HASTINGS
DISTRICT COUNCIL
Te Kaunihera ā-Rohe o Heretaunga

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

Kaupapataka

Attachments Under Separate Cover

Te Rā Hui:
Meeting date: **Monday, 13 September 2021**

Te Wā:
Time: **1.00pm**

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

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HASTINGS DISTRICT COUNCIL
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TE KAUNIHERA Ā-ROHE O HERETAUNGA

HDC Strategic Risk Map & Horizon Scan – at August 2021

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

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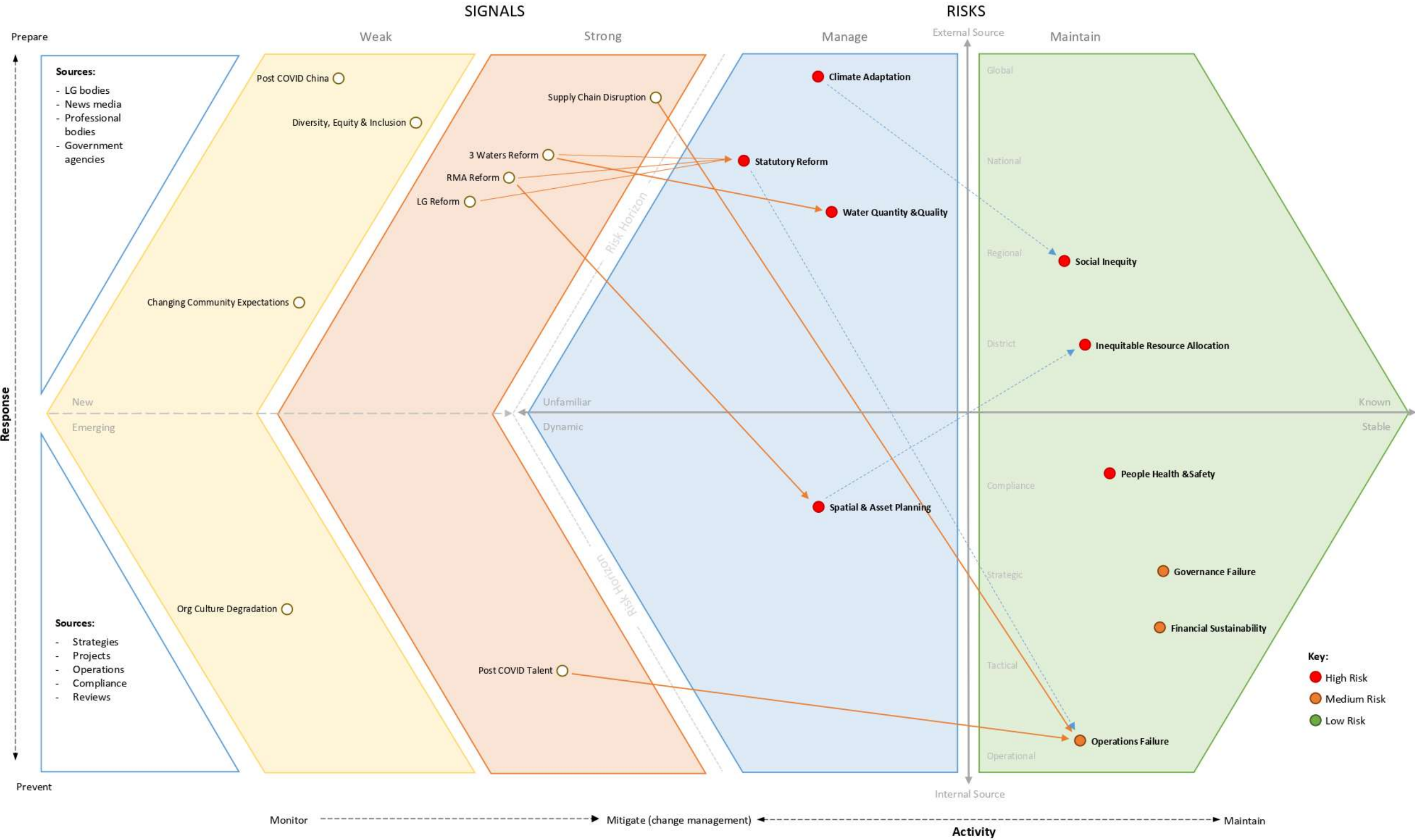
Signal Response Breakdown

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

Hi Impact / Critical

Response: **Plan**	Response: **Understand** (Construct Scenarios)

• Post COVID Talent:
  ○ Potential for retention and recruitment issues due to a failure to adopt a working model that meets the preferences of the workforce in the post COVID environment (*Gartner*). This signals a potential shift that could affect operational integrity.
 	
• Supply Chain Disruption:
  ○ Organizations will experience increased supplier risk events due to extreme weather events, unplanned outages, supplier financial challenges, pandemic-induced lockdowns and cyberattacks (*Gartner*). Future planning may need to build in extra time and cost to accommodate supply chain, this also may increase the attractiveness of locally made product.
	• 3 Waters, Resource Management & Local Government Reform:
	  ○ These significant reforms are progressing at a relatively fast pace considering the magnitude of the changes. While some additional details are available for the 3 waters reform, there is still significant uncertainty about the specific impacts of all three reforms. Regional collaboration on 3 waters has started and a risk assessment has been completed. A similar level of understand may be needed across all three areas.

Response: **Monitor**	Response: **Review**

• Organisation Culture Degradation:
  ○ Challenges maintaining organisation culture while employees work remotely or in a hybrid workforce model (*Gartner*). Whether this issue will affect Council is hard to determine at present, but monitoring for possible changes would be prudent.
	• Post COVID China:
	  ○ The deteriorating relationship between China and G7 nations highlighted by the fallout from U.S./China trade talks and transparency concerns denotes an insecurity in partnering with Chinese-state-sponsored organizations (*Gartner*). Reviewing whether this could have a bearing on Council sister city relationships and what impacts the local economy might feel given a shift in the international relationship with China could be worthwhile.
	
	• Changing Community Expectations:
	  ○ In the post COVID era "…early signs that suggest some aspects of life will return to normal, while other trends may last or continue to change for years to come." Including: More financially mindful and savvy consumers; Restructuring priorities; Digital adoption; Travel rush. (*McKinsey & Company*). While specifically direct at Local Government, the potential for a noticeable shift in consumer choices is likely to have an impact on community expectations of Council services. Further consideration of this may be useful.
	
	• Diversity, Equity & Inclusion (DEI) Responsiveness:
	  ○ Slow organizational response to the increased demand around DEI in the workplace will lead to reputational harm or employee backlash (*Gartner*). To remain a desirable place to work it may be desirable to review the practices in place to promote diversity, equity and inclusion.

Predictable (left margin) — *Uncertain* (right margin)

Low   Impact

Ref: PMD-9-3-20-16

Item 4 (right margin)

Gartner

Top 10 Emerging Risks of 2Q21

Risk and audit executives tell us every quarter about the threats they see looming on the horizon. Here are the most recent emerging risks.

01

Cybersecurity Control Failures

Adjustments made to policies to support remote work, once seen as quick fixes, fail to support long-term security practices and safeguard company data.

02

ESG Regulatory Requirements

Due to heightened reporting requirements on ESG efforts driven by new regulations, organizations will suffer reputational harm or monetary impact in the form of fines for noncompliance.

03

Remote Talent Management

A hybrid remote work/in-office workforce will exacerbate talent management and resource allocation issues.

04

Organizational Culture Degradation

Organizational culture will be difficult to maintain virtually while employees continue remote work or shift to a hybrid workforce model.

05

Supply Chain Disruption

Organizations will experience increased supplier risk events due to extreme weather events, unplanned outages, supplier financial challenges, pandemic-induced lockdowns and cyberattacks.

06

Talent Post-COVID-19

Organizations will encounter retention and recruiting issues due to a failure to adopt a working model that meets the preferences of the workforce.

07

Diversity, Equity and Inclusion (DEI) Responsiveness

Slow organizational response to the increased demand around DEI in the workplace will lead to reputational harm or employee backlash.

08

Corporate Tax Changes

New corporate tax legislation prompted by efforts around economic recovery will alter established recovery plans of an organization.

09

Post-COVID China

The deteriorating relationship between China and G7 nations highlighted by the fallout from U.S./China trade talks and transparency concerns denotes an insecurity in partnering with Chinese-state-sponsored organizations.

10

Politicization of Decision Making

Organizations are forced into making a politically driven decision due to stakeholder pressure leading to reputational harm or potential alienation of existing workforce.

Risk velocity

Emerging risks ranked with the highest impact and velocity:

- Global chip shortage
- Protracted vaccine distribution
- Citizen journalism

Organizations of all sizes should be wary of these high-velocity risks because they could rapidly cripple your organization if they were to materialize.

Are you prepared to tackle these risks?

Learn how to drive faster action on emerging risks with Gartner risk management insights.

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Australia & New Zealand

Behind the trend lines: What 12 Australian families can teach us about changing consumers

June 3, 2021 | Article

By Jenny Child, Dan Feldman, and Thomas Rüdiger Smith

A closer look at the people affected by the pandemic provides insight into how businesses can thrive in the decades to come.

DOWNLOADS

↓ Article (8 pages)

For many Australian communities, 2020 was a profound experience: bushfires, a global pandemic, and waves of activism all forced changes on our society that disrupted habits and fundamentally challenged assumptions that had previously dictated the rhythms of everyday life. Our hope for a swift return to normalcy needs to be considered in tandem with the fact that many Australians have altered longstanding mindsets and behaviours—and, as consumers, we have changed our purchasing patterns to prioritise new personal values.

Over the past year, McKinsey has provided a series of insights in which we sourced and interpreted real-time data on the impact of these changes for Australian consumer businesses. But behind the data are people—and in a period of increased

microsegmentation, we believe understanding the experiences of those people is critical for businesses looking to approach recovery with the nuance that emerging customer behaviours will require.

Toward the end of 2020, we spent time with 12 Australian families to understand how COVID-19 was impacting their lives. Here are some of their insights.

Exhibit

Consumer behaviors shift depending on the degree of impact on their freedom and income.

Consumers in the lower left corner of the matrix may have been able to work from home and expect life to return to normal soon, while those closer to the upper right corner are more likely to have lost a job and a sense of purpose.
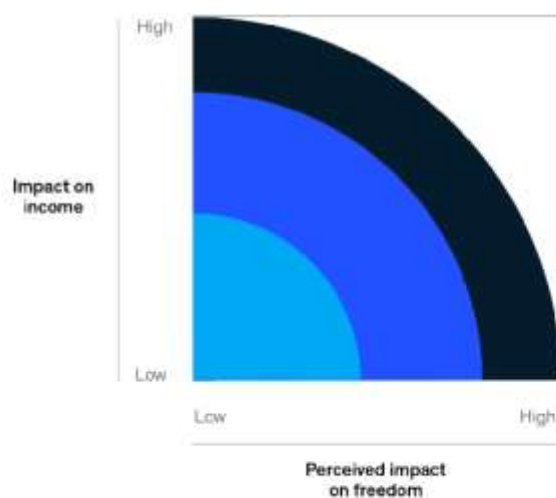
McKinsey & Company

Living short term: One response to continued uncertainty

Despite signs of increased optimism, Australians are not confident in a return to their previous 'normal.' Economic uncertainty (which continues to outrank public health as the primary concern for Australians) and ongoing shifts in restrictions have forced Australians to adopt new cycles of both planning and dreaming. Daily and weekly

planning cycles have become the main focus, while monthly (or beyond) cycles remain within the purview of aspiration only. Yearly cycles are nearly gone. The implications of this shift mean a lower likelihood of making impulsive choices today that bank on the expectation of a future benefit (for example, a pay rise, vacation, or new job). Instead, people are focusing their decision making on how it impacts the short term while maximising options for an uncertain future. The last thing anybody wants is to be underprepared for whatever may come next. These changes to mindsets have developed over the course of a year and will continue to affect behaviour for months, if not years, to come.

Active resetting of lifestyles and habits

At the start of 2020, many of us relied on the pace of our lifestyles to stimulate and excite us. Life had become habitual but frenetic.

By the middle of 2020, we were forced out of our routines (some more than others) in a way that made us reconsider that freneticism and the physical and emotional toll that it was taking: We migrated to online shopping; we reappraised reliable and sustainable brands and reconsidered fast fashion; we actively chose to support local businesses; we learned and worked remotely; we discovered what we were comfortable going without; we created connections with people in new ways; and we didn't spend holidays running from place to place. Despite all of these changes, we found that life can still be fulfilling and, in some cases, even improved.

Heading into 2021, these shifting norms influence a wider set of decisions, as some Australians realise that life as they knew it is not their only path—nor even their preferred one. Experiencing life in a smaller radius, without the previous distractions, has given people the opportunity to take a step back and think about how they will choose to live going forward.

Becoming more mindful of need versus want

The pandemic forced new levels of mindfulness on routine aspects of life. Early in 2020, everyday activities such as grocery shopping required thoughtful preparation to avoid added risk and to get what was needed from sparse shelves. Now, a year later, this mindful behaviour has spread to other aspects of life.

The extent to which this more strategic mindset will continue in consumer behaviour appears linked to how deeply COVID-19 has impacted individual lives this year. Looking across consumers, we've identified two key factors that are linked to lasting behavioural shifts: how much their (actual) livelihoods were impacted and how much their (perceived) lifestyles were impacted. For some, a shift was driven by a loss of income (current or expected). For others, staying home showed them the positive impact of savings, paying down debt, or spending money on things that matter to them.

While an altered income determines many behaviour shifts, impact to freedom affects the intensity of those shifts. Those who experienced extended lockdowns or lost access to important activities for long periods found their behaviours and mindsets shifted more significantly than those who didn't feel the consequences of the pandemic as pointedly.

Regardless of the catalyst, people have survived—and even thrived—living without many of the things they would have previously called vital to their happiness, such as restaurants, entertainment events, or travel. While the personal-value equation is different for everyone, this equation has changed for almost everyone in the past year.

What is the implication for Australian businesses?

Our insights have already looked at segmental impacts from 2020. But what all of these stories highlight is that, within those segments, the experiences of this year have been unique and deeply personal to the individual.

At the highest level, as we showed in our last article, there are four large segments centred around two key factors: how challenging 2020 was on people's economic situations and how it affected the way they lived their lives. For this event, the distribution of behavioural impact does not run along lines of traditional demographic segmentation; people of all ages, genders, ethnicities, and family structures felt the effects of COVID-19. The factors that drove your segmentation in the past may not be the right ones to drive your future.

There are layers underneath the headline figures, and as a consumer-facing business, you need—now more than ever—to understand what has changed in your customers' mindsets. This will affect marketing and branding, go-to-market strategies, growth strategies, and product development. These vignettes from our 12 Australian families tell us that the realities are, unsurprisingly, much more nuanced. 2020 was traumatic, even if the injury was not lasting for many—and trauma inevitably changes individuals in a variety of ways over time.

The future remains uncertain. The ground is still shifting and has yet to settle back into a new form. There are early signs that suggest some aspects of life will return to normal, while other trends may last or continue to change for years to come:

- *Mindful and savvy consumers.* More people will see their livelihoods change in unexpected ways. These shocks to people's senses of security are showing up as shifts in mindsets, not just survival behaviours, which could lead to a cohort of

more financially mindful and savvy consumers.

- *Restructured priorities.* Several profound shifts—realising what matters, appreciating the simple things, and investing in making them more central to life —do not appear flights of fancy. Whether it's spending more time with family, nesting at home, or self-care, these new priorities will likely take time to change again.

- *Digital adoption.* Pandemic restrictions forced many people who were averse to a shift to digital to make the change. While there are signs that some people may return to physical channels, exposure and positive experience were enough to make digital the preferred channel for an increasing number of people and occasions. While we believe that digital adoption will normalise, signs indicate that usage will remain higher than it was before COVID-19.

- *Travel rush.* While many cities are once again allowing increasingly large gatherings, there's a continuously growing eagerness for a return to normalcy— exemplified, for many, by travel. Whether driven by a desire to see family abroad or simply to feel unstuck in the world, travel is top of mind for many who are primed at the gate to get overseas.

One thing is clear: your approach to understanding your customers needs a fresh look. Differences in experience—and how people internalised those experiences—will determine the lasting changes going forward. Uncovering those means looking at your customers through different lenses and staying one step ahead to meet their emerging needs. Now is the time to embody the words of computing pioneer Alan Kay: 'The best way to predict the future is to invent it.'

ABOUT THE AUTHOR(S)

Jenny Child is a partner in McKinsey's Sydney office, where Thomas Rüdiger Smith is an associate partner; Dan Feldman is a design director with McKinsey Design.

The authors wish to thank Cameron Hinkley and Karthikeyan Swaminathan for their contributions to this article.

Talk to us

A new system for three waters service delivery

DIAGRAM 1
JUNE 2021

Item 5

1. A CASE FOR CHANGE

This Government has ambitions to significantly improve the safety, quality, resilience, accessibility, and performance of three waters services, in a way that is efficient and affordable for New Zealanders. This is critical for:

- public health and wellbeing;
- environmental outcomes;
- economic growth and employment;
- housing and urban development;
- adapting to the impacts of climate change;
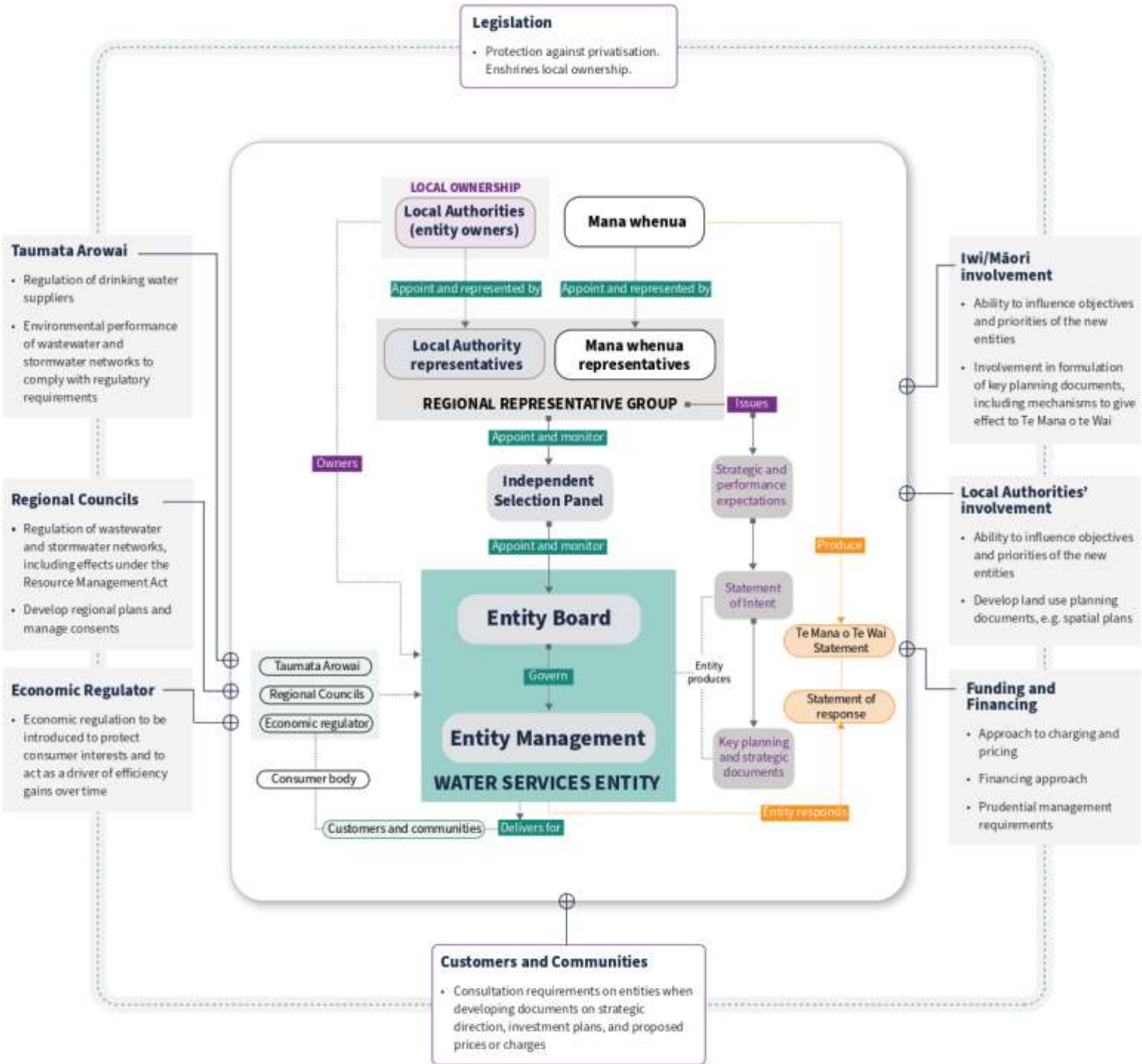- mitigating the effects of natural hazards.

Government also wants to ensure it delivers on Treaty-related obligations, including by improving outcomes for iwi/Māori in relation to three waters service delivery.

Integral to this is effective infrastructure delivery, underpinned by an efficient, high-performing, financially-sustainable, and transparent three waters system.

2. KEY DESIGN FEATURES

- Maintaining local authority ownership of water services entities;
- Protecting against privatisation;
- Retaining influence of local authorities and mana whenua over strategic and performance expectations;
- Providing the necessary balance sheet separations from local authorities; and
- An integrated regulatory system.

3. A NEW WATER SERVICES SYSTEM

Legislation
- Protection against privatisation. Enshrines local ownership.

Taumata Arowai
- Regulation of drinking water suppliers
- Environmental performance of wastewater and stormwater networks to comply with regulatory requirements

Regional Councils
- Regulation of wastewater and stormwater networks, including effects under the Resource Management Act
- Develop regional plans and manage consents

Economic Regulator
- Economic regulation to be introduced to protect consumer interests and to act as a driver of efficiency gains over time

LOCAL OWNERSHIP
Local Authorities (entity owners) — Mana whenua
Appoint and represented by — Appoint and represented by
Local Authority representatives — Mana whenua representatives
REGIONAL REPRESENTATIVE GROUP — Issues
Owners
Appoint and monitor
Independent Selection Panel
Appoint and monitor
Taumata Arowai / Regional Councils / Economic regulator
Entity Board
Govern
Entity Management
WATER SERVICES ENTITY
Consumer body
Customers and communities — Delivers for
Strategic and performance expectations
Statement of Intent
Statement of response
Key planning and strategic documents
Entity produces
Produce
Te Mana o Te Wai Statement
Entity responds

Customers and Communities
- Consultation requirements on entities when developing documents on strategic direction, investment plans, and proposed prices or charges

Iwi/Māori involvement
- Ability to influence objectives and priorities of the new entities
- Involvement in formulation of key planning documents, including mechanisms to give effect to Te Mana o te Wai

Local Authorities' involvement
- Ability to influence objectives and priorities of the new entities
- Develop land use planning documents, e.g. spatial plans

Funding and Financing
- Approach to charging and pricing
- Financing approach
- Prudential management requirements

4. OBJECTIVES FOR THE CROWN/MĀORI RELATIONSHIP

Enabling greater strategic influence to exercise rangatiratanga over water services delivery.

A Integration of iwi/Māori rights and interests within a wider system.

B Reflection of a holistic te ao Māori perspective.

C Supporting clear account and ensure roles, responsibilities, and accountability for the relationship with the Treaty partner.

D Improving outcomes at a local level to enable a step change improvement in delivery of water services for iwi/Māori.

5. A PARTNERSHIP-BASED REFORM

Government will continue to work in partnership with iwi/Māori and local authorities.

A large scale communication effort is required to ensure local government support reform.

Further decisions are yet to be taken by Cabinet on the arrangement for transition to, and implementing, the new system.

A new system for three waters service delivery

The number and boundary of entities needs to balance scale with other factors

DIAGRAM 2

JUNE 2021

Item 5

1. FACTORS CONSIDERED TO DETERMINE NUMBER AND BOUNDARIES

A range of factors have been analysed to help determine how many entities there should be, and their boundaries:

A Potential to achieve scale benefits from a larger water service delivery entity to a broader population/customer base.

B Alignment of geographical boundaries to encompass natural communities of interest, belonging and identity including rohe/takiwā.

C Relationship with relevant regulatory boundaries including to enable water to be managed from source to the sea - ki uta ki tai.

Applied economic analysis, informed by international evidence, provides further confidence that each entity would need to serve a connected population of at least 600,000 to 800,000 to achieve the desired level of scale.

The preferred approach is to create four new water services entities, and to enable all communities to benefit from reform.

2. PROPOSED BOUNDARIES

Government has agreed to a preferred set of entity boundaries. However, the Government remains interested in continuing discussion with local government and iwi/Māori most affected by the proposed boundary choices. In particular:

2 *Taranaki region*

Which entity would include the Taranaki region, taking into account ki uta ki tai, whakapapa connections, and economic geography/community of interests.

1 *South Island entity*

Whether there should be a single entity covering the whole of the South Island, or instead take an approach that uses the Ngāi Tahu takiwā.

3 *Hauraki Gulf*

Whether to include other districts surrounding the Hauraki Gulf, enabling a more integrated approach to the management of the Hauraki Gulf marine catchment.

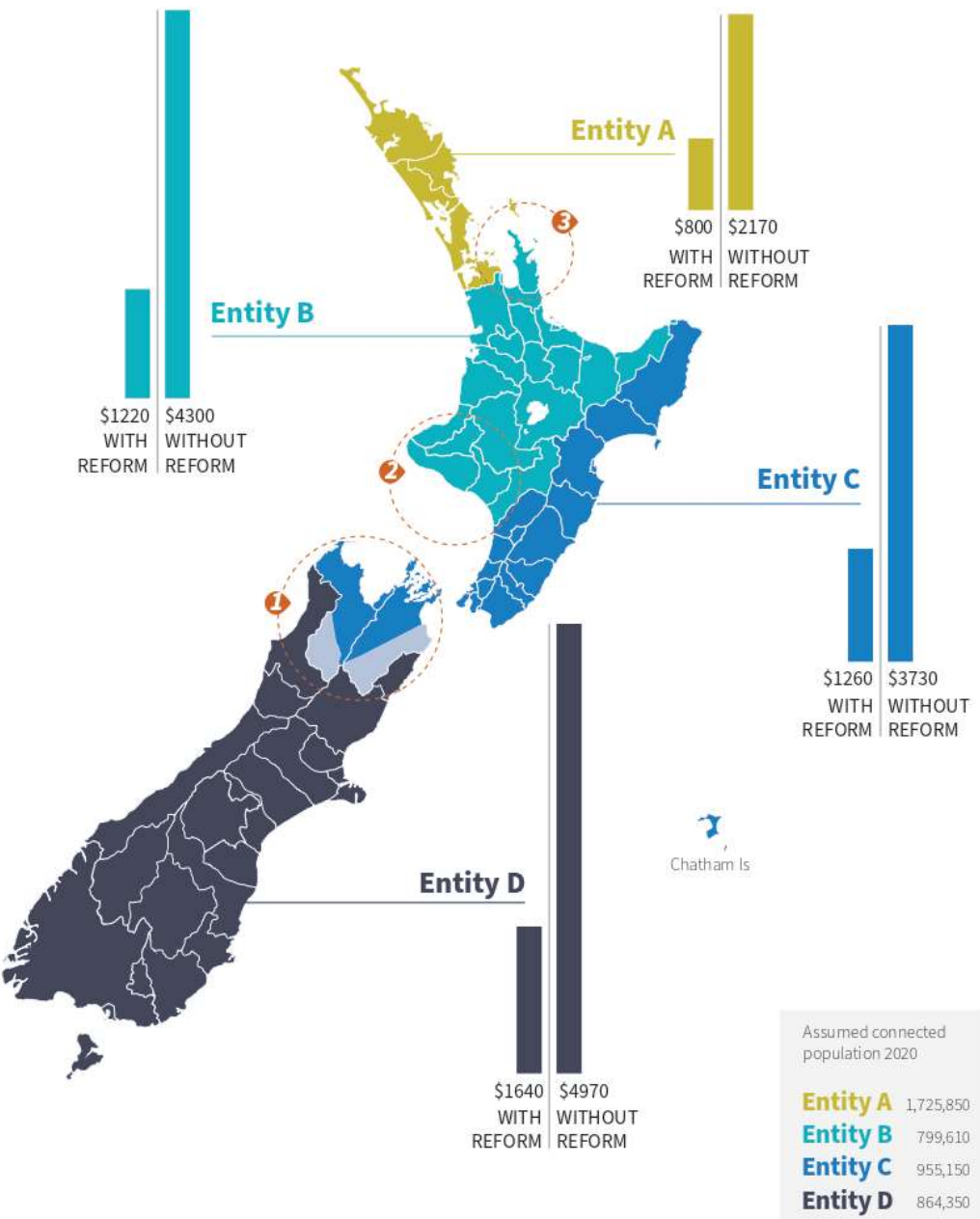*The map highlights the recommended boundaries.*

3. OUR INTENTION IS THAT ALL COMMUNITIES BENEFIT FROM REFORM

Latest estimates indicate that the amount of investment required to:

- provide for future population growth
- replace and refurbish existing infrastructure
- upgrade three waters assets to meet drinking water and environmental standards

Is in the order of

$120 billion to $185 billion

over the next 30 to 40 years.

4. PROJECTED HOUSEHOLD COSTS 2051

Entity A
$800 | $2170
WITH | WITHOUT
REFORM | REFORM

Entity B
$1220 | $4300
WITH | WITHOUT
REFORM | REFORM

Entity C
$1260 | $3730
WITH | WITHOUT
REFORM | REFORM

Entity D
$1640 | $4970
WITH | WITHOUT
REFORM | REFORM

Chatham Is

Assumed connected population 2020

Entity A 1,725,850
Entity B 799,610
Entity C 955,150
Entity D 864,350

The figures presented above for household bills with and without reform set out what an average household would be likely to pay for three waters services in 2051, in today's dollars, based on analysis by the Water Industry Commission for Scotland.
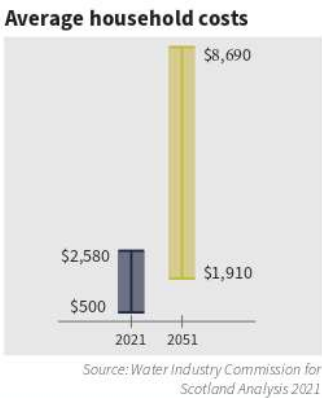
A weighted average figure is presented for household bill estimates without reform, to account for the wide variance between council pricing policies. This weighted average figure reflects the proportion of the connected population that resides in each council area relative to neighbouring councils within the relevant water services entity.

5. POTENTIAL IMPACTS

Difference in household costs

Average household costs for most councils on a standalone basis in 2051 are likely to range from between $1,910 to $8,690.

The scale of investment required between now and 2051, would require average household costs to increase by between three to 13 times in real terms for rural councils, between two and eight times for provincial councils and between 1.5 and seven times for metropolitan councils.

Average household costs

$8,690

$2,580

$1,910

$500

2021   2051

Source: Water Industry Commission for Scotland Analysis 2021

Current household costs

Currently there are a wide range of current (2019) average household costs.

	LOW	HIGH	MEDIAN	MEAN
Metro	$500	$1,920	$1,050	$1,120
Provincial	$610	$2,550	$1,120	$1,300
Rural	$210	$2,580	$1,340	$1,390

Source: Water Industry Commission for Scotland Analysis 2021

Current costs are not necessarily a good reflection of what funding is required to meet the full costs of economic depreciation (that is, to provide resources for asset maintenance and renewal).

Potential economic impact of reform

The economic impact assessment estimates the impact of a material step up in investment in connection with reform, relative to the level of investment that might be expected in the absence of reform.

Change relative to counter-factual, 2022-2051

Net change in GDP p.a. over 30 years	▲	**0.3% to 0.5%**
Present value increase in GDP	▲	**$14b to 23b**
Average increase in FTEs	▲	**5,850 to 9,260**
Increase in average wages	▲	**0.2% to 0.3%**
Present value increase in taxes	▲	**$4b to $6b**

Source: Deloitte Three Waters Reform Economic Impact Assessment 2021

150 Dalton Street	Mayors Room	Mayors Room	Mayors Room	Central Hawke's Bay District
Private Bag 6006	Hastings District Council	Wairoa District Council	City of Napier	Council
Napier 4142	Private Bag 9002	PO Box 54	Private Bag 6010	PO Box 127
Telephone: (06) 835 9200	Hastings 4156	Wairoa 4160	Napier 4142	Waipawa 4240
	Telephone (06) 871 5073	Telephone: (06) 838 7309	Telephone: (06) 835 7579	Telephone: (06) 857 8060

19 August 2021

Hon Nanaia Mahuta
Minister of Local Government
Private Bag 18888
Parliament Buildings
Wellington 6160

Via email: n.mahuta@ministers.govt.nz

Dear Minister,

Hawke's Bay considerations in three waters service delivery reforms

We appreciate Government's commitment to an eight-week engagement process during August and September enabling further discussions with Local Authorities on how the proposed establishment of four Water Services Entities (WSEs) for the management and governance of three waters service delivery can best accommodate the needs and priorities of communities at a local level. We look forward to making our submissions by 1 October 2021.

Across our region, the Hawke's Bay councils are collaborating on our shared strategic priorities as set out in our triennial agreement. One of those priorities is to ensure sustainable and affordable three waters service delivery for all of Hawke's Bay's communities.

Last year, with Government financial support we undertook and released the report of our own independent review of three waters service delivery for Hawke's Bay. In the context of Government's water reforms, we worked together to assess the options for a regional solution to the way we manage drinking, waste and storm water services.

We are now working together as a region and with iwi representatives to compare the Government's proposal against the considerable analysis and wider perspectives that went into our own detailed review.

The case for change

We agree with Government's assessment of the need for changes to the way drinking, waste and storm water services are funded and delivered in our communities.

We share Government's ambitions to significantly improve the safety, quality, resilience, accessibility and performance of three waters services in a way that is efficient and affordable for our communities and all New Zealanders.

Thanks to our own review, we have a very good understanding of the scale of change that is needed to ensure three waters services are affordable and sustainable for our communities here in Hawke's Bay. **We agree the status quo is not an option.**

Hawke's Bay objectives and principles

During our review, we identified six investment objectives for any regional three waters service delivery solution. These were further supported by seven principles that were developed in collaboration with councils' Māori Standing Committees. We attach the objectives and principles for your information (**Attached**).

Those imperatives remain the case today and provide the lens through which we are considering the merits of the proposal Government has put forward.

In assessing the Government's proposals, we need to be convinced any new model will deliver what our rural and urban communities deserve. Our communities expect that of us.

Challenges with reform proposal

Together with Council iwi representatives, we have identified a number of challenges with Government's reform proposal and support package.

1) Government has proposed only one service delivery model which appears to address only the affordability challenge. Public health and environmental benefits, for example, are not evidenced or quantified in anything other than very general terms.

2) Government's modelling compares per household costs with and without reform in 2051 but does not show the costs households that would incur on day one of the new regional entity. Without understanding the day one costs and changes in costs over time we cannot reasonably assess affordability, and nor can we credibly have conversations with our communities about the proposal's impacts for them.

3) A number of our regional objectives and principles would be met through the model proposed, however we are concerned that several will not:

   a. With Entity C responsible for service delivery to 21 council areas and one million people, we are not convinced three waters services would be provided in a way that best supports our urban and rural communities or ensure sufficient representative voice for the needs of Hawke's Bay's communities in governance and decision-making.

   b. Localism is important to us and part of our success as a region – local planning, local decisions and regional cohesion. Hawke's Bay can demonstrate tangible success locally and regionally – achieved through the power of community action via civic leadership. We are not convinced that the governance structure proposed will allow for us to continue meeting our commitment to ensuring three waters services contribute to the Hawke's Bay region's social, economic, cultural and environmental prosperity.

   c. Entity C does not reflect geographies aligned with Ngati Kahungunu iwi affiliations, meaning the identity of mana whenua in Hawke's Bay is likely to be lost in the proposed governance model and would not provide opportunities for Māori to contribute to decision-making.

   d. We are not convinced that Government's proposal will be capable and have the capacity to deliver quality sustainable planning, management and operation of three waters services for our communities.

   e. Achieve community outcomes related to identity, growth, development and principles of "place-making" for which Local Authorities lead and are accountable for to their communities. Without an appropriate and legislated planning tool at a local level that sets out expectations, local communities are left with no ability to hold this new infrastructure entity to account.

4) Alignment between local government resource management and three waters reforms are not obvious in the service delivery model or support package proposed. The interface between the proposed Regional Combined Plans under the Natural and Built Environments Act and the proposed Regional Spatial Strategies of the Strategic Planning Act, with three waters investment planning and operations of the proposed entities is seemingly misaligned.

5) Alignment with the Government's wider reforms of freshwater management, which are founded on significant community decision-making and catchment-based freshwater management units, also appears incongruous with the scale of operation and governance envisaged by the four entity model. As emphasised by the Government's three waters publicity campaign, the regulation of source protection for drinking water and of waste and storm water discharges to our rivers, lakes and coast is fundamental to the outcomes sought. Therefore, integration of three waters management with regional freshwater management is fundamental. Moreover, the Government's reforms for both resource management and freshwater in fact provides a strong platform to regional planning and provision of three waters at regional scale.

Hawke's Bay position

Unless these challenges can be resolved, Hawke's Bay's councils are not able to support Government's three waters service delivery reform proposal.

However, experience has shown us that when working together and to our respective strengths, local and central Government and iwi can complement each other to deliver better outcomes for all. That is why we remain committed to working with you to explore an alternative to the status quo that can best meet our shared objectives and ensure we meet the expectations of our communities here in Hawke's Bay.

We seek:

1) The opportunity to explore with Government and Hawke's Bay iwi Chairs our Hawke's Bay regional option that would better satisfy our regional investment objectives and principles, including better alignment with regional planning and freshwater management.

2) The opportunity for Hawke's Bay's iwi Chairs to engage directly with you through the eight-week engagement period.

3) More information detailing Government's modelling; especially impacts to our ratepayers from day one, and over time.

4) Sufficient time to engage with our own communities, once we have the information to do so, so that the people of Hawke's Bay understand the magnitude of the Government changes proposed and the impacts for them.

We would also be open to a conversation about a broader regional model that may be more closely aligned with communities of interest.

Whilst this is the collective view of the five Hawke's Bay Councils, our officers continue to prepare individual Council submissions to address their issues in more detail.

We would welcome the opportunity to discuss the collective views we have set out here.

Kind regards,

Rick Barker	Sandra Hazlehurst	Craig Little	Kirsten Wise	Alex Walker
Chairman	Mayor	Mayor	Mayor	Mayor
Hawke's Bay Regional Council	Hastings District Council	Wairoa District Council	Napier City Council	Central Hawke's Bay District Council

Hawke's Bay Three Waters Investment Objectives & Principles

Objective	Description
To provide three water services in a way that is affordable and effective	The three waters service's model must address the challenge of providing for an effective, affordable service in a fiscally responsible way
To provide services that are safe, reliable and resilient	Access to safe and reliable three waters service are fundamental to all the urban and rural comunities of Hawke's Bay
To provide services through a model that enables a meaningful role for Māori	The Local Government Act requires a local authority to provide opportunities for Māori to contribute to its decision making processes
To provide services through a model that has the value of water at the centre	Water is vital to community life and as such three water services are part of a holistic water system
To provide three waters services in a way that supports our urban and rural communities	The services influence how people across Hawke's Bay live, work, gather, socialise, recreate and value environmental amenity
To provide three waters services that build enduring capability and capacity	The three waters model must be capable of, and have the capacity to, deliver quality sustainable planning, management and operation of three water services now and into the future

Principle	Description
Value Te Ao Māori	Incorporating and implementing matauranga Māori, culture and values (i.e. Te Aranga Design Principles) are a core element for any potential framework to realise and enhance the region's commitment to Māori to protecting/enhancing water
Value water	Wai is the essence of all life and the world's most precious resource. It is of high important to Māori, as it is the life giver of all things, a precious taonga, part of our whakapapa
Whakapapa – genealogical links	Recognise and respect the relationship and whakapapa (genealogical link) that mana whenua have with water.
Te mauri o te wai – the life force of water	Mauri is the integrated and holistic well-being and life suport capacity of water. The well-being/healthiness of the water, the land and the people are intrinsically connected.
Holistic approach to water	Although the project is based around the review of the service and delivery of the three waters (infrastructure), the proposed model needs to take into account a holistic water approach; there is only one water.
Enabling of Te Tiriti o Waitangi	Involving mana whenua in governance and decision making required to ensure Te Tititi o Waitangi obligations are met, as well as making sure they are able to actively exercise kaitiakitanga in a practical way
Mana motuhake - identity, self-determination	The identity of mana whenua in Hawke's Bay should not be lost in any potential model. But inclusion and co-governance whilst keeping their identity is an opportunity

Three waters reform EXPLAINED.

We are. LGNZ. | **Te Kāhui Kaunihera ō Aotearoa.**

The local government sector has been asking successive Governments for water reform, long before Havelock North. The Government is proposing four new, large water service delivery entities. Their scale means they would be able to borrow enough to fund the investment needed in water services and infrastructure over the next 30 years. Scale would create operating efficiencies over time, especially in terms of procurement. The larger entities would have more power in the contracting market than 67 disparate councils, and be better able to fund and demand levels of service.

We want to hear your ideas directly – email feedback@lgnz.co.nz

We are also running workshops you can attend.

The status quo no longer applies.

— Everyone agrees that more investment is needed in water infrastructure – and increased investment has been reflected in councils' recent Long Term Plans.

— But the magnitude of investment that will be required over the next 30 years is potentially beyond councils' existing ability to fund, as infrastructure comes up for renewal, communities' expectations increase and climate change threatens infrastructure.

— This investment is required to meet standards – and to meet communities' expectations. Not just in drinking water, where current standards are not being enforced, but also wastewater and stormwater.

— The new regulator – Taumata Arowai – will enforce existing standards, with significant proposed penalties, including fines and criminal proceedings. The Water Services Bill is going through parliament right now.

— The Water Services Bill, once enacted, will impose new offences, some carrying criminal penalties, for council officers, employees and agents of drinking water suppliers. It will also confer new duties on local authorities to ensure communities have access to safe drinking water if existing private and community supplies face problems in complying with the regulatory requirements.

— An economic regulator will also be introduced. The purpose of an economic regulator is to ensure it's no longer possible to under invest, or to charge consumers too much or to deliver poor quality service.

— If a council "opts out", it would find itself operating in a very different landscape, with a large and growing proportion of expenditure and energy eaten up by three waters investment and compliance.

Water assets remain publicly owned.

— The assets remain in public ownership and aren't being sold – the new entities would be collectively owned by councils, on behalf of communities.

— The entities will own and operate three waters infrastructure on behalf of territorial authorities – they will hold three waters assets and associated debt.

— Independent, competency-based boards would govern each entity.

— This is how these boards would be chosen. Councils and mana whenua would appoint a Regional Representative Group. This group would appoint an Independent Selection Panel, which would appoint the Entity Board.

— The Regional Representative Group will provide the entity with a Statement of Strategic and Performance Expectations that will influence the Statement of Intent that the water entity produces.

— Each entity will also have to meaningfully engage with communities on key documents.

— The Government is asking for feedback on whether the proposal includes the right mechanisms to allow community feedback. For example, should there be a water ombudsman?

There's a package on the table for councils.

— LGNZ agreed with the Government a $2.5+ billion package for councils, to wrap around the reform proposals.

— This agreement puts something on the table for councils that wouldn't otherwise have been there. It doesn't bind individual councils in any way.

— The package has three financial components:

1. Support for local government to invest in communities' wellbeing. This means all councils and their communities will be better off under reform. This part of the investment totals $2 billion, with $500 million being available from 1 July 2022.

2. Targeted support to ensure no councils are financially worse off as a result of transferring their three waters assets.

3. Cover of reasonable transition costs. This is intended to make sure council service delivery (including of water services) during transition isn't compromised by the work needed to make the transition happen.

— The package covers more than money. It includes commitments to partnership with central Government, including in the Future for Local Government reform.

What's happening now?

— At the moment, we're in an 8-week period to give the sector breathing space to interrogate the reform. This period ends on 1 October.

— The purpose of this 8 weeks is to understand the model – and how it can be strengthened. It's not a decision-making period. So it doesn't trigger formal consultation.

— Everyone wants to know what happens next – and that's in the Government's hands.

— The Minster has said she wants councils to spend this time really interrogating this proposal and how it might work.

How can the proposal be improved?

We want to hear your ideas on how to address concerns councils have identified:

1. Ensuring all communities have both a voice in the system and influence over local decisions.

2. Effective representation on the new water entities' oversight boards so that there is strong accountability to the communities they serve, including iwi participation, and effective protection against privatisation.

3. Making sure councils' plans for growth are appropriately integrated with water services planning.

Three waters reform FAQs.

We are. LGNZ. | Te Kāhui Kaunihera ō Aotearoa.

OWNERSHIP

Who will own the water assets under the reform proposal?

Local authorities would be the owners of the entity, on behalf of their communities.

The entities will own and operate three waters infrastructure on behalf of territorial authorities – they will hold three waters assets and associated debt.

The assets aren't being sold – the new entities would be collectively owned by councils, on behalf of communities.

Does the proposed model make privatisation likely?

Water services would be more difficult to privatise under the proposal than they are right now.

The reform proposals combine a series of measures that together help safeguard against future privatisation, including: The councils that constitute each entity would be the owners of that entity.

There is no shareholding structure in the proposal and a prohibition on dividends.

There would be statutory restrictions on the sale or transfer of material, strategic water assets. This is the current approach in the Local Government Act 2002, which prevents local authorities from selling or disposing of strategic assets or the infrastructure necessary for providing water services.

As a further safeguard, any proposal for privatisation would have to be endorsed by the Regional Representative Group (75% majority), put to a public referendum (75% majority), and put through the legislative and select committee processes.

GOVERNANCE

How will councils and the community be involved in governing the proposed entities?

Independent, competency-based boards would govern each entity.

This is how these boards would be chosen. Councils and mana whenua would appoint a Regional Representative Group. This group would appoint an Independent Selection Panel, which would appoint the Entity Board.

But each entity would also have to engage with its communities on key documents that set its direction. The entity would actively report on how consumer and community feedback was incorporated into decision-making.

How would mana whenua be involved in governance? I've heard talk of a "veto"

A mana whenua representative group would be part of the structure that selects the entity boards. It would help appoint a Regional Representative Group, which would appoint an Independent Selection Panel, which would appoint the Entity Board.

This is totally different from having "a power of veto".

THE MODEL

What alternatives were considered to the proposed model?

30 unique scenarios were modelled, ranging from a 2-entity model to a 13-entity scenario (similar to the regional council boundaries).

Why does LGNZ support reform?

We know the way of delivering water services needs to change, especially as we look into the future. Our communities need more investment in water services delivery and the current funding system isn't capable of providing that without significantly increasing costs to ratepayers.

The model is as fit-for-purpose as it can be, subject to the issues that we're still working through and want your feedback on.

Why would entities be better positioned to succeed than councils?

Entities will be in a better position to borrow sufficient capital to invest in three waters infrastructure. They will be well-placed to attract and retain the professional capability needed. Their market power would also mean they could negotiate better and more consistent procurement, and be better able to guarantee service in remote areas as part of that wider contract.

SERVICE LEVELS

Will my community get the same level of service under the proposal?

The Government has made an explicit commitment that staff working primarily on water would retain their salary, conditions and – critically – location if they transfer to the new water entities.

Individual communities have significant potential gain from the proposal. At the moment, small contracts on an ad hoc basis give contractors no incentive to invest in specialised plant, for example, especially outside cities.

At the moment, the supply chain has more market power than your average council. With four entities, the market power would switch around to the buyer.

FUNDING

How will the proposed entities be funded?

Like now, an entity would fund its operations from a combination of user payments and borrowing.

The key thing is that entities would have larger borrowing capacity to fund the necessary investments – they would be able to borrow significantly more than councils can.

They will also have more strategic procurement and investment plans. This means they would invest at the most efficient point in an asset's life, generating cost savings.

Will my community subsidise other communities' water services?

Like many other infrastructure models, this model is built on cross-subsidisation – which means investments could be made in places where the population is too small to afford it on their own.

Because entities will have greater efficiencies that drive lower operating costs, it's not comparing like with like, in terms of the status quo.

Would water meters be introduced?

Not necessarily – the entities will have the same scope to introduce meters as councils do now. The entities will have charging tools, as councils do now. But what they use will be subject to consultation with their communities/consumers.

THE PACKAGE

Why did LGNZ sign an agreement with the Government and does this bind councils?

LGNZ agreed with the Government a $2.5+ B package for councils, to wrap around the reform proposals.

This agreement puts something on the table for councils that wouldn't otherwise have been there. It doesn't bind individual councils in any way.

When will we be able to access the package?

The first $500m of the Crown funded 'better off' package will be available form 1 July 2022. The balance will be available from 1 July 2024.

The 'no worse off' payments will be made once assets have been transferred to the water service entities.

DECISION MAKING AND CONSULTATION

Can we still opt out?

Our understanding is that following this 8-week engagement, the Government will consider next steps, including the decision making and consultation process.

In terms of LGNZ's position, we passed a motion at our July AGM that did not support the reforms being made mandatory and acknowledged that individual councils remain able to express their own views on the reforms and make their own decisions.

When do we consult with our community?

Formal consultation is not required yet. That's because the proposal from the Government hasn't been finalised.

At the moment, we're in an 8-week review period so you can investigate the reforms, assess the potential impact on your council and suggest ways the proposal might be strengthened. Only once the reforms are more finalised will consultation obligations be triggered.

There are lots more FAQs on our website
www.lgnz.co.nz/reforms/three-waters/

QUICK GUIDE TO GOVERNMENT THREE WATERS REFORMS

AUGUST 2021

Government has proposed changes to the way drinking water, waste water and storm water (three waters) services are delivered in our communities. Here we explain the reasons for the changes, what they might mean for Hawke's Bay ratepayers and communities, and what is happening over the next eight weeks.

GOVERNMENT'S CASE FOR CHANGE*

Reviews into the delivery of three waters services in New Zealand have identified significant ongoing challenges and a considerable level of underinvestment in three waters infrastructure.

Why is reform needed?

→ **Risk of failure to meet existing, safe drinking water standards** with potentially serious consequences for public health, the environment and the economy.

→ **A constrained ability to plan, fund and finance resilient systems** that can cope with climate change, emergencies and natural hazards.

→ **Ability to meet national and local environment objectives** for freshwater and the marine environment.

→ **Housing infrastructure supply unable to keep pace with strong demand** in high growth areas.

→ **Limits on regional development and wellbeing** particularly for areas with declining rating bases.

This Government has ambitions to significantly improve the safety, quality, resilience, accessibility, and performance of three waters services, in a way that is efficient and affordable for New Zealanders.

Government says this is critical for:
- public health and wellbeing
- environmental outcomes
- economic growth and employment
- housing and urban development
- adapting to the impacts of climate change
- mitigating the effects of natural hazards.

Government also wants to ensure it delivers on Treaty-related obligations, including by improving outcomes for iwi/Māori in relation to three waters service delivery.

Integral to this is effective infrastructure delivery, underpinned by an efficient, high-performing, financially-sustainable, and transparent three waters system.

BACKGROUND TO GOVERNMENT REFORMS*

2017
Government inquiry into Havelock North drinking water

Government Three Waters Review
Review set up to address the challenges facing the regulation and delivery of three waters services.

2019
Decision to create Taumata Arowai, new water services regulator

Taumata Arowai Established
Central government progresses three waters regulatory reforms and agrees to support voluntary changes to service delivery arrangements.

2020
Legislation to strengthen regulation

Water Services Bill
Legislation introduced to strengthen drinking water regulation and oversight of stormwater and wastewater. To be administered by Taumata Arowai.

2020
Central/Local Government Forum

Three Waters Reform Programme Initiated
Central and local government agree partnership approach to progress three waters service delivery reform, in conjunction with infrastructure investment package – formation of joint Steering Committee. Both parties recognise the importance of Te Mana o Te Wai, and involvement of the Treaty partner in these discussions.

* Source: Department of Internal Affairs

A NEW SYSTEM FOR THREE WATERS SERVICE DELIVERY*

In June (2021) Government released its proposed service delivery model for four (4) regional entities with responsibility for the delivery of three waters services.

If the proposal progresses, it is likely the entities would be in full control of three waters service delivery from July 2024.

PROPOSED BOUNDARIES AND 2051 HOUSEHOLD COSTS*

Estimated $120 billion to $185 billion investment required over the next 30 years.
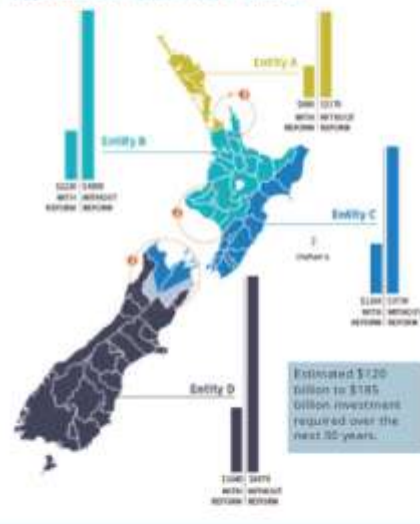
| ENTITY & CONNECTED POPULATION	REGIONS INCL.
A. 1,725,853	Auckland and Northland regions
B. 799,608	All districts from the Waikato, Bay of Plenty and Taranaki regions and the upper parts of Manawatū-Whanganui region (Ruapehu, Whanganui and Rangitikei)
C. 955,154	• Districts in the eastern and lower part of the North Island • Gisborne, Hawke's Bay region, lower parts of the Manawatū-Whanganui region (Horowhenua Manawatū, Palmerston North and Tararua) and Wellington regions, and • The local authorities at the top of the South Island (Tasman, Nelson and Marlborough)
D. 864,350	The districts and regions in the rest of the South Island, including those parts of the Marlborough and Tasman districts that comprise Ngāi Tahu takiwā

Key Design Features

- Maintaining local authority ownership of water services entities
- Protecting against privatisation
- Retaining influence of local authorities and mana whenua over strategic and performance expectations
- Providing balance sheet separation
- Integrated regulatory system

THE PROPOSED NEW SYSTEM*
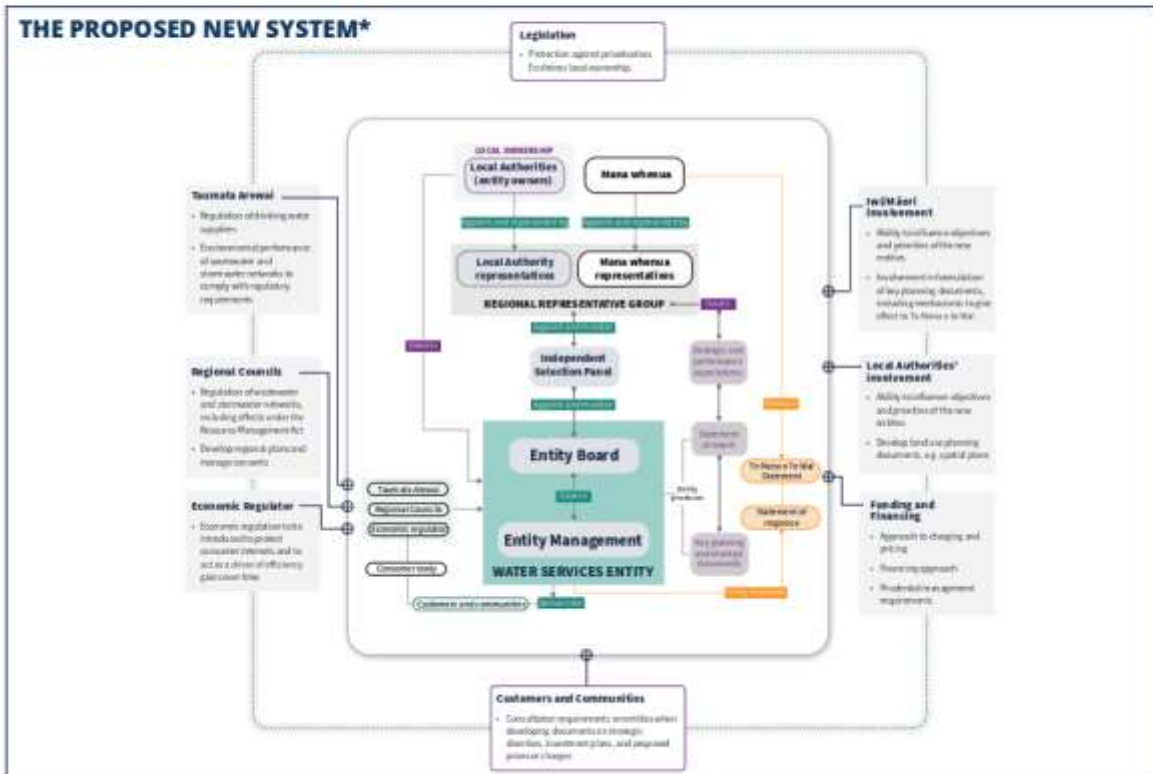
* Source: Department of Internal Affairs

GOVERNMENT'S NATIONAL EVIDENCE BASE

The Department of Internal Affairs (DIA) has released a Local Dashboard tool (https://threewaters.govt.nz/) to show the potential impacts of three waters reforms on local authorities and communities across New Zealand. Two scenarios were modelled:

1. Aggregation of three waters services into four water services entities and the associated reforms to the regulatory, governance, management, resourcing and policy direction that support improvements (the whole reform package

2. No aggregation of three waters services, but some reform, for example, decisions already made to introduce a drinking water regulatory system and environmental standards.

The four water services entities and associated reforms were modelled for Government by the Water Industry Commission for Scotland (WICS) based on using information supplied by local councils between October 2020 and February 2021.

WHAT DOES GOVERNMENT'S FINANCIAL MODELLING LOOK LIKE FOR HAWKE'S BAY?

AVERAGE HOUSEHOLD COST[1]	CURRENT	WITH REFORM	WITHOUT REFORM
Entity C		$1,260	
Central Hawke's Bay	$1,530	$1,260	$7,260
Hastings	$810	$1,260	$4,530
Napier	$610	$1,260	$2,540
Wairoa	$1,100	$1,260	$8,690+

[1] 2051, based on WICS analysis

The assumptions Government has used to quantify the inputs are determined through benchmarking against the UK experience. There has been some adjustment based on council RFI feedback the potential investment requirements and ability to deliver the same efficiency gains.

The key assumptions that drive household costs are:

- Investment – this is the single biggest driver of household cost in the WICS model.

- Standardised assumptions for number of households (connections) and proportion of income from households. In some cases there are material differences between the standard assumptions and actuals.

- Debt/Revenue – the difference between the treatment of debt in the councils and the entities means that it is likely to overstate the size of the difference in charges between council and the water service entity.

- The impact of these are so significant that all other assumptions have minimal impact on household costs.

- Government have undertaken the analysis over a 30 year time horizon.

HOW THIS COMPARES TO THE HAWKE'S BAY THREE WATERS REVIEW FINANCIAL MODELLING

In 2019/20 Hawke's Bay's five councils – Central Hawke's Bay District, Hastings, Napier, Wairoa and the Regional Council – worked together to complete an assessment of the current state of the region's drinking, waste and storm water services and assessed service delivery options against agreed objectives and cultural principles to ensure sustainable delivery of these services over the long term, and ahead of expected changes in Government regulations.

We have reviewed the Government's financial modelling for Entity C against the modelling done as part of the Hawke's Bay Review (2020), which has since been updated based on Councils' LTPs and RFI information provided to Government.

COUNCIL	HAWKE'S BAY REVIEW 2031	WICS 2031	WICS 2051
Central Hawke's Bay	$3,199	$6,521	$7,260
Hastings	$1,381	$3,583	$4,530
Napier	$1,427	$1,793	$2,540
Wairoa	$3,869	$8,801	$8,690+
Hawke's Bay Asset Owning CCO	$1,471	-	-
Entity C	-	$1,260	$1,260

All councils show an increase in household charges using the WICS data (2051) when compared to the 2031 figures (based on councils continuing to deliver individually).

All show a decrease under the WICS Entity C model.

WHAT'S THE SAME

Despite the differences between the Hawke's Bay Three Waters Review and the Government's modelling, they are directionally consistent:

- Future costs of three waters services will rise significantly in response to meeting changes in standards, regulation and an increasingly rigorous compliance regime.

- Costs will not fall equally across the region.

- There are financial benefits from aggregation of three waters services.

- There are strategic benefits, an improvement in capability and capacity and potentially a more meaningful role for Māori with a change in service delivery model.

WHAT'S DIFFERENT

It is important to note the Government's modelling has been completed using a different approach, and different assumptions to the Hawke's Bay Three Waters Review.

At an individual council level the investment numbers produced by Government are based on population, land area and density alone and bear no relationship to each council's:

- Type, quality or number of waters sources

- Receiving environment for wastewater discharges

- Current treatment approach

- Levels of service

- Asset age, performance or condition

ASSESSING GOVERNMENT'S PROPOSALS AGAINST OUR OWN INVESTMENT OBJECTIVES

In our 2019/2020 Review, the five Hawke's Bay councils agreed six investment objectives for any new regional three waters services delivery arrangement. We are now taking the time to assess Government's proposals against these objectives, with the analysis expected to be completed by the end of September.

GOVERNMENT'S PROPOSED SUPPORT PACKAGE

In July the Government announced a package developed in close partnership with Local Government New Zealand, $2.5 billion in support to the sector through the transition to the proposed new water services delivery system. The support package means that should reforms proceed, councils will be supported through the transition process and the financial impacts of reform will be managed.

Government also expects to meet the reasonable costs associated with the transfer of assets, liabilities and revenue to new water services entities, including staff involvement in working with the establishment entities and transition unit, and provision for legal, accounting and audit costs.

Details of the support package are another element of Councils' considerations between now and the end of September.

HAWKE'S BAY 'BETTER OFF' FUNDING ALLOCATIONS

Napier $25,823,785
Hastings $34,885,508
Wairoa $18,624,910
Central Hawke's Bay $11,339,488
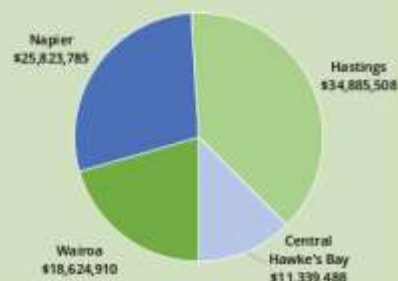
GOVERNMENT THREE WATER'S REFORM PACKAGE[1]

Announced in July 2021, there are two broad components to this support package:

- $2 billion of funding to invest in the future of local government and community wellbeing, while also meeting priorities for government investment (the "better off" component)

- $500 million to ensure that no local authority is financially worse off as a direct result of the reform (the "no worse off" component).

'BETTER OFF' COMPONENT

The "better off" component of the support package will be allocated to territorial authorities using a nationally consistent formula based on:

- a 75% allocation based on population size
- a 20% allocation based on the New Zealand deprivation index
- a 5% allocation based on land area (excluding national parks)

To deliver the following outcomes

- supporting communities to transition to a sustainable and low-emissions economy, including by building resilience to climate change and natural hazards

- delivery of infrastructure and/or services that enable housing development and growth, with a focus on brownfield and infill development opportunities

- support local place-making and improvements in community wellbeing.

'NO WORSE OFF' COMPONENT

The "no worse" off component includes an up to $250 million allocation to support councils to meet unavoidable costs of stranded overheads, based on:

- $150 million allocated to councils (excluding Auckland, Christchurch and councils involved in Wellington Water) based on a per capita rate that is adjusted recognising that smaller councils face disproportionately greater potential stranded costs than larger councils

- Up to $50 million able to be allocated to councils that have demonstrable, unavoidable and materially greater stranded costs than provided for by the per capita rate

- The remainder of the no worse off component will be used to address adverse impacts on the financial sustainability of territorial authorities.

[1] $1.0 billion of this package will be a direct contribution from the Crown. The remaining $1.5 billion will be funded by the Water Services Entities. Governments view is that the $1.5 bilion from Water Services Entities is at effectively no net cost to customers, due to the proposed Crown support arrangements (such as a liquidity support) which reduce the borrowing costs of the water service entities.

EIGHT WEEK FEEDBACK PERIOD

The purpose of this time in the Government's reform process is to provide the opportunity for all local councils to:

- understand the large amount of information that has been released on the nature of the challenges facing the sector, the case for change, and the proposed package of reforms, including the recently announced support package;

- assess how the proposal affects our local authorities and communities; and

- identify issues of local concern and provide feedback to Government on what these are and suggestions for how the proposal could be strengthened.

In particular:

- Understand the key features of the proposed model

- Apply the proposed model to council & community circumstances, both today and in the future.

- Consider the model holistically – in terms of service, finance and funding, economic development and growth, workforce, delivery and capability and social, cultural and environmental wellbeing.

No formal decisions are required by Councils during this period.

ENGAGEMENT WITH IWI/MĀORI

Over the next eight weeks, the Government will continue to lead engagement with iwi/Māori over the reform programme.

To recognise the role that iwi/Māori will play in the new delivery system as partners, local authorities will be expected to engage with iwi/Māori in determining how it will use its funding allocation.

NEXT STEPS

By late 2021, we expect the following:

- If the Government's reform is still retained as a voluntary ("opt out") option, Councils will decide on whether they continue to participate in the reforms.

- Confirmation from Government in the incorporation of Community Consultation into the revised reform timeline for Council decisions.

- The Water Services Entities Bill to be introduced to Parliament.

- Taumata Arowai is expected to take over from Ministry of Health as regulator for drinking water.

For further information on the Government's Three Waters Reform programme please go to:
https://www.dia.govt.nz/Three-Waters-Reform-Programme

To read the Hawke's Bay Three Waters Review report please go to:
www.hb3waters.nz

OVERVIEW OF THE PROPOSED RESOURCE MANAGEMENT SYSTEM

Item 7
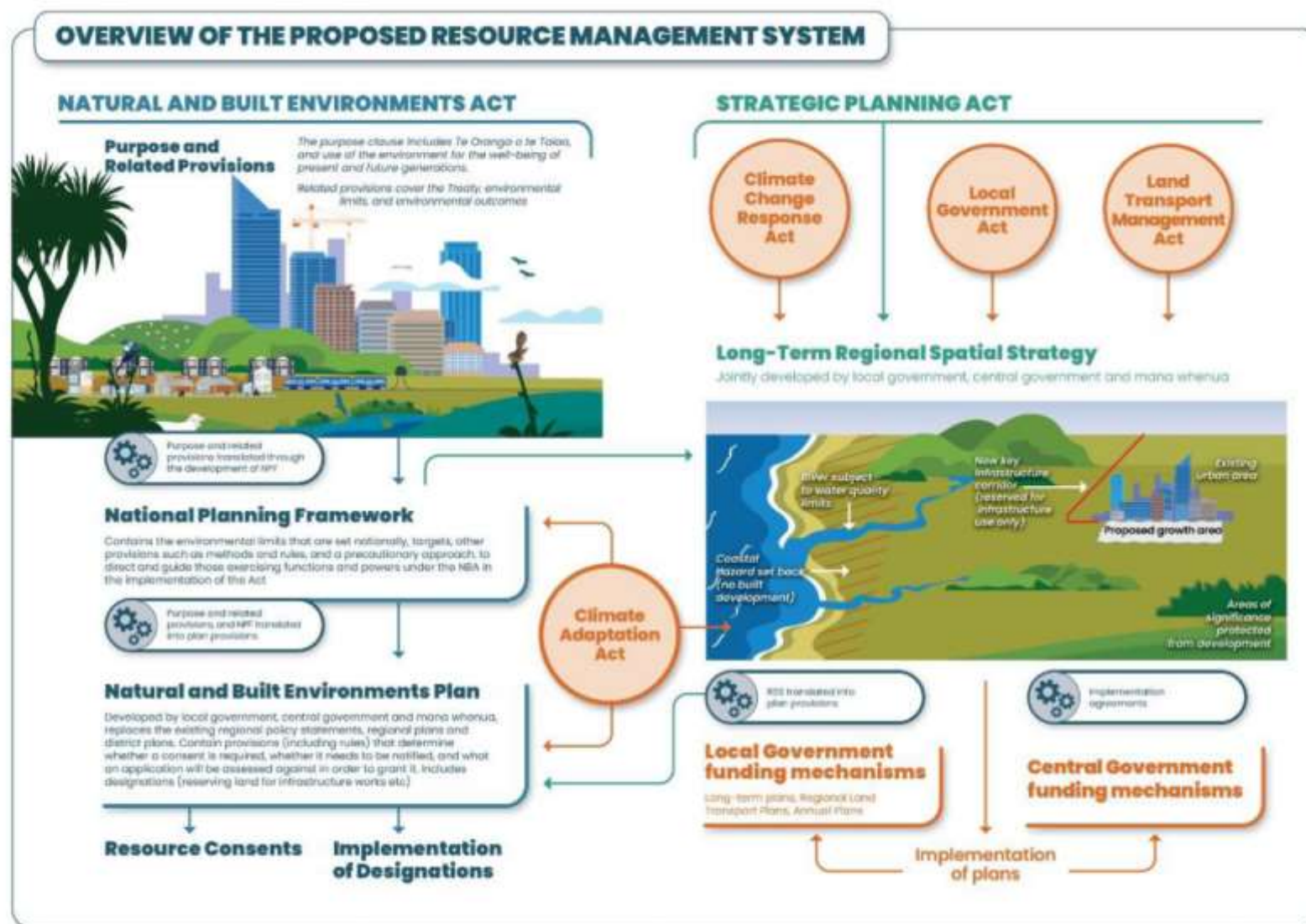
Hastings District Council
Enterprise Risk Management
Policy & Framework

Policy expert	Risk and Corporate Services Manager
Policy owner	Council
Owner Department	Corporate
Approval date	XXX 2021
Version	5.0
Review date	XXXX 2022

Item 7   Enterprise Risk Management Framework Review
DRAFT HDC Enterprise Risk Management Policy and Framework V5   **Attachment 1**

Item 7

Contents

Item 7   Enterprise Risk Management Framework Review
DRAFT HDC Enterprise Risk Management Policy and Framework V5   **Attachment 1**

Item 7

Change history

Amendment (s)	Date	Updated by and authority
First Release	12 Sep 2012	Updated by Business Service Manager. Authorised by Leadership Management Team
Annual Review V1.1 Minor changes to text for clarification	16 Sep 2013	Updated by Business Service Manager.
Full Review V2.0 Overview of risk management updated to reflect ISO 31000 standard. Guiding principles from the ISO 31000 standard included in risk framework. Roles and responsibilities, and conflict of interested included in Policy section. Need for risk management to be integrated in to all business activities reinforced throughout.	9 Feb 2017	Updated by Business Service Manager.
Audit & Risk V2.1 Protection of personal safety added to policy objectives. Risk matrix included as Appendix 1.	28 Feb 2017	Updated by Business Service Manager. Confirmed by Audit & Risk Subcommittee.
PWC feedback incorporated V2.2 CE commitment statement added Reference to Risk Handbook included. Enhancements include; - Annual policy review, principles moved to Policy section, risk process overview included, Additional guidance relating to consultation and treatment plans. Risk register management and monitoring Glossary of Terms added.	11 May 2017	Updated by Business Service Manager.
Purpose amended to include community outcomes	21 Jun 2017	Updated by Business Service Manager. Confirmed by Council
Draft removed. Version published	13 Jul 2017	Updated by Business Service Manager. Approved by Council 13 July 2018
Annual review. Moved to new policy template: - Add Architecture section. Include Council responsibilities in Purpose and Roles & Responsibilities. - Updated risk principles to match ISO31000:2018 - Updated Risk Appetite and Tolerance. - Risk Impact and matrix revised. - Minor amendments to Risk Process Analysis and Evaluation sections.	3 Aug 18	Updated by Risk and Corporate Services Manager. Approved by Council 31 January 2019
Annual review: - Architecture section updated to reflect current structure. - Risk appetite section added and tolerance statements included.	10 July 20	Updated by Risk and Corporate Services Manager. Approved by Council 8 December 2020
V5 changes include: - Supporting documentation listed 3 LOD model included in the framework. - Reference to the HDC Water Safety Plan included. - Opportunity risk descriptions (impact and risk descriptions) and response added. Community impact scale added.	2 Sept 21	Updated By Risk and Corporate Services Manager.

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

1.Purpose

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

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

1.1.   Background

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

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

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

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

1.2.   Governance Oversight

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

1.3.   Chief Executive Commitment

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

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

Nigel Bickle, Chief Executive

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

2.Architecture

2.1.   Reporting Structure

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

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

Risk information flows down from the Council, and is reported up from Groups and business teams as shown in the diagram below:

In addition to this regular information flow, issues that arise between reporting cycles will be raised with the appropriate forum in a timely manner to allow effective treatment decisions to be made.

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

2.2.   Supporting Documentation

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

Item 7   Enterprise Risk Management Framework Review
DRAFT HDC Enterprise Risk Management Policy and Framework V5   **Attachment 1**

Item 7

2.3.   Roles and Responsibilities

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

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

Role	Responsibility
All Staff	Actively involved in managing risk. Consult with and keep line managers informed about risk as appropriate.
Risk Owners	Accountable for management of assigned risks. Consult with and keep LMT informed about risk as appropriate.
Risk Assurance Advisor	Provide advice and support to Risk Owners and staff, as well as undertaking Assurance Reviews as defined in the Risk Assurance Charter.

Group Manager	Have practices in place within their Group to:
	  - Identify, assess and monitor risks.
	  - Assign responsibility for managing risks.
	  - Develop and implement treatment plans to reduce risk exposure.
	  - Regularly review risk controls and treatments.
	  - Appropriately communicate and escalate risks as required.
	  - Consider new, emerging and changing risks.
	  - Support and encourage staff to engage in risk identification and response actions.

Lead Team (LT)	Assess and monitor the organisation wide risk profile. Regularly review risk controls and treatments. Set priorities and allocate resources for risk mitigation.
Councillors (Elected Members)	Responsible for setting risk management tone and objectives. Define the organisation's risk appetite. Confirm that risk is managed within prescribed tolerance. Review the Tier 1 strategic risk register and seek assurance that adequate controls are in place and effective.

2.4.   Conflict of Interest

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

Item 7   Enterprise Risk Management Framework Review
DRAFT HDC Enterprise Risk Management Policy and Framework V5   **Attachment 1**

Item 7

3.Strategy

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

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

HDC manages risks in order to:

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

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

3.1.   Scope and Applications

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

3.2.   Guiding Behaviours and Measures

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

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

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

4. Policy Statement

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

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

4.1. Mandate and Commitment

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

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

4.2. Objectives

The Council's risk management objectives are:

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

4.3. Principles

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

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

4.4. Risk Appetite and Tolerance

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

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

Item 7   Enterprise Risk Management Framework Review
DRAFT HDC Enterprise Risk Management Policy and Framework V5   **Attachment 1**

Item 7

4.4.1. HDC Risk Appetite Statement

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

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

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

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

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

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

4.4.2. Risk Appetite Terminology

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

5. Risk Process

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

5.1. Integrated Risk Management

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

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

5.2. Risk Process Overview

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

5.3. Risk Process Map

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

5.3.1. Communication and Consultation

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

Item 7   Enterprise Risk Management Framework Review
DRAFT HDC Enterprise Risk Management Policy and Framework V5   **Attachment 1**

Item 7

5.3.2. Establish Context

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

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

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

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

5.3.3. Risk Identification

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

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

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

5.3.4. Risk Analysis

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

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

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

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

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

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

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

Item 7   Enterprise Risk Management Framework Review
DRAFT HDC Enterprise Risk Management Policy and Framework V5   **Attachment 1**

Item 7

5.3.5. Risk Evaluation

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

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

5.3.6. Risk Treatment

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

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

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

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

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

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

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

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

To determine the most appropriate risk treatment option(s) the following factors should be assessed;

- impact on service levels,
- cost,
- feasibility, and
- effectiveness.

Treatment and action plans should include;

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

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

5.3.7. Risk Escalation

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

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

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

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

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

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

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

5.3.8. Risk Monitoring and Review

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

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

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

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

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

5.3.9. Risk Recording & Reporting

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

Item 7   Enterprise Risk Management Framework Review
DRAFT HDC Enterprise Risk Management Policy and Framework V5   **Attachment 1**

Item 7

6. References

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

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

7. Review

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

8. Definitions

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

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

9.1. Likelihood Assessment Table

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

9.2. Impact Assessment Table – Opportunity

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

9.3. Impact Assessment Table - Threats

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

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

9.4.   Risk Matrix and Heat Map

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

Notes on matrix heat map:

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

9.4.1. Calculated Risk Score Ranges

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

10. Appendix 2: Risk Appetite Key Focus Areas

10.1. Our Environment

Context

LTP18/19 focus is to invest significantly in drinking water infrastructure as our first priority to meet community expectation and new national standards around safe drinking water.

- Safe drinking water: $47.8M
- Demand management: $1.5M
- Environmental enhancement: $1.7M

Appetite	Averse	**Conservative**	Measured	Justified	Flexible

Council intends to take a **Conservative** approach to risk in order to achieve this outcome as Council has a statutory obligation to deliver the services, which means it is not possible to limit or cease service provision. This means that risks will be accepted only when essential to the core outcome, and limited possibility/extent of failure exists particularly with regard to Safety or Compliance.

Tolerance & Measures

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

Risk Category	Extremely Low	Low	Limited	Expect Some	Anticipated
Safety *Outcomes*	●				
	Drinking Water Monitoring Plan Hastings Urban Supply (WAT-20-54-19-1) requirements met. Fewer than 5 dry weather sewerage overflow events per 1000 connections per annum (*LTP measure*)				
Financial *Variation*			●		
	Spend between $38.25M (*-25%*) and $56.1M (*+10%*) for all projects.				
Service Delivery *Standard*		●			
	No more than 20 unplanned water supply outages or waste water system restrictions per month. No habitable floors affected by storm water for up to a 1 in 50 year ARI storm event (*LTP Measure*).				
Compliance *Outcomes*		●			
	Compliant Water Safety Plan for each Council water supply. Full compliance with Hawkes Bay Regional Council consent requirements. No material non-compliance raised by Water Assessors against a Council water supply.				
Reputation *Outcomes*		●			
	Regional public interest or media attention is expected, but events should not result in adverse national media coverage. There is support for being recognised as national leaders in water supply (*Aligns with Water Services Business Plan*).				

10.2. Moving Around

Context

LTP18/19 focus is to invest in our infrastructure to look after our assets prudently and to meet new challenges in bridge strengthening, increasing environmental standards and climate change.

- Renewals & Safety upgrades: $4.4
- Walking & Cycling: $1.1M
- Better Bridges: $1.8M

Appetite	Averse	**Conservative**	Measured	Justified	Flexible

Council intends to take a **Conservative** approach to risk in order to achieve this outcome due to the potential adverse impacts on public safety and economic prosperity as a result of failing to provide a transportation network and bridges that are able to cope with current and future demands. This means that risks will be accepted only when essential to the core outcome, and limited possibility/extent of failure exists. In practice, the result is that assets will be prioritised based on sound research and data, and upgraded using the most suitable certified construction solution. In other words, Council is not looking to apply untested innovative solutions.

Tolerance & Measures

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

Risk Category	Extremely Low	Low	Limited	Expect Some	Anticipated
Safety		●			
Outcomes	Reducing trend of fatality and serious injury from previous year (*LTP measure*). All bridges meet requirements for safe carriage.				
Financial			●		
Variation	Spend between $5.5M (-25%) and $8M (+10%) for all projects.				
Service Delivery		●			
Standard	5.5% of sealed local road network is resurfaced per annum (*LTP measure*). No more than 1.5 % of footpaths classified poor or worse as measured by Council's condition rating system (*LTP measure*). Maximum of 27 (10%) weight and/or speed restricted bridges on the network.				
Compliance	●				
Outcomes	Full compliance with NZTA funding requirements. Full compliance with NZ Bridge Design Manual and Regulatory requirements.				
Reputation	●				
Outcomes	Interest of local groups or individuals is expected, but events should not result in adverse regional or national media coverage. Some desire to be recognised for best practice asset management and renewal planning.				

10.3. Our Economy
Context

Invest in the Hasting City Centre to increase its vibrancy and to meet the challenges of changing retail patterns and how people use the central city.

Ensure industrial development opportunities are easily accessible in Omahu, Irongate and Whakatu/Tomoana to meet our target of increased jobs and investment.

- Industrial Zone Investment: $19M
- Economic Development: $3.5M
- CBD Development: $3.4M

Appetite	Averse	Conservative	**Measured**	Justified	Flexible

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

Tolerance & Measures

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

Risk Category	Extremely Low	Low	Limited	Expect Some	Anticipated
Safety		●			
Outcomes	No notifiable injuries or illness from infrastructure projects due to poor health & safety practices by Council or a contractor. No serious assaults in the CBD resulting from failure of community safety services (including; CPTED design, CCTV, City Assist).				
Financial				●	
Variation	Spend between $12.9M (-50%) and $32.4M (+25%) for all projects.				
Service Delivery			●		
Standard	A minimum of 20% and a target of 30% of vacant industrial land (*LTP measure*). Less than 10% of retail spaces vacant on a quarter basis.				
Compliance		●			
Outcomes	No material failures to comply with the life safety goals of planning and building act and regulations.				
Reputation			●		
Outcomes	Positive regional public interest or media attention is expected for creating liveable spaces, but outcomes should not result in adverse media coverage.				

Example:

- Council invested $3.8M installing water infrastructure for the Irongate industrial area to stimulate development after receiving only 20% of development contributions.

10.4. Where We Live

Context

Ensure a range of housing options are available to meet the needs of changing community while protecting our valuable soils.

- Residential infrastructure spend: $20.5M

Appetite

Averse	Conservative	Measured	**Justified**	Flexible

Council is prepared to take a **Justified** approach to achieving this outcome in order to meet the need in the community for sufficient liveable spaces. This means that strongly justified risks may be taken, as long as the potential impact is managed.

Tolerance & Measures

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

Risk Category	Extremely Low	Low	Limited	Expect Some	Anticipated
Safety		●			
Outcomes	No new houses constructed in at risk areas (i.e. natural hazard zones) without mitigation. All new houses meet safe and sanitary requirements (e.g. weather tightness).				
Financial				●	
Variation	Spend between $10.25M (-50%) and $25.6M (+25%) for all projects.				
Service Delivery			●		
Standard	A minimum 20% residential greenfields land available (*LTP measure*) Less than 0.2% of plan zone land (valuable soils) used for new housing per annum (*Note: this is equivalent to 62Ha or two times Lyndhurst Stage 1 & 2*).				
Compliance		●			
Outcomes	No legal challenges upheld for unsound Resource Consents or Building Consents decisions.				
Reputation				●	
Outcomes	Positive regional public interest or media attention is expected, but events within Council's control should not result in adverse national media coverage. There is support for national recognition of successful innovation in provision of housing.				

Example:

- Council is looking to invest around $11M installing road and water infrastructure for Howard Street residential area to make the development more appealing to the market.

10.5. Things To Do

Context

Continue enhancing our parks, recreational and cultural facilities to make the Hastings District a place where people want to work, live and play.

- Opera House: $39.6M
- Enjoyable reserves: $5.9M
- Regional Sports Park Grant: $4.9M

Scope

This strategic outcome covers the approach taken to enhancing the playgrounds, sports fields, parks, reserves, swimming pools and aquatic facilities, Skate Park and mountain bike trails in the District.

Appetite	Averse	Conservative	Measured	**Justified**	Flexible

Council is prepared to take a **Justified** approach to achieving this outcome on the basis that there is a desire to provide spaces that allow people to enjoy the natural environment and seek adventure. This means that risk may be accepted as long as the impact is managed.

Tolerance & Measures

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

Risk Category	Extremely Low	Low	Limited	Expect Some	Anticipated
Safety *Outcomes*				●	
	It is expected that injuries will occur within parks, recreational and cultural facilities as a result of the actions of individuals. However, no notifiable injuries or illness should be caused by the condition of the physical infrastructure provided by Council. *Note: Injuries resulting from an individual's actions not caused or influenced by Council equipment or infrastructure are excluded from this measure.*				
Financial *Variation*			●		
	Spend between $37.8M (-25%) and $55.4M (+10%) for all projects.				
Service Delivery *Standard*			●		
	Opera House Qualmark rating – Five star *(LTP measure)* Greater than 97% parks user satisfaction *(LTP measure)*. Less than 3 non-weather related unplanned park closures per year.				
Compliance *Outcomes*		●			
	Only compliant equipment is use or installed in play grounds. No fines or prosecutions for non-compliant equipment or facilities.				
Reputation *Outcomes*				●	
	Positive regional public interest or media attention is expected for creating liveable spaces, but outcomes should not result in adverse media coverage.				

Example:

- Work on the Opera House, plaza and municipal building was started before all funding sources were confirmed.
- A covered slide tower was installed in Cornwall Park to provide an adventure opportunity.

10.6. Our People

Context

Work together with communities and other to build civic pride, develop our youth and uplift people and communities.

- Youth, Hapu and Community Development: $2.2M
- City Assist & Kaitiaki: $3.1M
- Community Grants: $3.2M

| Appetite | Averse | Conservative | **Measured** | Justified | Flexible |

Council is prepared to take a **Measured** approach to achieving community uplift due to the need to work collaboratively with local Hapu, community and other agencies. This means that risk will be accepted if limited and heavily out-weighed by benefits.

Tolerance & Measures

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

Risk Category	Extremely Low	Low	Limited	Expect Some	Anticipated
Safety	●				
Outcomes	No programmes or placements put youth in potentially harmful situations.				
Financial		●			
Variation	Spend between $7.6M (-10%) and $9.3M (+10%) for all projects.				
Service Delivery			●		
Standard	No unplanned outages for CCTV, City Assist or Kaitiaki services. At least 3 place based plans completed (*LTP measure*) At least 1 social development review completed (*LTP measure*)				
Compliance		●			
Outcomes	No challenges against community programmes for lack of engagement or consultation that can be upheld.				
Reputation			●		
Outcomes	Positive regional public interest or media attention is expected for community lead plans and pathways for youth, but outcomes within Council's control should not result in adverse national media coverage.				

10.7. Our Service Delivery

Context:

Local Infrastructure which contributes to public health and safety, supports growth, connects communities, activiates communites and helps to protect the natural environment

Local public services which help meet the needs of young and old, people in need, visitors and locals, businesses and households.

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

- Operating budget: $88M

Appetite	Averse	**Conservative**	Measured	Justified	Flexible

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

Tolerance & Measures

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

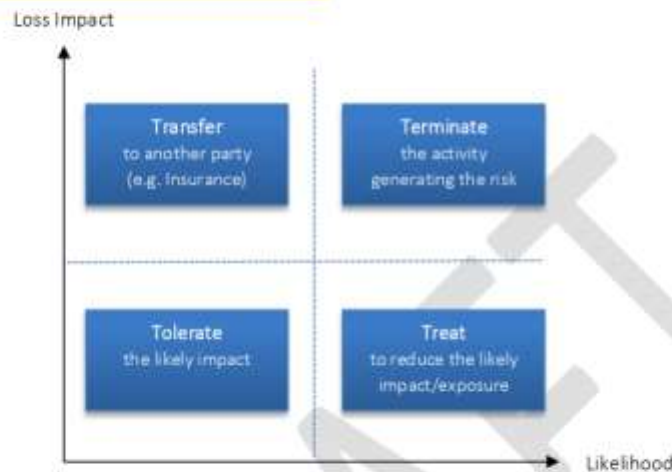| Risk Category	Extremely Low	Low	Limited	Expect Some	Anticipated
Safety *Outcomes*		●			
	Fewer than 10 medical attention or lost time injuries to Council workers (staff and contractors) per month (*refer Health & Safety Reports*).				
Financial *Variation*	●				
	Spend between $83.6M (-5%) and $92.4M (+5%) for all operations (*Aligns with Chief Executive Objectives*).				
Service Delivery *Standard*		●			
	No more than 10% variation from the LTP target levels of service. No decision reversed upon review.				
Compliance *Outcomes*		●			
	No legal challenges upheld for unsound Resource Consent or Building Consent decisions. All services provided meet regulatory requirements for safe operation.				
Reputation *Outcomes*				●	
	Interest of local groups or individuals may occur, but events within Council's control should not result in adverse regional or national media coverage. Positive media attention up to national level is desirable for innovative service.				

Example:

- It is important that the decisions made when issuing a consent, permit or licence are technically correct, even if that means there is a slight delay in issuing the decision.
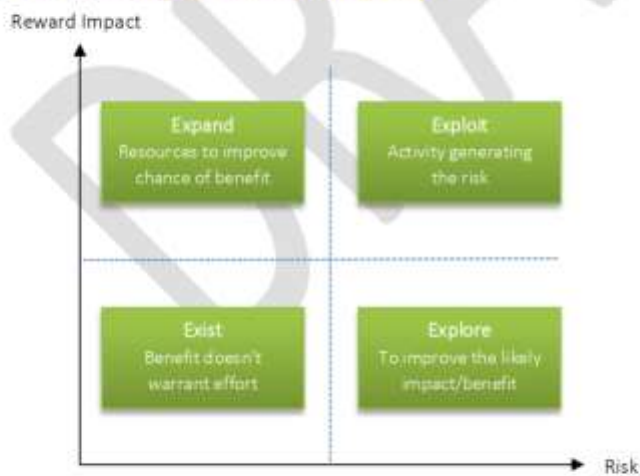
11. Appendix 3: Risk Control Techniques

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

11.1. Treatments for Threat Risk

Loss Impact

Transfer to another party (e.g. insurance)	**Terminate** the activity generating the risk
Tolerate the likely impact	**Treat** to reduce the likely impact/exposure

Likelihood

11.2. Treatments for Opportunity Risk

Reward Impact

Expand Resources to improve chance of benefit	**Exploit** Activity generating the risk
Exist Benefit doesn't warrant effort	**Explore** To improve the likely impact/benefit

Risk

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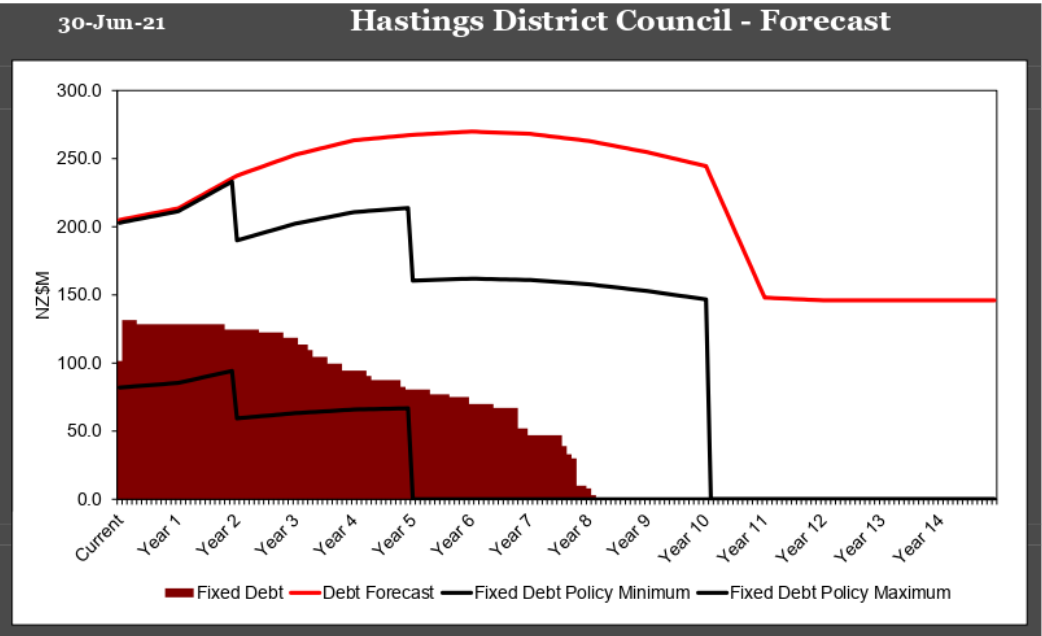
HDC Strategic Risk Register

As at 2 September 2021

Inherent Risk for Strategic Risk   Current Risk for Strategic Risk

ID	Description	Details	Inherent risk level	Residual risk level
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.		High
21	Significant Operational Service Failure	Operational failure that may have material impact on delivery of Council services to the community.		Medium
22	Water Quality & Quantity	As a result of climate change and human activities, there may not be a sustainable quantity of quality water to support the communities economic, social and environmental wellbeing aspirations.		High
23	Financial Sustainability	Due to over committing to work programmes the financial sustainability of the Council may be compromised affecting delivery of all goals.		
24	Inequitable resource allocation	Ineffective or complex district plan land-use policies may compromise the ability to deliver equitable access to resources affecting Social, Cultural, Economic and Environmental wellbeing.		
25	Spatial and asset management planning	Failure to accurately understand community needs may lead to poor spatial and asset management planning that compromises delivery of the services required by the community adversely affecting economic, social and cultural wellbeing.		Medium
26	Failure of climate	Lack of knowledge, protracted decision making or insufficient application of resources may cause climate		

2 Sep 2021 Page 1

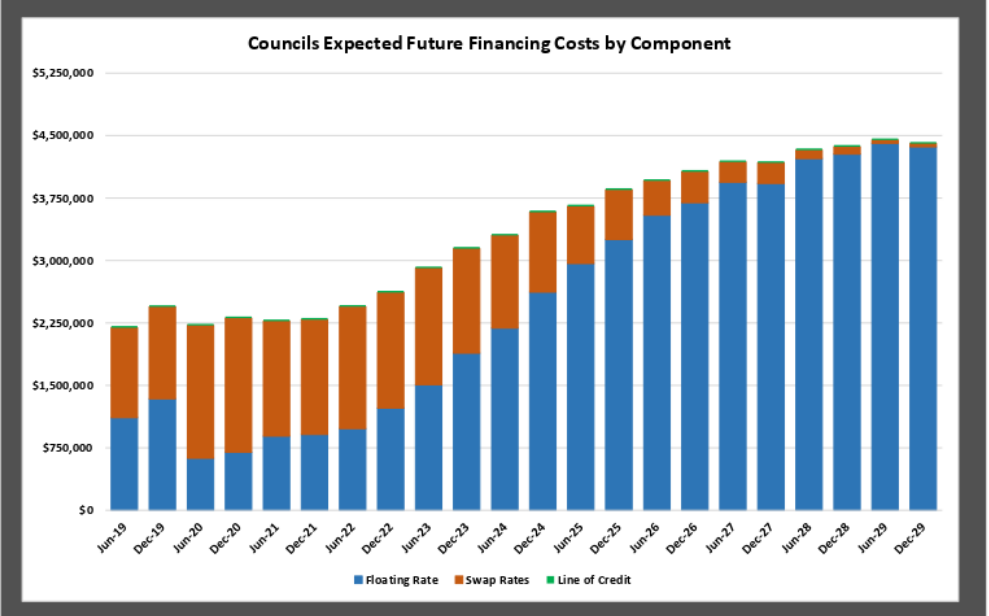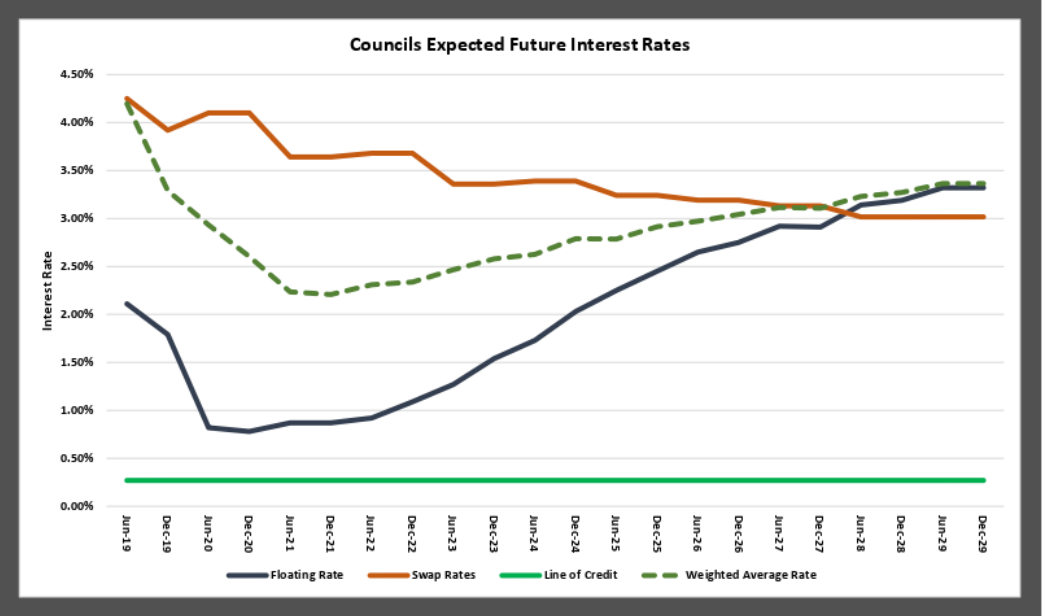| ID	Description	Details	Inherent risk level	Residual risk level
	adaptation	change adaptation measures to fail adversely impacting economic, social and cultural wellbeing.		
14	Governance Failure	Failure to clearly define Councils goals and strategy, or to monitor the achievement of anticipated outcomes, or to work effectively together as a team, will detract from the quality of decisions and impede the achievement of strategic objectives. Inadequate oversight of management or the failure to ensure legal compliance exposes the organisation to significant financial, service delivery and reputation risks.	High	Medium
27	Increasing social inequity	Failure of community engagement, consultation and stakeholder partnerships, particularly Iwi and Government agencies, may lead to further increases in social inequity in the community adversely affecting Social, Cultural and Economic wellbeing.	High	
28	Significant statutory reform	Failure to proactively adapt to statutory changes could adversely affect economic, environmental, social or cultural wellbeing.	High	

Interest Rate Risk Position   ## 30 June 2021

30-Jun-21 **Hastings District Council - Forecast**

Legend: Fixed Debt, Debt Forecast, Fixed Debt Policy Minimum, Fixed Debt Policy Maximum

Debt Interest Rate Policy Parameters
(calculated on rolling monthly basis)

Debt Period Ending	Debt Forecast	Minimum %	Maximum %	Actual	Compliant (Y/N)
Current	206	40%	99%	61%	Yes
Year 1	214	40%	99%	60%	Yes
Year 2	238	25%	80%	52%	Yes
Year 3	253	25%	80%	47%	Yes
Year 4	264	25%	80%	36%	Yes
Year 5	268	0%	60%	30%	Yes
Year 6	270	0%	60%	26%	Yes
Year 7	268	0%	60%	18%	Yes
Year 8	263	0%	60%	3%	Yes
Year 9	255	0%	60%	0%	Yes
Year 10	245	0%	60%	0%	Yes
Year 11	148	0%	0%	0%	Yes
Year 12	146	0%	0%	0%	Yes
Year 13	146	0%	0%	0%	Yes
Year 14	146	0%	0%	0%	Yes
Year 15	146	0%	0%	0%	Yes

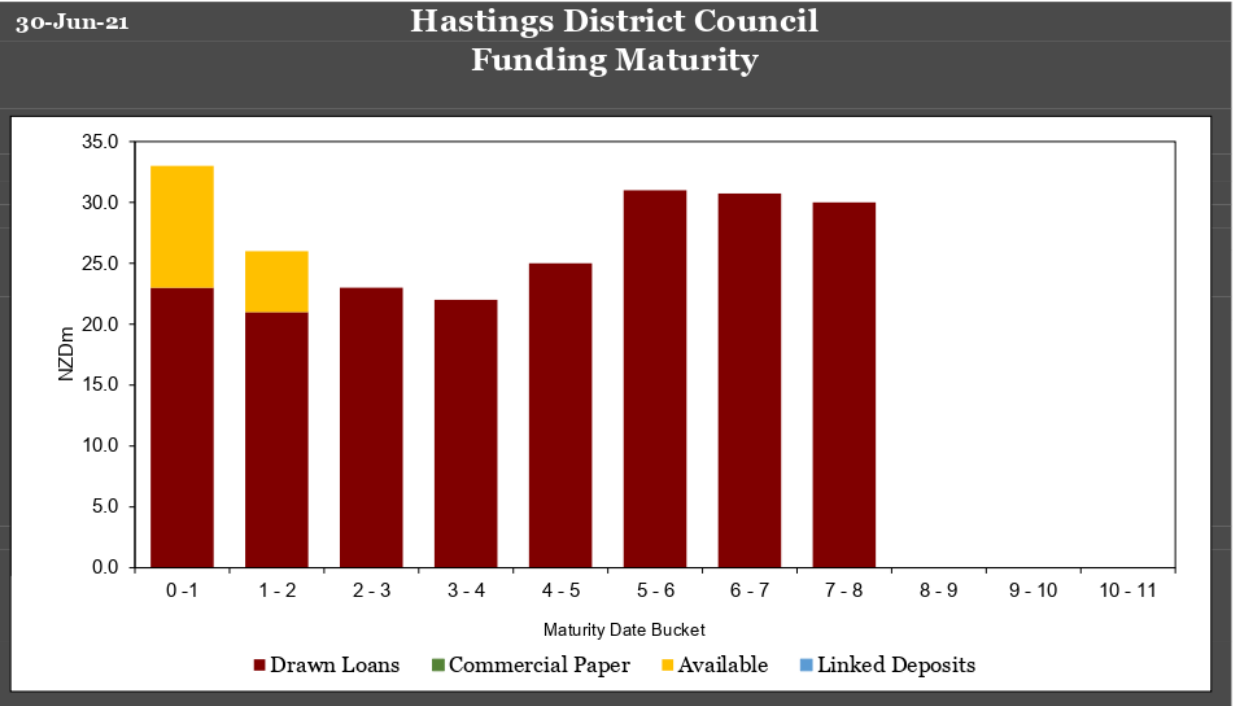|		
Weighted Avg Cost of Fixed Rate Instruments	3.38%	
Value of Live Fixed Rate Instruments	$	126,500,000
Weighted Avg Length of Fixed Rate Instruments	5.73 Years	

Councils Expected Future Interest Rates

Legend: Floating Rate, Swap Rates, Line of Credit, Weighted Average Rate

Councils Expected Future Financing Costs by Component

Legend: Floating Rate, Swap Rates, Line of Credit

Cost of Holding Fixed Interest Position

	30-Jun-21			30-Jun-20			Movement for Year		
	Notional Swap Value	Avg Int Rate	Valuation	Notional Swap Value	Avg Int Rate	Valuation	Notional Swap Value	Avg Int Rate	Valuation
Live Interest Rate Swaps	88,500,000	3.88%	(8,543,926)	80,500,000	4.14%	(10,915,516)	8,000,000	(0.26%)	2,371,590
Forward Starting Interest Rate Swaps	27,500,000	4.01%	(2,208,262)	53,500,000	3.93%	(7,846,527)	(26,000,000)	0.08%	5,638,265
Total Interest Rate Swaps	116,000,000	3.91%	(10,752,188)	134,000,000	4.06%	(18,762,043)	(18,000,000)	(0.15%)	8,009,855

Average Cost of Funds

	30-Jun-21		30-Jun-20		Movement for Year	
	Notional Value	Avg Int Rate	Notional Value	Avg Int Rate	Notional Value	Avg Int Rate
Fixed Rate Loans with LGFA	38,000,000	2.19%	8,000,000	2.37%	30,000,000	(0.18%)
Floating Rate Loans with LGFA	167,000,000	0.97%	142,000,000	2.26%	25,000,000	(1.29%)
Live Interest Rate Swaps	88,500,000	3.88%	80,500,000	4.14%	8,000,000	(0.26%)
Westpac Lines of Credit	15,000,000	0.27%	15,000,000	0.27%	0	0.00%
Fixed Rate Loans with HNZ	740,000	0.00%	740,000	0.00%	0	0.00%
Total External Loans / Average Cost of Borrowing	205,740,000	2.73%	150,740,000	3.62%	55,000,000	(0.89%)

Funding and Liquidity Risk Position

30 June 2021

30-Jun-21
Hastings District Council
Funding Maturity

Composition of Counterparties

- LGFA
- Westpac
- Housing NZ

Funding KPI's

	Minimum %	Maximum %	Actual	Compliant (Y/N)
Liquidity	110%	170%	126%	Yes
Fixed Interest Debt	40%	99%	61%	Yes
Funding Maturity Profile				
0-1 Year	0%	33%	27%	Yes
1-2 Year	0%	33%	10%	Yes
2-3 Year	0%	33%	9%	Yes
3-4 Year	0%	33%	9%	Yes
5-6 Year	0%	33%	10%	Yes
6-7 Year	0%	33%	12%	Yes
7-8 Year	0%	33%	12%	Yes
8-9 Year	0%	33%	12%	Yes
9-10 Year	0%	33%	0%	Yes
10-11 Year	0%	33%	0%	Yes
Net Debt as % Equity		20%	7%	Yes
Net Debt as % Income		150%	105%	Yes
Net Interest as % Income		15%	4%	Yes
Net Interest as % of Rates		20%	6%	Yes
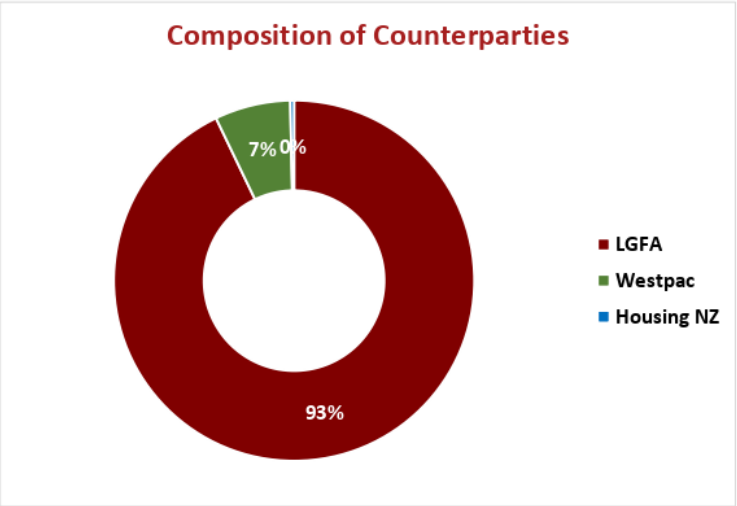
Funding and Liquidity Characteristics

205,740,000
Total External Council Drawn Debt

23,000,000
Forward Start Contract

205,000,000
Funds Drawn from LGFA

1.26
LIQUIDITY RATIO
Definition: (Cash Reserves + Lines of Credit + Drawn Debt) / Drawn Debt

15,000,000
Undrawn Bank Facilities

38,000,000.00
Bank Deposits & Term Deposits

4.38 Years
Weighted Average Length of Funding

Item 9