- Holding assets (such as property) for commercial returns; and
- Provide ready cash in the event of a natural disaster. The use of which is intended to bridge the gap between the disaster and the reinstatement of normal income streams and assets (including insurance recoveries).

The Council recognises that as a responsible public authority any investments that it does hold should be low risk. It also recognises that lower risk generally means lower returns.

The Council does not hold financial investments other than those involving special funds, sinking funds and cash management balances. In its financial investment activity, the Council's primary objective when investing is the protection of its investment. Accordingly, only credit worthy counterparties are acceptable.

4.2 Investment Mix

The Council maintains investments in the following assets from time to time:

- Equity investments and advances;
- Property investments including vendor financing through deferred payment licences;
- Financial investments incorporating longer term and liquidity investments; and
- Forestry investments.

Council needs to take into consideration its obligations and duties to the community when making investment decisions. Council's investment decisions are guided by the goals and objectives of the Council as expressed in the Long Term Plan (LTP) and Annual Plan and are not made purely on commercial considerations.

4.2.1 Acquisition of New Investments

New investments will be acquired to meet the Council's long term objectives including the diversification of Council income streams. This may include the purchase of land or equity investments that the Council considers appropriate to meet an identified current or future need. Subject to the limits in the Council's significance policy, and analysis showing the long-term impacts on Council's key debt ratios, the Council may invest in a new investment that is identified and is not in the Long Term Plan (LTP). When purchasing an investment that is not provided for in the LTP the Council will identify the risks and benefits associated with the purchase.

4.2.2 Use of Sale Proceeds

Any proceeds from the sale of investments are used to repay council debt. This includes proceeds from any land that is acquired through the cyclone Gabrielle voluntary property purchases.

4.2.3 Equity Investments and Loan Advances

Investments include shareholdings in CCTOs and trading and service enterprises. Advances are made to CCTOs and community organisations, such as Trusts managing Council facilities for financing purposes.

The GCMS, reviews performance of these investments and advances on a regular basis to ensure strategic and economic objectives are being achieved. Council ensures that interest and principal repayments are being made in accordance with the loan agreement.

All dividend and interest income is included in the consolidated revenue account.

Any disposition of these investments, other than the repayment of loans and advances requires Council approval.

4.2.4 Property Investments

Council's overall objective is to only own property that is necessary to achieve its strategic objectives. This includes property investment not essential to the delivery of relevant services, acquired to achieve commercial returns and to diversify Council income streams. Council reviews property ownership through assessing the benefits of continued ownership in comparison to other arrangements which could deliver the same results. This assessment is based on the most financially viable method of achieving the delivery of Council services. Council generally follows similar assessment criteria in relation to new property investments.

The GCMS reviews the performance of property investments on a regular basis and reports to the Chief Executive on any underperforming assets. Council periodically undertakes a strategic review of its property investments. This includes voluntary residential property purchases as the result of Cyclone Gabrielle.

All income, including rentals and ground rent from property investments is included in the consolidated revenue account.

Council approves the sale of property.

4.2.5 Other Property Investments – Quarries

Council also maintains quarries for the extraction of metal for roading. These are held for their strategic importance in relation to the roading asset and they are leased to the roading maintenance contractor who must pay the Council royalties based on the quantity of metal extracted.

All royalties are included in the consolidated revenue account.

Any disposition of these assets requires Council approval.

4.2.6 Forestry Investments

Council is not in the business of investing in forestry assets to be held as a long term investment. Council will only invest in forestry assets where the Forest also serves another purpose such as plantings associated with the joint Landfill. A specific fund is allocated to meet annual maintenance and cutting costs of the Landfill forestry block.

Council approves the sale of forestry. Sale proceeds of the Landfill forestry block are to be used for future landfill development and the Waste Futures project unless otherwise authorised by Council.

Financial Investments

For the foreseeable future, the Council will have a permanent net debt/borrowing position and will use flexible short-term working capital money market funding lines. Accordingly, it does not have any requirement to be in surplus cash.

Interest income from financial investments is credited to general funds, except for income from investments for special funds and sinking funds where interest is credited to the particular fund.

The Council’s primary objective when investing is the protection of its investment and maximise returns. Accordingly, only creditworthy counterparties are acceptable. Credit worthy counterparties are covered in section 5.3.

Circumstances where Council may have previously held surplus funds other than for cash management purposes are listed below.

Specific Bequests & Donations

> No cash investments are held to support bequests and donations. Any cash received is used to support Copuncil’s wider treasury management objectives.

Council Created and Other Reserves

Council policy is to only hold a reserve fund in very limited circumstances, such as where there are legal restrictions on the use of funds. Apart from a limited number of exceptions Council will apply any surplus debt against the retirement of debt, rather than to create a separate reserve fund.

To achieve the goal of closing most existing reserves the following process will be followed.

If a council reserve is in surplus, and there is no legal reason to hold funds in a reserve, it shall closed with the funds utilised internally, to reduce debt associated with the activity linked to the purpose of that reserve

IF a council reserve is in deficit it shall be closed with that deficit converted to debt related to the activity linked to the purpose of that reserve.

Through adopting this Treasury Policy, Council supersedes any previous Council resolutions pertaining to the funding of specific Council reserves.

Unless the Council specifically determines, by resolution, that interest should be credited to a specific reserve for a specified purpose, no interest shall be credited to reserves.

Where the Council has determined that interest shall be credited to specific reserves accounting entries representing monthly interest accrual allocations will be made using the rate prescribed by the Council. If no interest rate is prescribed the calculation shall be based on the average of the 90 day bank bill bid rate and the 3 year Government Stock rate.

4.2.7 NZ Local Government Funding Agency Limited

Despite anything earlier in this Investment Policy, the Council may invest in shares and other financial instruments of the New Zealand Local Government Funding Agency Limited (LGFA), and may borrow to fund that investment.

The Council's objective in making any such investment will be to:

a. Obtain a return on the investment; and
b. Ensure that the LGFA has sufficient capital to become and remain viable, meaning that it continues as a source of debt funding for the Council.

Because of this dual objective, the Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments.

Council may invest in financial instrument issues by the LGFA up to a maximum of $50m.

If required in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA.

5.0 Risk Recognition/Identification/Management

The definition and recognition of interest rate, liquidity, funding, counterparty credit, market, operational and legal risk of the Council will be as detailed below and applies to both the Liability management policy and Investment policy.

5.1 Interest Rate Risk

5.1.1 Risk Recognition

Interest rate risk is the risk that funding costs (due to adverse movements in market interest rates) will materially exceed adopted annual plans and LTP interest cost projections, so as to adversely impact cost control, capital investment decisions/returns/and feasibilities.

The primary objective of interest rate risk management is to reduce uncertainty to interest rate movements through fixing of funding costs. However, a secondary objective is to minimise the net funding costs for the Council within acceptable risk parameters. Both objectives are to be achieved through the active management of underlying interest rate exposures.

5.1.2 Approved Financial Instruments

Dealing in interest rate products must be limited to financial instruments approved by the Council.

5.1.3 Interest Rate Risk Control Limits

External Core Debt/Borrowings

The Council external core debt/borrowings must be within the fixed/floating interest rate risk control limit outlined within the full policy.

Liquid Investments

For the foreseeable future, the Council will have a permanent net debt/borrowing position and will use flexible short-term working capital money market funding lines. Accordingly, it would not have any requirement to be in a term surplus cash situation.

Therefore, outside of the above mentioned exceptions, any liquid investments must be restricted to a term that meets future cash flow projections.

5.1.4 Council Reserves

Liquid assets will not be required to be held against special funds, instead Council will manage these funds using internal borrowing facilities.

Foreign Currency

The Council has minor foreign exchange exposure through the occasional purchase of foreign exchange denominated services, plant and equipment and the on-going purchase of library books.

Generally, all significant commitments for foreign exchange are hedged by the Council. Significant foreign exchange commitments are defined as individual currency amounts exceeding NZD$50,000.

The following foreign exchange reisk management instruments may be used for foreign exchange risk management activity.

- Spot and Forward Exchange Contracts
- Purchase of foreign exchange options, and collar- type instruments (1:1 only).

Independent external advice would be sought before the use of such instruments.

- The Council shall not borrow or enter into incidental arrangements, within or outside New Zealand, in currency other than New Zealand currency.
- Contingent Liabilities
- Unless the possibility of an outflow is remote, contingent liabilities must be identified and reported with the Council's financial statements. Such liabilities will be valued based on an acceptable basis, and such a valuation will be provided for within the financial statements.
- Contingent liabilities include but are not limited to the following:
  - Staff Gratuities
  - Guarantees

5.1.5 Disaster Recovery

Council recognises that events of an unforeseen or un-forecasted nature may result in financial loss to the Council. Such events are provided for through undrawn committed bank facilities.

5.2 Liquidity Risk/Funding Risk

5.2.1 Risk Recognition

Cash flow deficits in various future periods based on long term financial forecasts are reliant on the maturity structure of loans and facilities. Liquidity risk management focuses on the ability to borrow at that future time to fund the gaps. Funding risk management centres on the ability to re-finance or raise new debt at a future time at the same or more favourable pricing (fees and borrowing margins) and maturity terms of existing facilities.

A key factor of funding risk management is to spread and control the risk to reduce the concentration of risk at one point in time.

A key factor of funding risk management is to spread and control the risk to reduce the concentration of risk at one point in time. Liquidity/Funding Risk Control Limits

- The Council must approve all new loans and borrowing facilities;
- Alternative funding mechanisms such as leasing should be evaluated with financial analysis in conjunction with traditional on-balance sheet funding. The evaluation should take into consideration, ownership, redemption value and effective cost of funds;
- Liquid funds, committed bank and capital markets must be maintained at a minimum of 110% over forecast external debt levels over the next 12 months.
- Treasury provides daily and weekly cash management reporting, together with monthly (rolling 12 month forecast) and annual cash/debt forecasting and that long-term debt forecasts out to ten years are made available;
- The GMCS has the discretionary authority to re-finance existing debt on more favourable terms. Such action is to be ratified and approved by the Council at the earliest opportunity; and
- Council has the ability to pre-fund up to 18 months forecast debt requirements including re-financings providing there is a high level of confidence in the forecast debt levels.

The maturity profile of the total committed funding in respect to all loans and committed facilities is to be controlled by the following system:

To minimise concentration risk the LGFA require that no more than the greater of NZD 100m or 33% of a council's borrowings from the LGFA will mature in any 12-month period.

5.3 Counterparty Credit Risk

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where the Council is a party. The credit risk to the Council in a default event will be weighted differently depending on the type of instrument entered into.

Credit risk will be regularly reviewed by the Council. Treasury related transactions would only be entered into with organisations specifically approved by the Council.

Counterparties and limits can only be approved on the basis of long-term credit ratings (Standard & Poor's or equivalent Fitch or Moody's) being A- and above.

Limits should be spread amongst a number of counterparties to avoid concentrations of credit exposureas outlined in the full policy. In the event of a material credit downgrade, below the minimum long term credit rating, the investment will cease. Counterparties exceeding limits should be reported to Council.

5.4 Risk Management

To avoid undue concentration of exposures, a range of financial instruments must be used with as wide a range of counterparties as practical. The approval process to allow the use of individual financial instruments must take into account the liquidity of the market the instrument is traded in and repriced from.

5.5 Operational Risk

Operational risk is the risk of loss as a result of human error (or fraud), system failures and inadequate procedures and controls.

5.6 Dealing Authorities and Limits

Transactions will only be excuted by those persons and within limits approved by the Council. Thoese limits are detail in section 2.4 in the full policy.

Please refer to the full policy for treasury operational processes detailed in section 5.5.

5.7 Legal Risk

Legal and regulatory risks relate to the unenforceability of a transaction due to an organisation not having the legal capacity or power to enter into the transaction usually because of prohibitions contained in legislation. While legal risks are more relevant for banks, the Council may be exposed to such risks. In the event that the Council is unable to enforce its rights due to deficient or inaccurate documentation.

The Council will seek to minimise this risk by adopting policy regarding:

- The use of standard dealing and settlement instructions (including bank accounts, authorised persons, standard deal confirmations, contacts for disputed transactions) to be sent to counterparties;
- The matching of third party confirmations and the immediate follow-up of anomalies; and
- The use of expert advice for any non-standardised transactions.

5.8 Agreements

Financial instruments can only be entered into with banks that have in place an executed international swaps and derivative master agreement (ISDA) with Council.

5.9 Financial Covenants and Other Obligations

The Council must not enter into any transactions where it would cause a breach of financial covenants under existing contractual arrangements.

6.0 Measuring Treasury Performance

In order to determine the success of the Council's treasury management function, the following benchmarks and performance measures have been prescribed, and will be applied at a point where council's core net debt actually exceeds $30m.

Those performance measures that provide a direct measure of the performance of treasury staff (operational performance and management of debt and interest rate risk) are to be reported to the committee on a monthly basis.

6.1 Operational Performance

All treasury limits must be complied with including (but not limited to) counterparty credit limits, dealing limits and exposure limits.

All treasury deadlines are to be met, including reporting deadlines.

6.2 Management of Debt and Interest Rate Risk

The actual funding cost for the Council (taking into consideration costs of entering into interest rate risk management transactions) should be below the budgeted interest cost. When budgeting forecast interest costs, the actual physical position of existing loans and swaps/ swaptions/FRAs must be incorporated together with all fees.

Since senior management is granted discretion by the Council to manage debt and interest rate risk within specified limits, the actual funding rate achieved must be compared against an appropriate external benchmark interest rate that assumes a risk neutral position within existing policy. Note: in this respect, a risk neutral position is one that is always precisely at the mid-point of the minimum and maximum percentage limits specified within the policy.

Te Rārangi Take

Report to Risk and Assurance Committee

Nā: From:	**Jess Noiseux, Financial Improvement Analyst** **Aaron Wilson, Financial Controller**
Te Take: Subject:	**Annual Report - 2023 Wrap-up and 2024 Update**

Purpose and summary - *Te Kaupapa Me Te Whakarāpopototanga*

1.1 The purpose of this report is to present the Report on Control Findings for the year ended 30 June 2023 from Council's auditors Ernst & Young (EY), as well as provide an update on the 2024 Annual Report.

1.2 Attached as **Attachment 1** is the Report on Control Findings to Council for the year ended 30 June 2023 from Council's auditors EY.

1.3 Attached as **Attachment 2** is the 2024 Audit Plan from Council's auditors EY.

2.0 Recommendations - *Ngā Tūtohunga*

That the Risk and Assurance Committee receive the report titled Annual Report - 2023 Wrap-up and 2024 Update dated 20 May 2024.

3.0 Discussion

Finalisation of the 2023 Annual Report

3.1 The 2022/23 Annual Report and Summary Annual Report were finalised and adopted through Council on the 26th October 2023.

3.2 The audit and adoption of the Annual Report were completed within the statutory deadline reporting date and Council received an unmodified audit opinion over the financial statements within the Annual Report.

3.3 However, the non-financial performance information again received a qualified opinion for the same matters that were first reported in 2020 and 2021.

Report on Control Findings for the year ended 30 June 2023

3.4 Officers have received and made comments on the observations raised by EY for the 2023 audit. There were no high risk improvements identified this year (compared to one identified in 2022). Moderate and low risk improvements are detailed below.

3.5 There were four moderate risk improvements identified. The audit report identifies moderate risk items as areas that need substantial improvement. The four areas identified for improvement are:

- *Performance Information in relation to Customer Complaints*

  Council have been qualified on this matter since 2020. Officers have worked to significantly improve the reporting of customer calls received through Council's internal Customer Call Centre and EY concluded this year that Council is collecting and recording customer calls correctly. There are still issues with the way the after-hours provider reports their data through to Council. Palmerston North City Council (PNCC) who provide the after-hour services, are moving to a new phone system which may provide different reporting options. Officers hope that this will resolve the issue going forward, however the change will not be in time for the full 2023/24 financial period.

- *Tracking the Cost to repair Infrastructure*

  With the impact of Cyclone Gabrielle on the roading network, there were significantly complex accounting difficulties that were encountered at year end in 2023. Specifically in assessing the level of impairment required, and then subsequently whether costs to restore the network were restoration/response works (i.e. operational in nature) or actual replacement and therefore added to the value of the asset (i.e. capitalised). Officers have been working closely with Council asset managers to ensure works are being appropriately coded based on the nature of those works, which in turn drives the recognition of those costs as either operational or capital in nature. As we move through the recovery process, we expect to see much more in restoration and recovery works with much of the immediate response works now complete.

- *The Cost of Infrastructure Repairs Compared to Impairments Incurred*

  EY have raised several accounting complexities that Council will face as result of making such significant impairments (mainly to the roading network) at the end of the 2023 financial period. These complexities mainly exist in the detailed asset register and maintenance of this system. Officers will work closely with BECA, who are currently contracted to maintain the asset data, to reduce these risks.

- *The Valuation of Three Waters assets*

  As recommended by EY, Officers are in the progress of contracting an external valuer to complete the three waters valuation for the 2024 year end valuation.

3.6 There were four low risk items identified (areas that need some improvement). Officers continue to work with EY to manage these and resolve these issues.

2024 Annual Report

3.7 Staff are beginning the process for the annual year end timetable. Due to the timing of Risk and Assurance meetings this year, the update on the Annual Report is a little earlier than usual and therefore progress to report is not as far along.

3.8 To meet statutory deadlines this year the date set for Council approval is 24th October, with Risk and Assurance Committee meeting earlier on 14th October. At this point the Committee can receive and endorse the Annual Report for adoption. Other key dates for the audit process are:

- Draft financial statements available for EY 6th September
- Full Annual Report available for EY 6th September
- Summary Annual Report available for EY 13th September
- Final Audit begins – EY on-site 9th September

3.9 There are no significant changes to accounting standards this year that impact on Councils financial reporting.

Asset Valuations

Infrastructure assets are the most significant balance on Council's balance sheet. Every year there are revaluations of various classes of assets that are performed on a rotating basis on a set schedule. This year, the scheduled valuations for major assets include land and building assets and 3 waters.

As recommended by EY, Council will be using external valuers for the first time this year to value the 3 waters asset class. There is the possibility for a regional approach to this valuation process, and Officers are contemplating the impact of this on year-end processes and what options are available to best obtain a valuation report for 3 waters.

Officers have determined that due to the significant uncertainty and level of damage still existing on the roading network, that roading assets will again undergo a full asset revaluation in 2024.

The above asset valuations are being completed and are as at 30th June 2024.

Cyclone Gabrielle impact

Cyclone Gabrielle continues to have an impact in all areas of Council and the Annual Report is no exception. Officers expect to see further impairments to the roading infrastructure assets as deterioration occurs for roads not yet repaired fully but still in use. Depending on future Council decisions on roads there may also be write offs to consider if a road is no longer going to be in use.

With the purchasing of Category 3 properties this year, Officers also expect there to be significant write-offs of the assets still owned by Council at year end, given the difference between the settlement purchase price and the enduring land value of the acquired properties now that they are categorised as Category 3.

In last year's Annual Report, Cyclone Gabrielle costs and income streams were separately identified and reported on. We expect to complete similar reporting this year to ensure transparency for the users of the financial statements.

2024 Audit Plan

3.10 In May, EY provided their finalised Audit Plan for the year. The Audit Plan outlines audit logistics, specific areas of focus for EY and areas of potential risk for Council. The areas that EY have identified in their Audit Plan as being areas of focus are (high/medium/low):

- Emergency works and Funding;
- Infrastructure Assets;
- Integrity of Rates Strike, Rates invoicing and collection;
- Grants and Subsidies;
- Non-financial performance information reporting (specifically how Council will be reporting on performance in relation the impact of Cyclone Gabrielle);

- Core controls over expenditure, procurement and tendering; and
- Debt

Interim Audit

3.11 EY were onsite during March and have completed their interim audit. No issues were raised with Officers during this visit.

Attachments:

1⇨	Financial Management - Audits - External audit - 2023 EY Report to Management Hastings DC - signed	FIN-07-01-24-488	Under Separate Cover
2⇨	Financial Management - Audits - External audit - 2024 HDC EY Audit plan	FIN-07-01-24-489	Under Separate Cover

Item 6

HERETAUNGA HASTINGS DISTRICT COUNCIL

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

Te Rārangi Take

Report to Risk and Assurance Committee

Nā: From:	**Regan Smith, Chief Risk Officer** **Steffi Reeves-Bird, Risk Manager**
Te Take: Subject:	**Long Term Plan Risk Based Indicators**

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

1.1 The purpose of this report is to present an approach for defining risk-based indicators to monitor delivery of the 2024-2034 Long Term Plan.

1.2 This issue arises from the resolution at the 12 February 2024 Committee meeting that the Committee request quarterly updates on risk-based indicators including growth.

2.0 Background

2.1 Councillors, as the elected representatives for their communities, are responsible for determining objectives and agreeing the financial plan to achieve those objectives. Planning activities are achieved through the Long Term Planning (LTP) process and actual outcomes are monitored by the Performance and Monitoring Committee.

2.2 To support the Councillors in fulfilling their role, the Risk and Assurance Committee is responsible for assisting Council in its general overview of financial management, risk management and internal control systems. Specific responsibilities assigned to the Committee in the Terms of Reference (ToR) include:

- Provide effective management of potential risks, opportunities and adverse events.
- Monitoring significant projects/programmes focusing on appropriate management of risk.
- Oversight of LTP and Annual Report preparation

2.3 With the key benefit of the Risk and Assurance Committee being provision of Independent technical expertise to support Elected Members achieve prudent outcomes.

3.0 Monitoring Approach

3.1 To assist the Risk and Assurance Committee fulfil the ToR responsibilities without duplicating the financial oversight undertaken by the Performance & Monitoring Committee it is proposed that the Risk and Assurance Committee focus on the following:

- Verify that the material risks to delivering the Long Term Plan Financial Strategy have been identified and addressed.
- Monitor the underlying risks that could affect delivery of the Financial Strategy over the life of the LTP.

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LTP Material Risks.

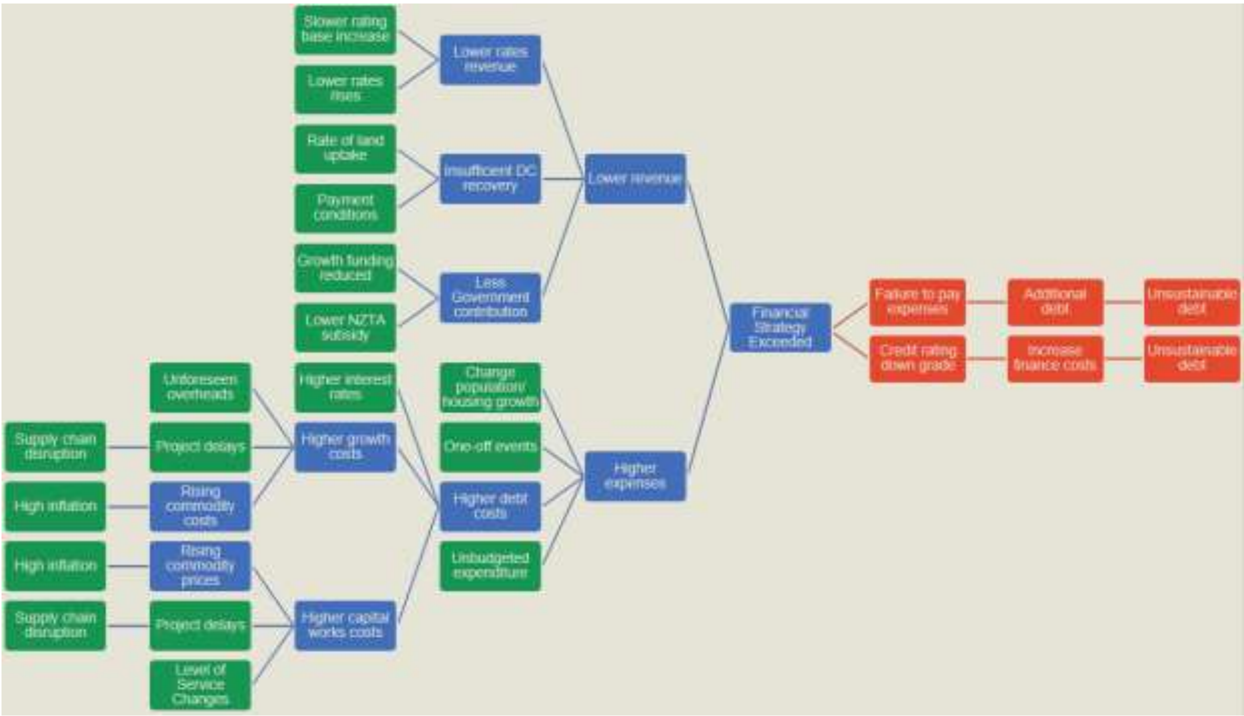
3.2 The material risks to delivering LTP financial strategy are covered in the Draft 2024-2034 LTP finance section significant forecasting assumptions (Attachment 1). These factors include:

- Population growth and aging.
- Assumed new household numbers expected.
- Assumptions on where growth will occur.
- Growth in the rating base.
- Rate of inflation and assumed interest rates.
- Revenue streams, such as NZTA subsidies, Crown contribution to infrastructure acceleration and Cyclone Gabrielle recovery, and community facilities.
- Levels of service not changed, including requirements of Resource Consents held by Council.
- No abnormal events occur during the term of the plan.
- Effects of climate change.
- Deliverability of the capital works programme.

3.3 The Council's risk mitigation for each of these factors is included in the Finance extract from the Draft 2024-2034 LTP.

Financial Strategy Underlying Risks

3.4 To identify the underlying financial strategy risks that should be monitored, the significant forecasting assumption from LTP listed above have been used to develop the bowtie risk assessment shown below.



3.5 Based on this representation it can be seen that many of the issues identified will affect the revenue vs expenditure balance achieved by the proposed financial strategy. The green boxes in this bowtie diagram represent the underlying causes of failure to adhere to the financial strategy. Therefore, these are the factors that could be monitored by the Committee to provide a forward looking and a different perspective to the metrics tracked by the Performance & Monitoring Committee.

Sensitivity Analysis

3.6 While any of the factors shown in the Bowtie might impact the financial performance achieved, the reporting should focus on those things that can cause a material deviation in the intended financial outcome (e.g. balanced budget and debt level).

3.7 To understand what can drive a material change in achieved performance a quantitative analysis will be undertaken to understand the degree of variation needed for any one assumption to cause an undesirable outcome. This information will then be used to establish thresholds to understand when a measure might be tracking toward a concerning level.

Reporting Cycle

3.8 It should be noted that many of the statistics used in the financial strategy are annualised or are only released periodically. As a result, the risk-based indicator report for the Committee will need to be aligned with this reporting frequency. However, it might be possible to provide interim reports of a few key metrics on a more frequent basis where that information is more readily available.

What should Risk and Assurance focus on?

3.9 The key issue for the committee is determining what Risk and Assurance should focus on separate from the monitoring role of the Performance & Monitoring committee. Through the standard quarterly financial reporting cycle the Performance and monitoring committee will monitor progress against the delivery of Council’s operational and capital programmes.

3.10 The factors that link to the monitoring of the current and future profile for the key treasury ratios should be of particular interest to the committee. This is likely to include:

- Forward debt profile
  - Impacts of changes to budgets, capital program.
    - Incl. Deliverability assumptions
  - Potential impacts from changes in key assumptions (inflation, interest rates).

- Risk around growth (timing of expenditure vs revenues) – impacts on debt and risks to ratepayers.

3.11 As noted in the treasury report there is an under-delivery assumption built into the debt projections in the draft LTP. Risk and assurance could play a role in testing the assumptions and advising on risk and opportunities that will influence the Councils forward debt profile.

3.12 Most of these risks will require some ad hoc reporting and focus rather than standard quarterly reporting. Discussion and the future reporting could focus on ensuring Council is fully informed and is made aware of risks to its financial position, particularly the debt profile, from changes made either during the year or as part of an annual plan cycle. As an example, the forward view will need to be updated when Council prepares its 2025-26 Annual Plan.

4.0 Recommendations - *Ngā Tūtohunga*

A) That the Risk and Assurance Committee receive the report titled Long Term Plan Risk Based Indicators dated 20 May 2024.

B) That the Risk and Assurance Committee agrees that the significant forecasting assumptions and risk mitigations to achieving the Draft Financial Strategy have been included in the Draft 2024-2034 Long Term Plan.

C) That the Risk and Assurance Committee request a risk-based indicator report based on the significant forecasting assumptions and risk mitigations stated in the Draft 2024-2034 Financial Strategy.

Attachments:

1⇨	Draft 2024-2034 Long Term Plan Financial Strategy	PMD-9-3-24-85	Under Separate Cover

HERETAUNGA HASTINGS DISTRICT COUNCIL

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

Te Rārangi Take

Report to Risk and Assurance Committee

Nā: From:	**Regan Smith, Chief Risk Officer**
Te Take: Subject:	**Cyclone Gabrielle Recovery Risk Update**

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

1.1 The purpose of this report is to provide the Committee with an update on the Cyclone Gabrielle Recovery risk profile.

2.0 Recovery Programme Risk Profile

2.1 The Cyclone Gabrielle Recovery Programme risk register and associated summary risk profile have been updated based on feedback from regular meetings with risk owners. The updated Cyclone Gabrielle Recovery Risk Profile (**Attachment 1**) again shows that there are several significant risks that push the boundaries of Council's risk appetite. The primary areas of concern continue to be the pressure on Council's finances and potential for litigation. Despite these ongoing high risks, there has been an overall reduction in the level of risk which can be seen in the Time Horizon Map (**Attachment 2**) as more risks are now assessed as Medium risk (shown as orange) than those assessed as High risk (shown as red).

2.2 Financial risk relating to the Voluntary Buy-Out programme is reducing now the programme is reaching the halfway mark and the nature of valuations and offers is becoming clearer. There remains some financial risk in this programme due to the uncertainty regarding the cost for demolition of residential property and potential re-sale value of purchased Category 3 properties. These factors are keeping the overall financial risk of Voluntary Buy Out progamme at a high level.

2.3 The main driver of the financial pressure is now the Transport rebuild programme. The key financial risks associated with the Transport programme are:

- Short term delays in receiving the committed Government contribution to projects,

- Lack of certainty over the transport subsidy rate in the medium to long term. At present the Draft 2024-2034 Long Term Plan (LTP) assumes a subsidy of 73%, but this is yet to be confirmed by NZ Transport Agency Waka Kotahi so represents a contingent liability for the Council which could be in the order of tens of millions of dollars, and
- Accuracy of forecasting assumptions used to determine future construction costs. Council uses BERL factors to calculate the future cost of construction projects. These factors have traditionally underestimated the increase in cost of construction over time.

2.4 Officers are working with the relevant Crown agencies to resolve the delays in payment of transportation claims and to confirm the ongoing subsidy for cyclone recovery work.

2.5 A further financial consideration is the reduced capacity for any future shocks. The finance strategy in the LTP proposes a debt to revenue limit that retains some capacity for further borrowing before reaching the maximum acceptable limit. However, this retained capacity is relatively small in the face of the potential cost of a further significant adverse event.

2.6 Outside of the financial pressures, the top Recovery Programme risks now include underlying compliance challenges for to managing future use of Category 3 land, and ensuring the organisation has sufficient capacity to meet recovery programme workload. The full Recovery Risk Register is included for reference (**Attachment 3**).

3.0 Voluntary Buy-Out Office Risk Appetite

3.1 An updated risk appetite report for the Voluntary Buy Out Office summarising the achieved performance against tolerance measures is included (**Attachment 4**). From this report the following can be observed.

- The number of Letters of Offer presented to property owners is tracking at the upper limited of the risk tolerance band but at a similar rate to the target. An initially faster start than expected appears to be the main driver of the higher achieved performance. Overall the stable rate of progress that is broadly inline with the target appears to reflect the measured approach to the programme considered acceptable.
- Claims for the Crown contribution to the property buy-out costs shows that the actual expenditure tracking below claims. The lower achieved performance is driven mainly by the time taken for owners to consider an offer before accepting. This factor is beyond the Council’s control and difficult to anticipate. This is indicative of a more conservative approach with regard to Crown claims.
- Outcomes for the key risk areas of Health & Safety, Compliance and Reputation were good with no significant events of concern occurring in this period.

3.2 This confirms that the Voluntary Buy Out programe is being operated in line with a Measured approach to managing risk, which means risks are accepted if limited and heavily out-weighed by the benefits.

4.0 Recommendations - *Ngā Tūtohunga*

That the Risk and Assurance Committee receive the report titled Cyclone Gabrielle Recovery Risk Update dated 20 May 2024.

Attachments:

1⇩	Cyclone Gabrielle Recovery Risk Profile May 2024	IRB-3-15-24-104
2⇩	Cyclone Gabrielle Recovery Time Horizon Risk Map	IRB-3-15-24-107

3	Cyclone Gabrielle Recovery Programme Risk Register May 2024 *Confidential in accordance with Section 7 (2) (j) of the Local Government Official Information and Meetings Act 1987*	IRB-3-15-24-105	Under Separate Cover
4⇩	Voluntary Buy Out Office Risk Appetite Statement May 2024	IRB-3-15-24-106	

Cyclone Gabrielle Recovery Risk Profile

As at 1 May 2024

Version: 5.0

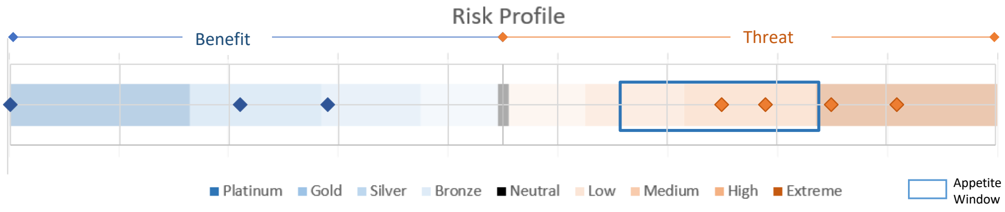
Ref: STR-27-03-08-0012

Name: **Recovery Programme Office**

Focus Area: Economic Power House **Risk Appetite:** Measured

Objective: Deliver Cyclone Gabrielle recovery rebuild to meet community expectations within Council financial capacity.

Context: Multiple agencies (e.g. Regional Council, utility providers) are responsible for delivering services to local properties. Therefore Council should consider the overall property related charges when setting Council rates.



Expected Benefits/Opportunities:

Benefit	Benefit Description	Dependencies	Impact	Likelihood
Platinum	**Reduce community vulnerability**	Category 3 land compensation allowing owners to move out of flood prone areas.	Substantial	Almost Certain
Gold	**Combine complimentary existing LTP and**	Identifying existing projects that overlap with	Major	Likely
Silver	**External funding opportunities**	Timely applications to relevant funders.	Major	Possible

Impact on Strategic Risks

Risk	Description	Controls	Impact	Likelihood
Extreme	**SR35: Liability from legal challenge** *(Driven by 7 project risks)*	Long Term Plan consultation & amendment. Buy-out Policy & supporting documentation.	Major	Probable
High	**SR23: Financial Sustainability** *(Driven by 16 project risks)*	Crown Funding Agreement fiscally neutral. Long Term Plan budget with Finance Strategy & Treasury policy.	Severe	Possible

Top Recovery Programme Risks

Risk	Description	Controls	Impact	Likelihood
Extreme	**Lack of contingency for future shocks.**	Maximum debt projected to be no more than 90% of policy levels.	Severe	Likely
High	**Infrastructure rebuild cost higher than estimated.**	- Competitive market tendering. - Detailed cost modelling. - Early contractor engagement.	Major	Likely
High	**Crown funding claim process.**	- Crown Infrastructure Partners engagement. - Detailed cost allocation tracking.	Major	Likely
High	**Cost of demolition and remediating purchased property.**	-Sale of purchased property.	Major	Likely
High	**Cost of residential property buy-out higher than estimate.**	- Renegotiation of Crown Funding contribution.	Major	Likely
High	**Insufficient supplier market capacity.**	- Supplier panel & maintenance contract. - Workload programming (including TREC)	Major	Likely
High	**Limited compliance tools to enforce non-residential use of Category 3 land.**	- Land use planning. - Property buy-out covenants.	Major	Likely
High	**Organisation recovery capacity.**	- Workforce planning to address loss of externally funded staff. - Consultants engaged to provide technical capacity (particularly in Transport).	Major	Likely
High	**Transport funding shortfall** (medium term).	- LTP financial strategy based on low range of 73% subsidy	Severe	Possible
High	**Cost escalation due to deferred infrastructure projects.**	Long Term Plan development programme re-prioritisation.	Severe	Possible

Commentary

Overall there has been a shift in the recovery risk profile away from the voluntary buy-out programme, as this is well underway and working effectively, and toward the Transport rebuild programme funding and execution. As a result, the risks associated with the recovery programme remain high and continue to push the boundaries of Council's risk appetite.

The primary areas of concern remain the pressure on Council's finances and the potential for litigation. The main financial risk now sits with the medium to long term funding of the Transport rebuild programme as a commitment from Government to provide a 73% subsidy that is assumed in the Draft Long Term Plan has not been confirmed. While the main litigation risk remains a challenge to the voluntary buy-out programme and associated land Categorisation.

However, on a positive note several risks relating to the voluntary buy-out programme have been archived since the last report as the window of exposure has deemed to have passed.

Time Horizon Map

RECOVERY RISK REGISTER AS AT 1 MAY 2024

The following diagram illustrates the timeframe in which risks from the recovery risk register may become relevant or could materialize.

TE KAUNIHERA Ā-ROHE O HERETAUNGA
HASTINGS DISTRICT COUNCIL
207 Lyndon Road East, Hastings 4122 | Private Bag 9002, Hastings 4156
06 871 5000 | customerservice@hdc.govt.nz | hastingsdc.govt.nz

PMD-9-3-23-80

Risk Appetite Statement

Category 3 Voluntary Property Buy-Out - May 2024

Context

Cyclone Gabrielle has resulted in some areas being categorised as presenting an unacceptable risk to life for residential use. This has resulted in establishing a programme of work to provide affected property owners with a voluntary buy-out offer to enable them to relocate to safer locations.

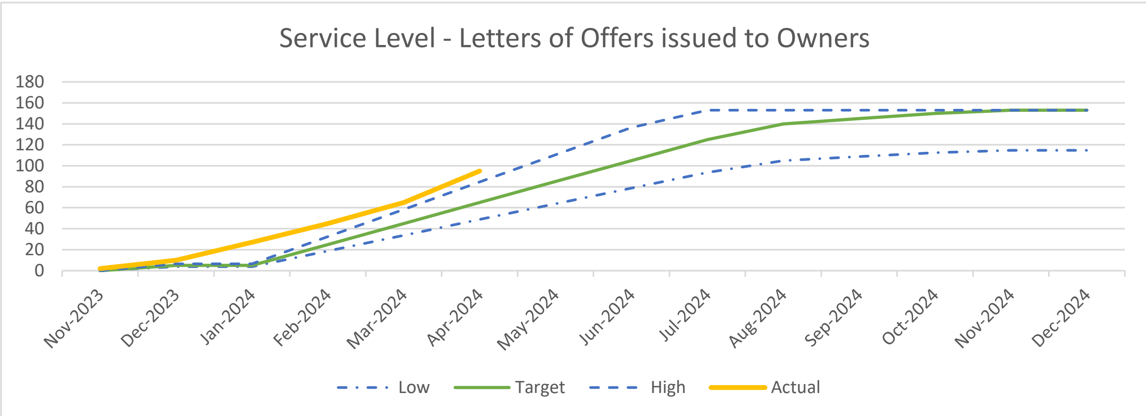
Appetite

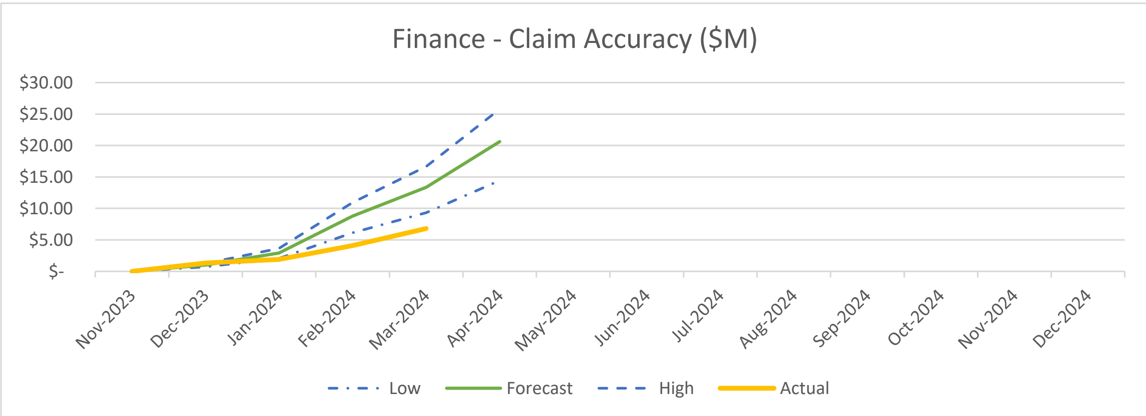
Averse	Conservative	**Measured**	Justified	Flexible

Council is prepared to take a **Measured** approach to managing risks when developing buy-out offers for affected property owners. This acknowledges that the property buy-out service is an entirely new activity not previously undertaken by Council, so uncertainty about the outcomes is unavoidable. This means that risks will be accepted if limited and heavily out-weighed by the benefits.

Tolerance & Measures

Charts show whether the actual performance remains within a tolerable range for a measured risk appetite:





The actual performance was attained with the following consequential outcomes:

People Safety	✓	0 Incidents
Compliance	✓	0 Events
Reputation	✓	*(Based on media report sentiment)*

Key: Benefit	☆
On track	✓
Issues	!
Concerns	✗

Monday, 20 May 2024

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Risk and Assurance Committee Meeting

Item 9

Te Rārangi Take

Report to Risk and Assurance Committee

Nā: From:	**Steffi Reeves-Bird, Risk Manager** **Regan Smith, Chief Risk Officer**
Te Take: Subject:	**Strategic Risk Register & Horizon Scan**

1.0 Executive Summary – *Te Kaupapa Me Te Whakarāpopototanga*

1.1 The purpose of this report is to provide the Committee with a copy of the current strategic risk register and a Risk Horizon Scan, to support the Committee in undertaking a review of the Council's current risk register.

1.2 Council's strategic risk register currently lists twelve (12) risks which could create uncertainty for the achievement of Council's goals, as set out in the 2021-2031 Long Term Plan.

1.3 Risks relating to the achievement of business-as-usual activities as an organisation, are held in a separate enterprise risk register which is owned by the Lead Team.

Strategic Risk Register (Owned by Council)

Enterprise Risk Register (Owned by Lead Team)

Group Risk Register (Owned by Group Manager)	Group Risk Register (Owned by Group Manager)	Group Risk Register (Owned by Group Manager)	*Work in Progress*

2.0 Recommendations - *Ngā Tūtohunga*

A) That the Risk and Assurance Committee receive the report titled Strategic Risk Register & Horizon Scan dated 20 May 2024.

B) That the Committee endorse the proposed changes to the strategic risk register, including:

i. 'Environmental, Social, Governance and Cultural (ESG&C) Expectations' changes from a threat risk to an opportunity risk.

ii. 'Natural/Man-made Disaster Exposure' is elevated from an enterprise risk to a strategic risk.

C) That the Committee consider any other changes or additions to the current strategic risk register that may be appropriate

3.0 Background – *Te Horopaki*

3.1 The Risk & Assurance Committee undertook a formal review of the strategic risk register in April 2023, with changes made to the register and adopted by Council in August 2023.

3.2 These changes included:

- Addition of two new risks to the register; Liability for legal challenge (threat risk), and Successful strategic partnerships (opportunity risk)
- Increases to the following risks' current risk level, largely influenced by the post-cyclone environment, Significant operational service failure, Financial sustainability and Truth decay.

4.0 Discussion – *Te Matapakitanga*

4.1 The attached Risk Horizon Scan is intended to highlight key signals in the current environment which could have an impact on Council's identified risks, both adversely and potentially positively.

4.2 Signals have been identified as either strong or weak, and whether the source is internal or external to Council.

4.3 It can be observed in the horizon scan diagram that the strong signals, primarily originating externally to Council, are indicating an impact on Council's financial sustainability and operational service delivery.

4.4 The Committee is encouraged to consider whether any of these signals, or related uncertainties, may warrant further investigation and a position on Council's strategic risk register.

4.5 Regarding the existing strategic risk register, the following changes are recommended:

- Environmental, Social, Governance and Cultural (ESG&C) Expectations moves from a threat risk to an opportunity risk, to highlight the prospect of enhancing ESG&C outcomes for the community. This would result in the risk description changing to:

  Successfully and proactively addressing Environmental, Social, Governance (ESG) and Cultural expectations during decision making processes would contribute to improving equity of resources, enhanced community wellbeing, enrichment of the natural environment, increased trust of and a positive reputation for Council, attraction as an employer and to gain a head start on complying with potential future legislation.

- Elevating the risk, Natural/Man-made Disaster Exposure, from an enterprise risk to a strategic risk. Currently, this risk is managed within the enterprise risk register by the Lead Team and it is recommended that it is moved to a strategic risk for Councillors given its significance to the community and constraints on the organisation's financial capacity to manage a future event. Note:

– This risk relates to exposure to natural or man-made events, impacting people and property. The nature of these events means Council is unable to reduce the likelihood of the event occurring, but can through various controls, reduce the impact that an event may have on the community – for example, land-use planning, earthquake prone building regulations.

– There is a separate identified risk, managed by the Lead Team, in relation to Council's ability to respond effectively to an event when it occurs. This is where controls such as staff training, exercises, contingency funds, alternative resources (power, worksites) and response plans are mitigation tools. This risk should remain with the Lead Team given the operational nature.

4.6 This paper seeks the Committee's endorsement of the changes within 4.5.

4.7 With consideration of the Horizon Scan and members' own insights, any additional changes or additions to the strategic risk register from the Committee are welcome.

4.8 Proposed changes and additions will be collated by officers, further developed into structured risk descriptions (including risk scores) and brought back to the next Committee meeting for endorsement. A final strategic risk register will then be presented to Council for approval.

4.9 Council's Risk Appetite Statements will be updated in conjunction with the presentation of the Risk Policy update.

5.0 Next steps – *Te Anga Whakamua*

5.1 Committee to review the horizon scan and strategic risk register and consider any necessary changes to the register.

5.2 Committee to endorse the recommended changes within 4.4.

5.3 Officers will collate any further changes to the strategic risk register and provide an updated register at the next Committee meeting for endorsement.

5.4 Endorsed strategic risk register to be presented to Council for approval.

Attachments:

1⇩	Strategic Risk Register - May 2024	IRB-3-15-24-108
2⇩	HDC Strategic Tier 1 Risk Horizon Scan Diagram - May 2024	IRB-3-15-24-109

HERETAUNGA HASTINGS DISTRICT COUNCIL

Strategic Risk Register Report

Title	Description	Inherent risk level	Current likelihood	Current consequences	Current risk level
Liability from 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, or related to the buyout conditions at both community and individual property level. Legal challenges would 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.	Extreme	Probable	Harm to People: Insignificant Financial: Major Service Level: Moderate Compliance: Moderate Reputation: Major Environment: Insignificant	Extreme
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 Compliance: No impact Reputation: No impact Environment: No impact	High
Significant Operational Service Failure	Operational failure that may have a material impact on the delivery of Council services to the community.	Extreme	Likely	Harm to People: No impact Financial: No impact Service Level: Major Compliance: Moderate Reputation: Moderate Environment: No impact	High
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

10 May 2024 Page **1**

Title	Description	Inherent risk level	Current likelihood	Current consequences	Current risk level
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	Harm to People: No impact Financial: Severe Service Level: Minor Compliance: No impact Reputation: Moderate Environment: No impact	High
Growth planning	Poor timing or under-recovery of growth investment may lead to unexpected cost escalation adversely affecting Council's financial position and ability to achieve LTP objectives.	Extreme	Possible	Harm to People: Moderate Financial: Severe Service Level: Moderate Compliance: Minor Reputation: Moderate Environment: Minor	High
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: Major Financial: Major Service Level: No impact Compliance: No impact Reputation: Moderate Environment: Major	High
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	Harm to People: Minor Financial: Minor Service Level: Moderate Compliance: Insignificant Reputation: Major Environment: Insignificant	High
Cyber Security Threat	Increasing sophistication of cyber attacks may cause Council to be unable to defend a significant cyber attack, resulting in an inability to communicate through normal channels, operate core functions or stand up a response, severely impacting Council's reputation and potential legal implications and/or fines.	Extreme	Possible	Harm to People: No impact Financial: Moderate Service Level: Major Compliance: Minor Reputation: Moderate Environment: No impact	Medium

Title	Description	Inherent risk level	Current likelihood	Current consequences	Current risk level
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
ESG&C expectations *[Proposed to change to an Opportunity risk]*	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.	High	Possible	Harm to People: Moderate Financial: Moderate Service Level: Insignificant Compliance: Major Reputation: Moderate Environment: Moderate	Medium
	Successfully and proactively addressing Environmental, Social, Governance (ESG) and Cultural expectations during decision making processes would contribute to improving equity of resources, enhanced community wellbeing, enrichment of the natural environment, increased trust of and a positive reputation for Council, attraction as an employer and to gain a head start on complying with potential future legislation.	*[Bronze]*	*[Likely]*	*[Financial: Moderate Citizen Benefit: Major Service Innovation: Major]*	*[Gold]*
[Opportunity] 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

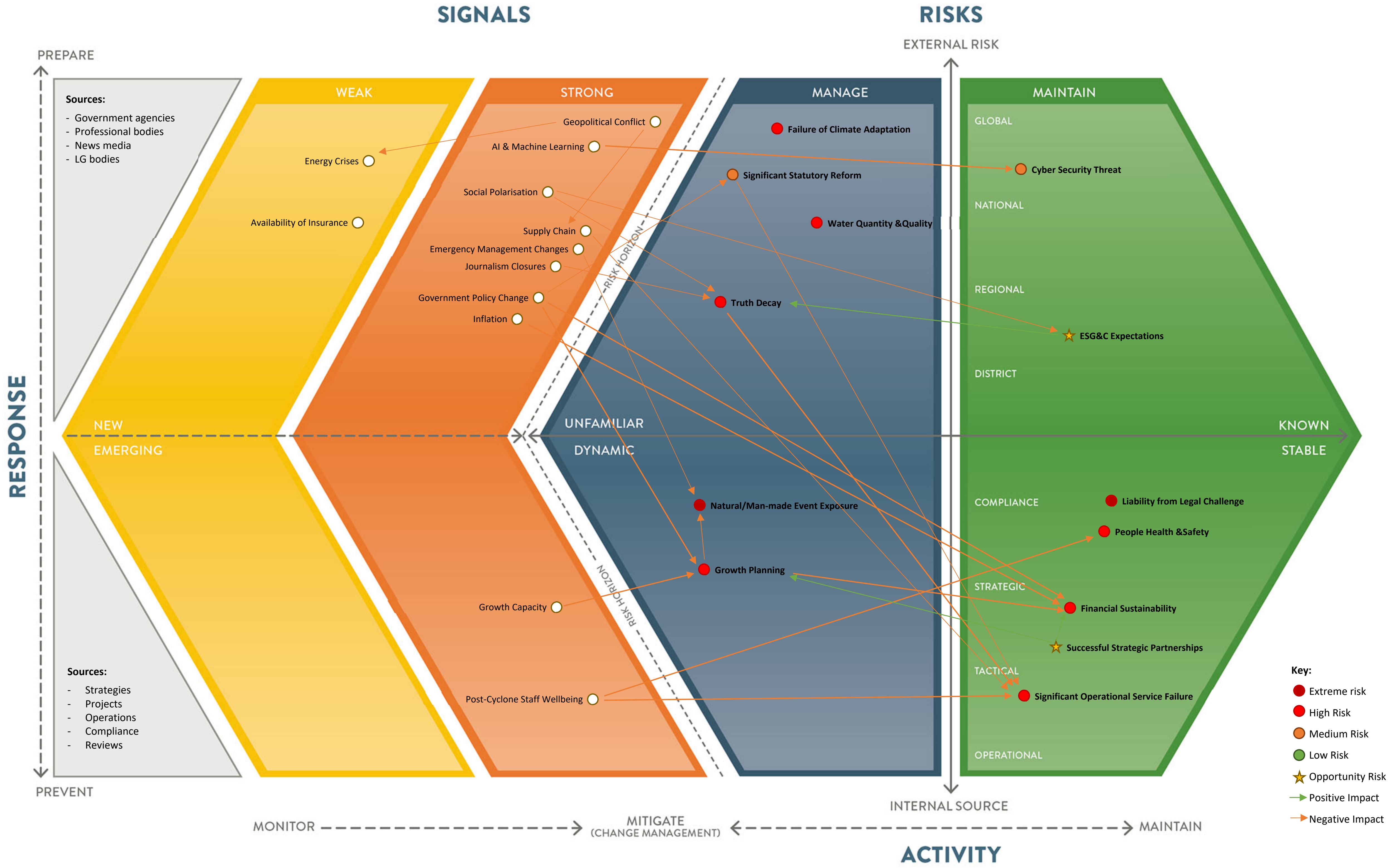
Enterprise risk proposed to elevate to a Strategic risk

Natural or man-made disaster exposure	Natural and man-made disasters covers major disasters or emergencies due to a natural hazard or human-made events affecting community safety or property.	Extreme	Likely	Harm to People: Severe Financial: Major Service Level: Moderate Compliance: Minor Reputation: Moderate Environment: Major	Extreme

HDC Strategic Risk Map & Horizon Scan – as at May 2024

Horizon scanning is an attempt to systematically imagine rather than predict the future so that it can be better managed when it arrives.

The approach adopted is to look for signals in the operating environment that indicate a possible change that could affect known strategic risks or Long Term Plan objectives.



Signal Response Breakdown

The following table provides summarises the potential impact of the signal identified and the response action that is most appropriate.

Hi Impact / Critical

Predictable

Uncertain

Response: **Plan**

- Growth Capacity
  - Known constraints in infrastructure capacity for the district, combined with Council's current financial position, will tension with the desire for residential and commercial growth. Council will need to have robust plans in place to ensure that any decisions to develop in the district have appropriate contingencies in place and can maximise budget and resources, while minimising natural hazard exposure. Future Development Strategy (FDS) and Spatial Plan will need to balance these challenges.

Response: **Understand** (Construct Scenarios)

- Government Policy Change
  - With the newly elected Government, significant changes in policy direction are underway which will have some degree of impact on local government, notably the repeal of the Affordable Water Reform. Other policy changes are anticipated and, additionally, it is uncertain at this stage how the reduction in staff numbers across Government agencies may affect their support for Councils. Policy changes could affect Council's financial sustainability, but it is important to note that this could be either a positive or negative impact depending on the change.
- Social Polarisation
  - Across the country/world, the spectrum of the public's views is widening at pace, with instances of activism becoming more common and escalating in hostility. Social polarisation (or decreasing cohesion) could affect Council's ability to consult and engage effectively with the community. Increasing social polarisation is likely to drive truth decay momentum, which has potential to impact service delivery through increasing security costs, temporary closure of facilities for safety purposes, or public-facing roles needing to pair up as a safety precaution.
- Journalism Closures:
  - The reduction or full closure of journalism outlets across the country will see a smaller pool of news sources available to the community. This could lead to a rise in the public seeking out alternative, less-accurate sources of media (e.g. social media) to provide information which may or may not be factual and accurate. A drastic shift in the reliability of journalism sources would heighten the risk of truth decay, which is associated with the erosion of civil discourse and political paralysis (RAND). Reviewing how Council interacts with our communities in an environment of elevated distrust and polarisation could be worthwhile

Response: **Monitor**

- Post-Cyclone Staff Wellbeing
  - While the official cyclone response was stood down more than a year ago, many staff remain heavily involved with recovery and resilience work on behalf of Council, high workloads are common throughout the organisation and financial constraints are placing pressure on resources. Council's existing controls for staff wellbeing remain in place and are supporting staff through a challenging time, however this is an area which requires regular monitoring.
- Availability of Insurance
  - As disruptive events increase in severity and frequency across the globe, there are signs of insurance becoming more expensive and, in some instances, more challenging to gain. Scenario planning and alternative approaches may be useful to ensure appropriate or realistic coverage is balanced with the Council's ability to pay.

Response: **Review**

- ESG&C Expectations
  - Implementing a suitable reporting framework for benchmarking against Environmental, Social & Governance (ESG) expectations could help combat the drivers of Truth Decay from escalating. As an initial starting point, reviewing the ESG reporting frameworks/guidance already available to organisations may provide further insight on the potential benefits and the resources required to deliver.

Low Impact

Ref: PMD-9-3-24-82

Monday, 20 May 2024

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

Item 10

Te Rārangi Take
Report to Risk and Assurance Committee

Nā: From:	**Bruce Allan, Deputy Chief Executive**
Te Take: Subject:	**Executive Overview and Status of Actions**

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

1.1 For this meeting of the Risk and Assurance Committee this report has been prepared as a covering report in order to present the status of actions attachment to the meeting.

1.2 Attached as **Attachment 1** are the current outstanding actions from this Committee.

2.0 Recommendations - *Ngā Tūtohunga*

That the Risk and Assurance Committee receive the report titled Executive Overview and Status of Actions dated 20 May 2024.

Attachments:

1⇩	Status of Actions - May 2024	CG-17-6-00104

Hastings District Council
Risk and Assurance Committee
Status of Actions – May 2024

Item No.	Meeting Date	Action	Reporting Officer	Progress	Complete
5	12/2/24	Long Term Risk Plan Update • Provide quarterly updates on risk-based growth indicators. • Officers to establish timing to do policy review of DC policy. • Meeting with Brad Olsen and R & A Committee.	Bruce Allan		
6	12/2/24	Cyclone Gabrielle Learnings 1 Year Review • Each year in Feb/March include Cyclone Gabrielle learnings report.	Regan Smith		
7	12/2/24	Risk Profile Update – Recovery Programme and 3 Waters Reform • Workshop to be held on 3 Waters reform. • Copy of Morrison Low HB 3 Waters reports to circulate to R & A members.	Regan Smith Craig Thew		
15	12/2/24	IMBT Risk Deep Dive • Another phishing training course to be set up for councillors.	Steffi Reeves-Bird/Warren Perry/Bruce Allan		
	12/2/24	• Management to put in place cost effect interest hedging.	Bruce Allan/Aaron Wilson		

HERETAUNGA HASTINGS DISTRICT COUNCIL

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

Te Rārangi Take

Report to Risk and Assurance Committee

Nā: From:	**Jennie Kuzman, Health, Safety and Wellbeing Manager**
Te Take: Subject:	**Health, Safety & Wellbeing Update Report**

1.0 Executive Summary – *Te Kaupapa Me Te Whakarāpopototanga*

1.1 The purpose of this report is to provide an update to the Risk and Assurance Subcommittee in regard to the management of Health, Safety & Wellbeing risks within Council.

1.2 This report provides information on:

- Psychosocial (Wellbeing) Risk Management
- Progress on Health, Safety & Wellbeing Priority Work Plan

2.0 Recommendations - *Ngā Tūtohunga*

That the Risk and Assurance Committee receive the report titled Health, Safety & Wellbeing Update Report dated 20 May 2024.

3.0 Background – *Te Horopaki*

3.1 The purpose of this report is to provide information to the Committee in regard to the management of Health, Safety and Wellbeing risks within Council.

3.2 This issue arises due to the Health and Safety at Work Act 2015 and the requirement of that legislation for Elected Members to exercise due diligence to ensure that Council complies with its health and safety duties and obligations.

4.0 Discussion – *Te Matapakitanga*

Psychosocial Risk Management

4.1 Psychosocial risk factors refer to environmental, relational, and operational hazards that are present at work that may affect people's psychological and physical health. Examples of these factors are high workloads, tight deadlines, lack of control of the work or working methods (lack of autonomy), lack of role clarity, harassment, and workplace conflicts. These are often colloquially referred to as 'wellbeing' risks.

4.2 Council has a legal obligation under the Health and Safety at Work Act to identify and address psychosocial risks within the workplace and put in place measures to eliminate these risks where possible, and where they cannot be eliminated to put in place measures to minimise the risk as far as practicable.

4.3 Council has identified twelve critical Health, Safety & Wellbeing risks, of which three are classified as psychosocial risks: Work-related Stress, Fatigue and Conflict & Violence.

4.4 'Work-related stress' is a collective term used by Council to manage a group of psychosocial risk factors. Whilst robust processes are in place to support staff who may be feeling the effects of these risk factors, further work is required to gain a deeper understanding of the specific psychosocial risk factors affecting staff and put in place further targeted measures to prevent and reduce harm.

4.5 Fatigue is a psychosocial risk that will also require further analysis to gain a greater understanding of the contributing risk factors and put in place further targeted measures to prevent and reduce harm.

4.6 Council has undertaken to contract a specialist external provider to complete an independent assessment of psychosocial risks to Council staff. This process will involve collecting both quantitative and qualitative data through staff surveys and focus group interviews. A comprehensive analysis of this data will be undertaken by the provider which will then be provided in a summary report with recommendations. The report will serve as a benchmark for Council and will inform the development of Council's Mauri Tū Mauri Ora (Wellbeing) framework strategy for 2025-2028. It is intended that the assessment will be repeated at regular intervals for comparison against the benchmark.

4.7 Council has a comprehensive Conflict and Violence Policy which was reviewed in 2023 with input from Council staff. Since that time, there has been a notable increase in conflict situations particularly with regards to protests from members of the public. Work is currently underway to review existing controls for the management of these risks. This includes the review of processes for managing public events and public protests and planning for the procurement of modern electronic monitoring equipment for those staff undertaking at risk tasks alone and/or in remote locations. Note: across the 12 critical HDC Health, Safety & Wellbeing risks, working alone is identified as an escalation factor.

4.8 Recently the Lead Team has again discussed a a psychosocial hazard which has the potential to cause serious psychological harm to both Council staff and Elected Members, and that mitigations to date may not be sufficiently effective. This hazard relates to repetitive harassment-type interactions from members of the public, which often occur by way of voracious, repetitive, and individual-targeted commentary and requests for information. Council has just engaged an independent provider to review this hazard and provide recommendations for managing the risk.

Progress on Health, Safety& Wellbeing Priority Work Plan

4.9 The following table highlights the priority work for the HDC Health, Safety & Wellbeing team for the remainder of the 2023/2024 financial year and its status.

Table 1: Health, Safety& Wellbeing Priority Work Plan 2023/24

Work To be completed		**Status**
Policies/Frameworks to be reviewed	• Overarching Asbestos Management Plan. • Rehabilitation & Fit-For-Work Policy. • Mauri Tū Mauri Ora (Wellbeing) Framework.	Underway Underway Deferred to 2024/25
Health, Safety and Wellbeing Critical Risk summary profiles to be developed (from full bowtie analysis)	• Mental Wellbeing / Stress. • Asbestos. • Hazardous Substances.	Underway Underway Underway
Exposure Monitoring & Health Risk Assessments to be completed	• Ōmarunui Landfill: Vibration and Hazardous Substances. • Aquatics/Splash Planet: Noise, and Hazardous Substances. • Tomoana Showgrounds: Noise, Vibration, and Hazardous Substances. • Water Operations: Hazardous Substances • Cemetery Operations: Hazardous Substances	All completed.
Internal Audits to be completed	• Annual Facility Inspections. • Audits of Contracts that undertake High-Risk activities (from a health & safety perspective). • Internal Safe Plus Assessment.	Underway Underway Planned for June 2024
External Audits / Assessments	• Psychosocial (wellbeing) assessment	Planned for June 2024

4.10 The Health, Safety & Wellbeing team has been operating at reduced capacity over the last 6 months, due to four staff finishing over during December/January. Whilst two vacancies were filled in January/February the other two were not. (To date there are two vacancies: one senior position and one technician. New staff have been appointed and will commence in mid-June).

Attachments:

There are no attachments for this report.

HASTINGS DISTRICT COUNCIL

RISK AND ASSURANCE COMMITTEE MEETING

MONDAY, 20 MAY 2024

Item 14

RECOMMENDATION TO EXCLUDE THE PUBLIC

SECTION 48, LOCAL GOVERNMENT OFFICIAL INFORMATION AND MEETINGS ACT 1987

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

15 Health & Safety Contracts - Contractors' Health & Safety Performance Report

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

GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED	***REASON FOR PASSING THIS RESOLUTION IN RELATION TO EACH MATTER, AND PARTICULAR INTERESTS PROTECTED***	***GROUND(S) UNDER SECTION 48(1) FOR THE PASSING OF EACH RESOLUTION***
15 Health & Safety Contracts - Contractors' Health & Safety Performance Report	**Section 7 (2) (b) (ii)** The withholding of the information is necessary to protect information where the making available of the information would be likely to unreasonably prejudice the commercial position of the person who supplied or who is the subject of the information. The report contains sensitive Health & Safety information relating to third party activities..	**Section 48(1)(a)(i)** Where the Local Authority is named or specified in the First Schedule to this Act under Section 6 or 7 (except Section 7(2)(f)(i)) of this Act.