

Monday, 12 February 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, 12 February 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 financial reporting of Council.
- 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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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** 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.

Confirmation of Minutes – Te Whakamana i Ngā Minitī

- 3.0** Minutes of the Risk and Assurance Committee Meeting held Monday 20 November 2023.
(Previously circulated)

- 4.0 Treasury Activity and Funding Update** **7**

- 5.0 Long Term Plan Risk Update** **13**

- 6.0 Cyclone Gabrielle Learnings 1 Year Review** **17**

- 7.0 Risk Profile Update - Recovery Programme and 3 Water Reform** **25**
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.

8.0 Assurance Review Programme Update 31

9.0 Risk and Assurance Committee Terms of Reference Update 43

10.0 Health, Safety & Wellbeing Update 45

11.0 Minor Items – Ngā Take Iti

12.0 Urgent Items – Ngā Take Whakahihiri

13.0 Recommendation to Exclude the Public from Items 14 and 15 47

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

15.0 IMBT Risk Deep Dive

Monday, 12 February 2024

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Risk and Assurance Committee Meeting

Item 4

Te Rārangi Take

Report to Risk and Assurance Committee

Nā: Aaron Wilson, Financial Controller
From: 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 20th November 2023, Council has borrowed an additional \$30m.
- 1.3 Council's total external debt updated as at 30th January 2024 is \$353m.
- 1.4 Further Debt cover has been put in place to maintain treasury policy as forward starting swaps.
- 1.5 Officers have moved to increase Council's bank facility from \$30m to \$45m in order to maintain liquidity in line with treasury policy.
- 1.6 Council will need to adjust Treasury policy debt to revenue percentage limit upwards from 175% to accommodate the additional increase in debt requirements being forecast in draft 2024-34 LTP budgets.
- 1.7 Council is currently compliant with its Treasury Management Policy.
- 1.8 The Reserve Bank of New Zealand's (RBNZ) Official Cash Rate (OCR) is at 5.5% at its last review on 04 October 2023. Its next review is in February 2024.

2.0 Recommendations - Ngā Tūtohunga

That the Risk and Assurance Committee receive the report titled Treasury Activity and Funding Update dated 12 February 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 Council is provided with independent treasury advice by Miles O'Connor of Bancorp Treasury Services and receives daily and monthly updates on market conditions.
- 3.3 Under the Treasury Policy, formal reporting to Council occurs quarterly and regular more in-depth treasury reporting is provided for the Risk and Assurance Committee.

4.0 Discussion – Te Matapakitanga

4.1 Current Situation:

A) Activity since last Committee meeting:

Recent Borrowings: On 11th December Council borrowed \$30m this amount was borrowed from the Local Government Funding Agency (LGFA) at a floating rate of Bank Bill 90-day Benchmark Rate (BKBM) (currently 5.63% pa) plus a margin. The details are as follows:

Draw Date	Amount	Margin	Effective Interest Rate	Maturity Date
11/12/2023	\$15m	0.74.9%	6.379%	20/04/2029
11/12/2023	\$15m	0.79%	6.42%	15/04/2030

Forward Start Swaps taken out:

Start Date	Maturity	Value	Rate	Average Margin on debt	Effective Rate
30/10/2024	30/10/2026	\$15m	4.175%	0.56%	4.735%
30/10/2028	30/10/2030	\$30m	4.205%	0.56%	4.765%

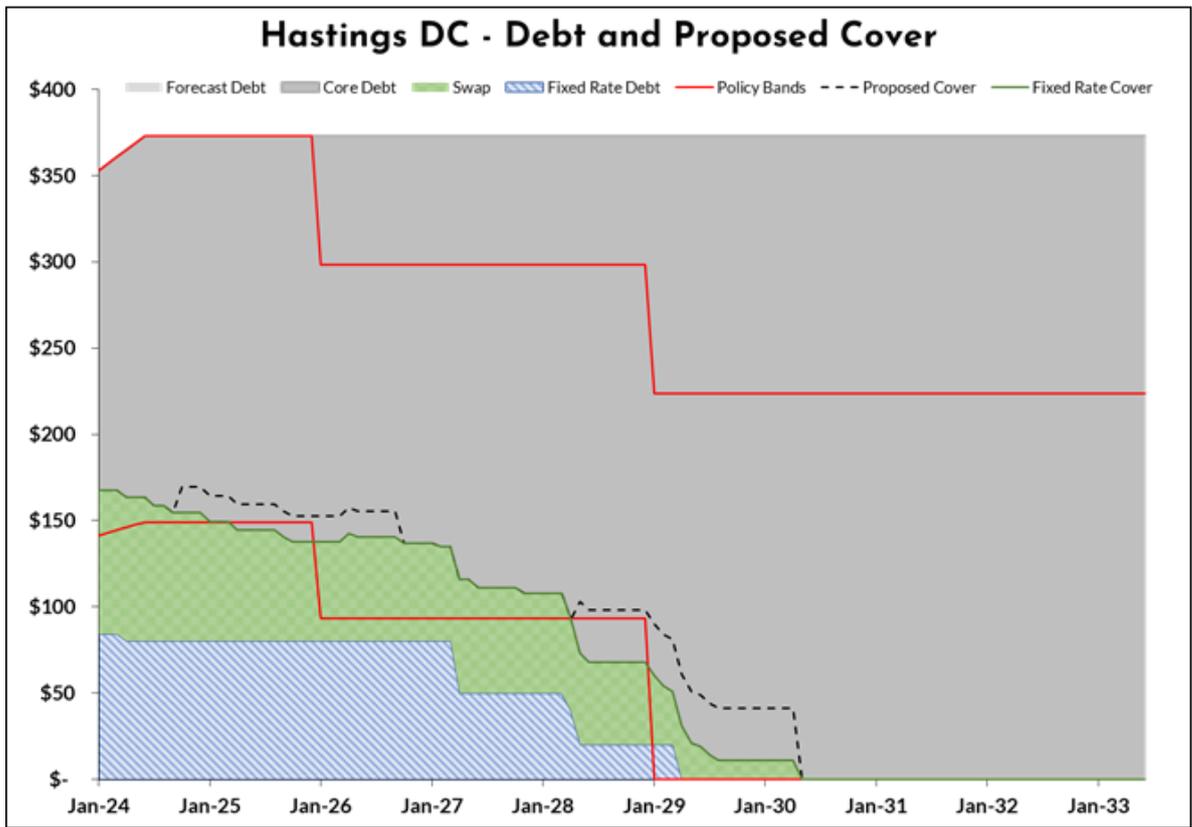
- 4.2 Council's current total external debt is \$353.7m as at 30th January 2024 (\$323.7m as at 20th November 2023). The reason for this additional requirement is due to the need to maintain sufficient cashflow for the large capital projects in roading, where there have been delays in payment of subsidy reimbursements from Crown Infrastructure Partners (CIP).
- 4.3 Officers are actively working with CIP to expedite the payment of these reimbursements for the large transport projects underway and then provide a mechanism for funding to be received in

advance for future works to offset the financing costs incurred in funding these roading recovery works in advance of receiving the Crown funding.

- 4.4 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.
- 4.5 Officers have reviewed the liquidity parameters in light of the additional debt and have increased the bank facility from \$30m to \$45m in order to remain liquidity within the parameters as set down by treasury policy.
- 4.6 It should also be noted on the Treasury position dashboard, Council's cost of funds is now at 5.12%.
- 4.7 In October 2023 the Reserve bank kept the official cash Rate (OCR) at 5.5%, with the next meeting being in February 2024.

Debt Cover:

- 4.8 As a starting point for the draft 2024-34 LTP officers have just completed calculating an estimated closing debt position of around \$373m at the end of the 23/24 year. This calculation is based on several assumptions that will be confirmed through forecasts currently being completed. These assumptions include the level of capital projects budgets that will be completed, along with the expectation of receiving the outstanding transport reimbursements from CIP by year end. The assumption at this stage is that, while an operating deficit is forecast, the full capital programme is unlikely to be completed. Allowance has been made for a number of unbudgeted items added to the work programme in 2023-24. These assumptions will be reviewed and refined the year progresses.
- 4.9 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 \$373m and whether Council currently are within policy. Some additional cover has been taken out to maintain cover within policy limits.
- 4.10 These additional swaps are noted in the table in paragraph 4.1 and are these to ensure Council remains within Treasury parameters. The following graph shows the current, revised, cover (black dotted line) relative to the policy minimum and maximum.
- 4.11 As the current cover is at the lower end of the policy range, and future debt is forecast to increase further, we are talking to our advisers and intend to take out additional forward cover whenever market conditions present an opportunity.



4.12 Further adjustments to the level of cover may need to be made once Council has reviewed budgets and made final decisions on the 2024-34 LTP. Council is yet to be presented with options around the level of capital spend, the impact on debt levels and what level of headroom will be available, and what the impact those decisions will have on the level of rates increases on an annual basis over the 10-year period.

4.13 In addition to the LTP and its impacts on debt, the new Government is intending to repeal/ rewrite the three waters legislation that was passed into law by the previous administration. Should a regional water entity be formed with balance sheet separation, then this will also affect the level of cover required as a significant level of debt would novate over to the new water entity.

Debt to Revenue Ratio Headroom:

4.14 This is the key measure for Councils debt profile as it is the measure used by Council’s major funders.

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

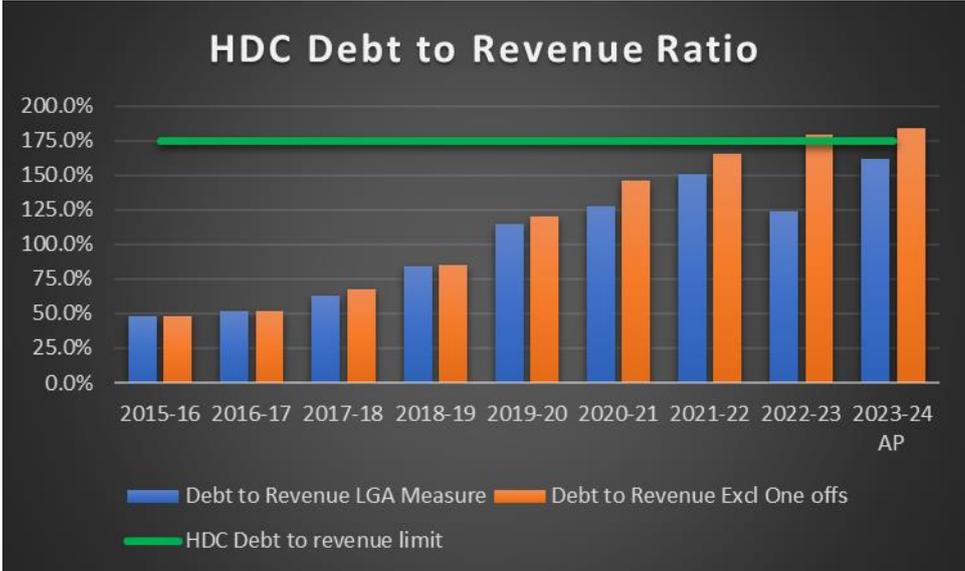
- The cost of funds will increase (lower credit rating and higher borrowing margins, and
- Council will experience problems raising new debt.

4.16 Treasury policy concerning the net external debt as a percentage of income is set at 175%. Whilst this has been an appropriate limit the environment that Council is operating in has changed rapidly.

4.17 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.

4.18 While an increase in the policy limit will be needed Council must maintain sufficient headroom (extra capacity to borrow) so that council has the capacity respond to any future event. Any new limit needs to be well under 280% so that Council maintains that additional capacity. The new policy limit is likely to constrain Council, in terms of its ability to fund new projects, while the combined impacts of the cyclone recovery and a large base infrastructure programme and managed.

- 4.19 With the additional subsidies being received from Government for the funding of Transport projects, it appears on the face of it that the debt to revenue limits are within policy. However, it is important to “look through” the revenue being received, because the debt will continue to increase and remain, whereas the additional subsidy revenue will fall away. This will worsen the debt to revenue metric.
- 4.20 The following historical graph shows the official measure and the modified measure.
- 4.21 The graph clearly shows the distortion in 2022-23 where Council received some large government grants for infrastructure projects.
- 4.22 At a time when Council’s debt increased significantly the official measure dropped giving the impression that Council had a lot of spare debt capacity. The reality, when the one-off revenues are excluded, was that Council would have breached its 175% treasury policy limit.



- 4.23 With the pressure on cashflows and the spend that has occurred in the capital projects space, along with the requirements to fund the property buyouts \$50m, growth developments, and the local share of those roading projects outside the 100% funding envelope from Waka Kotahi, it will be necessary to adjust the headroom limit upwards from its current setting of 175%.
- 4.24 Officers are waiting on the finalisation of the LTP 24 -34 programme to be able to accurately forecast the debt levels and where headroom levels will need to be set, keeping in mind the impact on the rates from levels of high debt.

Attachments:

There are no attachments for this report.

Monday, 12 February 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

Item 5

Nā: Steffi Reeves-Bird, Risk Manager
From: Regan Smith, Chief Risk Officer

Te Take:
Subject: Long Term Plan Risk Update

1.0 Executive Summary – Te Kaupapa Me Te Whakarāpopototanga

- 1.1 The purpose of this report is to provide the Risk & Assurance Committee with an overview of the key risks that have been raised through the Long Term Plan (LTP) process thus far.
- 1.2 A series of workshops with Council were held toward the end of 2023 to establish the key issues facing the Council and community, as well as gathering governance direction on the priorities for the next three years. Considering the significant financial commitments Council is facing due to the Cyclone Gabrielle recovery work a separate working group consisting of elected members and staff has been established to support this process.
- 1.3 Uncertainties and risks have been traversed with staff involved in the process and compiled by the Risk Assurance team for this report.
- 1.4 While focus areas of the LTP have not been finalised as at the time of this report, there are areas of risk arising, including:
 - Variation from forecasts of population growth.
 - Projections in the number of households changing.
 - Unexpectedly high levels of inflation.
 - Significant increases in interest rates alongside increasing debt levels.
 - Ability to deliver all of the planned capital programme.
 - Unforeseen changes to external revenue streams.

2.0 Recommendations - Ngā Tūtohunga

That the Risk and Assurance Committee Meeting receive the report titled Long Term Plan Risk Update dated 12 February 2024.

Discussion – Te Matapakitanga

2.1 Population growth

- Unforeseen variation to population forecasts could impact forward planning of Council's infrastructure and services, causing service delivery and financial implications.
- This risk can be mitigated through regular Council monitoring and planning through the Council's Growth Unit.

2.2 Household numbers

- A change or deviation from household number projections may result in Council's forward planning for infrastructure and services to be either over or underinvested in, along with potential implications for the flow of development contributions, having an impact on Council's financial position and ability to meet service level expectations.
- This risk can also be managed through regular Council monitoring and planning through the Council's Growth Unit. Planned development areas are handled through a threshold of uptake being reached before committing to infrastructure provision. Through formal surveys and informal discussions, information is gathered regarding developer's intentions.
- Due to decisions on the progress of infrastructure needing to be made 1-2 years in advance of the requirement, a level of residual risk remains for Council should unforeseen market changes or slower uptake occur. This residual risk has the potential to be quite high given the timing of development areas coming online (e.g. Iona / Middle Road and Howard Street) and the need to meet project delivery timelines to satisfy Government funding obligations for wastewater upgrades, all at a time when residential growth in particular has slowed dramatically despite there still being a housing shortage.
- The Long Term Plan process is grappling with the uncertainties of household growth at a time when large scale growth related investments have been committed to through long development phases and therefore very difficult to back away from and delay.

2.3 Inflation

- Fluctuations to the forecasted levels of inflation would have an impact on Council budgets, causing issues for project and capital delivery.
- Through the Annual Plan process, this risk is controlled through reviewing the forecasting financial assumptions.

2.4 Capital delivery

- Failing to meet external funding milestones linked to Council's capital delivery programme, could result in the level of funding from these agreements being adjusted, leading to commitments in the programme not being completed for the community and potential for cost escalations. Cost escalations will be particularly acute in an inflationary environment.
- Recognising that Council cannot control all the external factors which may impact the capital delivery programme, Council has reduced the capital expenditure budget by 10% in Year 1.

This adjustment in the plan is not expected to affect infrastructure levels of service and is simply a judgement of what is likely to be achievable over this time.

2.5 Revenue streams

- Significant sums of external funding have been assumed to support Council's growth infrastructure and cyclone recovery programme. Full or partial loss of this expected funding would impact on Council's fiscal forecasting, financial position and cause implications for the delivery of critical works.
- To mitigate this risk, there are contracts / agreements in place or in progress with the respective funding agency and monitoring of Cashflow by Council to enable adjustments if necessary. In the case of the NZTA subsidy, any changes will mean Council needs to adjust the transportation programme.

2.6 Interest rates

- Interest rates worsening or being beyond the levels anticipated will affect budgeting forecasts and Council's anticipated external debt repayments.
- Through the Annual Plan process, this risk is controlled through reviewing the forecasting financial assumptions. Additionally, Council received regular advice from its financial advisors.

2.7 Discussion

2.8 Based on these specific risk factors it can be seen that several key assumptions have been made in the planning process to establish expected revenues and expenses. In many cases there could be a very wide range in actual outcomes due to the degree of instability in global and local political conditions. Therefore, considering that the expected debt position is projected to put significant pressure on Council's financial position unexpected variations in these assumptions that drive a poorer actual position than forecast could have significant implications.

2.9 As a result, the major challenge in the current LTP is achieving and delivering a fine balance between sustainable levels of expenditure and prioritisation of the work programme, particularly the infrastructure capital programme. The need to prioritise the work programme to deliver a sustainable debt level is likely to require delaying some work. While current prioritisation decisions have not resulted in delaying essential infrastructure upgrades, this may be needed to stay within the Council debt limits. If this is required, Council will need to consider whether the risk being carried due to the work not being done is tolerable.

2.10 Therefore, due to the impact that variation in the planning assumption might have and the fine balance between funding and service delivery, feedback is sought on the role the Committee should play in monitoring how these risk factors could affect delivery of the LTP over the next 3 years.

Attachments:

There are no attachments for this report.

Monday, 12 February 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: Regan Smith, Chief Risk Officer
From: Elmien Steyn, Emergency Readiness & Business Continuity Advisor
Steffi Reeves-Bird, Risk Manager

Te Take:
Subject: Cyclone Gabrielle Learnings 1 Year Review

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

- 1.1 The purpose of this report is to provide the Committee with a summary of the key learnings that have been identified as a result of Cyclone Gabrielle, and the status of any improvement opportunities.
- 1.2 The following sections provide a summary from each of the key business areas that were involved in the Cyclone Gabrielle response and recovery work.

2.0 Civil Defence Emergency Management & Business Continuity

- 2.1 The Civil Defence (CD) and Emergency Management (EM) response culture has changed dramatically since February 2023. There is greater awareness of the need to maintain organisational readiness to respond to adverse events amongst staff. Internally, the following key actions were identified in the emergency readiness and business continuity space by an internal post event debrief:
 - 2.1.1 After Cyclone Gabrielle's response, there was a desire from staff to have more **exercises and training** opportunities: HDC will continue rolling-out its annual exercise programme by testing both the activation of an Emergency Operations Centre (EOC) and a Business Continuity Planning (BCP) Compass Team, depending on the nature of the disruption. Council will continue to test different hazard scenarios with a wide range of teams. The Hawke's Bay Civil Defence Emergency Management (HB CDEM) Group Office are also encouraging local Councils to do their own exercises. Between May and September 2023, HDC staff attended three Coordinated Incident Management System (CIMS) 4 courses allocated to the Council. These training sessions were attended by 48 HDC staff, 4 staff from other councils and 3 from other agencies.

2.1.2 The HB CDEM Group Office will start to roll-out a new training pathway over the next two years, and it will also include welfare needs assessment and Civil Defence Centre (CDC) management training. This will be developed and delivered by the HB CDEM Group Office staff, and will replace the previous CIMS 3 and 4 courses. Going forward the local Councils' will be responsible for providing the training facilities and catering, which will result in additional costs for HDC.

2.1.3 A need for **comprehensive regional flood preparedness planning**: The top two hazards for the Hawke's Bay region, as identified in the Group Plan (2014 – 2019) are still earthquakes and tsunamis. Therefore, the HB CDEM Group Office's focus remains on earthquake and tsunami modelling, evacuation routes and signage, etc. They will release the updated tsunami modelling completed in 2022 during March 2024, after it has been signed off by the next Coordinating Executive Group (CEG) meeting scheduled for the end of February 2024. It should be noted that local Councils will now also be responsible for the engagement with local communities on the new tsunami modelling data and mapping, the new signage that must replace the current HB CDEM signage in place along our coastline, the blue evacuation lines to be painted on the roads, and any evacuation signage determined by the community.

Despite this HDC is in the process of compiling a Flooding and Tropical Cyclone Hazard Specific Plan, and the intention is to do it for all hazards over the next few years.

2.1.4 An **Information Technology (IT) system** to help with the management and tasking of the response in an EOC/Emergency Coordination Centre (ECC): This objective has been identified in the HB CDEM Group Office's work programme that are linked to the current Group Plan.

In the absence of a regional system HDC will test our internal CRM system during the next operational exercise to be held on 29 February 2024, and undertake a separate test of an external system, called FACT 24, on 9 May 2024 during a subsequent operational exercise. Due to funding constraints Officers first want to explore the existing CRM systems.

2.1.5 Readiness planning and the future management capability at **Civil Defence Centres (CDCs) and Community Emergency Hubs (CEHs)**, equipped with resources: HDC is awaiting the delivery of supplies (e.g., sleeping bags, stretchers, self-inflating mattresses, pillows, blankets, towels, toiletry bags, rapid relief packs, first aid kits) for both the Hastings Sports Centre and Flaxmere Community Centre so they can be setup as a CDC. This was made possible through external grant funding received from the NZ Red Cross. Two 60 litre plastic tubs with stationery and identifiable CDC vests for staff working at a CDC are now in place to be used during the activation of these facilities in an emergency.

Two welfare support trailers (based on those used by NZ Red Cross) have been purchased using funding from a Ministry for Primary Industries (MPI) grant. These trailers could be deployed to cut-off rural communities in need.

Civil Defence wheelie bins (240 litre) with basic emergency supplies, and Hub Kits (40 litre plastic tubs) with basic stationery items, role cards, Hub Guide, Community Resilience Plan, start-up guide, area specific maps, etc. was procured with external MPI and NZ Red Cross grant funding received.

2.1.6 Confirmation of **alternative working arrangements for staff during an event** and where to report to when unable to get to their normal place of work: An All-Staff e-mail went out in December 2023 to confirm the Council-wide approach and working arrangements during an emergency. The updated Group BCP Plans with a due date of 30 June 2024 will address individual team level arrangements, if needed.

2.1.7 A strategy when all forms of **communications** are down: In the absence of both a national and regional communications strategy, HDC procured (with the assistance of an external MPI funding grant) 10 VHF radios with a three-year training and maintenance contract from Communicate, which is the same service provider used by the HB CDEM Group Office. These radios will be allocated to communities. We also referred communities, who want to buy their own radios with

external funding obtained, to this company, on advice from the HB CDEM Group Office to ensure the radios will be compatible with the regional network.

- 2.1.8 **Role clarification** between the different central government agencies, the HB CDEM Group Office and local Councils based on the Civil Defence (CD) and Emergency Management (EM) legislation: A report finalised in 2021 proposed a change in how the regional CDEM system works. This report was followed up by the identification of work streams and team leaders to look into how this regionally coordinated and locally led approach should be implemented. It should be noted that no feedback was provided to local Councils on the progress made by the different work streams. Furthermore, no official communication took place on how and when this new model will be implemented. During Cyclone Gabrielle's response in February 2023, the HB CDEM Group Office took on the new coordinating role and local Councils were expected to be the implementers on a local level. Since the Cyclone, the HB CDEM Group Office are informing local Councils on an ad hoc basis of their new responsibilities and associated funding requirements. The financial impact on this change in approach for the local Councils is still being worked through but will need to be incorporated into the Long Term Plan if that approach is agreed upon.

3.0 Community Resilience

- 3.1 Due to the impacts Cyclone Gabrielle had on the rural roading and electricity networks a large number of communities were isolated for an extended period of time. In some cases, the isolation lasted for up to four months from the event. In response to this isolation each community established their own way of supporting each other and coordinating with the central Civil Defence Emergency Management system.
- 3.2 In most cases rural communities initially had a substantial range of resources to draw upon for their own resilience, but due to the extended period of the disruption additional externally provided supplies were needed. This experience highlighted the need for a greater level of preparedness within communities and better coordination with agencies to ensure affected communities had the resources needed to cope with the disruption.
- 3.3 In the immediate aftermath of the Cyclone two separate processes were established to engage with remote and rural communities:
- 3.3.1 The first process was initiated by the Group Manager: Community Wellbeing & Services with the intent of gathering information to form the basis of a Heretaunga community recovery plan. Sage Planning was engaged to undertake this work which resulted in a series of approximately 30 engagements of various sizes ranging from one-on-one meetings to community wide workshops across 11 geographically defined community areas. Amongst the themes identified by this process were:
- The need for sustainable community hubs,
 - Resilient infrastructure, and
 - The creation of collective wisdom through better communication between community groups.
- 3.3.2 The second process initiated by the Cyclone Gabrielle Transition team was focused on building community resilience for the impending winter 2023 period. Woodland Fire Advisors was contracted to engage with affected rural communities to develop a short-term resilience plan to meet the local community's likely needs over the winter period. This process resulted in consultation with 21 community leaders and development of a plan for each community, as well as delivery of resilience plan flyers to 16 rural communities to raise awareness of the plans. The key feedback identified through this process was that almost without fail community priorities were: road access, communications and fuel for generators and cars. The following specific points were also noted:

- The emergency management logistical supply chain was not effective and only improved when a single point of contact was established between the community and CDEM, and
- When Halls and Community Centres are used as “Hubs” they need to be set up to operate independent of normal services.

3.4 To deliver on these learnings the Group Manager: Community Wellbeing & Services was able to secure external funding from the Ministry for Primary Industries to establish rural community hubs. This funding enabled a programme to be initiated in collaboration with Hawke’s Bay Civil Defence Emergency Management (HBCDEM) Group that has delivered the following outcomes:

- Adoption of the Wellington Regional Emergency Management Office (WREMO) model for Community Emergency Hubs (CEHs). The WREMO model has been developed over several years and provided a mature platform for establishing CEH, which includes creating communications links with HBCDEM.
- Establishment of 10 CEH that have each now received; approximately \$100,000 of funding for relevant facility upgrades to improve the resilience of the sites (including water and back-up power), provision of VHF radios to locations that did not have an existing radio set, and delivery of an emergency hub coordination kit and basic equipment useful in the initial setup of a hub.
- A series of regular meetings of community leaders has been established to support knowledge sharing between communities and with Council.
- Two training sessions have been run for CEH leaders covering the CEH model, including a short exercise to illustrate how the model is intended to work.

3.5 The programme of rolling out CEHs is now embedded in the Community Wellbeing & Services and Risk & Resilience teamwork programmes. This has developed much stronger relationships between Council and rural communities, which addressed a weakness that existed pre-Cyclone that created challenges in the response. In the short term this work is being funded by a further external funding grant from the Red Cross, which will support the setup of a further 15 CEHs. Going forward Council will need to consider the service level, and associated funding, that is dedicated to community resilience building. This is to be covered in a subsequent report to Council.

4.0 Asset Management

4.1 3 Waters:

4.2 During Cyclone Gabrielle the stormwater network was tested due to approximately 30 pump station failures because of power outages, which resulted in multiple overflows across the network. This was despite all available sucker trucks being deployed to assist with storm water management. The Havelock North detention dams were tested for the first time in their history, filling to capacity and overflowing at predefined locations.

4.3 The Hastings drinking water supply was operational during the event and continued to supply safe drinking water to Hastings, Flaxmere, Havelock North, Bridge Pa, and Paki Paki. However, parts of Havelock North were on limited supply due to power limitations. The Whirinaki community water supply was lost which interrupted drinking water supply to approximately 300 homes. Due to power failure Te Pohue residents had to rely on water storage from tanks within the community, resulting in a request for those residents to boil all water used for consumption. At the time Council had chlorine available for 5 days of treatment in the Hastings urban supplies, and 10 days of treatment for small community supplies.

4.4 The Wastewater Treatment Plant lost power and was able to operate on generator with sufficient diesel to support extended operation.

4.5 As a result of this experience approval has been gained to undertake a project to review and improve the management of the Havelock North streams and detention dams. Part of the

management plan to be developed for this area will include an emergency management plan in case of a future event.

4.6 **Transportation:**

4.7 The impact on the Hastings District Council rural roading from the Cyclone was staggering. Final analysis showed that the damage incurred included:

- 13 bridges and 5 large and complex culverts were destroyed and need to be completely rebuilt.
- An additional 40-plus bridges in need of significant repairs.
- More than 4,000 culverts affected.
- Around 800 slips.
- More than 30 kilometres of roads damaged.
- More than \$800 million of damage to the transport network

4.8 The initial focus was on emergency works to install 10 temporary bridges and make urgent repairs to reconnect communities. In some places like Kererū Gorge and Puketapu temporary structures were not feasible. These areas are priorities for restoring permanent structures.

4.9 While some larger programmes of emergency works are still ongoing, the focus now is on repair and restoration of the transport network so that it best serves our growing community into the future. Due to the scale and complexity of the work required, the full programme will likely take seven to ten years to be completed. Within this programme, work is being prioritised based on the degree of disconnection, vulnerability of roads to new weather events, levels of road use and the numbers of people affected.

4.10 In the interim, as well as the focus on the rebuild, normal maintenance work across the network and programmes of work will continue.

4.11 **Waste Management:**

4.12 The impact on waste management from the Cyclone was two fold. First the flooding resulted in a loss of access to the Ōmarunui Landfill site affecting the ability to receive waste in the first few days of the event, and secondly the flooding created an enormous additional volume of waste. The waste stream had to deal with the following different types of waste:

4.13 As a result, the net impact on the Hastings District Council (HDC) waste services were as follows;

- Kerbside rubbish collection did not occur for the 4 days immediately after the cyclone due to the damage to the roads and the closure of the Ōmarunui Landfill.
- Kerbside recycling collection did not occur for the 9 days immediately after the cyclone due to flooding in the contractor's yard and transportation challenges via SH5 to transport the recycling out of district.
- Ōmarunui Landfill was severely impacted with the weighbridge and kiosk facility flooded and buried under silt. Once road access was established and initial repairs were made the landfill opened using a manual system on Monday 20 February (closed for 5 days). The weighbridge was re-established and operational with the use of generators and a temporary building from 1 March. In total the Landfill received 17,570 tonnes of waste declared as flood waste from 20 February to 30 June 2023 from across the Hastings and Napier region. This equates to over two months of normal waste volumes. The highest monthly volume of flood waste was in March, with 11,112 tonnes received.
- The Henderson Road Refuse Transfer Station was used as a limited emergency space to store waste from essential critical services such as the hospital and supermarkets until the landfill

could re-open. During this time, residents could dispose of waste they urgently needed to via Council's official orange rubbish bags.

- 4.14 Operating systems and procedures continued as usual. The waste levy was collected as usual, however the Govt has since waived levy charges for flood waste and it has taken a significant effort to calculate the gross value, obtain the refund from the Govt and identify all the individual loads/trucks delivering the loads so that refunds could be calculated and paid out to all the companies delivering the waste. These payments are now being processed and the qualifying companies will receive their refunds sometime in February 2024.
- 4.15 The landfill has sped up construction of Area B as much as it can but this will only be in the order of 6 months and is weather dependant. However, the last stages of development work in the current filling area (Area D) have been brought forward so that enough airspace can be maintained to meet current needs. The design of the kiosk is such that a second weighbridge can be installed on the other side of the kiosk and still leave room for the slip road. This will allow for greater operational efficiency and minimise disruption during maintenance.
- 4.16 **General:**
- 4.17 A general issue for all teams in the Asset Management Group was a lack of backup power supply to the 3rd floor of the Council main Civic building on Lyndon Road. At the time of the flood the backup power system for the building that had been installed in the year 2000 was limited to essential equipment and general power on the ground and second floors.
- 4.18 The need to upgrade the backup power system in the Civic building had originally been identified in 2020, but had to be delayed to accommodate construction of the Waiaroha water treatment plant. Since the Cyclone the original upgrade project has been completed, and the backup power generator and electrical supply system is now capable of supplying the entire building.
- 4.19 There was a lack of permanent generators at the Ōmarunui Landfill at the time of the Cyclone. This has been addressed immediately and there are now several permanent, portable generators with fuel to run them on site. Other sites such as the WWTP, the Henderson Road Transfer Station, and the Crematorium & Cemetery in Hastings all had permanent, portable generators on site before the event.

5.0 Regulatory Services

- 5.1 The primary role of the regulatory services team was to coordinate and perform Rapid Building Inspections (RBI) of affected properties to determine whether structures were safe to re-enter. Due to the safety concerns involved this work needed to be performed as soon as practical after the event. The overall RBI programme was very successful completing a total of 933 inspections in only 3 weeks after the flooding occurred.
- 5.2 Despite this outcome the Council internal Debrief Report on ex-Tropical Cyclone Gabrielle identified that key issues facing the building team attempting to undertake the RBI were:
- Lack of intelligence on the areas affected and where to despatch staff.
 - The number of staff and resources available to undertake inspections limited progress.
 - Limited staff with access to the mobile data collection application in the early stages of the response.
- 5.3 To address these challenges the following work has been undertaken to improve the effectiveness of RBI in the future:
- 5.3.1 The team plan on better integration of external support from other agencies, including people and vehicles, into the RBI operation. The staff provided by the Ministry of Building, Innovation and Employment (MBIE) proved to be important to rapidly establishing an efficient and compliant RBI operation.

- 5.3.2 Training has been provided to 40 Council staff who are now able to operate a Tier 2 level, which enables those staff to run a RBI operation or to be deployed to other parts of the country to undertake RBI.
- 5.3.3 The building recovery team has been working closely with the MBIE to improve the online data capture tool based on experience in the field. MBIE intend to provide this application as a nation wide live system to manage RBI in any region. The major system enhancement being incorporated include:
- Displaying information collected by all service provides, particularly Fire & Emergency New Zealand, on a single dashboard to improve the information available for planning.
 - Enhancing the data collected to cover all properties that have been visited, not just those that had a placard applied, which is important to reduce duplication of effort.

6.0 Recommendations - *Ngā Tūtohunga*

That the Risk and Assurance Committee receive the report titled Cyclone Gabrielle Learnings 1 Year Review dated 12 February 2024.

Attachments:

There are no attachments for this report.

Monday, 12 February 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: Regan Smith, Chief Risk Officer
From: Steffi Reeves-Bird, Risk Manager

Te Take:
Subject: Risk Profile Update - Recovery Programme and 3 Water Reform

1.0 Purpose and summary - Te Kaupapa Me Te Whakarāpopototanga

- 1.1 The purpose of the report is to provide the Committee with an update on the current risk profile for the following activities:
- 3 Water Reform activity.
 - Cyclone Recovery Programme, including Risk Appetite update report for the Voluntary Buy-Out Office (VBO).

2.0 3 Water Reform Update

- 2.1 As part of the coalition Government 100 day plan the Affordable Water Reform legislation is in the process of being fully repealed. The main implication of this change is that Council will remain responsible for funding and delivering water services for the time being.
- 2.2 As the reform programme has been halted, and water service delivery will continue as part of Council business as usual, a separate update on water service risk profile is not considered necessary for this meeting. However, as there is further work underway to consider the establishment of a Council Control Organisation to deliver water services in the Hawke's Bay region, ongoing updates on the risk associated with water services delivery changes will continue to be provided to the Committee in the future if this project progresses.
- 2.3 It should be noted that because water service delivery will continue to be Council's responsibility, and the associated debt will remain on Council's balance sheet, Council will not be in a position to deliver on the capital program that was identified as needed through an unconstrained lense and previously supplied to the Government through the 3 Waters reform process. This means the risk of

infrastructure failure increases each year the water service capital program is not delivered in full, although the extent of that risk is not thought to be significant if essential renewals and core infrastructure upgrades are prioritised.

3.0 Recovery Programme Risk Profile

- 3.1 The Cyclone Recovery Programme risk register and summary risk profile have been updated based on feedback from regular meetings with the risk owners. The updated Cyclone Gabrielle Recovery Risk Profile (**Attachment 1**) shows that the risks associated with the recovery programme remain high and continue to push the boundaries of Council's risk appetite. Primary areas of concern continue to be the pressure on Council's finances and potential for litigation.
- 3.2 The main driver of the financial pressure has shifted from the Voluntary Buy-Out programme to the Transport rebuild programme. This change reflects improving confidence in the likely buy-out cost forecast as more data becomes available through the VBO operation, higher insurance payments for property owners than forecast, and a significant reduction in the risk that more Category 3 properties might be identified. Meanwhile the financial risk continues to be considered high due to short-term delays in receiving Government contributions for transportation rebuild work. Officers are working with the relevant Crown agencies to resolve the delays in payment of transportation claims to reduce Council's holding cost.
- 3.3 Due to changes in risk ratings the top Recovery Programme risks now reflects a broader range of issues. While this list continues to include the Voluntary Buy-Out programme, it now also covers infrastructure rebuild, resource and building consenting, and community resilience services.
- 3.4 A pictorial summary of the full list of risks is included as **Attachment 2**. From this view it can be seen that the majority of risks faced in recovery could have a financial implication that could span an extended period of time. The remaining risks relate to service delivery and compliance concerns.
- 3.5 The full Recovery Risk Register is included for reference (**Attachment 3**) and includes the following changes since the last report:
 - New risks identified include; Demolition of the wrong structures, Funding exhausted before offers settled, Meeting external funding requirements, Holding funds on behalf of community groups, Locality plan consultation commitment, and Maintenance of community resilience equipment.
 - Risks archived as they are no longer applicable include; Higher number of Category 3 properties than forecast, and Lower insurance contribution than forecast.
 - Risks transferred to the Long Term Plan programme as they are relevant to the wider goals of Council include; Actual debt higher than forecast, Failure to adjust existing spending priorities; Housing demand increase.

4.0 Voluntary Buy-Out Office Risk Appetite Report

- 4.1 At the 20 November 2023 meeting the Committee adopted a Risk Appetite statement for the VBO and requested a subsequent update report on the risk appetite for the VBO at the next meeting. An update reporting summarising the risk appetite and presenting potential tolerance measures for achieved performance is included (**Attachment 4**). From this report the following can be observed:
 - The number of Letters of Offer provided to property owners is tracking well ahead of the target and the upper tolerance band. However, this discrepancy is most likely the result of a conservative target being set prior to the VBO operation commencing. In this case, the actual performance achieved is more reflective of a measured risk appetite so should still be considered reasonable.
 - Recovery of the Crown contribution to the cost of the buy-out programme remains within a tolerable range of the actual expenses incurred.

- Consequential performance for the key risk areas of Health & Safety and Compliance were good, with no events of concern.
- Media exposure in the past 3 months relating to the VBO has been either well balanced or positive. This supports a beneficial rating for Reputation over this period. However, it should be noted that as more Letters of Offer are being provided it is becoming apparent the owner expectations may not be well aligned to the offers being made. This may mean that trust and confidence in Council will be tested in the next 3 to 6 months.

5.0 Recommendations - Ngā Tūhunga

That the Risk and Assurance Committee receive the report titled Risk Profile Update - Recovery Programme and 3 Water Reform dated 12 February 2024.

Attachments:

1	↓ Cyclone Gabrielle Recovery Risk Profile January 2024	IRB-3-15-24-87	
2	↓ Recovery Risk Register Time Horizon Map January 2024	IRB-3-15-24-88	
3	Recovery Risk Register Full January 2024 <i>Confidential in accordance with Section 7 (2) (j) of the Local Government Official Information and Meetings Act 1987</i>	IRB-3-15-24-89	Under Separate Cover
4	↓ Voluntary Property Buy-Out Risk Appetite Update Report January 2024	IRB-3-15-24-90	

Cyclone Gabrielle Recovery Risk Profile

As at 29 January 2024

Version: 4.0

Ref: STR-27-03-08-0012

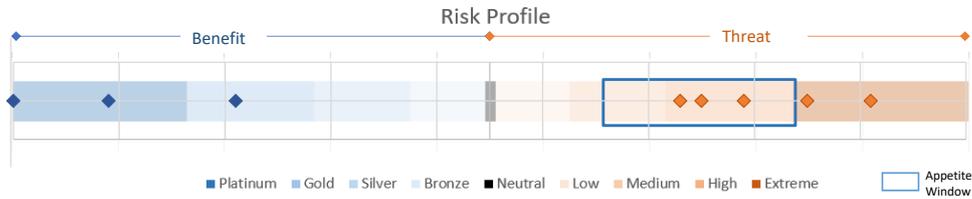
Name: Recovery Programme Office

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
Platinum	External funding opportunities	Timely applications to relevant funders.	Major	Probable
Gold	Combine complimentary existing and recovery budgets	Identifying existing projects that overlap with recovery rebuild needs'	Major	Likely

Impact on Strategic Risks

Risk	Description	Controls	Impact	Likelihood
Extreme	SR35: Liability from legal challenge (Driven by 9 project risks)	Long Term Plan consultation & amendment. Buy-out Policy & supporting documentation.	Major	Probable
High	SR23: Financial Sustainability (Driven by 18 project risks)	Crown Funding Agreement fiscally neutral. Infrastructure consultant panel for design. Long Term Plan budget & 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 of 90% allowable debt.	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.	- Policy amended to recover deomotion contribution. - Sale of purchased property.	Major	Likely
High	Cost of residential property buy-out higher than estimate [Trending Down]	- Renegotiation of Crown Funding contribution.	Major	Likely
High	Insufficient supplier market capacity.	- Supplier panel & maintenance contract. - Workload programming.	Major	Likely
High	Liability for RMA & Building Consent decisions in Category 2 and 3 areas	- MBIE determination process - Commissioner assessment of RMA applications	Major	Likely
High	Resourcing to meeting community resilience expectations [NEW].	Fixed terms staff appointed.	Major	Likely
High	Cost escalation due to deferred infrastructure projects [NEW]	Long Term Plan development & work prioritisation.	Severe	Possible
High	Timelines of consents for infrastructure works.	Expert advice engaged early	Moderate	Probable

Commentary

The risks associated with the recovery programme remain high and continue to push the boundaries of Council's risk appetite. Primary areas of concern continue to be the pressure on Council's finances and potential for litigation. However, the main driver of the financial pressure has moved from the Voluntary Buy-Out programme to the Transport rebuild programme due to delays in receiving Government contributions.

The following new risks have identified since the last report: Demolition of the wrong structures; Funding exhausted before offers settled; Meeting external funding requirements; Holding funds on behalf of community groups; Locality plan consultation commitment; Maintenance of community resilience equipment.

The following risks have been Archived as no longer applicable: Higher number of Category 3 properties than forecast; Lower insurance contribution than forecast.

The following risk have been transferred to the LTP programme as they are relevant to the wider goals of Council: Actual debt higher than forecast; Failure to adjust existing spending priorities; Housing demand increase.

Time Horizon Map



RECOVERY RISK REGISTER AS AT 29/1/24

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 | hastingstcd.govt.nz

PMD-9-3-23-80

Risk Appetite Statement

Category 3 Voluntary Property Buy-Out

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.

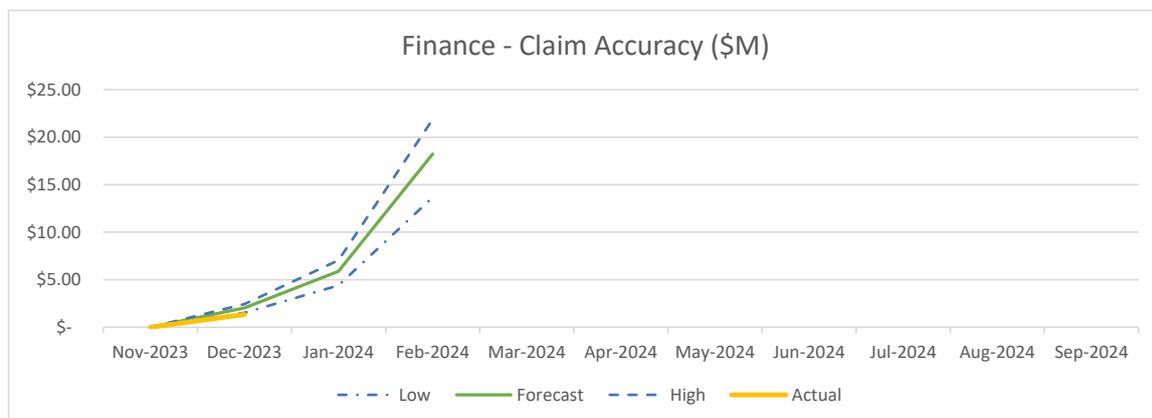
Appetite

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-weighted 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, 12 February 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: Regan Smith, Chief Risk Officer
From: Steffi Reeves-Bird, Risk Manager

Te Take:
Subject: Assurance Review Programme Update

1.0 Purpose and summary - Te Kaupapa Me Te Whakarāpopototanga

1.1 The purpose of this paper is to provide the Committee with an update on the Risk Assurance review programme and results from recent reviews.

2.0 Voluntary Buy-Out Office Review

2.1 A spot check review has been undertaken of the Voluntary Buy-Out Office (VBO) tasked with completing property purchase and relocation grant transactions for residential properties within Category 3 areas. The review was recommended as part of independent advice provided by HKA Global (New Zealand) Ltd in their Process and Risk Advisory Review for HDC (ref: PMD-9-2-23-89).

2.2 Based on this review Risk Assurance assessed the controls within the VBO as being Substantially Effective. Five medium level recommendations were identified during the review, which have already been addressed by the VBO management team. Refer to the Review Executive Summary (**Attachment 1**) for further detail.

3.0 Annual Review Programme Update

3.1 The Risk Assurance team has considered the criteria outlined in the assurance programme planning approach and developed the annual Assurance Review Programme 2023 – 2026 which the executive Lead Team has approved. The annual plan is included for the Committee to review and endorse (**Attachment 2**).

4.0 Recommendations - *Ngā Tūtohunga*

- A) That the Risk and Assurance Committee Meeting receive the report titled Assurance Review Programme Update dated 12 February 2024
- B) That the Committee endorse the updated annual Assurance Review Programme 2023 – 2026.

Attachments:

- | | | |
|----|---|----------------|
| 1↓ | Voluntary Buy Out Office Process Review | IRB-3-15-24-91 |
| 2↓ | HDC Assurance Review Plan 2023-2026 | IRB-3-15-24-92 |



Voluntary Buy-out Office Process Review Internal Review – Report

Reviewer	Regan Smith, Chief Risk Officer
Purpose of Review	Spot Check
Date of issue	21 December 2023
Reviewee(s)	Gus Charteris, Manager – Recovery & Strategic Projects David Elliott, Operations Manager – Category 3 Voluntary Buy Out.

1. Executive Summary

1.1. Introduction

This review is a one-off assessment undertaken in addition to the Annual Review Plan.

Due to the impacts of Cyclone Gabrielle the Government announced that a voluntary property purchase would be offered by the local Councils to affected residential property owners in areas where there is an intolerable risk to life (defined as Category 3 land).

Following this announcement, a Council-Crown funding package was negotiated that included funding for the voluntary purchase of residential property, or payment of a relocation grant for mixed use properties.

To meet Hastings District Council's (HDC) responsibility under the Crown funding agreement the Voluntary Buy-out Office (VBO) was established within the Cyclone Gabrielle Recovery Programme. The VBO is responsible for liaising with property owners, undertaking property valuations, presentation of offers to owners, execution of any agreements and demolition of residential buildings.

Independent advice provided by HKA Global (New Zealand) Ltd in their Process and Risk Advisory Review for HDC (ref: PMD-9-2-23-89) recommended internal audit reviews of process and policy compliance – built into the wider programme. Based on this recommendation, this initial one-off internal spot-check has been undertaken.

The review is supported by the Risk Assurance Charter (PMD-9-1-18-12).

1.2. Objective and Scope

The purpose of this review is to evaluate the VBO processes against the Crown Funding Agreement, Category 3 Buy-out Policy and enterprise risk controls. This review is intended to provide assurance to the Recovery Programme, Lead Team and Risk & Assurance Committee that the VBO procedures effectively support Council's ability to meet expectations of stakeholders in the Category 3 voluntary buy-out activity.

The scope of this review includes:

- Verification that the processes developed by the VBO meet the requirements of the following:
 - o Crown funding agreement,
 - o Category 3 Voluntary Buy-out Policy (the Policy), and
 - o Controls for the following enterprise risks:
 - Liability from Legal Challenge (SR#35)
 - People Health, Safety & Wellbeing (SR#3)
 - Information Security Breach (SR#6)
 - Inadequate Available Funds (SR#8)
 - Corruption & Fraud Incidents (SR#10)
 - Officer Error/Omission, including inadvertent deviation from policy (SR#13).
- Confirmation that the work practices applied by staff in the VBO are consistent with the stated processes.

The review only considered processes relevant to delivery of the outcomes within the responsibility of the VBO, and did not extend to processes owned by other Groups within HDC or Napier City Council.

It is acknowledged that processes are still being developed, so this review reflects a snapshot of the VBO processes at the time the review was undertaken.

1.3. Overall Assessment

Indicator	Risk Rating	No. of Findings
	High Risk	0
	Medium Risk	5
	Low Risk	4
	Process Improvement	5

The work done by the management team to establish the VBO in a very short timeframe has been very successful. The process mapping and templates developed for the operation are fit for purpose and efficient. Internal staff and consultants were appointed early so that they could contribute to development of these systems, resulting in robust processes that the teams have been able to follow.

Conformance with the system for the initial contact, meeting, and valuation phases of the VBO processes has been high. The team have an open and collaborative working approach that raises unexpected issues quickly and results in timely management decisions.

The key opportunities for improvement relate to the need to continue this planning work to ensure there is a similar level of readiness for the offer, acceptance and demolition phases of the process.

Considering the buy-out operation is a new area of activity with minimal precedents to follow, Risk Assurance assessed the Voluntary Buy-out Office Processes as being **Substantially effective**.

1.4. Summary of Findings

The following table provides an overview of the findings which had a risk rating of high or medium.

	Review Area	Summary of Recommendation
1	Crown Funding Agreement – Transaction Cost Allocations.	Implement the most efficient way to load property specific transaction costs to each property project code in Finance1 for cost recovery.
4	Category 3 Voluntary Buy Out Policy – Owner May Pause Process or Reject Offer.	Update IVOC ¹ process maps to show how to handle an Owner opting out or pausing the process.
5	Category 3 Voluntary Buy Out Policy – Special Circumstances Process Map.	Develop a process map for Special Circumstances applications.
6	Category 3 Voluntary Buy Out Policy – Disputes.	Operationalise the disputes provision in the Policy.
12	Enterprise Risk Controls – Health & Safety and Conflicts of Interest.	Provide training on Corporate H&S and COI systems.

¹ IVOC refers to the *Information phase, Valuation process, Offer Process, Completion process* suite of documentation developed to direct undertaking of VBO activities.

Risk Ratings Matrix

		Control Effectiveness			
		Fully Effective	Substantially Effective	Partially Effective	None or Largely Ineffective
Exposure	Low	Process Improvement	Low	Low	Med
	Medium	Process Improvement	Low	Med	High
	High	Process Improvement	Med	High	High

Classification of Internal Control Confidence

Rating	Description
Fully Effective	Control is appropriately planned and designed and is operating as intended to address relevant business risks. The control environment is providing a high level of assurance that business objectives will be achieved.
Substantially Effective	Control is appropriately planned and designed, however there are still additional improvement opportunities in the control environment. The control environment is providing an acceptable level of assurance that business objectives will be achieved.
Partially Effective	Control is not operating as intended or has not been designed appropriately to address the relevant risks. Improvements are required in order to achieve an acceptable level of assurance that business objectives will be achieved.
None or Largely Ineffective	Control not yet in place or is fundamentally deficient in addressing the relevant risk. Control is not contributing to an assurance that business objectives will be achieved.

Classification of Exposure

Rating	Description
High	Issue which could cause or is causing major disruption of the process or major adverse effect on the ability of the process to achieve its objectives.
Medium	Issue which could cause or is causing moderate adverse effect on the ability of the process to meet its objectives.
Low	Issue represents a minimal but reportable impact on the ability to achieve process objectives.

1.5. Basis and Use of this Report

This report has been prepared in accordance with the Scoping Statement and subject to the principles set out in our Risk Assurance Charter. The report is written on an exceptions basis and therefore only areas requiring high level management consideration and action are included in this report.



Risk Assurance Review Plan 2023-26 HDC Risk Assurance

Risk Assurance	Risk Assurance Review Plan 2023 - 2026
Owner	Risk & Corporate Services, Corporate
Committee	Risk & Assurance Committee
Date of issue	
Date of Approval	

Review Plan

1. Executive Summary

1.1. Introduction

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

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

In addition to the Council's internal risk assurance function, Crowe have been appointed on a three-year term to undertake audits on behalf of the five Hawke's Bay Councils, including HDC. This provides the opportunity for greater independence and specialist audit skills when warranted, and a brief audit plan for Crowe is included in this document.

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

1.2. Risk Assurance Objectives

The objective of the Risk Assurance Review Plan is to:

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

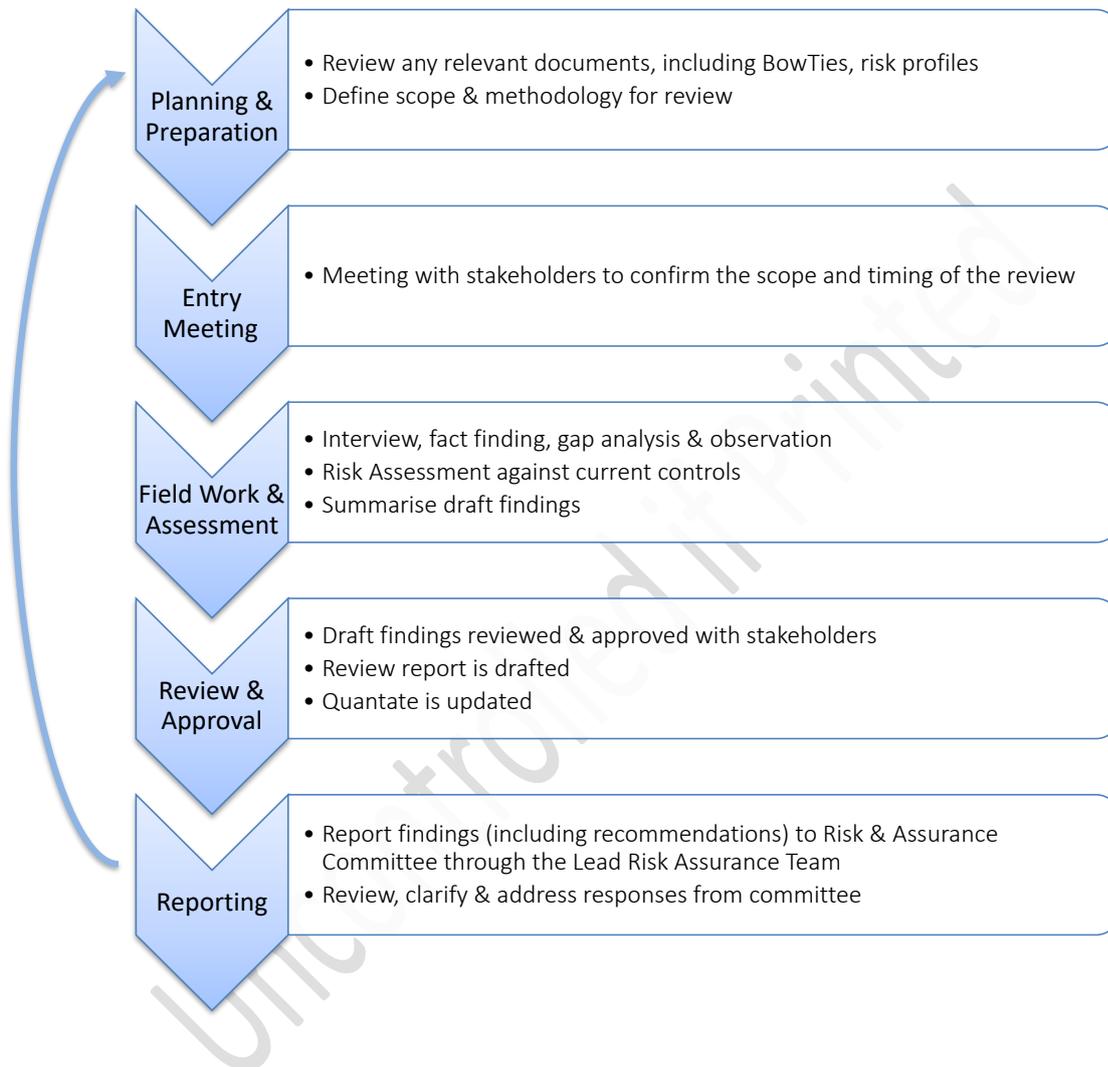
1.3. Risk Assurance's Review Planning Approach

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

- Reviewing the Enterprise Risk Register
- Items being highlighted and prioritised by management within Council
- Receiving and reviewing previous and current audit programs provided by contracted external auditors.

1.4. Methodology

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



2. Review Plan for 2023/24

Led by HDC Risk & Assurance Team	Environmental, Social & Governance (ESG) Expectations	
	Linked to Enterprise Risk(s)	ESG & Cultural Failure (strategic risk)
	Inherent Risk Rating	Extreme
	Key Risk Categories	Legal Compliance, Service Delivery, Reputation, Environment
	Suggested Timeframe	Oct – Dec 2023
	Notes	A stocktake of the Council’s current operations against the Global Reporting Initiative’s Universal Standard for sustainability reporting
	Privacy Protocols	
	Linked to Enterprise Risk(s)	Officer error/omission, Failure to meet legal obligations
	Inherent Risk Rating	Extreme
	Key Risk Category	Reputation, Legal Compliance, People Safety
	Suggested Timeframe	Jan – Mar 2024
	Notes	This review will focus on controls in place to mitigate the risk of a privacy breach, and ensure compliance with the Privacy Act
	Regulatory Solutions	
	Linked to Enterprise Risk(s)	Ineffective regulatory oversight
	Inherent Risk Rating	Extreme
Key Risk Category	Legal Compliance, Reputation, People Safety	
Suggested Timeframe	Apr – Jun 2024	
Notes	A review of the systems and processes in place for the regulatory solutions functions	

Led by Crowe	Data Analytics Audit	
	Linked to Enterprise Risk(s)	Corruption & Fraud Incidents
	Inherent Risk Rating	Extreme
	Key Risk Categories	Legal Compliance, Reputation
	Suggested Timeframe	Jul – Sep 2023
	Fees & Levies Audit	
	Linked to Enterprise Risk(s)	Community Services Failure
	Inherent Risk Rating	High
	Key Risk Category	Reputation, Legal Compliance, Financial, Service Delivery
	Suggested Timeframe	Jan – Mar 2024
	Notes	This review will focus on setting fees across community facilities.
	Procurement / Contract Management Audit	
	Linked to Enterprise Risk(s)	Procurement Failure
	Inherent Risk Rating	Extreme
	Key Risk Category	Financial, Legal Compliance, Service Delivery
Suggested Timeframe	Apr – Jul 2024	
Notes	A review of the procurement and contract management systems and policies, last undertaken in 2018	

3. Summary of Review Plan 2023 – 2026

Risk / Review Activity	Inherent Risk Rating	Key Risk Categories	FY 24	FY 25	FY 26
ESG&C Expectations	Extreme	Legal Compliance, Service Delivery, Reputation, Environment	✓		
Privacy Protocols	Extreme	Legal Compliance, Service Delivery, Reputation, Environment	✓		
Regulatory Solutions	Extreme	Legal Compliance, Financial, People Safety	✓		
Infrastructure service failure	Extreme	Legal Compliance, People Safety, Reputation, Service Delivery		✓	
Staff burnout	Extreme	People Safety, Legal Compliance		✓	
Inadequate available Funds	Extreme	Financial, Service Delivery		✓	
Information security breach / tech failure	Extreme	Service Delivery, Legal Compliance, Reputation			✓
Officer error/omission	Extreme	Legal Compliance, Financial, Reputation, Service Delivery			✓
Failure to meet legal obligations	High	Service Delivery, Legal Compliance			✓
Crowe Audit Plan					
Data Analytics	Extreme	Reputation, Legal Compliance, Financial	✓		
Procurement & Contract Management	Extreme	Legal Compliance, Financial, Reputation, Service Delivery	✓		
Fees & Levies	High	Legal Compliance, Financial, Reputation, People Safety	✓		

4. Next Steps

Task	Task Owner
Review the Risk Assurance Review Plan for 2023-2026 and provide any feedback to Risk Manager	Lead Team
Approve the Risk Assurance Review Plan for presentation to the Risk & Assurance Committee by Risk Manager	Lead Team
Endorse the Risk Assurance Review Plan for 2023-2026	Risk & Assurance Committee
Completion of the relevant Risk Assurance Review each quarter	Risk Manager
Present report and findings from each review to the Lead Team	Risk Manager
Present executive summary and findings from each review to the Risk & Assurance Committee	Risk Manager
Present an annual report to Council outlining the Risk Assurance Review Program for awareness	Risk & Assurance Committee Chair



Monday, 12 February 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: **Regan Smith, Chief Risk Officer**

Te Take:
Subject: **Risk and Assurance Committee Terms of Reference Update**

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

- 1.1 The purpose of this report is to present an updated Terms of Reference and annual work programme for the Committee to consider.
- 1.2 The independent member Mr Graham McGlinn has provided Officers with a file note on Audit Quality Reviews by Regulators (**Attachment 1**). Based on this advice a proposed update to the Risk and Assurance Committee Terms of Reference has been included (**Attachment 2**) reflecting the new advice for the Committee to consider.
- 1.3 Additional supporting information (**Attachments 4 & 5**) on the regulatory reviews of audit practices is also included for reference under a separate cover.
- 1.4 To support the Committee in undertaking the responsibilities in the Terms of Reference a proposed annual work programme is provided (**Attachment 3**) for the Committee to consider, noting that the annual work programme is indicative and has the ability to adjust that work programme as new issues arise.
- 1.5 The work programme is intended to align the presentation of reports to the Committee so that feedback can be provided to Council for consideration if required before a final decision is made.

2.0 Recommendations - Ngā Tūtohunga

- A) That the Risk and Assurance Committee receive the report titled Risk and Assurance Committee Terms of Reference Update dated 12 February 2024.
- B) That the Committee ratify the updated Terms of Reference and recommend to Council to approve the change.
- C) That the Committee adopt the annual work programme.

Attachments:

1 ⇨	Memo on audit quality monitoring reports from Graham McGlinn	IRB-3-15-24-96	Under Separate Cover
2 ⇨	Risk and Assurance Committee Terms of Reference updated January 2024	CG-17-1-00717	Under Separate Cover
3 ⇨	Risk and Assurance Committee Standard Work Programme January 2024	IRB-3-15-24-93	Under Separate Cover
4 ⇨	Financial Reporting Council Review Oversight of audit quality in Australia	IRB-3-15-24-94	Under Separate Cover
5 ⇨	Financial Markets Authority Audit Quality Monitoring Report 2022/23	IRB-3-15-24-95	Under Separate Cover

Monday, 12 February 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 Executive Summary – Te Kaupapa Me Te Whakarāpopototanga

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

This report provides a general update on the Health, Safety & Wellbeing Priority Work Plan for 2023/24.

2.0 Recommendations - Ngā Tūtohunga

That the Risk and Assurance Committee receive the report titled Health, Safety & Wellbeing Update dated 12 February 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 and Safety risks within Council.

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

4.0 Discussion – Te Matapakitanga

4.1 The table below highlights the priority work for the HDC Health, Safety & Wellbeing Team for the coming months and its current status.

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

Work To be completed		Status
Policies/Frameworks to be reviewed	<ul style="list-style-type: none"> • Mauri Tū Mauri Ora (Wellbeing) Framework. • Overarching Asbestos Management Plan. • Rehabilitation & Fit-For-Work Policy. 	Underway.
Health Safety and Wellbeing Critical Risk profile summaries to be development	<ul style="list-style-type: none"> • Mental Wellbeing / Stress. • Asbestos. • Hazardous Substances. 	Underway.
Exposure Monitoring & Health Risk Assessments to be completed	<ul style="list-style-type: none"> • 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 	Underway.
Internal Audits to be completed	<ul style="list-style-type: none"> • Annual Facility Inspections. • Audits of Contracts that undertake High-Risk activities (from a health & safety perspective). • Internal Safe Plus Assessment. 	Delayed – will be completed April-June 2024
External Audits / Assessments	<ul style="list-style-type: none"> • Psycho-social (wellbeing) assessment 	In initial planning phase

Attachments:

There are no attachments for this report.

HASTINGS DISTRICT COUNCIL

RISK AND ASSURANCE COMMITTEE MEETING

MONDAY, 12 FEBRUARY 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 IMBT Risk Deep Dive

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	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.
15 IMBT Risk Deep Dive	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. Sharing of security elements which protect Council information systems.	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.