

Monday, 5 August 2024

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, 5 August 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**

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.

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Hastings District Council

Risk and Assurance Committee Meeting

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Agenda

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

Mematanga:

Membership:

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)

Te Rārangi Take

Order of Business

Apologies – Ngā Whakapāhatanga

- 1.0** An apology from Jon Nichols has been received.
At the close of the agenda no requests for leave of absence had been received.
-

2.0 Conflict of Interest – He Ngākau Kōnatunatu

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

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

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

Confirmation of Minutes – Te Whakamana i Ngā Miniti

- 3.0** Minutes of the Risk and Assurance Committee Meeting held Monday 20 May 2024.
(Previously circulated)
-

- 4.0 Executive Overview and Status of Actions** **7**
-

- 5.0 Cyclone Gabrielle Recovery Risk overview** **11**
-

- 6.0 Treasury Activity and Funding Update** **13**
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- 7.0 Insurance Update** **21**
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8.0	Annual Risk Management Policy and Framework Review	25
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9.0	Enterprise Resource Planning (ERP) System move to the cloud - Project Genesis	55
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10.0	Health, Safety & Wellbeing Update	59
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11.0	<i>Minor Items – Ngā Take Iti</i>	
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12.0	<i>Urgent Items – Ngā Take Whakahihiri</i>	
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13.0	Recommendation to Exclude the Public from Items 14 and 15	63
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14.0	Health & Safety Contracts - Contractors' Health & Safety Performance Report	
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15.0	Cyber Security Update	
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Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Risk and Assurance Committee Meeting

Te Rārangi Take

Report to Risk and Assurance Committee

Nā: Regan Smith, Chief Risk Officer
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 Long Term Plan Risk Based Indicators

- 2.1 Officers have held discussion on the best way to provide the Committee with risk indicators relating to delivery of the financial strategy that underpins the Long Term Plan as requested at the last meeting.
- 2.2 These discussions have highlighted the need for full Council to maintain oversight of, and responsibility for, delivering the financial strategy. Therefore, to avoid duplicating effort and creating uncertainty over responsibility for overseeing financial performance a wholistic approach to reporting financial information is needed.
- 2.3 Therefore, officers recommend following the approach for reporting risk indicators relating to delivery of the Long Term Plan financial strategy:
 - Performance & Monitoring Committee, being a committee of full Council, should monitor all actual vs target financial performance indicators. This includes monitoring any material changes in the underlying assumptions used in the financial model to develop the financial strategy (e.g. interest rates).
 - Risk & Assurance Committee, which includes expert external members, undertakes reviews of key technical financial matters in greater detail than the wider Council (e.g. similar to

current treasury management), and monitors overall delivery of the financial strategy including emerging threats to the Council financial position.

2.4 Based on this approach, Officers propose that the following additional areas on top of Treasury monitoring would benefit from more detailed oversight by Risk & Assurance Committee:

- Management of depreciation to cover asset renewals.
- Recovery of Development Contributions to cover Council growth related commitments.

2.5 Feedback on this approach is welcomed from the Committee members to help inform the reporting programme.

3.0 Recommendations - Ngā Tūtohunga

That Risk and Assurance Committee receive the report titled Executive Overview and Status of Actions dated 5 August 2024.

Attachments:

[1↓](#) Status of Actions - August 2024

CG-17-6-0123

**Hastings District Council
 Risk and Assurance Committee**

Status of Actions – August 2024

Item No	Meeting Date	Action	Reporting Officer	Progress	Complete
4	20/5/24	<u>Procurement Update</u> <ul style="list-style-type: none"> That another internal audit be undertaken within the next couple of years. The Mayor sought confirmation regarding management of the infrastructure costs, including the governance oversight for the transport programme. Of particular interest was risk management; procurement management, and independent assurance that HDC is operating an effective system). 	Regan Smith/ Steffi Reeves-Bird Craig Thew	Audit programme updated. Covered by the Mayoral Infrastructure Advisory Group.	
5	20/5/24	<u>Treasury Activity and Funding Update:</u> <ul style="list-style-type: none"> To continue to work with external advisors as to the timing of securing interest rate cover in line with Council Treasury policy. The Chair can provide wording examples from other policies. For next R and A meeting – bring report on 3 Waters debt and report at each meeting as to how it was tracking. 	Aaron Wilson Jon Nichols Aaron Wilson	On Agenda	
7	20/5/24	<u>Long Term Plan Risk Based Indicators</u> <ul style="list-style-type: none"> The Mayor requested a schedule of assets and their management plans, for all council facilities, to be presented to each R & A meeting. To ensure full oversight and so maintenance work is captured “up front” and incorporated in LTP. Same approach to be taken for pipework and council facilities (including Toitoti). Differentiation between the role of R & A and P& M. R & A should look at and identify risk that can flow onto and impact on P & M. Officers to include consideration of international events – these could have possible effects on costs to council. 	Regan Smith/ Steffi Reeves-Bird Regan Smith/Steffi Reeves-Bird Regan Smith/Steffi Reeves-Bird	Options being considered. On Agenda.	Done

Ref: CG-17-6-00119

Monday, 5 August 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: **Bruce Allan, Deputy Chief Executive**

Te Take:
Subject: **Cyclone Gabrielle Recovery Risk overview**

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

- 1.1 The purpose of this report is to allow the Committee to have a discussion with Council Executive and the Recovery Manager in regard to risks currently being managed through the Voluntary Buy-out Office and the roading recovery works and to determine what further reporting is appropriate for this committee.

2.0 Recommendations - *Ngā Tūtohunga*

That the Risk and Assurance Committee receive the report titled Cyclone Gabrielle Recovery Risk overview dated 5 August 2024.

Attachments:

There are no attachments for this report.

Monday, 5 August 2024

Item 6

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Risk and Assurance Committee Meeting

Te Rārangi Take

Report to Risk and Assurance Committee

Nā:
From: Ross Franklin, Finance Special Projects 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 on 20 May 2024, Council has borrowed a further \$79m. This comprises Floating rate debt of \$39m and fixed rate debt of \$40m. In addition, \$80m of new interest rate swaps have been added. That means Council has hedged interest rates for a further \$120m worth of debt.
- 1.3 Council's total external debt on 12 July 2024 was \$413m, with debt forecasted to rise to \$489m by 30 June 2025. Based on the 2024-25 LTP budgets Council will need to increase the total borrowings by \$96m this financial year.
- 1.4 Council's adopted 2024-34 LTP forecasts peak debt of \$711m by June 2030. This is higher than the forecast in the draft LTP due to council's decision to reduce the 2024/25 rates increase and adopt a 5 year, rather than 3 year, strategy to lift revenue levels. This has necessitated additional borrowing to make up the revenue shortfall. This higher debt forecast requires a heightened level of hedging activity for Council to remain in policy.
- 1.5 Our advisers consider that an interest rate swap at or under 4% will represent good long-term value for Council.
- 1.6 While the recent swaps have been slightly, above the 4% target area they were necessary to ensure Council is closer to being fully within policy based on the projected new debt profile. Council is currently within policy in all areas.
- 1.7 Going forward Officers will target further cover when it becomes financially efficient to do so.

- 1.8 Council is currently compliant with its existing Treasury Management Policy for the 2024-34 debt profile.
- 1.9 With the appointment of the new CFO effective 15th July the delegations in the Treasury policy is required to be updated.
- 1.10 The Reserve Bank of New Zealand's (RBNZ) Official Cash Rate (OCR) remains at 5.5% following its last review on 10 July 2024. Its next review is 14 August 2024. The following is a summary of the RBNZ's points.
- Restrictive monetary policy has significantly reduced consumer price inflation.
 - The decline in inflation reflects receding domestic pricing pressures.
 - Current and expected government spending will restrain overall spending in the economy.
 - Some domestically generated price pressures do remain strong.
 - The Committee agreed that monetary policy will need to remain restrictive. The extent of this restraint will be tempered over time consistent with the expected decline in inflation pressures.

2.0 Recommendations - *Ngā Tūtohunga*

- A) That the Risk and Assurance Committee receive the report titled Treasury Activity and Funding Update dated 5 August 2024.
- B) That the Risk and Assurance Committee recommend Council approve the changes to the delegations as detailed in the Treasury Policy.

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 2024-2034 Long Term Plan. Under these policy documents, responsibility for monitoring treasury activity is delegated to the Risk and Assurance Committee.
- 3.2 Council is provided with independent treasury advice by Bancorp Treasury Services and receives daily and monthly updates on market conditions.
- 3.3 Under the Treasury Policy, formal reporting to Council occurs quarterly and regular more in-depth treasury reporting is provided for the Risk and Assurance Committee. The Treasury Policy has been updated to reflect the current financial situation and in support of the 2024-34 Long Term Plan.

4.0 Discussion – *Te Matapakitanga*

- 4.1 Current Situation:
- 4.2 Council's total external debt at 30 June 2024 was \$393.7m, of which 206m relates to 3waters. The cash balance as at 30 June was \$13m. In addition, Council has an undrawn bank facility of \$45m.
- 4.3 On 1 July 2024, \$20m of existing debt matured and on 8 July a further \$39m of floating rate debt was raised through the LGFA tender. The total external debt as at 12 July is \$412.7m.

This includes:

Fixed rate debt	\$140.0m
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Floating rate debt \$272.7m

On 12 July, Council held \$247.5m of interest rate hedging instruments, including:

“Live” swaps of \$78.5m

Forward starting Swaps of \$169m

Forward starting fixed interest contracts of \$30m

4.4 Since the last report to the committee, Officers in conjunction with Council’s advisers, have implemented the following:

- Borrowed \$79m through: (refer table in 4.7 for detail)
 - Floating rate debt \$39m
 - Fixed rate debt \$40m

In addition to the fixed rate debt Council has entered into \$80m worth of new interest rate swaps.

4.5 The following graph shows the borrowing and hedging activity since the beginning of 2024.

The green dots show drawdowns of floating rate debt, and

The red dots show where we have either borrowed fixed rate debt or entered into interest rate swaps to hedge our interest costs.



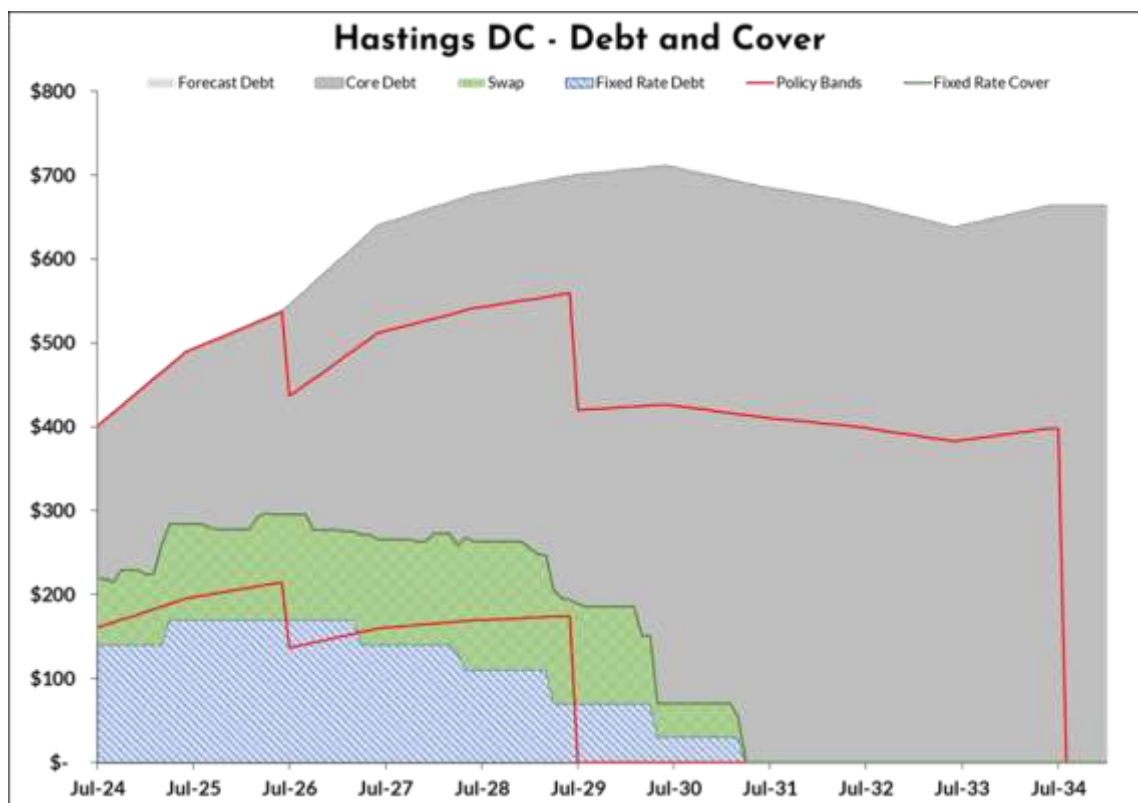
4.6 Floating Rate Debt Drawdowns:

Ref	Type	Counterparty	Facility	Start	Maturity	Margin	Effective Interest Rate
A	FRN	LGFA	\$20m	15-Apr-24	15-Apr-25	0.27%	5.76%
B	FRN	LGFA	\$9m	15-Apr-24	15-Apr-26	0.48%	5.97%
C	FRN	LGFA	\$20m	8-Jul-24	15-Apr-27	0.54%	6.03%
D	FRN	LGFA	\$19m	8-Jul-24	20-Apr-29	0.74%	6.23%

4.7 Cover transactions this year including fixed debt:

Ref	Date	Cover	Bank	\$m	Start	Date	Maturity Rate
1	1-Feb-24	Swap	ANZ	\$15m	31-Oct-24	31-Oct-26	4.18%
2	1-Feb-24	Swap	ANZ	\$30m	31-May-28	31-May-30	4.21%
3	11-Apr-24	FRD	LGFA	\$20m	15-Apr-24	20-Apr-29	5.43%
4	22-May-24	Swap	ANZ	\$10m	17-Mar-25	15-Mar-30	4.24%
5	29-May-24	FRD	LGFA	\$40m	4-Jun-24	15-May-30	5.40%
6	21-Jun-24	Swap	ANZ	\$15m	31-Mar-26	31-Mar-31	4.16%
7	8-Jul-24	FRD	LGFA	\$30m	15-Apr-25	15-Apr-31	5.31%
8	10-Jul-24	Swap	ANZ	\$10m	31-Mar-25	31-Mar-30	4.08%
9	10-Jul-24	Swap	ANZ	\$10m	31-Jan-28	30-Apr-31	4.20%
10	18-Jul-24	Swap	ANZ	\$15m	31-Mar-25	31-Mar-30	3.82%
11	18-Jul-24	Swap	ASB	\$15m	28-Jan-28	30-Apr-31	3.99%
12	18-Jul-24	Swap	ANZ	\$15m	30-Apr-27	31-Jan-28	3.64%

4.8 The following graph shows Council’s level of cover and is within the treasury policy bands for cover.



Update to Treasury policy:

4.9 With the appointment of the new CFO, there is a need to update the delegation’s portion of the Treasury policy. Below is a table of the proposed changes:

Activity	Current Delegated Authority	Proposed Delegated Authority Change	Limit
Overall day-to-day risk management	CEO (delegated by Council) GMCS	CEO (delegated by Council) CFO	Subject to policy
Re-financing existing debt	CEO (delegated by Council) GMCS	CEO (delegated by Council) CFO	Subject to policy
Adjust interest rate risk profile	GMCS	CFO	Per risk control limits Fixed rate maturity profile limit as per risk control limits
Managing funding maturities in	GMCS	CFO	Per risk control limits
Maximum daily transaction amount (borrowing, investing, interest rate risk management)	The Council Unlimited CEO \$40 million GMCS \$30 million FC \$15 million	The Council Unlimited CEO \$40 million Deputy CE \$30 million CFO \$30 million FC \$15 million	

Looking forward –2024-34 LTP debt forecasts

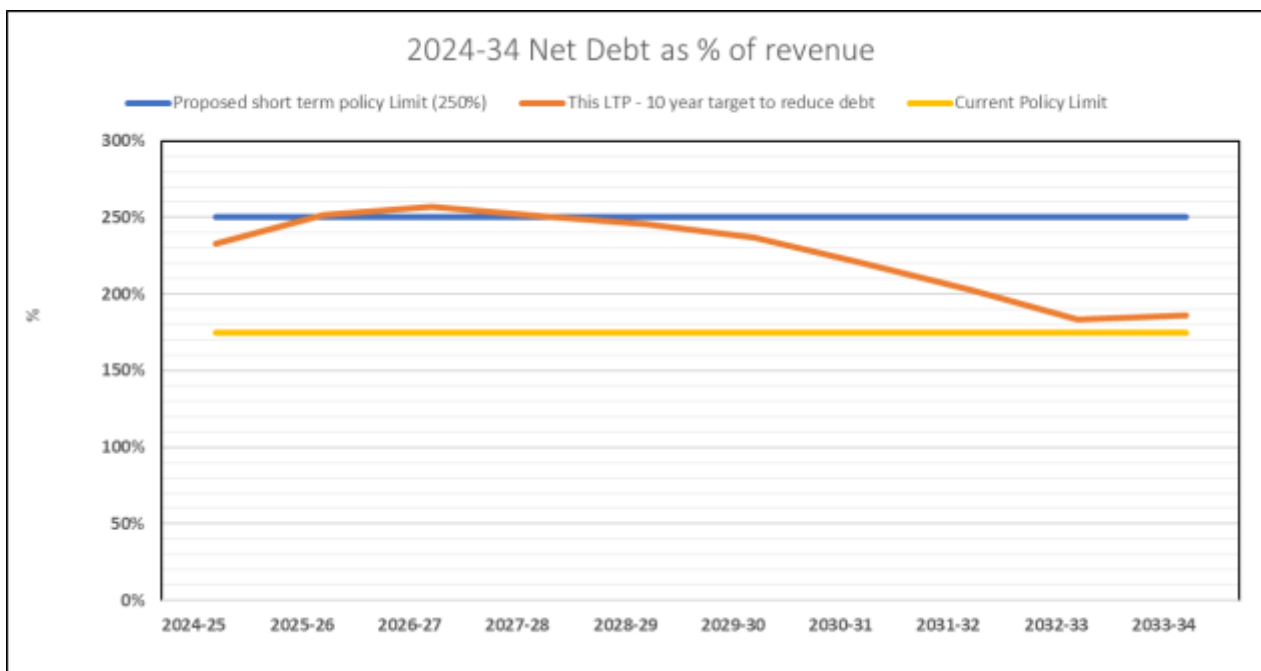
4.10 The 2024-34 LTP has introduced new policy limits. These are reflected in the updated Treasury policy presented to the last committee meeting.

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

4.11 Total council debt is forecast to reach \$711m by June 2030 before dropping to \$663m in June 2034

4.12 Following Council’s decision to reduce the year 1 rate increase and therefore the income collected, the adopted LTP forecasts Council will breach its 250% debt to revenue ratio over the first 3 years of the plan as shown in the following table. This therefore requires a very disciplined approach to financial management by Council over the next few years to keep within the debt to revenue limit. The graph shows the forecast track for the ratio over the term of the LTP.

	Forecast Debt	Forecast Debt to revenue ratio
June 2025	\$489m	251.84%
June 2026	\$573m	256.94%
June 2027	\$640m	251.10%



Attachments:

There are no attachments for this report.

Summary of Considerations - *He Whakarāpopoto Whakaarohanga*

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

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

[Link to the Council’s Community Outcomes – Ngā Hononga ki Ngā Putanga ā-Hapori](#)

This proposal promotes the financial wellbeing of communities in the present and for the future.

Māori Impact Statement - *Te Tauākī Kaupapa Māori*

There are no known impacts for mana whenua / iwi / tangata whenua above and or beyond the general community population in relation to information in this report.

Sustainability - *Te Toitūtanga*

This report is a requirement of the Treasury policy to report to the Risk and Assurance Committee:

Financial considerations - *Ngā Whakaarohanga Ahumoni*

This report has significant impact on the cost of debt and how Council is working to minimise the overall average cost of funds.

Significance and Engagement - *Te Hiranga me te Tūhonotanga*

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

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

This is an information report as per the Treasury Policy.

Risks

Opportunity:<Enter text> :

REWARD – <i>Te Utu</i>	RISK – <i>Te Tūraru</i>
Ensuring Council cost of funds and treasury management is within Treasury policy.	Finance

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

This report covers both the rural and urban rating areas

Monday, 5 August 2024

Item 7

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Risk and Assurance Committee Meeting

Te Rārangi Take

Report to Risk and Assurance Committee

Nā: Bruce Allan, Deputy Chief Executive
From: Jeff Tieman, Management Accountant

Te Take: Insurance Update
Subject: Insurance Update

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

Market renewal update

- 1.1 The market is showing signs of softening. The New Zealand market is still struggling with capacity but the London markets capacity has increased, leading to smaller premium increases. Material damage policies on a same value comparison are around 5% higher, motor vehicles between 5 – 7.5% and infrastructure is around 5%.
- 1.2 A more complete market analysis will be provided to the next Committee meeting prior to placing any insurance renewals.

Public Liability Professional Indemnity

- 1.3 The Council's PI/PL policy has been delivered through Marsh Ltd for a number of years. This policy had a June 30th renewal date. In April of this year, Council was notified by our brokers that the London underwriters were no longer participating in the New Zealand market, this was due to the court rulings with the Napier City Council case verses Risk Pool. Marsh had 13 Council which had there PI/PL policies with them and 22 Councils for which they looked after their entire insurance portfolio. In the interest of looking after their 22 councils, which had all their insurance cover with them, Marsh advised the 13 Councils that only had their PI/PL policy with them, that they could no longer support them.
- 1.4 Aon were already in the process of quoting for Hastings District Council when this news became public. This unfortunately delayed our quote as we could no longer just fit within their existing PI/PL

programme as there was now 12 other Councils looking for cover. Aon managed to find an underwriter to lead this policy which has the following terms.

Professional Indemnity

Coverage	Claims first made against the insured and notified during the period of insurance alleging civil liability, by any act, error, omission or conduct that occurred in connection with the insured's Professional Business Practice	
Insured	Hastings District Council <i>Please note that this policy does not extend to cover any subsidiary company or Council Controlled Organisation.</i>	
Period of Insurance	From: 4:00pm on 30 June 2024 to 4:00pm on 1 November 2025	
Business	Any activity now or hereafter carried on by the Insured, including but not limited to: <ul style="list-style-type: none"> ▪ Territorial Local Authority ▪ Ownership & occupier of premises 	
Limit of Liability	Professional Indemnity	
	Any one claim and in the aggregate any one Period of Insurance (excluding Costs & Expenses)	\$15,000,000
	Building Defect Claims	
	Any one claim in the aggregate any one Period of Insurance for the Insured;	\$15,000,000
	<i>But limited in the aggregate for all Claims by all Councils listed in the Table of Insured Councils of the Building Defects Endorsement for all Claims payable under the Building Defects Endorsement to:</i>	\$30,000,000
	Costs & Expenses	
	Any one claim and in the aggregate any one Period of Insurance for the Insured	\$2,000,000
	<i>But limited in the aggregate for all Claims by all Councils listed in the Table of Insured Councils of the Building Defects Endorsement for all Claims payable under the Building Defects Endorsement to:</i>	\$4,000,000
Deductibles	Each & every claim (inclusive of Costs and Expenses)	\$25,000
<i>Exclusive of GST</i>	Other than:	
	Each & every claim relating to the Building Act 2004	\$100,000
	<i>* Please also refer to the Multi-Unit Residential Excess Endorsement</i>	
Retroactive Date	Unlimited	
Continuity Date	30 June 2024	
Territorial Limits	New Zealand	

- 1.5 A restriction with this policy is with the building defects claims where there is a limitation to \$30m aggregate for all Councils in the table. This policy has 17 Councils in the group, the 13 that Marsh initially advised they could no longer provide cover for, plus 4 other Councils. Aon have assured Officers that they endeavour to work on this policy and want to get to a point where there is no \$30m limit, but this was all they could do in the short timeframe they had to ensure cover could be put in place. The annual premium is \$572,230.
- 1.6 The 2023/24 premium under Marsh was \$180,000.
- 1.7 Marsh where able to put together a policy for their existing clients that they retained and due to losing 4 Councils to Aon, were able to quote on their policy, which had variations to the Aon policy. The main difference was the \$15m limit was solely ours and not shared with other Councils and had no total limit of \$30m. This however came at a cost, with the premium quoted around \$750,000.
- 1.8 Discussion were had with senior Planning & Regulatory staff to assess their risk profile to ascertain which policy was suitable. It was agreed to go with the Aon policy and that Officers will work with Aon to improve the terms and conditions within the policy to better fit within the Council's requirements.

- 1.9 Marsh have been supplied a list of around 15 potential claims before the policy lapsed with them in case something came of them. This was to protect council should anything happen and there was an issue we hadn't notified the insurer prior to the ending of our policy with them. It also protects Council from any potential dispute between the insurers on who is liable should a claim be made.

Bridge Insurance

- 1.10 The 2023 valuation for the bridges was \$123m. This was conducted in May/June of that year, not long after the cyclone. Since then there has been a lot of learnings and reassessment of the true costs for replacing a bridge and especially in a situation where multiple bridges are lost. This has reflected in the new valuation for 2024 coming in at \$441m. With this in mind, Officers have also reassessed the loss limit, which was \$10m and have asked Aon to quote premiums for loss limits of \$40m and \$50m. Officers will report back to the committee once we have this information.

1.11 Material Damage and Business Interruption (MDBI)

- 1.12 The material damage schedule was revalued this year on its three year cycle. In years 2 and 3 an inflationary adjustment is applied based on advice from both our insurance brokers and Added Valuation whom conduct the 3 yearly valuation. Years 2 & 3 of the last cycle officers had implemented a 12% inflationary increase based on advice received, which increased the asset schedule to \$716m. This year's revaluation resulted in this asset schedule reducing to \$689m. Feedback from the markets that have had earlier renewal dates indicate that capacity has returned in the MDBI market, resulting in competitive pricing with only slight increases of around 5%.

- 1.13 3 years ago, Council elected to self-insure the stand alone toilet blocks due to their low risk nature. During the valuation process this year, a few more assets have been identified as low risk and consideration should be had regarding the removal of them from the schedule for further premium savings. Officers have identified the following assets and seek approval to remove these from the schedule.

- 1.14 Frimley pool – Due to the viability of this facility, if an event occurred that destroyed this facility, would it be replaced? This facility has an insured value of \$15,850,500. Last year's premium was \$54,487. There is the option to cover this facility for demolition costs only, Aon have quoted an approximate cost of \$1,300.

- 1.15 The following changing rooms at various parks in the district are all constructed of concrete, steel and concrete block structure. These buildings are deemed low risk as per the standalone toilet. Last year's premiums for these facilities were \$34,300.

• Changing shed 35 Te Mata Rd	\$1,407,400
• Changing Shed 9 Moori Rd	\$338,500
• Changing Shed Frimley Park	\$932,500
• Changing shed Chatham Rd, Giorgi Park	\$1,291,300
• Changing rooms Wilson Rd	\$1,397,100
• Changing rooms Kiwi Rd	\$1,282,700
• Changing room Te Aute Rd	\$2,058,700
• Changing room Bill Mathewson Park	\$1,219,700

- 1.16 The removal of the above assets would reduce premiums (based on current pricing) by \$87,487.

LAPP

- 1.17 Late in 2023, LAPP gathered information from their 22 member councils to conduct a loss modelling exercise to get a better understanding of the limits for their 3 levels of events (current event limits are (\$65m, \$105m and \$150m). This was long overdue as there have been a dramatic increase in

the value of the infrastructure over the last 5 years, but these levels only changed a small amount. (top end in 2021 was \$140m, currently \$150m). The modelling has been completed and the findings for a 1 in 1000 year event now shows that a top level event needs to be \$400m.

- 1.18 Ian Brown (LAPP Administration Manager) has acknowledged that this information is late for this year's renewal and for any council to allow for it in their budgets and has capped the increase in premiums for 2024/25 to a 30% increase, which for HDC will be a total contribution of approximately \$848k. The budget is \$750k.

Update on Insurance claim positions – Cyclone Gabrielle.

- 1.19 Material damage – to date Council has received advance payment of \$950,000. Damage to assets outside of the 3 waters group have now been repaired and this totals \$834,526. 3 waters had damage to a number of pump stations around the district with the major loss being the Whirinaki water treatment plant. To date the 3 waters team has spent just over \$1.3m on repairs and costs to temporarily getting services back up and running. A lot of these costs will fall under our business interruption cover and a schedule is maintained and has been supplied to our loss assessor to scrutinise as to whether the expense is cover by this policy. The Whirinaki treatment plant was insured for \$1.5m and officers in the 3 waters team enlisted BECA to produce a report on potential replacement options. All options for replacement exceed the insured value of the plant and a like for like replacement is not a viable option because of the risk with the location.

2.0 Recommendations - *Ngā Tūtohunga*

- A) That the Risk and Assurance Committee receive the report titled Insurance Update dated 5 August 2024.
- B) That the Committee make recommendations to Council on the removal of assets from the Material Damage asset schedule for the purpose of reducing the associated insurance premiums.

Attachments:

There are no attachments for this report.

Monday, 5 August 2024

Item 8

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Risk and Assurance Committee Meeting

Te Rārangi Take

Report to Risk and Assurance Committee

Nā:
From: **Regan Smith, Chief Risk Officer**

Te Take:
Subject: **Annual Risk Management Policy and Framework Review**

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

1.1 The purpose of this report is to present the annual review of the Hastings District Council (HDC) Enterprise Risk Management Policy and Framework, including the Tier 1 Strategic Risk register, for review and endorsement by the Risk and Assurance Committee.

2.0 Enterprise Risk Management Framework & Policy

2.1 The annual review of the HDC Enterprise Risk Management Framework and Policy has been undertaken (**Attachment 1**). This has resulted in the following changes:

- The frequency of executive Lead Team meetings relating to risk management and oversight of the risk management programme has been changed. Risk management activities will now be reported to the monthly Lead Team Operations meeting, and a dedicated quarterly meeting of the Lead Team will be held to provide oversight and direction to the Health & Safety and risk management programmes.
- The 3 Lines model used to describe the risk management roles and responsibilities within Council has been updated to a contemporary version.
- The section on risk appetite has been updated, and the risk appetite statements for each LTP focus area have been replaced by a framework for setting risk appetite. This change has been made to reflect the experience gained when applying the previous LTP Focus area risk appetite statements, and the risk appetite work done for the Category 3 Voluntary Buy-out Office (VBO). The key challenge when applying the LTP Focus area risk appetite statements was the broad scope of the focus areas, which encompassed many specific outcomes. As a

result, the stated risk appetite was not always suitable for all objectives within the focus area. Whereas, the programme specific risk appetite statement developed for the VBO enabled more helpful guidance and much easier identification of measures to monitor achieved performance. As a result, the intention is to retain an overarching risk appetite stance that may be modified for a specific programme of work or project based on the value placed on the objective for that programme/project. Each of these programme specific appetite statements would be accompanied by a suitable measure that can be monitored by the Lead Team and Governance if required.

3.0 Strategic Risk Register

3.1 The Tier 1 register of Council's strategic risks has been updated based on feedback from the previous meeting. The current register is provided as **Attachment 2**.

3.2 Key changes include:

- Environmental, Social, Governance & Cultural considerations now assessed as an opportunity to create enhanced trust in Council.
- Natural or man-made disaster exposure has been elevated to the Tier 1 risk register reflecting the significant impacts of Cyclone Gabrielle and the Category 3 Voluntary Buy-out programme to address risk to life.

4.0 Recommendations - *Ngā Tūtohunga*

- A) That the Risk and Assurance Committee receive the report titled Annual Risk Management Policy and Framework Review dated 5 August 2024.
- B) That the Committee endorse the following documents and recommend that they be presented to Council;
 - i. HDC Enterprise Risk Management Policy & Framework V6.0
 - ii. HDC Tier 1 Strategic Risk Register as at 26 July 2024.

Attachments:

- | | | |
|---|--|---------------|
| 1 | DRAFT HDC Enterprise Risk Management Policy and Framework V6 | PMD-9-3-24-89 |
| 2 | HDC Strategic Risk Register as at 26 July 2024 | PMD-9-3-24-90 |

Monday, 5 August 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: Warren Perry, Chief Information Officer

Te Take: Enterprise Resource Planning (ERP) System move to the cloud -
Subject: Project Genesis

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

- 1.1 Council's ERP solution which is used for Property and Rating as well as Finance is being phased out and will no longer be supported for on-premises installations. Council has commitment moving the solution to the cloud-based version to remain in support.
- 1.2 Council has used the ERP solution (TechnologyOne Ci) since July 2004. During this time, the platform has been considerably customised to meet Councils requirements.
- 1.3 These customisations come at a huge resource cost to Council due to the ongoing maintenance and testing which is required because of the deviation from the standard product.
- 1.4 Due to over 260 customisations, a standard migration to the new cloud-based platform is not feasible.
- 1.5 Council has been working closely with the vendor (TechnologyOne) to determine the best route to migrate to the cloud. After a year of analysis, it was determined Council should redeploy to a new TechnologyOne environment and migrate Councils' data to the standard product.
- 1.6 The re-implementation allows Council to adopt best practices and standardisation of business processes as used across all local government.
- 1.7 The re-implementation and migration of Council's ERP solution is deemed high risk due to the amount of organisational change, the complexity of the project and resourcing required to complete the project.

- 1.8 The re-implementation comes at a significant financial and resource cost. To-date budgets have been set to undertake this project with \$3.7m set aside to cover this work. The budget includes technical support from TechnologyOne and salaries for 8 full time project resources for 3 years.
- 1.9 A number of New Zealand councils have led the way with this move to the Cloud and significant lessons have been learned which have been captured in the planning of this project. The change will be resource heavy and will impact on the IT Teams ability to deliver other important upgrades and technology improvements unless these IT roles are backfilled. Both the impact on budgets and resources will be carefully monitored, reported in the first instance to the Executive IT Governance Board and then to Risk and Assurance.

2.0 Risks and mitigation

- 2.1 **No Vendor support** – TechnologyOne cease all support for the current platform from October 2024.
- 2.1.1 Council has secured ongoing support of the current ERP solution with TechnologyOne while the cloud-based solution is implemented, and migration is completed. This is expected to take 3 years.
- 2.2 **Project complexity** – Due to the complexity of system integrations, the key metrics of the project need to be carefully managed.
- 2.2.1 A senior dedicated project manager is in the final stages of being employed to manage the project to ensure key metrics are closely monitored, reported on and controlled.
- 2.3 **Organisational change** – The new cloud-based solution will require numerous areas of Council to change the way they operate.
- 2.3.1 A senior dedicated change manager is in the final stages of being employed to ensure all organisational changes are carefully managed.
- 2.4 **Resource management** – Workloads across Council are high with numerous high priorities. Project Genesis will add significant workloads to an already stretched workforce.
- 2.4.1 Additional resources are being employed for Project Genesis. Certain roles across Council are being identified to ensure business as usual roles are back filled to allow sufficient project resourcing.
- 2.5 **Reputation** – Numerous Councils who adopted the cloud solution early have experienced reputational damage.
- 2.5.1 Councils who have completed this migration have been consulted and lessons learnt documented. There is ongoing consultation with Councils who are also on this journey as well as 3rd party vendor support.
- 2.6 **Customisation** – Over 20 years the ERP solution has been customised to provide Council with a bespoke solution. This had led to a significant increase in support and maintenance required for the solution.
- 2.6.1 A key principle of Project Genesis is to use “out-of-the-box” functionality. The cloud-based solution will allow for configuration changes, but no customisations will be done. This ensures ongoing support and maintenance is simplified.

3.0 Recommendations - Ngā Tūtohunga

- A) That the Risk and Assurance Committee receive the report titled Enterprise Resource Planning (ERP) System move to the cloud - Project Genesis dated 5 August 2024.
- B) That the Committee note that it will continue to receive updates throughout the duration of this project on a quarterly basis.

Attachments:

There are no attachments for this report.

Monday, 5 August 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: **Jennie Kuzman, Health, Safety and Wellbeing Manager**

Te Take:
Subject: **Health, Safety & Wellbeing Update**

1.0 Purpose and summary - Te Kaupapa Me Te Whakarāpopototanga

- 1.1 The purpose of this report is to provide information to the Risk and Assurance Committee about the management of Health, Safety and Wellbeing risks within Council.
- 1.2 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.
- 1.3 This report provides a summary update on the Health, Safety & Wellbeing activities, and initiatives underway or planned to be undertaken within the 2024/2025 financial year.

2.0 Recommendations - Ngā Tūhunga

- A) That the Risk and Assurance Committee receive the report titled Health, Safety & Wellbeing Update dated 5 August 2024.
- B) That the Committee endorse the action that the Safeplus assessment be undertaken in the 2025/26 financial year.

3.0 Discussion – Te Matapakitanga

3.1 This report provides a summary update on the Health, Safety & Wellbeing activities, and initiatives underway or planned to be undertaken during the 2024/2025 financial year, across policies, risk review, audits and assessments.

3.2 Policy Development / Review

3.3 There are several policies currently under review or due to be reviewed in this financial year:

Policy	Status
Overarching Asbestos Management Plan	Review completed and feedback received, no major changes. Updated version to be issued in August 2024.
Rehabilitation & Fit-for-work Policy	Review underway. Consultation with Managers & Team Leaders completed. Updated draft to be provided to Lead Team to review in August 2024.
Impairment Policy	Under Development Received legal review of the current draft – reviewing. Updated draft to be provided to Lead Team to review in August 2024.
Health, Safety & Wellbeing Manual	Review Underway Currently being reviewed by HSW team. Estimate an updated draft to be completed for Group Manager Review at the end of August 2024 and Lead Team review in September 2024.
Mauri tū Mauri Ora (Wellbeing) Framework and Work-related Stress Policy	Scheduled to be reviewed following the receipt of the Psychosocial (Wellbeing) Assessment Report.
Health, Safety & Wellbeing Policy	Scheduled to be reviewed in 2025
Respiratory Protection Policy and Programme	Scheduled to be reviewed in 2025
Menopause Policy	Scheduled to be developed in 2025

3.4 Critical HSW Risk Reviews (12 Critical Risks)

3.5 As previously reported to the committee, Council has identified 12 Critical Health and Safety risks (an overview of these critical risks can be found on the hub). All these critical Health, Safety and wellbeing risks have bowtie risk assessments, which were reviewed in the 2022/23 financial year.

3.6 Following feedback from the committee in 2023, a template for critical HSW risk profiles was developed to summarise the risk and its critical controls. A critical risk profile for the Conflict and Violence critical risk was completed and this was shared with the committee in 2023.

3.7 The following critical risks will be further reviewed, and summary risk profiles developed by the end of this new financial year:

- Asbestos.
- Hazardous Substances.

- Work-related Stress.
- Working at Height.
- Driving a Vehicle.

3.8 The remaining six risks (that still need reviewing and summary risk profiles developed) will then be reviewed in the 2025/26 Financial Year.

- Manual Handling.
- Fatigue.
- Confined Spaces.
- Plant and Machinery.
- Excavations.
- Exposure to Health hazards.

3.9 Audits & Assessments

3.10 The following internal audits and assessments will be undertaken by the HSW team and are scheduled for the 2024/25 financial year:

- Safeplus¹ self-assessment, scheduled to begin in October 2024.
- Significant contractor audits – scheduled for February/March 2025.

3.11 The following external audits and assessments will be undertaken by external parties and are scheduled for the 2024/25 financial year:

- Psychosocial Risk Assessment – underway August/September.
- Annual Office and Facility Inspections – scheduled for April 2025.
- Exposure Monitoring² is scheduled to be undertaken for: Ōmarunui Landfill (Noise, Vibration and Hazardous Substances), Aquatics and Splash Planet (Noise, and Hazardous Substances), and Water Operations (Noise, Vibration and Hazardous Substances).
- Occupational Health Monitoring³ is scheduled to be undertaken for all employees enrolled in Council's Health Monitoring programme.

3.12 The external Safeplus assessment has been deferred to the 2025/26 Financial year in order to give priority to the psychosocial risk assessment and any learnings and recommendations that may result from this assessment. Noting that the psychosocial risk assessment was discussed with the committee at the May 2024 meeting.

Attachments:

There are no attachments for this report.

¹ <https://www.worksafe.govt.nz/managing-health-and-safety/businesses/safeplus/>

² <https://www.worksafe.govt.nz/topic-and-industry/monitoring/guidance-for-businesses/>

³ <https://www.worksafe.govt.nz/topic-and-industry/monitoring/guidance-for-businesses/>

HASTINGS DISTRICT COUNCIL

RISK AND ASSURANCE COMMITTEE MEETING

MONDAY, 5 AUGUST 2024

Item 13

RECOMMENDATION TO EXCLUDE THE PUBLIC

SECTION 48, LOCAL GOVERNMENT OFFICIAL INFORMATION AND MEETINGS ACT 1987

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

- 14 Health & Safety Contracts - Contractors' Health & Safety Performance Report
- 15 Cyber Security Update

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

<i>GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED</i>	<i>REASON FOR PASSING THIS RESOLUTION IN RELATION TO EACH MATTER, AND PARTICULAR INTERESTS PROTECTED</i>	<i>GROUND(S) UNDER SECTION 48(1) FOR THE PASSING OF EACH RESOLUTION</i>
14 Health & Safety Contracts - Contractors' Health & Safety Performance Report	<p>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.</p> <p>The report contains sensitive Health, Safety & Wellbeing information relating to third party activities..</p>	<p>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.</p>
15 Cyber Security Update	<p>Section 7 (2) (b) (i) The withholding of the information is necessary to protect information where the making available of the information would disclose a trade secret.</p> <p>Sharing of security elements which protect Council's Information systems.</p>	<p>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.</p>