

Wednesday, 20 May 2026

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council

Risk and Assurance Committee Meeting

Kaupapataka

Attachments – Items 7 and 9

Te Rā Hui:
Meeting date: **Wednesday, 20 May 2026**

Te Wā:
Time: **10:00 AM**

Te Wāhi:
Venue: **Council Chamber
Ground Floor
Civic Administration Building
Lyndon Road East
Hastings**

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LONG TERM PLAN (LTP) 2027-2037 BACKGROUND BRIEFS



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1. Purpose

This document brings together a set of short background briefs to help inform early thinking on the 2027–2037 Long Term Plan.

Its purpose is to summarise the major strategic issues and operating environment pressures likely to shape the next Long Term Plan, so that councillors and staff have a common starting point for discussion. The briefs are intended to support strategic conversations about Council's role, priorities, trade-offs and the wider context in which decisions will need to be made.

The document is not intended to provide a detailed policy position or exhaustive evidence base on each topic. Rather, it is designed to:

- set the scene
- highlight why each issue matters for Hastings
- identify what is changing
- signal what each issue could mean for Council.

Taken together, the briefs are intended to help ground future discussions on vision, strategic direction and the framework for the next Long Term Plan.

2. Resilience, Climate Adaptation and Emergency Management

The Strategic Issue

Resilience is now a core local government issue rather than a specialist workstream. Climate change, natural hazards and emergency management capability are increasingly shaping where growth can occur, how infrastructure is planned, and what communities expect from councils when major events hit.

For Hastings, Cyclone Gabrielle made these pressures immediate and practical. The district now has to think about resilience not only as a recovery issue, but as a long-term land use, infrastructure, financial and community issue.

What Is Changing

- Severe weather and flood events are increasing the importance of resilience and adaptation planning.
- Councils are being expected to play a larger role in hazard management, community recovery and long-term adaptation.
- Natural hazard risk is becoming a more important constraint on where future growth should occur.
- Infrastructure planning is increasingly needing to account for resilience, redundancy and recovery capability.
- Public expectations of councils have shifted following Cyclone Gabrielle and other major events.

Why This Matters for Hastings

Hastings has a particular exposure to resilience pressures because of its flood plains, river systems, coastal settlements, dispersed communities and highly productive land base. The district also needs to balance growth aspirations with increasing awareness of flood, coastal and climate risk. The Future Development Strategy is explicit that natural hazards and climate resilience are now central to how urban growth should be managed across Napier and Hastings.

- Flood hazards affect parts of the district's urban and rural areas, including communities, transport links and three waters infrastructure.
- Coastal settlements face ongoing exposure to erosion, inundation and long-term adaptation issues.
- Recovery from Cyclone Gabrielle highlighted the social, economic and infrastructure consequences of major hazard events.
- The district must navigate tension between protection, accommodation and retreat, particularly where communities want to stay in place.

Signals We Are Already Seeing

- The Future Development Strategy gives greater weight to natural hazards, resilience and compact growth than earlier growth strategies.

- Cyclone Gabrielle recovery, property categorisation and flood mitigation work have already shifted Council and regional priorities.
- Nationally, infrastructure planning is increasingly emphasising resilience to natural hazards and climate impacts.
- Community concern about climate change is rising, particularly when framed as a long-term issue for future generations.

What This Could Mean for Council

- Greater pressure to invest in resilient infrastructure and emergency management capability.
- More difficult land use and planning decisions in flood-prone and coastal areas.
- Increased pressure to fund or co-fund hazard mitigation works.
- Harder conversations with communities where long-term risk is high but retreat is resisted.
- Greater need to coordinate with HBRC, central government, mana whenua and neighbouring councils.
- Stronger need to align recovery, adaptation, infrastructure planning and growth management.
- Increased fiscal pressure as resilience investments compete with other priorities in the LTP.

3. Changing Government Demands and Legislative Reform

The Strategic Issue

The next LTP will be developed in an environment where central government is continuing to reshape the role, obligations and operating settings of local government. This includes reform of planning systems, infrastructure funding, water services, possible rates constraints, and wider expectations about council focus on core services.

For councillors, this means the next decade is likely to involve less local discretion in some areas, higher compliance and policy demands in others, and a growing need to work through regional arrangements, shared services and other collective delivery models

What Is Changing

- Resource management and spatial planning settings continue to evolve.
- Water services reform and infrastructure regulation are changing the wider operating context for councils.
- Central government is signalling stronger interest in council performance, core services and affordability.
- Rates capping and other constraints on local revenue remain live national issues.
- Simplifying local government and regional reorganisation discussions could reshape governance arrangements over time.

Why This Matters for Hastings

Hastings is a growth district with a large regulatory role, major infrastructure responsibilities and significant exposure to national reform. Changes to national rules affect how the district plans for housing, infrastructure, hazards, environmental management and economic development. The district is also active in regional collaboration, which means any change to regional structures is especially relevant.

- Planning reform will affect how Hastings manages growth, land use and environmental trade-offs.
- Water and infrastructure reform may alter delivery expectations, funding pathways and regulatory burden.
- Rates constraints would sharpen the affordability challenge already facing the district.
- Regional reorganisation work could reshape how Hastings works with neighbouring councils, including through regional planning, shared service arrangements and possible new joint delivery structures.

Signals We Are Already Seeing

- The pre-election and strategic work programme material already identifies government reform as a major external driver for Council.
- The Future Development Strategy has been prepared in response to national urban development requirements and highly productive land protections.

- National infrastructure advice is calling for more disciplined planning, clearer funding signals and stronger long-term asset management.
- Central government expectations are increasingly linked to resilience, growth capacity, infrastructure and financial sustainability.

What This Could Mean for Council

- More staff and governance attention may need to be directed to responding to central government reform and regional change processes at the same time.
- Some local choices may narrow as national frameworks become more prescriptive and more decisions are shaped by mandatory regional or national settings.
- Council may need to reprioritise work programmes to make room for implementation of reforms that are not optional, particularly where timelines are driven by government.
- Policy, planning, regulatory and infrastructure teams may face sustained implementation pressure as multiple reforms progress in parallel.
- Hastings may need to take an active leadership role in shaping regional responses where there is an opportunity to influence the form of future arrangements, rather than simply respond to them once set.
- Regional reorganisation work could require Hastings to consider new delivery models or governance arrangements across some functions, including expanded shared services or more formal regional structures.
- Specific regional work programmes may emerge or accelerate, including matters such as a regional Building Consent Authority, regional spatial planning, and broader shared service arrangements where these would improve capability, consistency or efficiency.
- Council's role may shift in some areas from direct delivery toward stewardship, influence, coordination and accountability, particularly where responsibilities are exercised through regional entities or joint arrangements.
- Councillors may increasingly be making decisions within tighter national and regional parameters, with less scope to treat individual issues in isolation from wider system change.
- Greater uncertainty may arise around timing, sequencing, costs and transitional risk, particularly where several reforms intersect or where regional decisions depend on negotiation between councils and government.

4. Demographic Change and the Future Service Mix

The Strategic Issue

Demographic change will shape both demand for Council services and the community's ability to pay for them. Hastings, like much of Hawke's Bay, is facing an ageing population, changing household structures, and a more uncertain long-term labour supply picture.

This is not only a population issue. It affects transport, housing, public space, accessibility, economic productivity, community connection and the mix of services and facilities Council may need to provide over time.

What Is Changing

- The population is ageing, with the number and share of older residents increasing over time.
- Household sizes are expected to reduce, increasing demand for smaller and different types of housing.
- Labour force growth is likely to become more constrained.
- Demand for some services and infrastructure will rise, while other forms of demand may flatten or change.
- Social isolation, affordability stress and uneven outcomes across age and income groups are becoming more visible.
- Uncertainty regarding future population growth – potential for population decline without proactive responses.

Why This Matters for Hastings

The Napier-Hastings Future Development Strategy notes that population growth will continue, but with a changing age profile and a need for more diverse housing types. It also points to stronger future demand for redevelopment and compact urban form. The ageing population report similarly highlights the need to rethink housing, transport, public space and social infrastructure for older residents.

- Hastings will need more housing choice, including smaller, accessible and well-located homes.
- An ageing population will affect demand for footpaths, transport access, public spaces, libraries, pools and community facilities.
- Labour shortages may affect both the regional economy and Council's own delivery capability.
- The district will need to think more deliberately about age-friendly design and service accessibility.

Signals We Are Already Seeing

- The Future Development Strategy projects a significant increase in population and highlights changing household size and ageing as important drivers of housing demand.

- The Age-Proofing Aotearoa report notes that ageing will increase pressure on housing, transport, health and social infrastructure, especially in regional centres.
- The social cohesion report shows younger people are more likely to report isolation and financial dissatisfaction, pointing to intergenerational pressure as well as ageing.
- Across Hawke's Bay, ageing is expected to become a stronger determinant of long-term service needs and rates affordability.

What This Could Mean for Council

- Greater demand for housing diversity and more accessible neighbourhoods.
- More pressure to provide services and public spaces that support ageing well.
- Harder trade-offs between maintaining broad service offerings and targeting what matters most.
- Greater focus on affordability for older residents on fixed incomes.
- Increased importance of transport access, walkability and local service proximity.
- A stronger case for compact growth and age-friendly urban design.
- More need to think about service mix, not just service volume.
- Policy and initiatives in regard to talent retention and attraction (particularly important if population growth stagnates or declines). For attraction, policy and initiatives need to be focused on obtaining a good share of external migration.

5. Fiscal Constraint, Affordability and Funding Capacity

The Strategic Issue

The next LTP will be prepared in a tighter fiscal environment than the last one. Rising infrastructure costs, post-cyclone recovery pressures, debt limits, community affordability concerns and possible future rates constraints all point to a more financially demanding decade for local government.

For Hastings, the central challenge is not whether there are worthwhile things to invest in. It is how to prioritise limited financial capacity across resilience, renewals, growth, service expectations and community affordability.

What Is Changing

- Infrastructure is becoming more expensive to build, maintain and renew.
- A greater share of capital spending is needing to go to existing assets rather than new expansion.
- Central and local government both face tighter fiscal conditions.
- Households are under cost-of-living pressure, which affects rates tolerance.
- Councils are under increasing scrutiny to demonstrate value for money and prioritisation discipline.

Why This Matters for Hastings

Hastings is managing growth, recovery, renewal and resilience at the same time. That combination places pressure on the balance sheet and makes sequencing critical. The National Infrastructure Plan emphasises that New Zealand cannot fund every infrastructure ambition and that maintenance and renewals will need to take a larger share of future investment.

- Recovery and resilience costs add to an already large infrastructure task.
- Growth requires supporting infrastructure at the same time as older assets need renewal.
- Rates affordability is a live issue for many households.
- Council's room to respond may be constrained by debt headroom and competing priorities.

Signals We Are Already Seeing

- The National Infrastructure Plan says New Zealand is planning more infrastructure than it can realistically afford and deliver, with maintenance and renewals becoming the biggest challenge.
- It also notes that many local authorities are approaching debt limits and that household affordability constraints will bite harder as the population ages.
- The social cohesion report shows cost of living and inflation dominate current public concern.

- HDC's own strategic material already signals affordability, rates pressure and infrastructure prioritisation as major issues for the next Council.

What This Could Mean for Council

- Sharper prioritisation across capital and operating programmes.
- Greater focus on renewals, resilience and core infrastructure.
- More pressure to test service levels and delivery models.
- Harder choices between growth investment and maintaining existing assets.
- Increased importance of alternative funding tools, user charges and co-funding.
- Greater scrutiny of non-core or lower-priority spending.
- A stronger need to explain trade-offs clearly to the community.
- Sharper focus on value for money support services and overheads.
- Enhancing new technology where efficiencies, financial savings, and service improvements can be made.

6. Technological Change, AI and the Future of Council Service Delivery

The Strategic Issue

Technological change, including AI, will reshape how councils operate over the next decade. It will automate routine work, accelerate the move toward self-service, change the skills councils need, improve decision-making through better data, and introduce new categories of risk — all while communities expect faster, more convenient digital services and IT infrastructure becomes more connected and harder to defend from bad actors.

For Hastings, the question is not *whether* Council should use new technology, but *how* to leverage it effectively across two distinct environments: operational technology (the systems controlling physical infrastructure such as roads, water and wastewater), and enterprise technology (the systems that run the organisation).

The opportunity is to lift security, efficiency, insight and service quality at a time when fiscal pressure is rising. The risk is that digital change moves faster than Council systems, capability, security and governance.

What Is Changing

- Public expectations for digital, responsive and convenient services continue to rise.
- Faster access to accurate data is becoming critical for planning, asset management and performance monitoring.
- AI tools are rapidly improving and are beginning to affect knowledge work and business processes.
- Operational and enterprise cybersecurity risks are increasing
- Information and data governance are rapidly increasing in importance
- Organisations are starting to rethink workforce capability and operating models in response to automation.

Why This Matters for Hastings

Hastings faces rising service demand, constrained resources and ageing infrastructure. Technology is no longer optional for managing these pressures. Investing now in the right systems and capability is what will make asset management, customer service, regulatory workflows, emergency response and internal productivity achievable at the scale required. Delay carries a compounding cost: systems fall further behind, capability gaps widen, and the window to capture efficiency gains narrows.

At the same time, greater digitalisation expands the attack surface Council must defend. Cyber threats to enterprise systems risk service disruption and data breach; threats to operational technology controlling water, wastewater and roading carry direct public safety consequences. Investment in security capability and governance is not a separate conversation from digital investment; it is a condition of it.

- Efficiency gains in back-office and customer-facing functions depend on modern, well-governed systems.

- Better data and analytics will only deliver stronger planning and asset management if the underlying infrastructure is fit for purpose.
- Digital capability is now a basic condition of service quality, and cybersecurity is a basic condition of digital capability.
- AI offers a significant force multiplier for productivity and service delivery, but realising that potential requires modern, integrated systems and a secure foundation, Council cannot leverage AI effectively on top of outdated or vulnerable infrastructure

Signals We Are Already Seeing

- The National Infrastructure Plan identifies technology change as one of the major drivers affecting future infrastructure demand and use.
- It also notes that cyber threats are part of the resilience challenge for public infrastructure and services. Local government cyberattacks have disrupted services in multiple jurisdictions, affecting rates systems, customer portals and operational networks.
- Research on social cohesion notes that new technology can connect people, but also sits alongside declining civic connection and trust pressures, reminding councils that digital change has social as well as operational effects.
- Across sectors, AI is already beginning to alter expectations about productivity, turnaround times and access to information.

What This Could Mean for Council

- Greater opportunity to automate low-value, repetitive work.
- Stronger use of data to inform planning, asset management and customer service.
- Need to invest in workforce capability, governance and digital literacy.
- Increased exposure to cyber, privacy and information management risks.
- Pressure to modernise systems and retire inefficient legacy processes.

Need for clear policies on appropriate AI use, data handling and cybersecurity standards.
Potential to improve service quality and productivity, but only with active leadership, sustained investment and appropriate guardrails.

7. Growth, Land Use and Housing

The Strategic Issue

Hastings continues to face pressure to accommodate population growth, provide more housing choice and support business development, while also protecting highly productive land, managing natural hazard risk and containing infrastructure costs. This makes growth one of the district's defining strategic issues for the next LTP period.

The core challenge is not simply enabling more development. It is deciding what kind of growth Hastings wants, where it should go, and how to balance housing, productivity, resilience and affordability.

What Is Changing

- Population growth is continuing across Napier and Hastings over the long term.
- Housing demand is shifting toward smaller, more varied dwelling types.
- Policy direction is increasingly favouring more compact urban form and intensification.
- Highly productive land and natural hazards are stronger constraints on outward growth.
- Infrastructure cost and resilience considerations are making location choices more important.

Why This Matters for Hastings

The Napier-Hastings Future Development Strategy is clear that future growth needs to be more compact, better connected to centres and transport, and more careful about both highly productive land and hazard exposure. It also shows that Hastings must accommodate substantial additional dwelling demand over the next 30 years while avoiding unnecessary expansion into the best soils and more hazard-prone areas.

- Hastings must accommodate growth while protecting a productive land base that underpins regional prosperity.
- Compact growth can support more efficient infrastructure use and a more accessible urban form.
- Greenfield expansion remains part of the picture, but options are increasingly constrained.
- Housing demand will increasingly include different household types, not just traditional suburban patterns.

Signals We Are Already Seeing

- The Future Development Strategy explicitly seeks a more compact urban form centred on Hastings, Havelock North and Flaxmere, with intensification and targeted greenfield growth.
- It identifies highly productive land and natural hazards as major constraints on future development patterns.

- It also highlights the need for a larger share of housing growth to be delivered through redevelopment over time.
- Business land planning is increasingly focused on strategic locations, infrastructure efficiency and avoiding reverse sensitivity.

What This Could Mean for Council

- Stronger emphasis on compact growth, redevelopment and housing diversity.
- More tension between greenfield demand and productive land protection.
- Greater importance of aligning growth decisions with infrastructure capacity and cost.
- More complex planning choices where hazard risk, land productivity and housing demand intersect.
- Stronger need to shape growth proactively rather than respond site by site.
- Greater need to coordinate housing, transport, three waters and economic land supply.
- Clearer trade-offs between development flexibility and long-term district outcomes.

8. Economic Change and the District's Competitive Position

The Strategic Issue

Economic performance and the ability to attract and retain people, businesses and investment will increasingly shape the long-term prosperity of Hastings and Hawke's Bay. Like many regional economies, Hastings faces a combination of strengths in the food and fibre sector and emerging innovation areas, alongside challenges including demographic ageing, labour constraints and global competition for talent and capital.

For Council, economic change is not only about supporting growth. It is also about ensuring the district remains an attractive place to live, work and invest, so that incomes, employment opportunities and the ratepayer base remain strong over time.

What Is Changing

Several structural shifts are reshaping regional economies.

- Global demand for high-value food and fibre products is increasing, alongside expectations for sustainability and innovation.
- Competition between regions for skilled workers, businesses and investment is intensifying.
- Demographic ageing and smaller cohorts of young workers are tightening labour supply.
- Technology and automation are changing how industries operate and where economic value is created.
- Quality of place, lifestyle, infrastructure and connectivity are becoming more important in attracting people and investment.

Together, these trends mean regional prosperity will depend increasingly on productivity, innovation, skills and attractiveness as a place to live and work.

Why This Matters for Hastings

Hastings sits at the centre of a regional economy that is strongly shaped by the food and fibre sector, horticulture, processing, logistics and a growing food innovation ecosystem. The district's economic base is productive and export-oriented, but also relatively specialised compared with larger metropolitan areas.

- Food and fibre industries underpin much of the region's economic output and employment.
- The district hosts key processing, logistics and innovation activities linked to horticulture and agriculture.
- Future economic growth will increasingly depend on lifting productivity and moving up the value chain.
- Labour availability is becoming a major constraint as the population ages and workforce growth slows.
- Competing regions are investing heavily in talent attraction, innovation ecosystems and quality-of-life advantages.

Economic strength also underpins Council's financial capacity, as a strong local economy supports employment, incomes and the ability of households and businesses to contribute to local services.

Signals We Are Already Seeing

- Regional economic analysis highlights the importance of the food and fibre sector and the opportunity to capture greater value through innovation and processing.
- Labour availability and skills shortages are increasingly identified as constraints to business growth.
- Population ageing is expected to reduce the proportion of working-age residents over time, tightening labour supply.
- Regions across New Zealand are increasingly competing to attract skilled migrants, entrepreneurs and remote workers.
- Investment in research, innovation and agri-technology is becoming more central to future regional competitiveness.

These signals suggest the district's economic position cannot be taken for granted.

What This Could Mean for Council

- Greater focus on supporting a strong and resilient local economy.
- Increased importance of attracting skilled workers, entrepreneurs and investment to the district.
- Pressure to ensure housing, infrastructure and urban environments support talent attraction and retention.
- Greater emphasis on partnerships with industry, iwi and education providers to support workforce development.
- Increased interest in innovation ecosystems linked to the food and fibre sector.
- The need to balance protection of highly productive land with economic diversification and business growth.
- Recognition that economic vitality underpins the district's ability to fund infrastructure and community services.

9. Infrastructure Renewal and Delivery Capability

The Strategic Issue

Infrastructure renewal and delivery capability will be a defining issue for the 2027–2037 Long-Term Plan. Much of Council’s core infrastructure was built decades ago and is now moving into a period where renewal needs rise, resilience expectations increase, and affordability becomes harder to manage.

This sits directly within the strategic work programme theme of **ageing assets**. The issue is not simply that assets are getting older. It is that Hastings must renew, strengthen, coordinate and deliver across multiple asset classes at the same time, while managing debt, recovery, growth and changing service expectations. Council’s current Infrastructure Strategy notes that infrastructure is a significant share of operating and capital expenditure and is fundamental to health, safety, transport and the physical environment.

What Is Changing

- More assets are reaching the point where renewals can no longer be pushed out without increasing risk.
- Renewal demand is rising at the same time as resilience, growth and compliance pressures are also increasing.
- Delivering infrastructure is becoming harder because of market capacity, sequencing, contractor availability and funding constraints.
- Communities are less tolerant of service interruptions and more aware of infrastructure risk following Cyclone Gabrielle.
- Council is increasingly needing to make decisions across whole systems, rather than one asset class at a time.

The current Infrastructure Strategy signals that Hastings is trying to maintain existing service levels while stepping up renewal funding and managing forecast peaks across different asset classes over time. It also notes that service risk is currently being managed, but that transport and water supply are areas where forward investment needs are clearly signalled.

Why This Matters for Hastings

Hastings is carrying a large and varied asset base. The current Infrastructure Strategy records 1311km of sealed pavement, 340km of unsealed pavement, 473km of footpaths, 260 bridges, 536km of water mains, 448km of wastewater mains, 334km of stormwater mains, around 150 buildings on Council land, 184 parks and reserves, and 43 playgrounds.

The issue for Hastings is not just the size of the asset base. It is the overlap of several pressures at once:

- cyclone recovery and resilience upgrades
- ageing networks and facilities
- growth-related upgrades
- tighter financial headroom

- the practical challenge of delivering a very large programme in the market.

The Long-Term Plan financial strategy describes this as a “delicate juggling act”, with over \$2 billion of capital spend proposed across 10 years, including \$1.2 billion for renewals and improvements and debt projected to peak at \$711 million.

Signals We Are Already Seeing

- Council’s Infrastructure Strategy already signals the need to step up renewal funding to address forecast peaks and maintain existing levels of service.
- Transport renewals are under growing pressure, with the roading network’s age and forecast performance indicating that pavement and related renewal investment needs to increase.
- In water supply, a large share of mains are asbestos cement pipe, and significant replacement demand is signalled from the late 2030s onward.
- Wastewater planning is already focused on trunk mains, pump stations, rising mains and critical treatment plant renewals.
- Parks and buildings are beginning to shift from mainly maintenance-led management toward more deliberate renewal planning, including ageing trees, playgrounds, building compliance and senior housing rehabilitation.

What This Could Mean for Council

- Sharper choices about which renewals are most critical and which can be deferred.
- Greater focus on programme sequencing, procurement, market capacity and delivery realism.
- More need to coordinate infrastructure decisions across activities rather than plan each network in isolation.
- More pressure to explain why renewal investment often needs to take priority over new projects.
- Increased need for better asset data, condition information and risk-based decision-making.
- Greater governance focus on whether the capital programme is genuinely deliverable, not just desirable.
- Ongoing tension between resilience, growth, affordability and service levels.

Asset Area Narratives

Transport

Transport is likely to be one of the clearest renewal pressure points for the next Council. The current strategy says the age and forecast performance of the roading network means pavement and related renewal investment needs to rise now if Hastings is to maintain current levels of service. It also notes that Rating Area Two has a widening renewal gap in the early years because a high share of rural sealed pavement was built in the late 1950s and is now reaching the point where renewal is needed. Bridge strengthening is also part of the response.

For Hastings, the transport issue is broader than road condition. It is also about delivery capability, co-funding with the New Zealand Transport Agency, and coordinating recovery works, renewals and growth. Cyclone Gabrielle has added a major recovery task, while the Long-Term Plan also signals that later years will require roading renewal escalation.

Buildings

The building portfolio is in relatively good overall condition, but it still faces a significant renewal and compliance programme. The Infrastructure Strategy says the key objective for the next 10 years is to improve the efficiency of maintenance, renewal and operations while maintaining service levels. It also notes that new capital works will focus on fire safety, accessibility and earthquake strengthening, and that senior housing requires significant renewal and rehabilitation work.

For councillors, this means buildings are not a simple “replace when worn out” issue. They involve compliance obligations, seismic standards, user expectations, and choices about whether to keep renewing existing buildings or make case-by-case decisions on replacement and rationalisation.

Community assets – pools, libraries and other facilities

Community facilities matter because they shape how people experience Council services day to day. The challenge is that many of these assets are valued highly by the community, but they can be expensive to renew, upgrade and operate. Libraries, pools, sports and arts facilities therefore sit right in the middle of the affordability versus service level conversation.

The Infrastructure Strategy already identifies key building standards and seismic issues for major community buildings such as Hastings District Libraries and Hastings City Art Gallery, while the wider aquatic discussion across Hawke’s Bay also points to significant renewals pressure and the need to think in terms of a more complementary and financially sustainable network, not just stand-alone local facilities.

Parks and open spaces

Parks and open spaces are less about single large renewal spikes and more about cumulative ageing across many smaller assets. The current strategy says that for parks, most spending remains business as usual operations and maintenance, but that a shift from maintenance to renewals is being signalled to better manage ageing trees, gardens, street beds and playgrounds. It also notes that asset information and maintenance data still need improvement to better inform renewal and service level decisions.

For the next Council, this means parks may look lower risk than transport or three waters, but they still carry a growing renewal task. The issue is more about steady pressure across a broad portfolio, with choices likely to centre on service standards, amenity expectations and how much renewal is needed to keep neighbourhood spaces attractive and safe.

Three waters

Three waters is a major renewal story in its own right, but it is also a governance transition story. In the current LTP, Hastings assumed three waters would remain with Council, and planned on that basis because communities still need robust drinking water, wastewater and stormwater services regardless of reform outcomes. The strategy signaled ongoing investment in water

supply improvements, wastewater trunk main renewals, treatment plant renewals, stormwater upgrades and growth-related capacity.

Looking ahead, responsibility will transfer to a new regional water services entity and Council's role will shift from direct ownership and delivery toward stewardship, influence and accountability. That will still leave Council with a critical role in:

- setting local priorities and expectations
- holding the entity to account for delivery across Hastings District
- coordinating land use, roading, growth planning and place-based infrastructure decisions where responsibilities intersect
- making sure local sequencing works across connected systems, especially transport, growth areas and water infrastructure.

That shift will be important for councillors to understand. The asset risk will not disappear just because ownership changes. It will change the nature of Council's role.

Emerging Risk Horizon Scan – NZ Local Government

April 2026

Context and link to earlier reports

This **April 2026** update builds on the January–February and March–April horizon scans:

- Several core risks (climate adaptation, water, cyber, workforce, financial sustainability) continue to feature but have been re-rated and reframed where conditions have changed.
- New geopolitical tensions involving Iran and global shipping/fuel markets have been added as a distinct external driver of risk for NZ councils, especially on cost, supply and emergency management.
- The risk register and rankings below should be treated as an update/refinement of existing entries rather than an entirely new set.

Ratings use a relative 3-point scale for clarity:

- H = High, M = Medium, L = Low (sector-level view; adjust locally).

1. Geopolitical Tension, Iran Situation & Fuel Supply/Cost Shocks

Risk description

Escalating geopolitical tension in the Middle East, including Iran-linked conflict and disruption in key shipping lanes, continues to produce higher fuel and energy prices, potential physical supply constraints, and wider trade and inflation impacts. Councils face cost spikes, knock-on service disruption risks and community hardship.

Why this matters for NZ councils in April 2026

- NZ is heavily reliant on imported fuel and refined products; any prolonged disruption of shipping routes or sanctions-driven market instability pushes up diesel, petrol and aviation fuel prices and can affect availability.
- Councils are major fuel users (vehicle fleets, heavy machinery, public transport contracts, waste operations, emergency response), so even short-term price spikes can materially impact budgets, especially mid-LTP.
- Flow-on cost increases (contractor rates, construction, freight, materials) affect capital projects and core services, while higher living costs increase community vulnerability and expectations of council support.



Indicative rating (sector)

- **Inherent risk: High** – A four-stage government fuel plan is in place. However, this global situation is outside council control; probability of price volatility is high.
- **Residual risk: Medium–High** – councils have some levers (contracts, contingency planning, fleet strategy) but limited ability to avoid pass-through costs.

Key emerging issues

- Unbudgeted opex increases in fuel-intensive services (transport, roading, waste, regulatory fieldwork, emergency management).
- Contractor claims and contract variations for increased fuel and material costs, putting pressure on capex delivery and procurement relationships.
- Community and political pressure if councils adjust fares, fees, or service levels (e.g., public transport, waste collection, facility operations) in response to fuel costs.

2. Accelerating Climate Adaptation & Natural Hazard Exposure

Risk description

Physical climate impacts (flooding, storms, coastal erosion, landslides, heat, drought) continue to intensify, intersecting with new national expectations for adaptation, land-use change and risk disclosure. Councils face asset damage, service disruption, litigation, and difficult community transitions.

Inherent risk: High

Residual risk: High → Medium (where adaptation programmes are active; otherwise High)

April 2026 emphasis

- New hazard mapping and guidance are increasingly non-optional inputs into planning and infrastructure decisions; failure to use them may heighten legal exposure.
- Communities are more aware but also more anxious and sometimes resistant, especially where adaptation implies relocation, restrictions or higher costs.

Priority actions

- Ensure climate and natural hazard risks remain among the top-ranked enterprise risks, with explicit connection to LTP, district plans and infrastructure strategy.



- Update asset management plans and design standards to reflect near-term hazard projections, not just 50–100-year outlooks.

3. Water Services Viability & Reform (Local Water Done Well Context)

Risk description

Delivery of safe, reliable and financially sustainable drinking water, wastewater and stormwater services under evolving policy and regulatory settings may exceed councils' funding and delivery capacity, leading to non-compliance, service failures and public dissatisfaction.

Inherent risk: High

Residual risk: Medium–High

April 2026 emphasis

- The replacement of the earlier Three Waters model with Local Water Done Well expectations does not remove underlying infrastructure under-investment and regulatory compliance pressures.
- Many councils still face large capex backlogs and tightening environmental and drinking water standards, with limited debt headroom or ratepayer tolerance.
- Decisions about shared entities or collaboration models create transition and governance risk, with long-term consequences.

Priority actions

- Confirm and communicate a realistic long-term investment profile for water, including prioritisation and sequencing.
- Strengthen compliance monitoring and reporting to avoid unexpected breaches or enforcement.

4. Cybersecurity, Data Breach & Digital/AI Resilience

Risk description

Councils, CCOs and shared service entities remain attractive targets for cyber attacks and data theft, including attacks on operational systems (water, traffic, buildings). Adoption of AI and cloud services, if poorly governed, adds new vulnerabilities.

Inherent risk: High

Residual risk: Medium–High (slight improvement where uplift programmes are underway)



April 2026 emphasis

- Threat actors are increasingly leveraging AI-assisted tools (spear-phishing, deepfakes, automated discovery of vulnerabilities).
- Public and regulatory expectations around privacy and breach handling are higher following recent NZ breaches.
- Geopolitical tensions, including current conflict in the Middle East, increase the likelihood of spillover cyber activity. Malicious attacks can propagate via shared cloud/SaaS environments, international suppliers and critical infrastructure partners, so NZ councils are not insulated by geography.

Priority actions

- Prioritise cyber and privacy as a top-tier enterprise risk; ensure risk owners at ELT level and regular committee reporting.
- Complete cyber risk assessments and improvement plans covering IT, OT and cloud/SaaS; embed security into procurement.
- Confirm visibility of any overseas-hosted or Middle East-exposed digital services (cloud, SaaS, managed service providers) and integrate related scenarios into monitoring, incident response exercises and supply chain risk assessments.

5. Misinformation, Polarisation & Trust in Local Institutions

Risk description

Misinformation and disinformation campaigns, often linked to polarised issues (rates, climate, water, Treaty matters, public safety), reduce trust in councils, increase complaints and legal disputes, and expose staff and elected members to abuse and safety risks.

Inherent risk: High

Residual risk: Medium

April 2026 emphasis

- Geopolitical developments (including Middle East tensions) can spill over into local protests, community division and targeted campaigns against public agencies.
- Complex topics like adaptation funding, fuel-driven cost increases, and water reform are easily distorted online, eroding consent for necessary decisions.
- Safety and wellbeing concerns for frontline staff and elected members are more visible.



Priority actions

- Maintain an active risk register entry covering staff/elected-member safety, online harassment and mis/disinformation impacts.
- Deploy structured issues monitoring and response protocols for high-risk topics (rates, climate, water, fuel-related changes).
- Integrate plain-language, evidence-based communication and iwi/community partnership approaches into major decisions.

6. Workforce, Capability & Delivery Capacity

Risk description

Difficulty attracting, developing and retaining skills in key areas (engineering, planning, digital/cyber, climate, Te Ao Māori capability, project delivery) undermines councils' ability to meet legal obligations and deliver programmes.

Inherent risk: High

Residual risk: Medium–High

April 2026 emphasis

- Additional workload pressures from fuel-driven cost responses, adaptation planning, and cyber uplift increase burnout risk.
- Some specialist markets (e.g., water engineers, climate strategists, AI/data specialists) are extremely tight across NZ and Australasia.
- Without structured workforce planning, councils risk over-reliance on a small number of individuals or vendors.

Priority actions

- Align a targeted workforce plan directly with the top 5–7 council risks and strategic priorities.
- Grow regional and cross-council collaboration for scarce skills; consider shared teams/centres of excellence.
- Invest in leadership and governance development to support better decision-making in complex risk areas.



7. Financial Sustainability, Insurance & Integrity Risk

Risk description

Compounding cost pressures (fuel, construction, wages), climate and water investment demands, and potential insurance market shifts strain council finances. Fiscal stress can drive difficult trade-offs and elevate fraud, corruption and procurement risks.

Inherent risk: High

Residual risk: Medium-High (trending upward in many councils)

April 2026 emphasis

- The Iran/fuel situation adds additional, largely unplanned operating and project cost pressure, on top of existing inflation and interest rate effects.
- Public scrutiny of value for money, alongside political sensitivity to rates, increases reputational and integrity risk.

Priority actions

- Update long-term financial strategy and stress tests to reflect likely higher fuel and input-cost scenarios as well as climate and water investment – increased grocery prices have remained post-lock down. The increased fuel prices could easily become the new normal.
- Re-check and strengthen fraud, corruption, and conflicts-of-interest controls, especially in high-spend procurement lines.

8. Governance Complexity, Reform Uncertainty & Role Creep

Risk description

Overlapping reforms (planning, water, climate, emergency management, resource management) and community expectations that councils fill gaps in social services and wellbeing create mandate confusion, governance overload and fragmented performance.

Inherent risk: Medium-High

Residual risk: Medium

April 2026 emphasis

- The combination of fuel-related economic stress, climate adaptation and water reform creates a crowded and politically sensitive agenda and decision environment.
- Elected members face high decision volumes with complex trade-offs, increasing the chance of inconsistent or short-term responses.



Priority actions

- Maintain a succinct, regularly updated “reform and external pressure map” for governance and ELT to ground decisions.
 - Use the enterprise risk register and LTP as filters for potentially new commitments to communities in need.
 - Provide targeted briefings to elected members on the combined impact of reforms and external shocks (including fuel/energy) on council risk and options.
-



Table below ranks emerging risks for NZ councils **as at April 2026**, combining likelihood and impact at a sector-level (1 = highest priority). You should map these into your own scoring matrix.

Table: Emerging Risk Register – NZ Local Government (April 2026)

Risk Title	Inherent Rating	Residual Rating	Brief Rationale (April 2026)
Geopolitical Tension (Iran) & Fuel Supply/Cost Shocks	High	Medium–High	Exogenous but immediate budget and service impacts; interacts with financial sustainability and cohesion.
Accelerating Climate Adaptation & Natural Hazard Exposure	High	High / Med	Systemic, multi-decade impact; legal, financial and social consequences; adaptation obligations tightening.
Water Services Viability & Reform (Local Water Done Well)	High	Medium–High	Large capex, regulatory demands and affordability challenges; governance model decisions in play.
Cybersecurity, Data Breach & Digital/AI Resilience	High	Medium–High	Threat environment escalating; recent public sector breaches; increasing dependence on digital systems; heightened spillover risk from geopolitical tensions (e.g. Middle East/Iran).
Misinformation, Polarisation & Trust in Local Institutions	High	Medium	Shapes community consent for decisions, increases staff/elected-member safety risks and legal disputes.
Workforce, Capability & Delivery Capacity	High	Medium–High	Critical to delivering responses to all other top risks; persistent shortages in specialist areas.



Risk Title	Inherent Rating	Residual Rating	Brief Rationale (April 2026)
Financial Sustainability, Insurance & Integrity Risk	High	Medium-High	Cost and revenue pressures, climate and water investment, insurance trends, fraud/procurement exposure.
Governance Complexity, Reform Uncertainty & Role Creep	Medium-High	Medium	Drives confusion, overload and misalignment across risks; moderates effectiveness of all other responses.





Tier 1 HDC Strategic Risk Register (Council)

Threats

Risk ID	Title	Description	Inherent risk level	Level of control	Current risk level	Proposed changes May 2026
2	Natural or human-made disaster hazard exposure	<u>Exposure to natural (e.g. severe weather, earthquake) and human-made (e.g. hazardous substances) disasters hazards covers major disasters or emergencies due to a natural hazard or human made events affecting community safety or property may result in significant impacts to safety of our community, damage to property and assets, and service disruption.</u>	Extreme	Sufficient	High	Change to description
3	People Health, Safety & Wellbeing	Exposure to health & safety risks (as a result of activities undertaken or directed by Council) which could result in serious health effects to workers, customers and public.	Extreme	Strong	High	
21	Significant Operational Service Failure	Operational failure that may have a material impact on the delivery of Council services to the community.	Extreme	Strong	High	
22	Water Quality & Quantity	As a result of climate change, and human activities <u>and changes to the delivery of 3W</u> , there may not be a sustainable quantity of quality water to support the community's <u>district's</u> economic, social and environmental wellbeing aspirations.	Extreme	Sufficient	High	Change to description
23	Financial Sustainability	Due to over committing to work programmes <u>and the restrictions of future rate capping</u> the financial sustainability of the Council may be compromised affecting delivery of all LTP goals.	Extreme	Strong	High	Change to description
25	Growth planning <u>Unfunded growth</u>	Poor timing or under-recovery of growth investment may lead to unexpected cost escalation adversely affecting Council's financial position, and ability to achieve LTP objectives <u>and the district's economic aspirations.</u>	Extreme	Sufficient	High	Change to description
26	Failure of climate adaptation	Lack of knowledge, protracted decision making or insufficient application of resources may cause climate change adaptation measures to fail adversely impacting economic, social and cultural wellbeing.	Extreme	Sufficient	High	

Risk ID	Title	Description	Inherent risk level	Level of control	Current risk level	Proposed changes May 2026
28	Significant statutory reform	Failure to proactively adapt to statutory changes could adversely affect economic, environmental, social or cultural wellbeing, and cause significant delays and/or barriers to Council's delivery of LTP objectives.	Extreme	Sufficient	High	Increase Current Risk Level due to impact of Head Strat Programme.
32	Cyber Security Threat	Increasing sophistication of cyber attacks may cause Council to be unable to defend a significant cyber attack, resulting in an inability to communicate through normal channels, operate core functions or stand up a response, severely impacting Council's reputation and potential legal implications and/or fines.	Extreme	Strong	Medium	
35	TRANSFER: Legal Liability	Decisions made without sufficient justification or delegated authority may be successfully challenged resulting in Council being found liable for costs, reparations with consequential loss of trust in confidence.	High	Strong	Medium	Suggest a move to the Enterprise Register due to a change to the inherent risk level, reduced likelihood.
39	Societal Polarisation	Combinations of inequity, income disparity and misinformation/Truth decay may result in societal fragmentation and polarisation affecting safety of Council staff, property and services.	Extreme	Sufficient	Medium	
41	NEW: Capital Infrastructure Delivery Capacity	Competing demands to renew ageing infrastructure while rebuilding assets may exceed Council's financial and delivery capacity, leading to sub-optimal prioritisation, project delays, cost escalation, and failure to meet community expectations.	Extreme	Sufficient	Medium	NEW

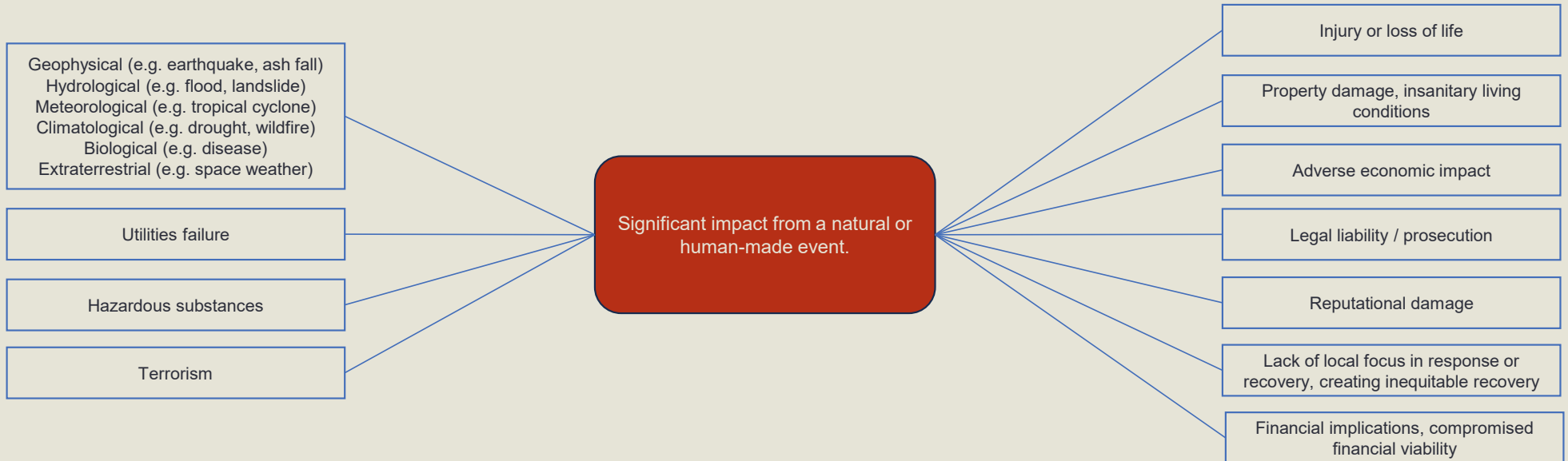
Opportunities

Risk ID	Title	Description	Inherent risk level	Level of control	Current risk level	Proposed changes May 2026
40	Generative AI Efficiency	[Opportunity] Proactive implementation of Generative Artificial Intelligence tools may lead to improved operational efficiency and increased productivity enhancing delivery of council services and meeting additional demand without significant increase in cost.	Silver	Sufficient	Platinum	
30	Demonstrate good ESG&C practices Model citizen with strong cultural competence	[Opportunity] Successfully and proactively addressing Environmental, Social, Governance (ESG) and Cultural expectations during decision making processes would contribute to improving equity of resources, enhanced community wellbeing, enrichment of the natural environment, increased trust of and a positive reputation for Council, attraction as an employer and to gain a head start on complying with potential future legislation.	Silver	Sufficient	Gold	Change to title
36	Successful Strategic Partnerships	[Opportunity] Provision of sufficient capacity and capability within the organisation to manage relationships with other agencies, would lead to successful partnerships and a collaborative, effective approach to projects. This would result in a positive reputation with communities, better outcomes for the community and other stakeholders, and potentially limit financial costs for each partner.	Bronze	Strong	Gold	

Risk #2 Natural or human-made hazard exposure

Risk Owner: Council

Trend:

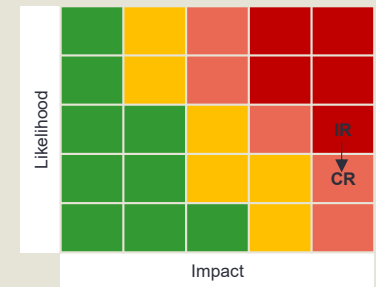


2026 Commentary

Extreme weather events continue to increase in both frequency and intensity across the country. So far in 2026, there has been nine declared states of emergency for flooding and severe weather as at March 2026, compared to eight for the entirety of 2025. As GHG emissions continue to rise, physical climate risks continue to increase, meaning more severe weather is predicted, a higher likelihood of compounding disasters and greater pressure on infrastructure and emergency management systems.

Additionally, geopolitical tensions currently unfolding are causing pressure on supply chains and in particular fuel supplies, which could lead to lifeline failures for communities (e.g. extended and/or widespread power loss).

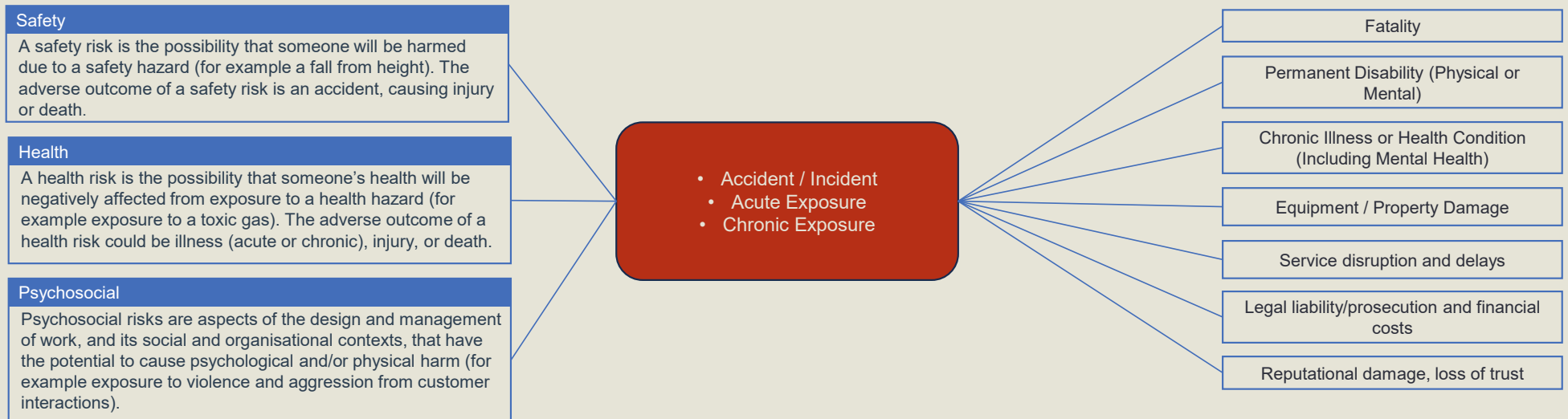
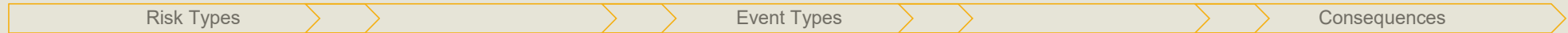
- Controls**
- Land-use planning, environmental consenting
 - Lifelines planning, infrastructure capacity and asset management plans
 - Contingency funds, insurance
 - Response and Business Continuity Planning



Risk #3 People Health, Safety & Wellbeing

Risk Owner: Council

Trend: *Reported separately through HSW critical risk reporting*



2026 Commentary This is a simplified 'umbrella' risk diagram essentially encompassing broad exposure to Health and Safety risks arising from work that is directed or undertaken by Council. These Health and Safety risks could result in serious health effects to 'workers', customers and public and/or significant financial impacts through equipment or property damage, service disruption or delays. Council is responsible for a significant breadth of activities with varying degrees of complexity and risk exposure, including contracted work. Focus on 12 critical HSW risks, strong safety culture, and robust contractor management supports inherently high-risk operations.

Controls

- Critical HSW Risk Register with supporting bowtie analyses
- Health, Safety & Wellbeing policies and procedures
- Robust role-specific training programme (including competency assessments)
- Active Risk Management including risk reviews, incident reporting and response plans (Learning Teams approach), Safety by design, strong contractor management(pre-qualification, SSP review, inductions, onsite monitoring) HSW interactions, inspections, audits, exposure/health monitoring, internal SafePlus assessments

Risk #21 Significant Operational Service Failure

Risk Owner: Council

Trend:

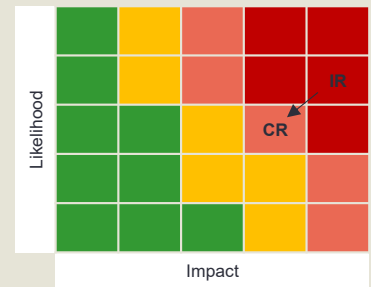


2026 Commentary

Council is operating in an increasingly complex and constrained environment. Financial pressures (e.g. rate capping), increasing community expectations, statutory changes and workforce capacity means that this risk is escalating.

Additionally, the ongoing geopolitical tensions resulting in disruption to supply chains and fuel stocks, creates an environment where this risk event is more acute. The ability to source the right equipment and resources for Council operations may be hampered by both the availability of stock and the escalation of costs due to limited supply and/or high demand.

- Controls**
- Workforce and succession planning, capability development
 - Policies and SOP's
 - Response, incident and business continuity planning
 - Insurance, contingency funding
 - Asset management planning and maintenance programmes



Risk #22 Water Quality & Quantity

Risk Owner: Risk Owner

Trend:   



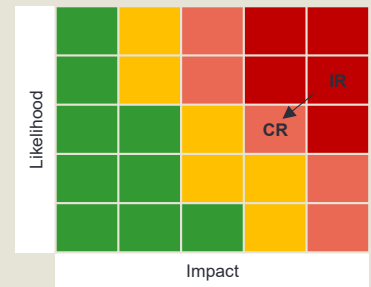
2026 Commentary

Water quality and quantity remains a critical, long-term risk to Council and the Hastings district. The impacts of a changing climate (including changes to rainfall patterns, intensifying droughts, and extreme weather events) are causing pressure to surface water and ground water systems, making long-term water use planning challenging.

This is alongside increasing and competing demands for water use due to population growth, urban development, industrial and agricultural water use.

LWDW is another significant piece of the risk context, where responsibility for three waters will shift to a new regional entity, changing the nature of control that Council has within this space.

- Controls**
- Demand management, water conservation programmes
 - Network renewal programmes
 - Monitoring of water quality and water use
 - Land use controls



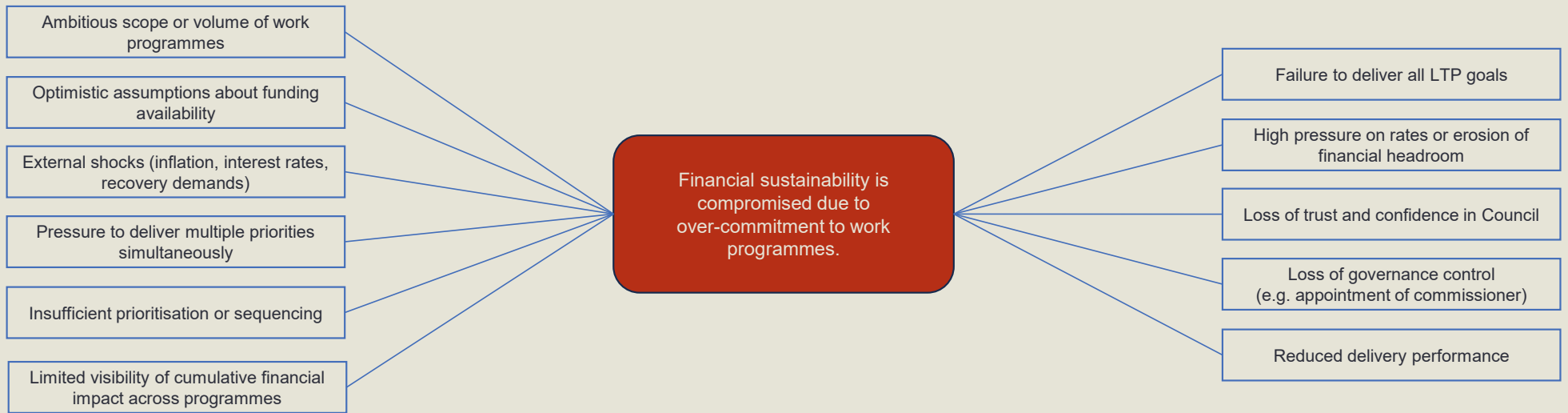
Risk #23

Financial Sustainability

Risk Owner:

Council

Trend:   

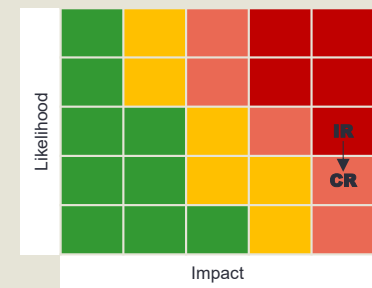


2026 Commentary

Financial sustainability is a critical strategic risk for councils as the cumulative scale and ambition of work programmes continues to grow, often in parallel with cost escalation, funding uncertainty, and rising community expectations. Over-commitment to programmes can erode financial headroom, place sustained pressure on debt and rates, and reduce Council's ability to respond to future shocks.

Good financial sustainability management focuses on system-wide discipline rather than project-by-project assurance. Strong integration between strategy, finance and delivery, supported by regular governance oversight and willingness to make explicit trade-offs, is essential to maintaining long-term resilience.

- Controls**
- Financial strategy and monitoring.
 - Programme prioritisation and trade-off processes.
 - Integrated planning between strategy, finance and delivery functions.
 - Governance oversight of total programme commitments.



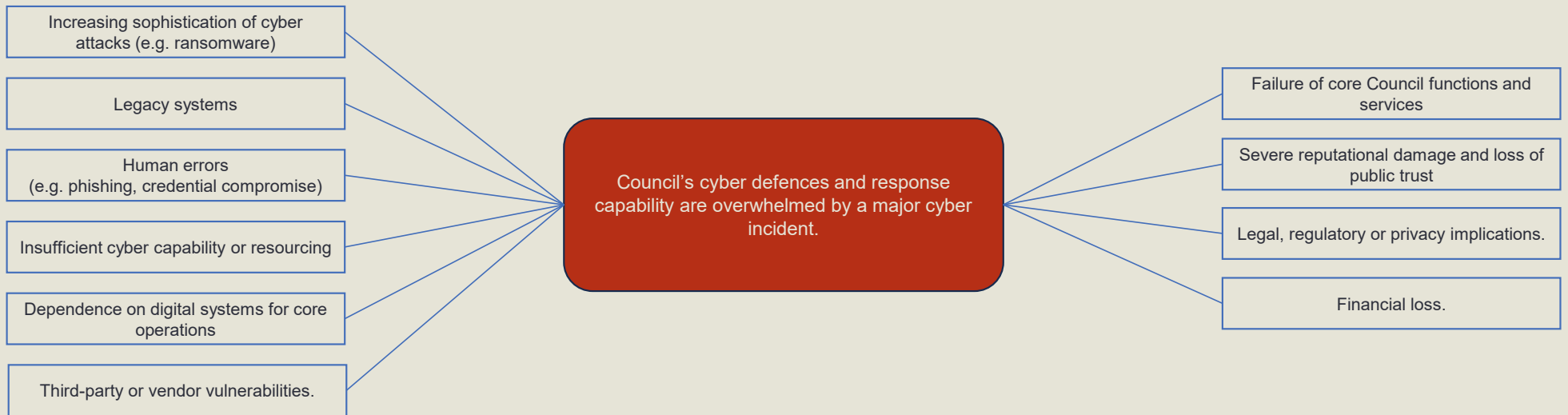
Risk #32

Cyber Security Threat

Risk Owner:

Council

Trend:   

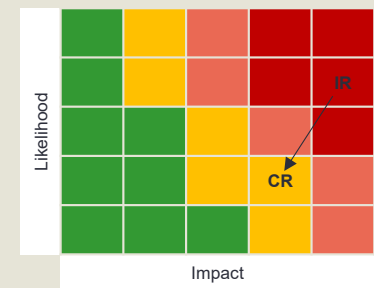


2026 Commentary

The cyber threat environment facing councils and public sector organisations continues to intensify in scale, frequency, and sophistication. Local government is a target due to the combination of critical service delivery, sensitive personal data held, constrained legacy systems, and high public visibility. Notably, the majority of successful attacks do not rely on highly advanced techniques, but instead exploit known vulnerabilities, weak identity controls, compromised credentials, or human factors such as phishing and social engineering.

In this context the Council IMBT team continue to work with expert advisors to ensure that Council has the suitable measures in place to protect valuable systems and data assets.

- Controls**
- Defence-in-depth cyber controls (monitoring, patching)
 - Security awareness and training for staff
 - Independent security testing and assurance.
 - Cyber risk investment prioritised



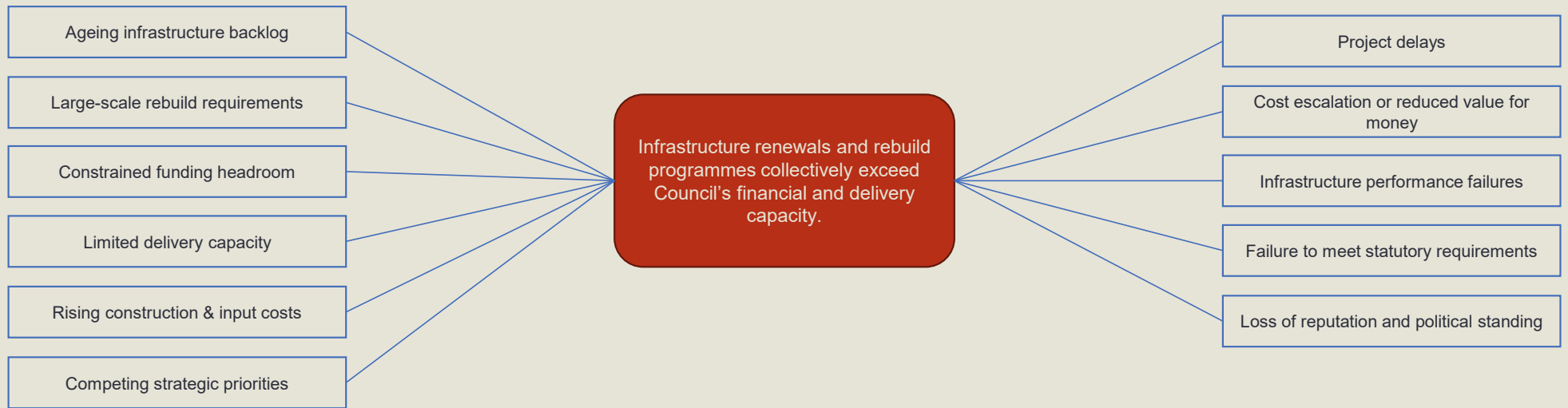
Risk #41

NEW Capital Infrastructure Delivery Capacity

Risk Owner:

Council

Trend:   

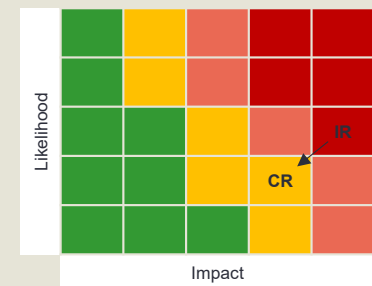


2026 Commentary

The significant post Cyclone Gabrielle transport rebuild will continue for a several years and will involve several very large projects. To ensure these projects can be delivered as expected the internal oversight and management of project delivery has been substantially increased.

The replacement of aging assets does provide the opportunity to ensure there is adequate future capacity for growth and climate adaptation as long as project planning and sequencing can be managed effectively. This also puts more focus on good infrastructure strategies and Asset Management Plans.

- Controls**
- Governance oversight capital decision-making
 - Infrastructure strategy and Asset Management Plans.
 - Project Delivery Office sequencing and staging.



Risk #39

Societal Polarisation

Risk Owner:

Council

Trend:   



2026 Commentary

Inflationary pressure from global geopolitical tensions is likely to drive further cost of living crisis issue, which in turn is likely to exacerbate issues driving societal polarisation. Greater polarisation in public discourse can also be seen from key groups at either end of the political spectrum, in some cases resulting in physical conflicts. Due to these conditions the risk of societal polarisation impacting Council services is seen as moderate but on watch for an increase to high.

- Controls**
- Accountability & transparency in Council decision making.
 - Proactive community engagement & consultation.
 - Response and business continuity plans.
 - Staff awareness & deescalation training.



Risk #40

Generative AI Efficiency Opportunity

Risk Owner:

Council

Trend:

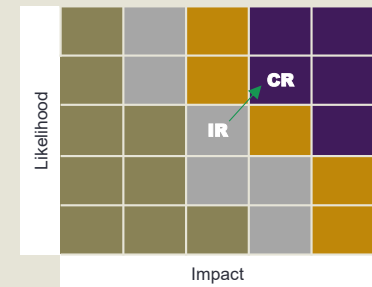


2026 Commentary

Artificial intelligence presents a significant opportunity for councils to improve service delivery, decision support, workforce productivity, and organisational efficiency at a time of rising demand and constrained resources. International evidence shows that, when implemented well, AI can enhance customer interactions, improve information management, support data-driven decision-making, detect fraud and inefficiency, and reduce administrative burden—allowing staff to focus on higher-value, human-centred work.

Realising this opportunity depends less on technology and more on governance, capability, and risk-aware implementation. Leading organisations adopt a “responsible and resilient AI” approach.

- Controls**
- AI Strategy and governance.
 - AI Training, champions and resource portal.
 - Workflow redesign and data assessment.
 - AI work programme and lead role.



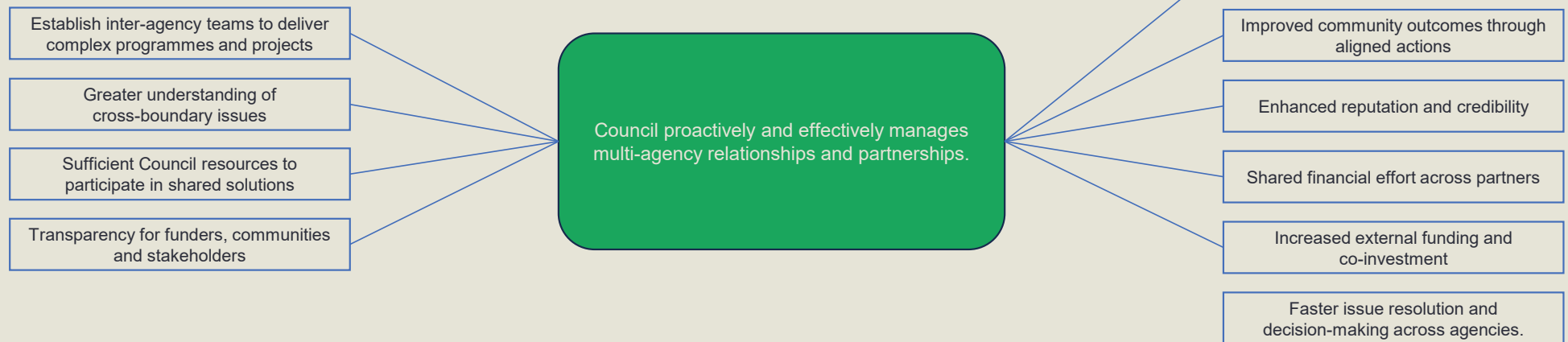
Risk #36

Successful Strategic Partnerships

Risk Owner:

Council

Trend:   



2026 Commentary

Strategic partnerships are becoming increasingly critical as councils face complex, cross-boundary challenges, rising community expectations, and sustained pressure on funding and workforce capacity. Desired outcomes can no longer be achieved by single organisations acting in isolation. As a result, well-designed partnerships are now recognised as a core mechanism for delivering place-based outcomes.

Successful partnerships do not emerge organically; they rely on deliberate investment in organisational capacity, capability and governance. Effective partnerships are characterised by dedicated relationship management, a clearly articulated shared purpose, aligned objectives, and strong governance arrangements that clarify decision-making and accountability.

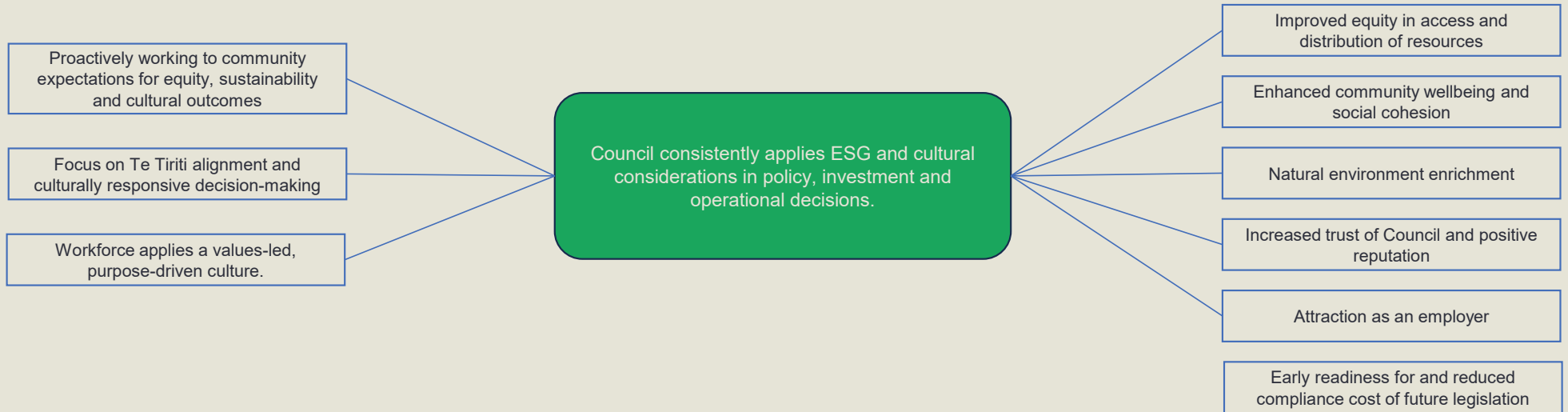
- Enablers**
- Senior management sponsor key partnerships.
 - Dedicated relationship management capability.
 - Agreed partnership principles.
 - Alignment of inter-agency objectives with Council priorities



Risk #30 Model Citizen with Strong Cultural Competence

Trend:   

Risk Owner: Council

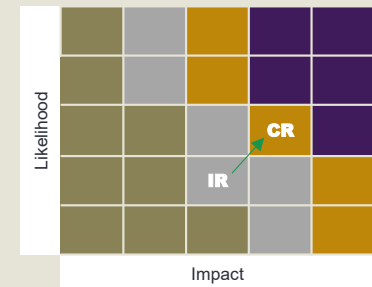


2026 Commentary

In 2024 an internal gap analysis was undertaken to benchmark Council's operations in relation to the GRI's Sustainability Reporting Standards (global, best-practice guidance). This review found that there is no current requirement for HDC to introduce ESG or sustainability reporting, but the organisation is well-placed to meet many of the general disclosures, through existing reporting structures and legislative requirements.

With this in mind, it is recommended that this risk remains on the strategic register as an opportunity risk (rather than a threat) as the concepts can be leveraged to support the organisation to be a model citizen, leading strong cultural competence and prepared for possible future legislative requirements.

- Enablers**
- Clear governance commitment
 - Early and meaningful engagement with mana whenua and communities.
 - Consistent application wellbeing principles
 - Capability building across the organisation.
 - Integration with planning.





Risk Assessment

Transition to Regional Water Services Council Control Organisation

Note: based on 3 Waters reform PESTLE risk assessment workshops

Context:

Transition delivery of the following Council water services including assets and data to a Regional Council Controlled Organisation (CCO):

- Supply of safe drinking water,
- Management of waste water, and
- Disposal of storm water.

Goal:

Communities in the Hawkes Bay continue to receive high quality compliant water services that meet current and future needs without disruption.

Community Sentiment:

Themes supporting water reform	Themes opposed to water reform
<ul style="list-style-type: none"> • Cost efficiency and economies of scale • Regional collaboration and shared infrastructure • Water metering and user pays • Independent, professional governance 	<ul style="list-style-type: none"> • Scepticism of financial benefits • Desire to retain local control and accountability • Opposition to price harmonisation • Affordability and equity concerns • Concerns about privatisation of assets • Concerns over Governance complexity

Risk Assessment Themes:

The 25 identified risks can be grouped in to the following themes that need to be managed:

- Cost uncertainty.
- Disruption to service.
- Transition management.
- Organisational capability.
- Future liability.
- Strategic objectives delivery.

Top Threat Risks:

Description	Inherent	Mitigation	Target
WT1 Staff/Contractor Retention	Extreme	Attractive employment contracts. Talent retention plans	
WT2 Stranded Overheads	Extreme	CCO SLA including ongoing support	
WT3 Protracted Change	High	Change management programme	
WT4 Service response times	High	CCO Statement of intent. Public communications plan	
WT5 Public Accountability Perception	High	Public communications and engagement	
WT6 Poor Transition Management	High	Change management programme	
WT7 Failure to Realign Existing Services	High	Service realignment	

Key Opportunity Risks:

Description	Inherent	Enhancements
WO1 Contracted Services Transfer	Platinum	
WO2 Improved Debt Position	Platinum	
WO3 Provision of Shared Services	Platinum	
WO4 Maintaining Good Quality Assets	Gold	
WO5 Effective Transition Management	Silver	
WO6 Post Transition Optimisation	Silver	
WO7 Project Delivery Office	Silver	

Ref: PMD-9-3-25-124

V1.2

Risk Appetite Assessment:

Careful management will be required to meet the objective of transitioning water service delivery without disruption to the end consumer while maintaining all compliance obligations. However, there is also a need to avoid a very long drawn out process that could create confusion for all parties. Therefore, it is inevitable that it will be necessary to accept some uncertainty during the transition to achieve the goal in a timely fashion. As a result, there is a strong preference for delivering the expected outcome and risk should only be accepted if essential and there is limited possibility of failure.

This equates to a **Conservative** risk appetite, except with regard to Safety and Compliance which requires mitigations to ensure the risk is **As Low As Reasonably Practical (ALARP)**.

This provides for the following tolerances for project activities:

Aspect	Low Range	High Range
Finance	Up to a Likely chance (40%-70%) of loss up to \$10K.	Only a Rare chance (less than 10%) of loss up to 25% of budget.
Service Disruption	Up to a Likely chance (40%-70%) of negligible (<5%) impact on response time or hours of service.	Only a Rare chance (less than 10%) that response time or hours of service reduced by up to 25%.
Reputation	Up to a Likely chance (40%-70%) of individuals expressing concern.	Only a Rare chance (less than 10%) of significant regional media attention.



Risk Register – Opportunities

Ref	Type	Risk Description	Inherent Impact	Inherent Likelihood	Inherent Risk	Enhancements	Current Impact	Current Likelihood	Current Risk
WO1	Opportunity	Contracted Services Transfer Because Council outsources water service operations it should be possible to transition service delivery to the CCO with minimal service disruption.	Major (benefit multiple communities)	Probable	Platinum				
WO2	Opportunity	Improved Debt Position Transferring water related debt to the CCO should improve Council's debt position creating additional borrowing capacity for resilience purposes	Substantial (>\$4M benefit)	Probable	Platinum	WT13 & WT12 - (threat and opportunity) Recommend lowering the internal net debt to revenue ratio back to pre-Cyclone levels as soon as feasible	Substantial	Probable	Platinum
WO3	Opportunity	Provision of Shared Services Because Council will retain overhead costs following the transfer of water services, there is an opportunity to provide shared services to the CCO under Service Level Agreements post transfer date, helping to offset stranded overheads.	Substantial (>\$2m benefit)	Probable	Platinum	WT2 - (threat and opportunity)			
WO4	Opportunity	Maintaining Good Quality Assets Continuing to invest in good quality water assets, in line with existing capital programmes and annual maintenance plans, will ensure that community wellbeings will be sustained while the new CCO gets established.	Moderate (current best practice)	Probable	Gold				
WO5	Opportunity	Effective Transition Management A dedicated transition team should be able to develop effective processes for service transfer enabling transformation of other services.	Moderate (current best practice)	Possible	Silver	Project team established	Major (Leading)	Probable	Platinum
WO6	Opportunity	Post Transfer Service Optimisation Review remaining services after transfer of services may identify strategic opportunities achieving operating and cost efficiencies improving service delivery.	Moderate (current best practice)	Possible	Silver				

Ref	Type	Risk Description	Inherent Impact	Inherent Likelihood	Inherent Risk	Enhancements	Current Impact	Current Likelihood	Current Risk
W07	Opportunity	Project Delivery Office Leverage Council's PDO by providing project and programme delivery services to the CCO (and potentially other organisations) on a commercial basis, improving capability utilisation and creating potential revenue streams.	Moderate	Possible	Silver				
W08	Opportunity	Reduced Liability Removing liability for water service delivery should reduce the public liability exposure with lower insurance premium for Council.	Minor (~\$200k)	Likely	Bronze				

Risk Register - Threats

Ref	Type	Risk Description	Inherent Impact	Inherent Likelihood	Inherent Risk	Mitigations	Current Impact	Current Likelihood	Current Risk
WT1	Threat (capability)	Staff/Contractor Retention Attractive employment opportunities provided by a CCO may result in key staff or contractors leaving reducing Council's ability to plan or deliver infrastructure projects.	Major (Partial failure)	Probable	Extreme	Attractive employment contracts/Career opportunities. Keeping staff informed. Talent retention plans.	Major	Possible	Medium
WT2	Threat (cost)	Stranded Overheads Because Council overheads will not change significantly after divestment of water services the cost of other services may be impacted by the redistribution of overhead costs	Major (\$2M budget impact)	Almost Certain	Extreme	CCO Service Level Agreement for ongoing support WO3	Moderate	Possible	Medium
WT3	Threat (process)	Protracted Change Slow changeover to a CCO may increase Council costs or create service gaps causing supply disruptions or delays in achieving centralisation benefits.	Major (~\$2M)	Likely	High	Change management programme (Opp WO4).	Major	Possible	Medium
WT4	Threat (service)	Service Response Times Lack of clarity over responsibility for customer experience between Council and the CCO may result in delays resolving service calls resulting in prolonged service disruptions and complaints.	Major (up to 50% increase in response time)	Likely	High	Public communications and engagement. CCO Statement of Expectations and SLA.	Moderate	Possible	Medium
WT5	Threat (reputational)	Public Accountability Perception Following the transfer of water services to the CCO, the risk is that the public continues to perceive Council as responsible for water services post-transfer, creating reputational and political pressures.	Major (Sustained reputational impact)	Likely	High	Public communications and engagement.	Major	Possible	Medium
WT6	Threat (liability)	Poor Transition Management A lack of investment or un-anticipated complexity in transitioning assets (i.e. transferring legal titles) to a Water CCO may cause delays and confusion over responsibility for service delivery exposing Council to liabilities and affecting continuity of service delivery.	Major (Prosecution for core legal requirement)	Likely	High	Change management programme (Opp WO4).	Major	Possible	Medium
WT7	Threat (cost)	Failure to Realign Existing Service Following the transfer of water services, delays in realigning Council services and reducing	Major (Sustained regional focus))	Likely	High	Service realignment WO3	Minor	Possible	Low

Ref	Type	Risk Description	Inherent Impact	Inherent Likelihood	Inherent Risk	Mitigations	Current Impact	Current Likelihood	Current Risk
		overheads may result in stranded costs persisting longer than expected, leading to ongoing inefficiencies and higher service delivery costs.							
WT8	Threat (capability)	Change Fatigue Staff fatigue from ongoing 3 waters and other simultaneous changes may increase the chance of errors resulting in unexpected service failures.	Major (partial disruption)	Likely	High	Attractive employment contracts/Career opportunities. Keeping staff informed. Talent retention plans	Moderate	Possible	Medium
WT9	Threat (Strategy)	Compromised Growth Plan Implementation Due to loss of control over strategic water services planning Council may not be able to give effect to growth plans or adapt timing of development priorities delaying economic growth opportunities.	Severe (assume 0.2% loss of GDP or ~\$17M from long term delays)	Possible	High	CCO Statement of Expectations, SLAs and operational MOUs.	Major	Possible	Medium
WT10	Threat (liability)	CCO Financial Guarantee Poor operating model or funding may cause the CCO to be financially unsustainable resulting in liability for Council has guarantor for CCO debt.	Severe (cost could be >\$4M)	Rare	High	CCO Statement of Expectations and SLA. Rules for debt transfer. SRF monitoring	Major	Rare	Medium
WT11	Threat (Service)	Limited Technical Capability Due to the reduced inhouse engineering skills available after transition to the CCO there may a lack of technical capability in Council affecting Council's ability to plan effectively.	Moderate (service delivery impacts & less effective planning)	Probable	High	Operational MOUs in place. Identification of key roles that need to be replicated within Council.	Moderate	Likely	Medium
WT12	Threat (cost)	Over Allocation of Debt Headroom The improved debt position post transition may be used to extend or develop new Council services resulting in higher costs to the community.	Severe	Possible	High	WO2 - (Threat and opportunity) Lowering of internal net debt to revenue limit	Severe	Possible	High

Ref	Type	Risk Description	Inherent Impact	Inherent Likelihood	Inherent Risk	Mitigations	Current Impact	Current Likelihood	Current Risk
WT13	Threat (liability)	Debt Classification and Allocation Risk While debt transfer mechanisms are now well understood, there remains a risk that determining which debt is attributable to water services (e.g. shared infrastructure, growth-related debt, or historical allocations) may require judgement and create ambiguity, potentially resulting in Council retaining a different level of debt than anticipated.	Major (Up to \$4M impact)	Likely	High	External financial advice from Bancorp or other qualified party.	Moderate	Possible	Medium
WT14	Threat (service)	Loss of Community Voice Failure of the CCO to consider community needs may affect suitability or cost of services resulting in complaints to Council as shareholder.	Moderate (regional public attention)	Likely	Medium	Economic regulation. Statement of Expectations. Significance and Engagement Policy (HBWSCCO)	Moderate	Likely	Medium
WT15	Threat (service)	Current System Unable to Cope Support systems and staff may not be sustained through the transition causing services interruptions.	Major (Partial service loss)	Possible	Medium	Change Management programme.	Moderate	Possible	Medium
WT16	Threat (cost)	Deferred Decision Making Due to lack of clarity about service responsibilities significant infrastructure decisions may be deferred causing development projects to stall.	Moderate (Sign regional interest)	Likely	Medium	Clear transfer agreement detailing ongoing and critical projects. Operational MOUs. Statement of Expectations.	Moderate	Rare	Low
WT17	Threat (liability)	Development Contribution Reconciliation Ambiguity in development contribution charges may create challenges reconciling funds to transfer to the Water CCO resulting in future liability for Council.	Moderate (<\$1M impact)	Likely	Medium	Ongoing DC project	Moderate	Possible	Medium
W18	Threat (strategy)	Excessive Infrastructure Charges Poor definition of growth related infrastructure require may cause a Water CCO to apply excessive Infrastructure Charges affecting the ability to achieve Council growth targets.	Moderate (noticeable employment or wellbeing impact)	Possible	Medium	Development Levy legislation SAMP/AMPs Operational MOUs	Moderate	Rare	Low

Ref	Type	Risk Description	Inherent Impact	Inherent Likelihood	Inherent Risk	Mitigations	Current Impact	Current Likelihood	Current Risk
WT19	Threat (liability)	Loss of Asset Data Loss of direct control over asset data may cause data gaps or insufficient information to support other services (e.g. LIMs) resulting in poor services or liabilities.	Major (Prosecution for core legal requirement)	Possible	Medium	Statement of Expectations Operational MOUs SLAs (from WSCCO to Council)	Moderate	Possible	Medium
WT20	Threat (service)	Lack of Service Integration External delivery of water services may create challenges coordinating infrastructure services (e.g. between 3 waters and transportation) resulting ineffective or inefficient services.	Moderate (\$200k - \$1M additional cost)	Likely	Medium	Operational MOUs	Moderate	Possible	Medium
WT21	Threat (liability)	Management of Environmental Impacts To meet environmental standards the CCO may expect a higher level of stormwater run-off management (i.e. from road surfaces) resulting in additional infrastructure cost or liability for Council.	Major (cost up to \$4M)	Possible	Medium		Major	Possible	Medium
WT22	Threat (service)	Asset Data Migration Poor management of existing water Infrastructure asset data and records may cause loss of data or knowledge resulting in rework and investigation costs.	Moderate (cost up to \$1M)	Possible	Medium	Transfer Agreement.	Moderate	Possible	Medium