

Monday, 11 April 2022

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council

Risk and Assurance Committee Meeting

Kaupapataka

Agenda

Te Rā Hui:
Meeting date: **Monday, 11 April 2022**

Te Wā:
Time: **9.00am**

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

Te Hoapā:
Contact: **Democracy and Governance Services
P: 06 871 5000 | E: democracy@hdc.govt.nz**

Te Āpiha Matua:
Responsible
Officer: **Group Manager: Corporate - Bruce Allan**

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

Risk and Assurance Subcommittee – Terms of Reference

Fields of Activity

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

- Effective management of potential risks, opportunities and adverse effects.
- Reasonable assurance as to the integrity and reliability of the financial reporting of Council.
- Monitoring of Council's requirements under the Treasury Policy.
- Monitoring of Councils Strategic Risk Framework.

Membership

- Membership (7 including 4 Councillors).
- Independent Chair appointed by Council.
- Deputy Chair appointed by Council.
- 3 external independent members appointed by Council.

Quorum – 4 members

Delegated Powers

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

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Agenda

Koromatua

Chair: Jon Nichols – External Independent Appointee

Nga Kai Kaunihera

Councillors: Simon Nixon (Deputy Chair), Alwyn Corban, Tania Kerr, and Geraldine Travers

Mematanga:

Membership:

Heretaunga Takoto Noa Māori Standing Committee appointee : Robin Hape

External Independent Appointee: Jaun Park

Mayor Sandra Hazlehurst

Tokamatua:

Quorum:

4 members

Kaihokoe mo te Apiha

Officer Responsible:

Group Manager: Corporate – Bruce Allan

Te Rōpū Manapori me te

Kāwanatanga

Democracy &

Christine Hilton (Extn 5633)

Governance Services:

Te Rārangi Take

Order of Business

1.0 Apologies – *Ngā Whakapāhatanga*

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

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

2.0 Conflict of Interest – *He Ngākau Kōnatunatu*

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

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

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

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

Minutes of the Risk and Assurance Committee Meeting held Monday 14 February 2022.

(Previously circulated)

4.0 Insurance Update

7

5.0 GM: Asset Management Overview

9

6.0 Three Waters - Transition Risk Planning

19

7.0 GM: Corporate Update

23

8.0	Health & Safety Update: COVID-19 Response	27
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9.0	Treasury Activity and Funding Update	29
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10.0	Minor Items – <i>Ngā Take Iti</i>	
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11.0	Urgent Items – <i>Ngā Take Whakahihiri</i>	
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12.0	Recommendation to Exclude the Public from Items 13 and 14	35
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13.0	Health and Safety Contractor Performance Report	
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14.0	Cyber Security Update	
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Monday, 11 April 2022

Item 4

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Risk and Assurance Committee Meeting

Te Rārangi Take

Report to Risk and Assurance Committee

Nā: Jeff Tieman, Management Accountant
From: Bruce Allan, Group Manager: Corporate

Te Take:
Subject: Insurance Update

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

- 1.1 The purpose of this report is to explore areas for savings in premiums and issues to be aware of. Insurance premiums for Council have been increasing significantly in recent years. The table below is a summary of premiums charged across the policy areas that Council has cover in over the past 5 years.

	2017	2018	2019	2020	2021
Material Damage and Business Interruption	706,441	899,143	997,045	1,137,175	1,515,261
LAPP	195,483	153,684	230,578	265,160	340,275
Professional Indemnity & Public Liability	37,954	40,801	61,201	86,075	116,306
Bridge	36,406	42,561	50,652	56,430	66,652
Motor Vehicle	53,746	64,061	53,508	43,946	52,086
Crime	17,850	17,850	20,197	22,714	22,714
Statutory Liability	21,280	26,015	23,212	20,060	21,060
Employers Liability	3,689	3,521	3,542	4,560	4,785
Art	2,530	3,280	2,750	2,920	3,060
Personal Accident	1,517	1,608	2,286	2,227	2,353
Hall Hire	-	2,600	1,525	2,078	2,078
Standing Timber	826	262	272	369	400
Travel	509	269	396	88	88
Insurance Total	\$ 1,078,231	\$ 1,255,655	\$ 1,447,164	\$ 1,643,801	\$ 2,147,118

- 1.2 The key driver to increasing premiums has been in the Material Damage and Business Interruption policies with more than a 100% increase over the timeframe shown above.
- 1.3 While the cost of insuring Council's assets have increased significantly over time, so too have the value of the assets that Council is insuring. The declared value of the insured assets under the

material damage policy has increased from \$314m in 2017 to \$545m in 2021, a 73% increase in asset value. It is reasonable to assume for every percentage increase in declared value there could be an equivalent percentage increase to premiums.

- 1.4 In attendance (via Zoom) at the Committee meeting will be Deanna McDonald and Matthew Wilson from AON. Officers are working with AON to investigate ways to manage Council's exposure to the ever-increasing premiums and help find ways where Council can manage the risk. Attached as **Attachment 1** is a copy of the presentation that we will work through as part of this agenda item.
- 1.5 Obviously Council's biggest premium exposure is with the Material Damage policies and this will be the area where we will focus most of the attention. There are a number of options around reducing Council's material damage premiums with all of them based around shifting the risk from the insurer to Council.
- 1.6 Other areas that have been considered but will not be a focus of attention include:
- 1.7 Motor Vehicles – there could be an option to self-insure Council's fleet of Motor Vehicles. However, following discussions with our advisors at AON, we do not recommend this approach with this elevated risk of third party damage and the process that would be followed by the third party should a claim be made. For a reasonably modest cost (\$52,000), it is believed that this provides Council with good protection and hassle free claim processes.
- 1.8 Bridges – HDC is one of only a very few Councils that insure its bridges in New Zealand and this cost has increased over time to \$66,000. In the scheme of Council's overall insurance cost, this additional premium is relatively modest and recent rain events on the East Coast show some of the vulnerabilities that the roading network can experience.

2.0 Recommendations - Ngā Tūtohunga

That the Risk and Assurance Committee receive the report titled Insurance Update dated 11 April 2022.

Attachments:

1⇒ AON Insurance presentation

CG-16-6-00152

Under
Separate
Cover

Monday, 11 April 2022

Item 5

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Risk and Assurance Committee Meeting

Te Rārangi Take

Report to Risk and Assurance Committee

Nā:
 From: **Craig Thew, Group Manager: Asset Management**

Te Take:
 Subject: **GM: Asset Management Overview**

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

- 1.1 The purpose of this report is to provide an overview to the Risk and Assurance committee of the current risks areas (across the Asset Management group) that could threaten Council's ability to deliver upon its strategic objectives and legislative requirements.
- 1.2 There are a number of common themes across the service areas of the Asset Management group where we are experiencing heightened challenges which can then affect delivery, either immediate or longer term.
- 1.3 The diagram notes some of the risk areas where challenges are increasing over recent times, many have been discussed at previous committee meetings.
- 1.4 Without enough capable staff, it is not possible to reliably deliver on Council's



legal obligations and its long term plan objectives. Like in a number of industries, the labour market is very tight with difficulty in finding experienced staff, threats to retention of existing staff (within NZ and now from overseas) and a need to bring in resources for succession planning/changeover of staff in key business roles as they approach retirement. With a tight labour market we are also seeing an increase in salary and wage expectations, along with a requirement for additional flexibility in working arrangements. The tighter our staffing situation is, the less additionality and improvement activities that can be progressed, with the priority needing to remain on delivering the base operations. Backfilling staffing gaps via consultants for BAU work brings with it additional costs so is only an interim measure.

- 1.5 External resources (contractors and consultants) have the same staffing challenges, at a time that workloads and expenditures are at levels not seen for many years. This demand is not limited to Hastings or Hawke's Bay, it is increasing nationally and for many of the skills required internationally. Our contractors also rely on supplies of materials and plant to complete works; supply chain and production limits continue to be a challenge that needs to be built into programmes. Suppliers are operating in a position where they can pick and choose whom they work for so Council needs to be a 'good client' and provide more confidence with pipelines of work and appropriate risk allocation.
- 1.6 Cost Escalation continues to be tracking higher than historic norms, this is playing out both with capital works and operational cost areas. With increases in operational costs, and with capped funding, there is a need to consider service levels and balance of renewal expenditures and operational expenses. The cost escalation is higher than the budgeted inflation allowance. This will result in sub-optimal whole-of-life investment and a review of some service levels. This will not result in failures to the primary service delivery.
- 1.7 Increasing compliance and consideration of reform agendas further builds onto a busy workload and cost pressures. Our forecast is that the effects of these will continue to build over time. In terms of staff workload, we are considering staff priorities and which areas of reform / consultation we need to be involved in vs being simply aware of. Compliance requirements and changing environment (e.g. climate adaption) will only increase and require ongoing review of how we deliver to future requirements (i.e. expected to require review of capacity, roles, and competencies required). New standards and national direction is expected in time in regards to service level requirements from a service resilience perspective. Similarly the Ministry for Environment consultation on recycling is likely to have implications for Council to work through in the years ahead.
- 1.8 Service expectations; the desires both internally and externally continue to grow. Where this can be catered for the team, they try hard to make them work. However, the capacity to do so is becoming more limited. Therefore we may not be able to be as responsive and may require more direct input from Council to consider the trading of priorities.
- 1.9 General programme update:
 - 1.9.1 The Capital programme spend is behind budget this year. The critical works that are time and service sensitive is the drinking water treatment plant upgrade programme. Much of this is scheduled to be completed in the next six months, with the remaining project being Waiaroha which will not be completed until mid-2023. The Major Projects team will continue to keep Council updated on this programme of works, considering cost increases and time delays that may occur.
 - 1.10 Governance reporting on BAU delivery is being made via the Operations and Monitoring committee. This committee receives a comprehensive report on progress, which also includes a project progress summary. More recently, officers have re-instigated the key project summaries for inclusion into the report. A copy of these reports is attached as **Attachment 1** for reference and comment by the Risk and Assurance committee to consider and provide feedback in regards to how these cover areas of risk that the committee believe are required.

1.11 Consent renewal projects:

- The Waste Water treatment plant's nine-yearly review process is commencing with a long programme of work and joint committee involvement being developed to complete the review and move into the next nine year period.
- Similarly work is underway on the stormwater urban global consent, with initial work being commissioned with Te Taiwhenua o Heretaunga (TToH) to assist in the definition of the objectives and context to build the consent application upon. Officers are conscious to progress this to ensure that if stormwater is transitioned to a new water entity the community's input is captured and is in place. The challenge in these processes is gathering the history, and perspectives take time and need to be duly respected.
- Regional water assessment and the shortage risk. Council will need to manage the risk of inadequate future water allocation to meet a growing community demand, both for its own supply and for the demands of the wider community and business. A workshop with HBRC staff as a follow-up discussion is scheduled to better understand the work completed by HBRC.
- The Landfill consent for the development of the next valley has been approved. The preparation work to enable the construction is now underway with staff and Council's consultant. This will be a multi-year project. Nationally many landfills are coming to their end of life so as a region we are more secure than many at this time.

1.12 Legislative compliance: The known protozoal non-compliance for drinking water will remain until the works at Frimley and Waiairoha have been completed and water is flowing through the plants. Council complies with all other requirements. This non-compliance came about from the loss of secure ground water status, and under the current guidelines, UV treatment and all the control systems are required to make the supply compliant again. Council has an up-to-date water safety plan (WSP) that has been assessed and approved by the former Drinking Water assessors for the Ministry of Health. The plan and the operating model has complete detailed hazard and mitigation assessments to ensure that risks are managed. These sites are monitored at levels beyond the currently proposed new standards.

1.13 The waste reforms are likely to build upon Council's waste minimisation plan and objectives. However, they are also likely to require further consideration of Council's initiatives and programme and communication and engagement with community.

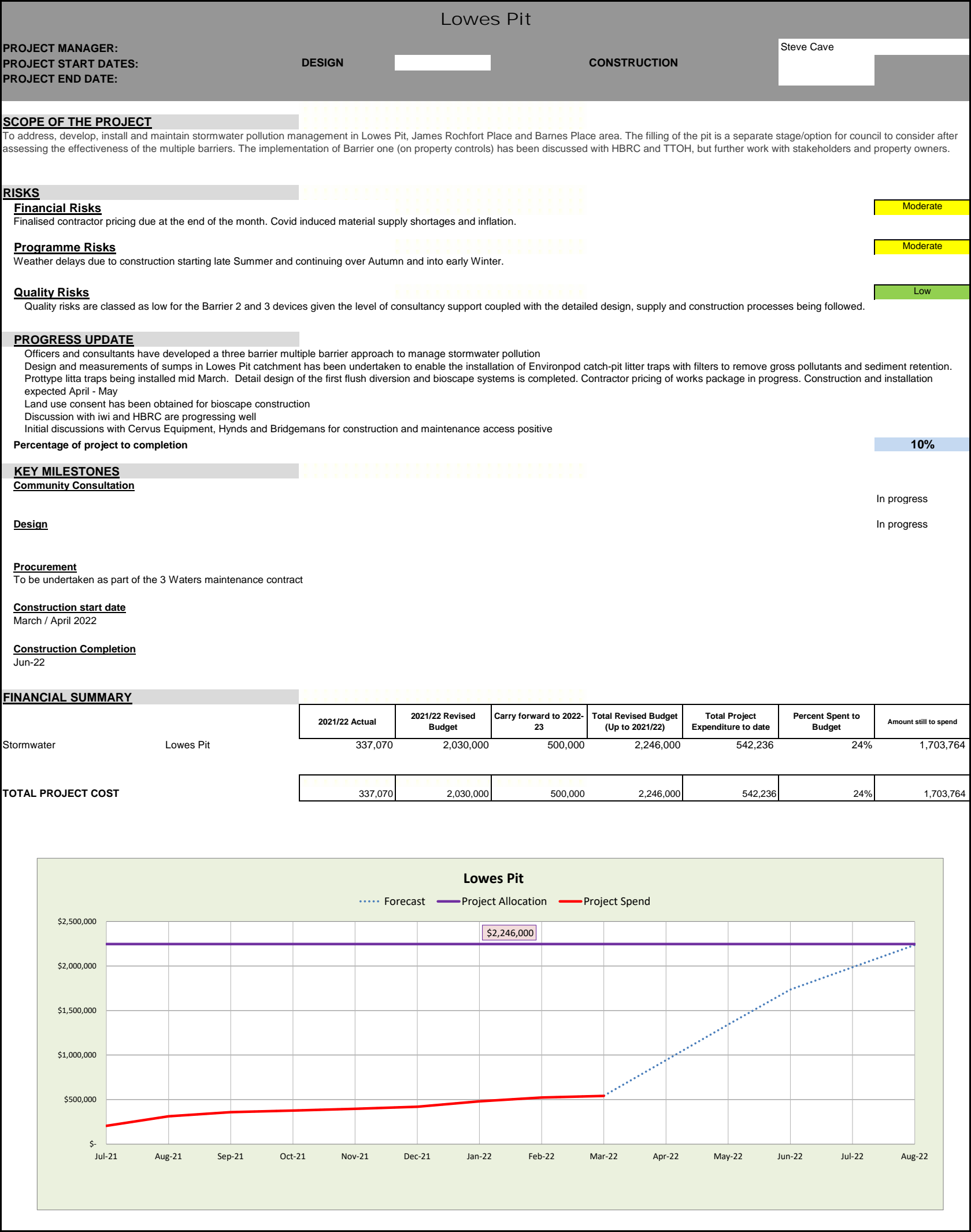
2.0 Recommendations - Ngā Tūtohunga

That the Risk and Assurance Committee receive the report titled GM: Asset Management Overview dated 11 April 2022.

Attachments:

1↓ Key Project Summary

CG-16-6-00155



PROJECT MANAGER:

PROJECT START DATES:

PROJECT END DATE:

DESIGN

Jun-21

CONSTRUCTION

Darryl van der Merwe

Mar-22

Aug-22

SCOPE OF THE PROJECT

This project consists of the construction of a new roundabout at the intersection of Napier Road and Crosses Road, Havelock North to improve traffic flow and improve resilience with an increase population and traffic flows. Responds to the LTP strategic priority area "Getting Around". Land purchased many years ago based on concept design. Council has a Conservative appetite for risk in this project.

RISKS

Financial Risks

Access to raw materials may affect the anticipated cost of supplies or cause delays that may result in additional costs over the project budget.

Moderate

Programme Risks

Market conditions may make it difficult to engage a contractor by the anticipated construction start date. If this should happen the project may be delayed until after winter 2022 to ensure the required level quality in the road surface. Opposition to removal/relocation of vegetation may slow the construction phase. Early engagement with the local community has been undertaken to understand community concerns and factor those in to the programme.

High

Quality Risks

Construction phase delayed resulting in potential seal during winter months, this would be managed by delaying the reseal to spring.

Low

PROGRESS UPDATE

Tender period closed on 2 March 2022. Four tender submissions received. Tender evaluation is in progress. The target award date is mid March 2022 with the intent to have the contractor taking possession of site before the end of March 2022.

Percentage of project to completion

5%

KEY MILESTONES

Community Consultation

Conversations continuing with the community

December 2021

Design

Completed

Procurement

February 2022

Construction start date

March 2022

Construction Completion

August 2022

FINANCIAL SUMMARY (Cost)

	2021/22 Actual	2021/22 Revised Budget	Carry forward to 2022-23	Total Revised Budget (Up to 2021/22)	Total Project Expenditure to date	Percent Spent to Budget	Amount still to spend
Transportation	38,619	2,200,000	400,000	2,200,000	38,619	2%	2,161,381
Napier Road safety project							
TOTAL PROJECT COST	38,619	2,200,000	400,000	2,200,000	38,619	2%	2,161,381

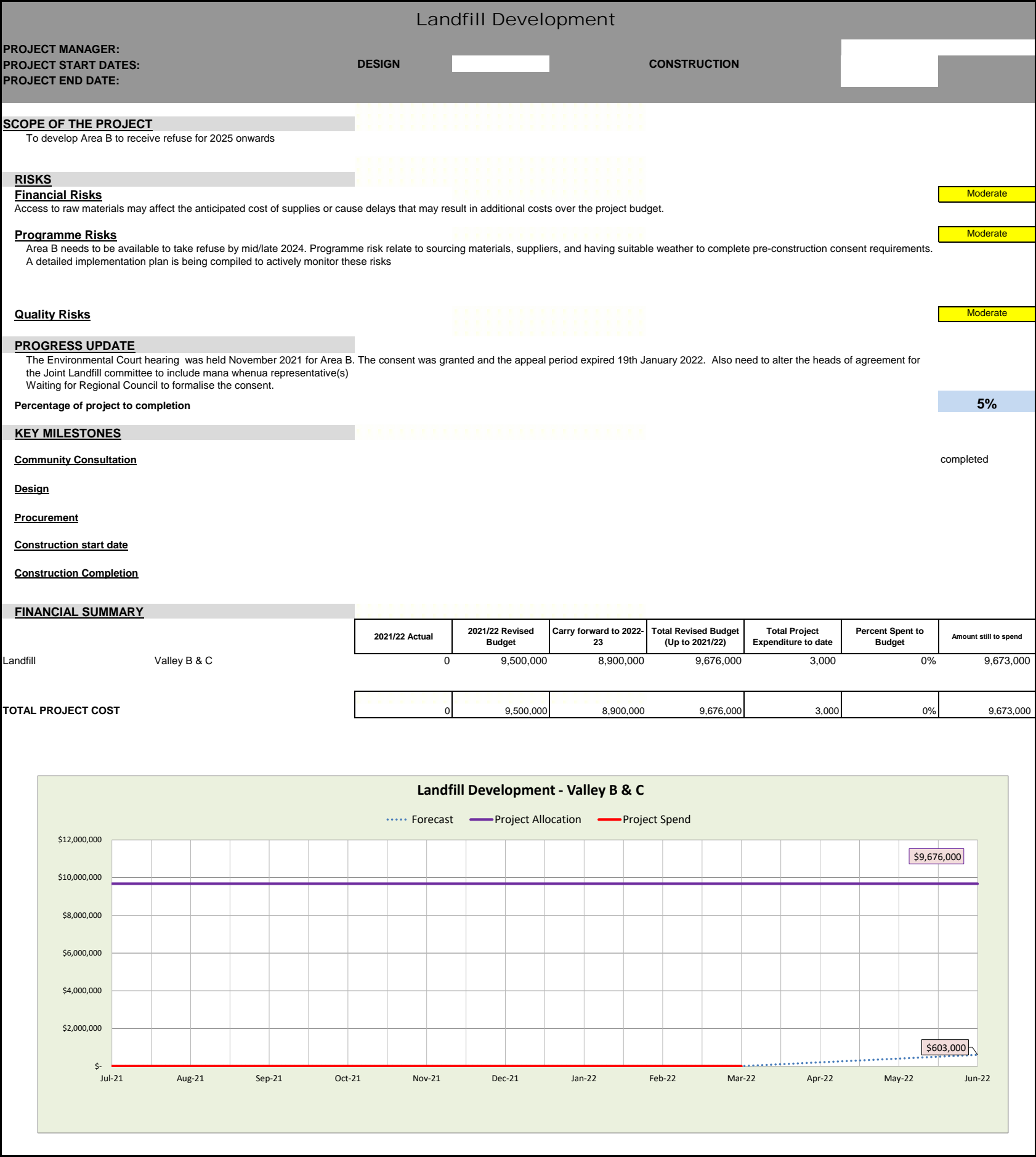
Napier / Crosses Road Roundabout - Major safety project

Forecast

Project Allocation

Project Spend

Date	Project Allocation	Forecast	Project Spend
Jul-21	\$2,200,000	\$0	\$0
Aug-21	\$2,200,000	\$0	\$0
Sep-21	\$2,200,000	\$0	\$0
Oct-21	\$2,200,000	\$0	\$0
Nov-21	\$2,200,000	\$0	\$0
Dec-21	\$2,200,000	\$0	\$0
Jan-22	\$2,200,000	\$0	\$0
Feb-22	\$2,200,000	\$0	\$0
Mar-22	\$2,200,000	\$0	\$0
Apr-22	\$2,200,000	\$500,000	\$500,000
May-22	\$2,200,000	\$1,000,000	\$1,000,000
Jun-22	\$2,200,000	\$1,500,000	\$1,500,000
Jul-22	\$2,200,000	\$1,750,000	\$1,750,000
Aug-22	\$2,200,000	\$2,000,000	\$2,000,000
Sep-22	\$2,200,000	\$2,200,000	\$1,800,000



PROJECT MANAGER:

PROJECT START DATES:

PROJECT END DATE:

DESIGN

1 Oct 2021

CONSTRUCTION

Dave Bishop

10 January 2022

SCOPE OF THE PROJECT

Facing a critical housing shortage, Council approached the government in 2020 seeking Crown Infrastructure Partners funding to develop four areas of council-owned residential land in Flaxmere. Council received \$13.5m to go towards building the water and roading infrastructure to support 150 affordable, quality housing across 4 sites. Tarbet Street, 244 Flaxmere Avenue, Flaxmere Town Centre and 72 Caernarvon Drive (Gum Tree Block).

RISKS

Financial Risks

Moderate

Programme Risks

Stormwater Design for Gum Tree and Town Centre. Additional SW quality requirements and downstream capacity issues are impacting on the stormwater design. HBRC Consenting for Discharge. Covid 19 – Material Delays & Cost Inflation. Tight Contractors Market.

Moderate

Quality Risks

Moderate

PROGRESS COMPLETE

244 Flaxmere Avenue

Resource Consent Granted 30 July 2021. Detailed Design Complete 1 October 2021. Contract Awarded 28 October 2021 to Downer New Zealand Ltd. Sod Turning Ceremony Held 30 November with Minister Woods. Construction Underway 10 January 2022.

Percentage of project to completion

20%

Flaxmere Town Centre

Resource Consent Granted 14 July 2021. Detailed Design Complete 1 October 2021. Physical works Contract Awarded 4 November 2021 to Fulton Hogan Ltd. Sod Turning Ceremony held 30 November with Minister Woods. Construction Works Underway 10 January 2022.

Percentage of project to completion

5%

72 Caernarvon Drive

Resource Consent Granted 9 December 2021. Detailed Design Expected to be Complete 28 February 2022. Project likely to run consecutively to Project Flaxmere Town Centre due to professional services and contractor capacity. Physical work expected to dovetail with Flaxmere TC work Q2 2022 .Site Clearance Works underway 10 January 2022.

Percentage of project to completion

10%

KEY MILESTONES

Community Consultation

Design

244 Flaxmere Avenue

Flaxmere Town Centre

72 Caernarvon Drive

Procurement

244 Flaxmere Avenue

Flaxmere Town Centre

72 Caernarvon Drive

Construction start date

244 Flaxmere Avenue

Flaxmere Town Centre

72 Caernarvon Drive

Construction Completion

244 Flaxmere Avenue

Flaxmere Town Centre

72 Caernarvon Drive

FINANCIAL SUMMARY

		2021/22 Actual	2021/22 Revised Budget	Carry forward to 2022-23	LTP YEAR 3 2022-23	Total Revised Budget (Up to 2022/23)	Total Project Expenditure to date	Percent Spent to Budget	Amount still to spend
Flaxmere Housing development	Flaxmere Town Centre	428,722	2,080,000	1,300,000	2,820,000	4,900,000	885,594	18%	4,014,406
Flaxmere Housing development	72 Caernarvon Drive	185,107	1,920,000	1,600,000	2,580,000	4,500,000	185,107	4%	4,314,893
Flaxmere Housing development	244 Flaxmere Avenue	415,554	2,100,000	1,300,000	0	2,100,000	569,242	27%	1,530,758
TOTAL PROJECT COST		1,029,383	6,100,000	4,200,000	5,400,000	11,500,000	1,639,944	14%	9,860,056

72 Caernarvon Drive

Forecast

Project Allocation

Project Spend

\$5,000,000

\$4,500,000

\$4,000,000

\$3,500,000

\$3,000,000

\$2,500,000

\$2,000,000

\$1,500,000

\$1,000,000

\$500,000

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Jul-21

Aug-21

Sep-21

Oct-21

Nov-21

Dec-21

Jan-22

Feb-22

Mar-22

Apr-22

May-22

Jun-22

Jul-22

Aug-22

Sep-22

Oct-22

Nov-22

Dec-22

Flaxmere Town centre

Forecast

Project Allocation

Project Spend

\$5,000,000

\$4,500,000

\$4,000,000

\$3,500,000

\$3,000,000

\$2,500,000

\$2,000,000

\$1,500,000

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Jul-21

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Dec-21

Jan-22

Feb-22

Mar-22

Apr-22

May-22

Jun-22

Jul-22

Aug-22

Sep-22

Oct-22

Nov-22

Dec-22

244 Flaxmere Avenue

Forecast

Project Allocation

Project Spend

\$5,000,000

\$4,500,000

\$4,000,000

\$3,500,000

\$3,000,000

\$2,500,000

\$2,000,000

\$1,500,000

\$1,000,000

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Jul-21

Aug-21

Sep-21

Oct-21

Nov-21

Dec-21

Jan-22

Feb-22

Mar-22

Apr-22

May-22

Jun-22

Jul-22

Aug-22

Sep-22

Flaxmere Town centre

Forecast

Project Allocation

Project Spend

\$5,000,000

\$4,500,000

\$4,000,000

\$3,500,000

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Jul-21

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Mar-22

Apr-22

May-22

Jun-22

Jul-22

Aug-22

Sep-22

Oct-22

Nov-22

Dec-22

244 Flaxmere Avenue

Forecast

Project Allocation

Project Spend

\$5,000,000

\$4,500,000

\$4,000,000

\$3,500,000

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Dec-21

Jan-22

Feb-22

Mar-22

Apr-22

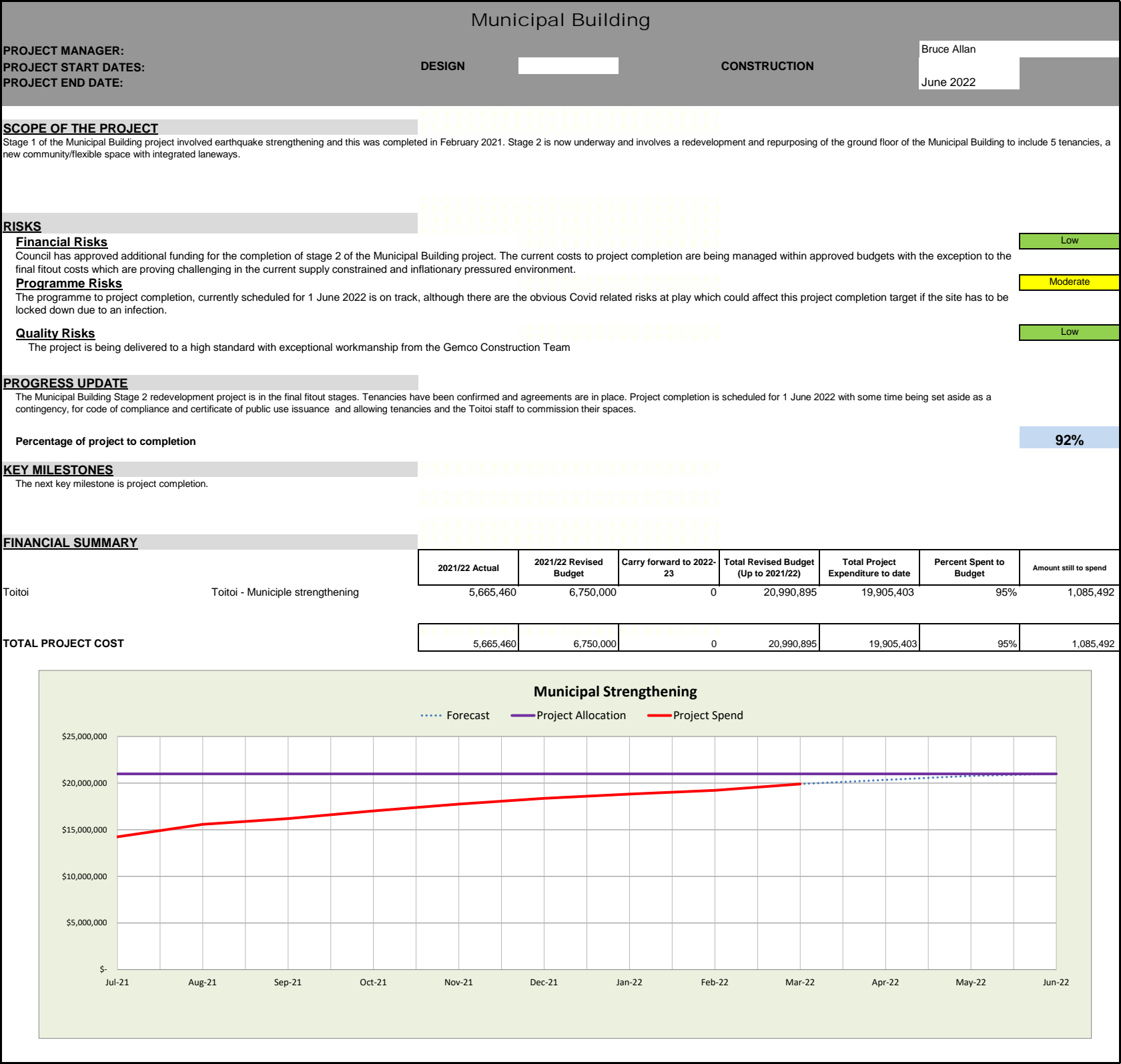
May-22

Jun-22

Jul-22

Aug-22

Sep-22



MAJOR WATER PROJECT								
PROJECT MANAGER:		DESIGN		CONSTRUCTION		Graeme Hansen		
PROJECT START DATES:								
PROJECT END DATE:								
SCOPE OF THE PROJECT								
These projects involves upgrades including treatment of all sources, the inclusion of reservoir storage (including booster pumping) and a fundamental change to the way the network is operated. It includes new bores as part of the source water reconfigurations to provide primary sources to the urban areas of Flaxmere, Hastings East, Hastings West and Havelock North which operate as four separate functional supply areas, with limited connectivity between each area. The Projects deals with the new water treatment plants at Frimley and Eastbourne with associated pipeworks as well as reservoir storage, a booster Pump station in Havelock North and pipeworks.								
Small Communities consists of upgrading, extending or building water treatment plants and reservoirs including new bores at the following rural sites Whirinaki-Esk, Clive, Whakatu, Haumoana, Waimarama, Waipatiki and Te Pohue, each of these sites is connected to local distribution networks isolated from the main Hastings reticulation. The schemes all draw water from local groundwater supplies and all include differing degrees of treatment. The plants all require upgrades to increase capacity, increase redundancy, increase resilience and meet the requirements of the Drinking Water Standards for New Zealand.								
RISKS								
Financial Risks						Moderate		
Frimley								
Costs are considered manageable at this time, due to the advanced nature of the project and that most significant material items have been purchased. Residual risks are around covid and construction delays due to access to sub contractors and minor material requirements.								
Waiaroha								
The water treatment and storage component of this project is relatively well controlled with most major component parts committed to or purchased and work now advancing on site. The Waiaroha education and groundworks elements are still going through the final design and building consent phase and there will be pressure on budget provisions for this section of work, including marked cost increases to material and build costs. We are looking at various external additional funding sources to assist with challenge once final costs and commitments are made.								
Small Communities								
The wider small communities programme is now well advanced, with 4 sites completed and commissioned, 2 in commissioning phase and 1 commencing construction. Contractual commitments for all major component parts are in place but there is pressure on some material cost increases over the period of the contract commitment. This is considered manageable for the remaining work programme.								
Programme Risks								
Frimley								
All required materials and equipment are on site or being installed so the risk for this project primarily relate to ongoing effects of Covid and the risk to workers and sub contractors.								
Waiaroha								
All consents are in place for all elements of the Waiaroha project, with the exception of the Education building that is currently in for building consent. Work is well advanced on the pipeline contract, the 1st reservoir floor has been poured and work is commencing on the Water treatment plant foundation in January. The Education building is due to commence construction in June 2022. A range of contractor and client supplied items have been procured for this project so this is not expected to be a significant issue for these contracts. Risk of impacts of Covid continue to be the highest risk to worker health and supporting sub contractors								
Small Communities								
All design and consents are now in place for all plants, with containerised plants constructed for each site. Other material requirements are considered manageable for the remaining work. As for other contracts the risk of impacts of Covid on workers, contractors and sub contractors continues to be the biggest risk issue. Whakatu site construction on site is starting March 2022.								
Quality Risks								
Frimley								
Quality has been controlled through the construction phase by a commitment to sound project management and quality control procedures by our consulting engineers. Appropriate milestones and hold points have been used as a method to control quality risks through the various phases. The commissioning phase will be the most challenging remaining risk for this project.								
Waiaroha								
Worked has recently commenced on the reservoirs and water treatment elements of the project and these are being controlled in the same manner and approach applied to the Frimley project. Experiences and learnings are also being applied to this project from Frimley, with the same contractor and subcontractors involved. Further expertise and specialists have been engaged for the education building and groundworks during the design phase and this support will be taken into the construction phase.								
Small Communities								
With the advanced nature of the wider small communities programmes and with the last site entering the construction phase, as a replicate of the other 6 sites, the quality risks are well understood and managed through appropriate project management and quality control measures.								
PROGRESS UPDATE								
Frimley								
% of project to completion								
75%								
Work is continuing in accordance with programme and schedule, with the following major components undertaken during the reporting period: Work progress has shifted to progressing bore FR4 while headworks and reticulation connections for Bores FR1 & FR2 are programmed between January and March 2022, this will ensure we have 2 completed bores and sufficient water available for commissioning purposes April 2022. Water Treatment Plant construction progressing well with walls and roofing complete prior to Christmas, major componentry is now being installed within the building, Pipework's connecting to the WTP to the reservoir have also been progressing.								
Waiaroha								
% of project to completion								
20%								
Eastbourne/Waiaroha: Pipelines progressing well, Reservoir Work has commenced on the southern reservoir. WTP ground and foundation works are due to commence in February once foundation are complete on southern reservoir. Education Building consents have been lodged and interpretive and co-design processes are advancing now, construction is programmed to commence in June.								
Small Communities								
% of project to completion								
80%								
Small Communities Water Treatment Plants: work continues on Small communities upgrades with construction of the Waipatiki plant progressing with all major site works complete, with electrical connection still to be completed. Commissioning of the plant is scheduled for April/May. Whirinaki-Esk commissioning is progressing with upgrades to exiting bore and pump operations nearing completion. Testing and commissioning phase due for completion in late March and the plant going live in early April. Whakatu: community engagement and hui at Whakatu went well in October 2021 to extent Council approval was received 14th October to progress upgrade on Ngaruroro Ave reserve and to proceed with the required statutory process, the necessary approvals should all be in place by early 2022. The Park enhancement (managed by Parks Team) and Water Treatment Plant will proceed concurrently with the Water Treatment Plant construction programme. Site construction works due to start March 2022.								
KEY MILESTONES								
Havelock North Booster Pumping Station: complete								
Frimley - Reticulation Pipework complete, Bore FR2 completed to target depth, with screen installation, bore development and testing complete, Reservoir construction complete								
Eastbourne/Waiaroha: All consents are in place for the WTP and in site stormwater pipeline works are completed. Education building final site detail has been confirmed								
Small Community Water Treatment Plants: Haumoana, Waimarama, Te Pohue and Clive Water Treatment Plants are now in full production. Parkhill Booster Pumping Station upgrade is complete.								
FINANCIAL SUMMARY								
		2021/22 Actual	2021/22 Revised Budget	Carry forward to 2022-23	Total Revised Budget (Up to 2021/22)	Total Project Expenditure to date	Percent Spent to Budget	Amount still to spend
Water Supply - Hastings & Havelock North	Stage 1A Havelock North Booster Pump sta	160,735	290,431	47,431	20,248,670	20,033,834	99%	214,836
Water Supply - Hastings & Havelock North	Stage 1B Eastbourne	5,333,618	20,346,000	13,618,000	27,157,000	12,244,411	45%	14,912,589
Water Supply - Hastings & Havelock North	Stage 1C Frimley	6,316,361	9,384,000	1,111,000	20,845,000	18,004,731	86%	2,840,269
Water Supply - Hastings & Havelock North	Small supplies	876,656	1,864,000	110,000	13,903,900	12,559,961	90%	1,343,939
TOTAL PROJECT COST		12,687,370	31,884,431	14,886,431	82,154,570	62,842,936	76%	19,311,633
<div><div><div><div><div>Forecast</div><div>Project Allocation</div><div>Project Spend</div></div><div><div>Project Allocation</div><div>Project Spend</div></div></div><div><div>Forecast</div><div>Project Allocation</div><div>Project Spend</div></div><div><div>Project Allocation</div><div>Project Spend</div></div></div><div><div>Forecast</div><div>Project Allocation</div><div>Project Spend</div></div><div><div>Project Allocation</div><div>Project Spend</div></div></div> <div><div>Forecast</div><div>Project Allocation</div><div>Project Spend</div></div> <div><div>Project Allocation</div><div>Project Spend</div></div> <div><div><div>Project Allocation</div><div>Project Spend</div></div><div><div>Project Allocation</div><div>Project Spend</div></div></div> <div><div>Project Allocation</div><div>Project Spend</div></div>								

Monday, 11 April 2022

Item 6

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Risk and Assurance Committee Meeting

Te Rārangi Take

Report to Risk and Assurance Committee

Nā: Craig Thew, Group Manager: Asset Management
From: Carly Price, 3 Waters Transition Manager

Te Take:
Subject: Three Waters - Transition Risk Planning

1.0 Executive Summary – Te Kaupapa Me Te Whakarāpopototanga

- 1.1 This report is to inform and seek comment from the Risk and Assurance committee of the initial work that officers are progressing to manage potential risks in regards to the proposed central government three waters service delivery reform.

2.0 Recommendations - Ngā Tūtohunga

That the Risk and Assurance Committee receive the report titled Three Waters - Transition Risk Planning dated 11 April 2022.

3.0 Background – Te Horopaki

- 3.1 The Three Waters Reform has multiple aspects to it, including changing both the Regulator and the standards and legislative tools the Regulator uses to ensure quality services are provided. The reform also extends to changing the service delivery arrangement model – the current proposal from central government is to have four Water Services Entities deliver water services instead of councils. The ownership, governance, transparency and community representation components of this reform are still unclear because the details are under review and expected to be potentially finalised in the middle of the year.
- 3.2 DIA is driving the changes to the service delivery arrangements through its National Transition Unit. The NTU's timeline and work programme are outlined here: <https://www.dia.govt.nz/national-transition-unit-three-waters-reform-programme>

- 3.3 This report is about the service delivery arrangement changes, the risks potentially presented by this reform, and how council management is planning to manage the risks and mitigate the potential impacts. While all council management's planning is based on the government's current proposal for the service delivery arrangements, all the work to mitigate the potential impacts will still be relevant if the arrangements are changed, for example if there is a Hawke's Bay model adopted instead.

4.0 Discussion – *Te Matapakitanga*

- 4.1 The Three Waters Reform poses several opportunities and risks for communities, stakeholders, and staff. To maximise the opportunities and mitigate the risks, we recommend HDC should focus on meeting the following objectives and managing the following risks.

- 4.2 Objective: HDC wants to ensure reliable and quality service provision now, throughout, and after the transition for the community, including ensuring:

- The strategic outcomes of HDC are supported over the short, medium and long term (including housing, environmental, and relational outcomes).
- Service provision (both Three Waters and wider HDC services such as Transportation and Planning) is not disrupted significantly or provided at a lower Level of Service because of the Reform.
- HDC's Three Waters team, assets and systems are best placed for incorporation into a new entity, so ratepayers get best service from the new entity from the start.
- HDC's non-Three Waters services are prepared for working with the new entity in place of the HDC Three Waters service.
- The community is aware of all work HDC is doing to ensure they are providing the best services possible in this time of change, and that the community is informed about the government's proposal and the changes so they can participate meaningfully in the process if they choose.

- 4.3 The proposed transition in the Three Waters Reform creates a number of risks:

- 4.3.1 **People risks** – Poor service provision by HDC or new entity, either before (neglected BAU) or after the transition (neglected Transition) may occur because we lose people, cannot recruit good people or people stretched too thin across BAU and Transition workload, so cannot effectively resource BAU or transition. This applies to staff, contractors, consultants, and service providers like the laboratory. Transition workload includes not only the establishment of the entities, but also increasing standards and rules potentially adding significant regulatory burden.

- 4.3.2 **Commercial risks** – HDC may not be able to implement growth plans because the entity prioritises other regions, so the network capacity constraints in the Hastings systems are under-resourced. One of the most likely reasons for the lack of priority would be if there is poor evidence of the need for the work outlined in the CAPEX and OPEX budgets transferred to the entity, and the budgets are slashed for initial years of the new entity. Or if the justification of future needs is not robust, the new entity may form a different view of what the future needs are. Another reason may be if the new entity sets growth objectives which are inconsistent with HDC's objectives, it would make integrated planning difficult.

- 4.3.3 **Systems risks** - HDC and/or the new entity may not be able to deliver services effectively and efficiently after the transition because:

- the informal, necessary connections that are integral parts of service coordination, are not catered for in the transition. This would likely lead to ineffective coordination between HDC and the entity where there are overlaps, e.g. Roading and Three Waters nexus, or
- systems are not fit-for-purpose for incorporating into the entity or to continue working outside the HDC context.

- 4.4 **External risks** – The initial years of the “new entity” may provide sub-standard service to the region because the new entity and regulations are not designed well for Hawke’s Bay needs, or the new standards and rules do not drive the required increase in performance.
- 4.5 **Community engagement/awareness risk** – The community may be dissatisfied with HDC’s approach to the reform because either:
- the service provision suffers because of the changes, or
 - the community does not have a good understanding of the processes and what is actually happening in the reform, so they make judgements on inaccurate information.

5.0 Next steps – *Te Anga Whakamua*

- 5.1 To mitigate the significant risks, officers are working on the following primary workstreams:
- 5.2 The People Workstream will support three stakeholder groups to varying degrees:
- HDC staff, in and out of the Three Waters team. The strategy is designed to minimise disruption and support staff see the potential value the transition can add to their career. This will include continual communication to keep the staff informed of changes as we become aware and support them to adapt to the changes. The support may include learning and development opportunities or providing information on different paths available.
 - HDC Governors. The strategy will support the governors at HDC (the elected officials as well as sub-committees and C-suite managers) by ensuring they have the latest relevant information and support they need to make decisions relating to the transition.
 - HDC contractors and suppliers. The strategy will keep the external contractors and suppliers who are integral for the delivery of the Three Waters services informed of all relevant information, while also taking measures to understand their perspective on the situation.
- 5.3 The Systems¹ Workstream will work with:
- The Three Waters systems to be prepared for the transition; this includes internal preparation and external transparency – for example, internal preparation is preparing the compliance systems for integration into the new entity’s system; external transparency includes servicing RFIs from central government.
 - HDC’s systems to be prepared for the disaggregation of the Three Waters services from the other services HDC delivers, which currently have efficiencies associated with being delivered by the same organisation. For example, the planning and renewals process for stormwater and the coordination with the roading planning and renewals process.
- 5.4 The Commercial Workstream will support the work that needs to be done for existing and planning aspects of all assets to be transferred to the entity:
- Ensuring all the information and data for existing assets is as comprehensive, quality-assured, and evidence-based as possible, to support the following steps.
 - Refining Asset Management Plans, forecasting models (financial and network performance models) and Capex/Opex budgets to pre-emptively address the prudence and efficiency tests an economic regulator would adopt. For example, further developing evidence-based, criticality assessed renewals programs. Another example is adapting procurement methods to maximise efficiency in a constrained market.
 - Maximising capital expenditure (and preparation of capex projects) in the lead up and through the transition phase to maximise the prudent assets added to the Regulated Asset Base (RAB).

¹ Systems covers everything from specific software solutions to procedures and practices, coordination activities to organisational functions.

To achieve this, it will be necessary to optimise delivery and procurement practices in a constrained market.

- Informing HDC's 2024 LTP in the absence of the Three Waters component, considering how the absence will impact balance sheets, funding and operations and capital programs.

- 5.5 The Influencing Workstream will cover the approach HDC will take to engaging with central government and other external stakeholders such as the Hawke's Bay councils. While this workstream cannot completely control the desired outcomes, the idea is to work with the external parties as much as is practical, to influence the final design of the service arrangements.
- 5.6 The Community Awareness Workstream will support the work to provide our community awareness of the proposals government is progressing, as well as providing our community information around what Council is doing and how any changes may affect them.

Attachments:

There are no attachments for this report.

Monday, 11 April 2022

Item 7

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Risk and Assurance Committee Meeting

Te Rārangi Take

Report to Risk and Assurance Committee

Nā:
From: **Bruce Allan, Group Manager: Corporate**

Te Take:
Subject: **GM: Corporate Update**

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

Covid-19 Business Continuity response and preparedness

- 1.1 Managers across the Council have implemented Business Continuity Plans (BCPs) developed to meet the needs of their own specific requirements. These plans have served them and their activities well and have helped to minimise disruption to services. Council has on average over the past few weeks had approximately 50 staff or 10-12% of the permanent workforce away from the office either isolating or with COVID at any one time. At the time of writing, 84 staff had contracted COVID representing 18% of permanent staff.
- 1.2 Managers have been advised to hold in place their BCP's while we work through the peak of the current outbreak, noting that where appropriate to do so BCPs have evolved to meet the needs of the respective activities and circumstances. The need to continue with BCP's will be revisited as the risk subsides and is reassessed.

Audit New Zealand

- 1.3 The management letter from Audit NZ for the 2021 annual report has been received and officers have responded to it as requested. A copy of the finalised letter is attached as **Attachment 1**. There are no matters identified in the letter that are of major concern that have not already been presented to the Committee through the adoption of the 2021 Annual Report.
- 1.4 Audit NZ have advised that they will not be able to complete the HDC 2022 Annual Report audit until 31 October this year which while this is within the statutory deadline, will not allow for the outgoing Council to adopt the audited accounts prior to the election. Officers will however ensure

the completed unaudited Annual Report and associated work papers are available for Audits review at the normal time. Officers will also present to the Risk and Assurance Committee and the outgoing Council the draft unaudited Annual Report for their endorsement prior to the election. This will still therefore require the incoming Council to formally adopt the audited 2022 Annual Report once they have been officially sworn in.

Internal Audit Contract

- 1.5 The Internal Audit contract with Crowe is at the end of its contracted terms following three years with two one year rights of renewals which have been utilised. Napier City Council are leading the procurement process on behalf of the five Hawke's Bay councils with an expectation that we will go to the market together, repeating the process undertaken five years ago. There are however learnings from this contract with Crowe which we will look to incorporate into any new contract. The most significant is the opportunity to collaborate more across the 5 councils and share learnings as they arise.

Procurement

- 1.6 The Procurement team have finalised a new Buyers Guide for the organisation, replacing the Procurement Manual that had been in place for 7 years. This guide provides all the steps and processes required to undertake procurement at HDC. A key focus is on managing risk but acknowledging that we need to be flexible in how we approach the market. It will sit alongside the new procurement and contract management system that is currently being implemented. The new Buyers Guide has been reviewed by procurement officials at MBIE and by other Council procurement teams and has been widely endorsed as best practice documentation.
- 1.7 Procurement training continues to be pushed out throughout the organisation further strengthening the ability of staff to undertake safe and effective procurement.

Action Schedule

- 1.8 Attached as **Attachment 2** are the outstanding actions from previous Risk and Assurance meetings.

2.0 Recommendations - Ngā Tūtohunga

That the Risk and Assurance Committee receive the report titled GM: Corporate Update dated 11 April 2022.

Attachments:

1⇒	Audit NZ's Final Report to Council for year ended June 2021	FIN-07-01-22-467	Under Separate Cover
2⇓	Risk & Assurance Status of Actions Sheet - April 2022	CG-16-6-00149	



**Hastings District Council
Risk and Assurance Committee
Status of Actions – April 2022**

Item No.	Meeting Date	Action	Reporting Officer	Progress	Complete
1	02/02/21	<u>IT Risk and Controls</u> <ul style="list-style-type: none"> Officers investigate a process to provide independent assurance for Council's IT systems to an appropriate level of security. 	CIO	Update from CIO included on agenda	Ongoing and partially complete
2	13/09/21	<u>Insurance</u> <ul style="list-style-type: none"> Report on possible Council self-insurance and whether deductibles could be increased, to be circulated prior to November meeting 	GM:C	Detailed update on options to be presented to April 2022 meeting	
3	14/02/22	<u>IT Cyber Security</u> <ul style="list-style-type: none"> Confirm work programme to reach best practice level of 70% (SAM for Compliance Status) 	CIO	Update from CIO included on agenda	

CG-16-6-00149

Monday, 11 April 2022

Item 8

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Risk and Assurance Committee Meeting

Te Rārangi Take

Report to Risk and Assurance Committee

Nā:
From: **Jennie Kuzman, Health and Safety Manager**

Te Take:
Subject: **Health & Safety Update: COVID-19 Response**

1.0 Executive Summary – Te Kaupapa Me Te Whakarāpopototanga

- 1.1 The purpose of this report is to provide an update to the Committee in regards to the management of Health and Safety risks within Council.
- 1.2 This report provides an update on Council's COVID-19 Response.

2.0 Recommendations - Ngā Tūtohunga

That the Risk and Assurance Committee receive the report titled Health & Safety Update: COVID-19 Response dated 11 April 2022.

3.0 Background – Te Horopaki

- 3.1 The purpose of this report is to provide information to the Committee in regards to the management of Health and Safety risks within Council.
- 3.2 This issue arises due to the Health and Safety at Work Act 2015 and the requirement of that legislation for Elected Members to exercise due diligence to ensure that Council complies with its Health and Safety duties and obligations.

4.0 Discussion – Te Matapakitanga

- 4.1 As previously reported to the Committee in the February 2022 meeting, the established COVID-19 Response team has been supporting the organisation through its business continuity response and

planning for any COVID-19. This approach continues to work well and is providing a joined up organisation-wide approach to managing the constantly changing environment.

- 4.2 Given the fast moving and constantly changing environment that we are operating in a PowerPoint presentation and verbal update will be provided to the Committee at the meeting, based on the most up-to-date information at that time.

Attachments:

There are no attachments for this report.

Monday, 11 April 2022

Item 9

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Risk and Assurance Committee Meeting

Te Rārangi Take

Report to Risk and Assurance Committee

Nā:
From: Aaron Wilson, Financial Controller

Te Take:
Subject: Treasury Activity and Funding Update

1.0 Executive Summary – *Te Kaupapa Me Te Whakarāpopototanga*

- 1.1 The purpose of this report is to update the Risk and Assurance Committee on treasury activity and funding issues.
- 1.2 Since the last update in June, Council has not borrowed any additional funds in the first nine months of the current financial year.
- 1.3 The Council's current total external debt is \$205m as at 31 March 2022. Offsetting this is \$16.6m of bank deposits, giving a net external debt position of \$189m.
- 1.4 Council is currently compliant with its Treasury Management Policy.

The Reserve Bank of New Zealand (RBNZ) raised its Official Cash Rate (OCR) to 1.0% at its last review on 23 February 2022.

2.0 Recommendations - *Ngā Tūtohunga*

That the Risk and Assurance Committee receive the report titled Treasury Activity and Funding Update dated 11 April 2022.

3.0 Background – *Te Horopaki*

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

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

4.0 Discussion – *Te Matapakitanga*

- 4.1 Council's debt portfolio is managed within macro limits set out in the Treasury Policy. It is recognised that from time to time Council may fall out of policy due to timing issues. The Treasury Policy allows for officers to take the necessary steps to move Council's funding profile back within policy in the event that a timing issue causes a policy breach.
- 4.2 Council's current total external debt is \$205.7m as at 31st March 2022 (\$205.7m as at 31st December 2021). Offsetting this are \$16.6m of bank deposits (\$16.7 as at 31st December 2021), giving a net external debt position of \$189m. This is supported by the Treasury Position 31st March 2022 Report in **Attachment 1**.
- 4.3 Council has bank deposits totalling \$16.6m which is to fund a significant capital spend budget.
- 4.4 In light of Council's current cash flows being able to meet its funding requirements, it is not expected that Council will engage in any further borrowing apart from just before year end ensuring Council maintains an ability to fund budgeted capital spend in the new financial year and meet Standard and Poors' liquidity requirements.
- 4.5 Council last borrowed \$40m with a floating and fixed debt mix in the last quarter of the prior financial year, at very competitive rates. This has enabled a strong cash flow position, but with the lowest possible cost of funds outcome, when compared to where the OCR rates are forecasted to go to.
- 4.6 The mix of floating and fixed debt borrowed was in order to achieve two outcomes. Firstly in terms of the fixed debt, to ensure that Council was compliant with Treasury Policy parameters in terms of cover, and secondly, the floating portion was to enable Council to continue to suppress and lower the cost of funds wherever possible in light of policy and market considerations.
- 4.7 In addition to this, officers engaged in a forward start contract for \$23m that will become "live" the day before the maturing debt for the same amount comes due in April 2022. Of this \$23m, \$10m was a fixed interest rate bond; when it comes into effect in April 2022, it will increase the percentage of fixed interest rate cover that Council has, pushing Council towards the mid-point range of policy.
- 4.8 It should also be noted on the Treasury position dashboard, whilst Council's cost of funds remains low at 3.10%, the impact of the rise in the Bank Bill Rate is flowing through to Council on the floating component of Council debt.
- 4.9 Until November 2021 with the first rate rise in some time, there was a strategy of borrowing at floating rates, that were dropping, over the last 2-3 years and "banking" savings that would not be achieved if Council and the treasury advice it received had taken swaps positions based on reserve bank forecasts of the Official Cash Rate (OCR).
- 4.10 In June and July of 2021, Officers started to increase the level of fixed debt borrowed in order to maintain cover and continue to suppress the average cost of funds.
- 4.11 The Reserve Bank, on 23rd February 2022, increased the OCR by 25 basis points, taking the rate from 0.75% to 1%. It has been predicted that the Reserve Bank in the April 2022 meeting will further increase the OCR by between 0.25% and 0.5%, due to widespread inflationary pressures and concerns over global prices in the commodities' markets such as oil.
- 4.12 There are early signs of the housing market beginning to cool, but the Reserve Bank will want to make sure that inflation does not become entrenched and are likely to increase the rate, the only question is by how much.

- 4.13 Council is currently compliant with its Treasury Management Policy and officers continue to monitor and minimise the overall cost of funds in relation to the debt being managed.

5.0 Next steps – *Te Anga Whakamua*

- 5.1 Council officers will continue to work with Bancorp Treasury Services to keep Council's financing costs to a minimum, maintaining adequate liquidity, while maintaining compliance with Council's Treasury Policy.

Attachments:

1 [↓](#) Treasury Dashboard as at 31 March 2022 CG-16-6-00154

Summary of Considerations - *He Whakarāpopoto Whakaarohanga*

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

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

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

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

Māori Impact Statement - *Te Tauākī Kaupapa Māori*

There are no known impacts for Tangata Whenua.

Sustainability - *Te Toitūtanga*

This report promotes sustainable financing costs ensuring the economic wellbeing of communities in the present and for the future.

Financial considerations - *Ngā Whakaarohanga Ahumoni*

This report will ensure that financing costs are kept within Council's existing budgets.

Significance and Engagement - *Te Hiranga me te Tūhonotanga*

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

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

There has been no external engagement.

Risks

The purpose of this report and the Treasury Policies it refers to, assist officers to manage Council's treasury risk.

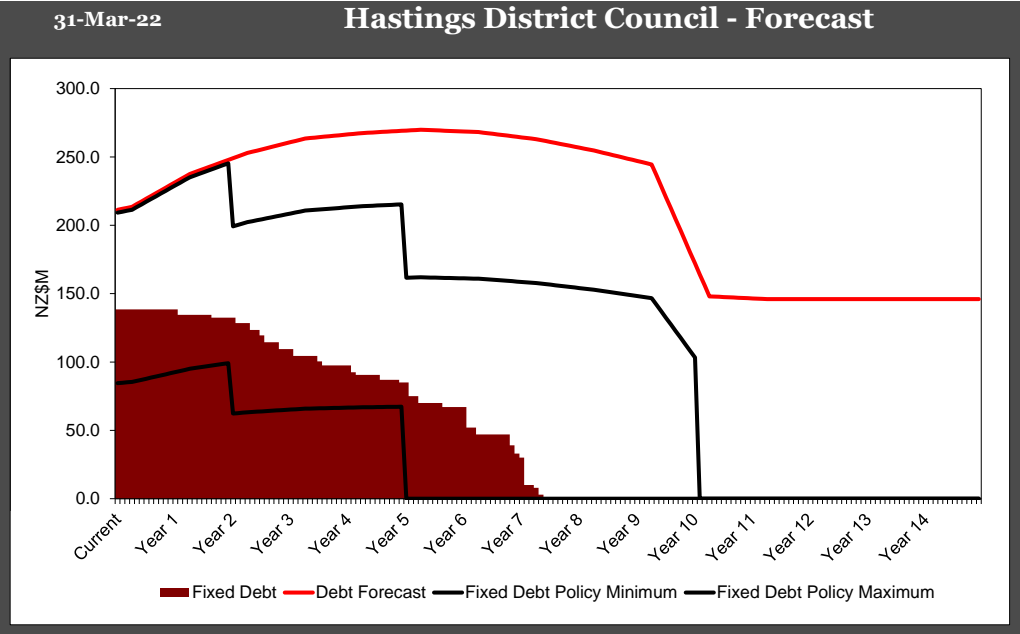
REWARD – <i>Te Utu</i>	RISK – <i>Te Tūraru</i>
To assist officers to manage Council's Treasury risk; Finances, Reputation.	Cashflows and finance costs; Finances, Service Delivery, Reputation.

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

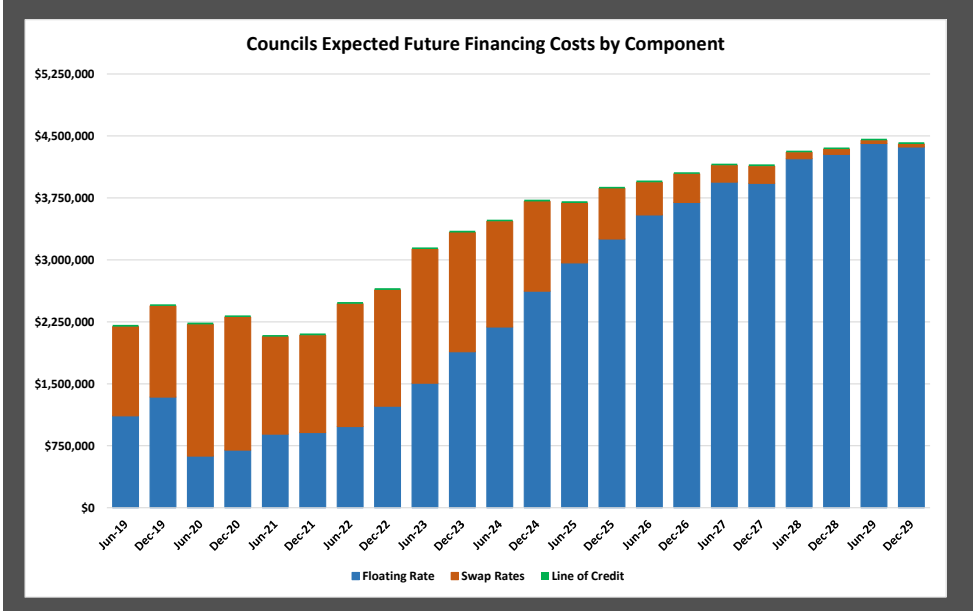
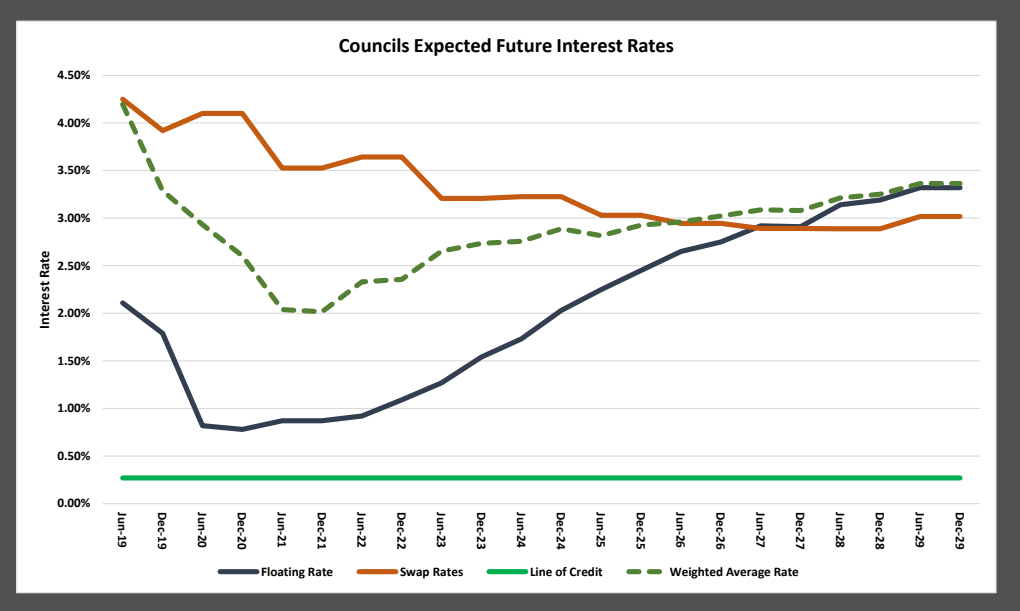
There are no implications for the Rural Community Board.

Interest Rate Risk Position

31 March 2022



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%	60%	Yes
Year 1	232	40%	99%	60%	Yes
Year 2	249	25%	80%	53%	Yes
Year 3	261	25%	80%	42%	Yes
Year 4	267	25%	80%	37%	Yes
Year 5	269	0%	60%	32%	Yes
Year 6	269	0%	60%	25%	Yes
Year 7	264	0%	60%	11%	Yes
Year 8	257	0%	60%	0%	Yes
Year 9	247	0%	60%	0%	Yes
Year 10	172	0%	60%	0%	Yes
Year 11	147	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			3.33%		
Value of Live Fixed Rate Instruments			\$ 123,500,000		
Weighted Avg Length of Fixed Rate Instruments			5.12 Years		



Cost of Holding Fixed Interest Position

Live Interest Rate Swaps
Forward Starting Interest Rate Swaps
Fixed Rate Cover Live & Forward
Total Interest Rate Swaps

31-Mar-22		
Notional Swap Value	Avg Int Rate	Valuation
85,500,000	3.84%	(930,924)
20,500,000	3.92%	(349,837)
48,000,000	2.14%	
154,000,000	3.32%	(1,280,761)

Average Cost of Funds

Fixed Rate Loans with LGFA
Floating Rate Loans with LGFA
Live Interest Rate Swaps
Westpac Lines of Credit
Fixed Rate Loans with HNZ
Total External Loans / Average Cost of Borrowing

31-Mar-22		
Notional Value	Avg Int Rate	
38,000,000	2.19%	
167,000,000	2.10%	
85,500,000	3.84%	
15,000,000	0.27%	
740,000	0.00%	
205,740,000	3.10%	

30-Jun-21

Notional Swap Value	Avg Int Rate	Valuation
88,500,000	3.88%	(8,543,926)
27,500,000	4.01%	(2,208,262)
116,000,000	3.91%	(10,752,188)

Movement for Year

Notional Swap Value	Avg Int Rate	Valuation
(3,000,000)	(0.04%)	7,613,002
(7,000,000)	(0.09%)	1,858,425

30-Jun-21

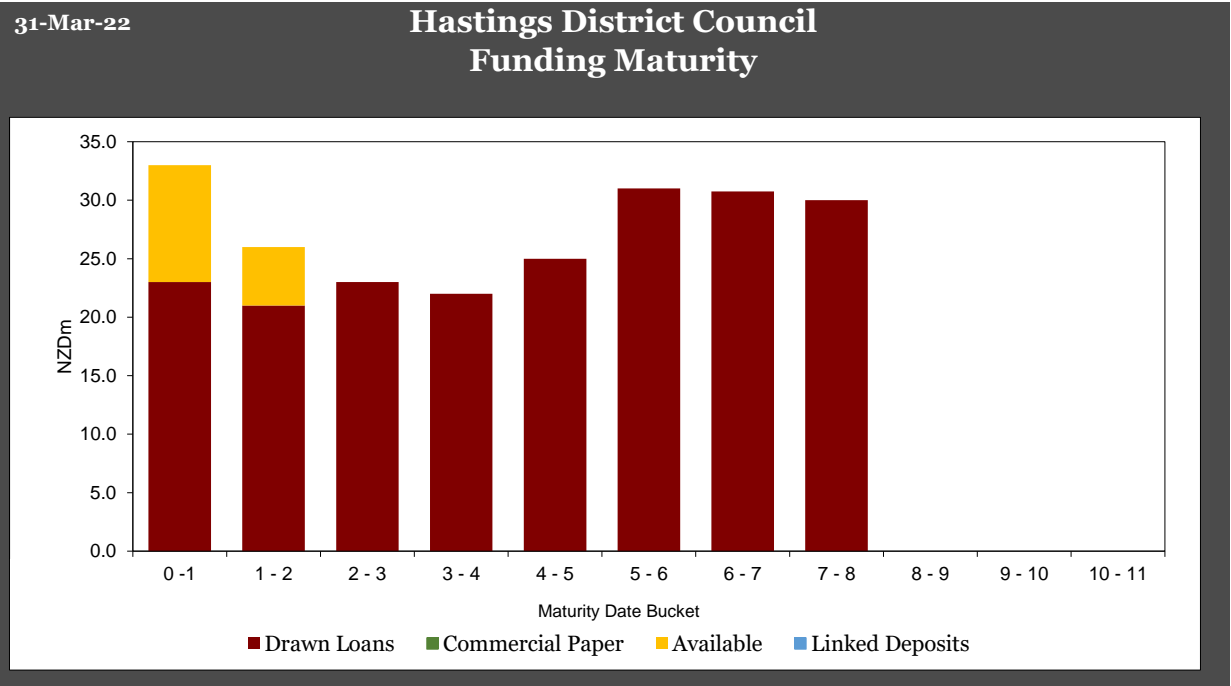
Notional Value	Avg Int Rate	
38,000,000	2.19%	
167,000,000	0.97%	
88,500,000	3.88%	
15,000,000	0.27%	
740,000	0.00%	
205,740,000	2.24%	

Movement for Year

Notional Value	Avg Int Rate	
0	0.00%	
0	1.13%	
(3,000,000)	(0.04%)	
0	0.00%	
0	0.00%	
0	0.86%	

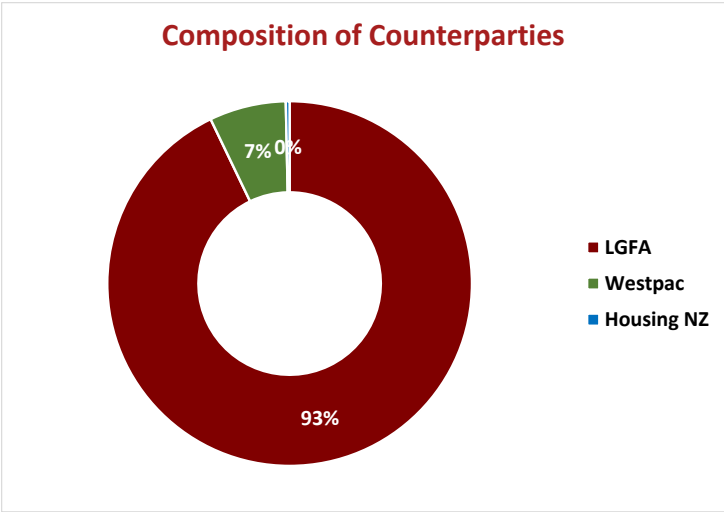
Funding and Liquidity Risk Position

31 March 2022



Funding KPI's

	Minimum %	Maximum %	Actual	Compliant (Y/N)
Liquidity	110%	170%	115%	Yes
Fixed Interest Debt	40%	99%	60%	Yes
Funding Maturity Profile				
0-1 Year	0%	33%	21%	Yes
1-2 Year	0%	33%	11%	Yes
2-3 Year	0%	33%	10%	Yes
3-4 Year	0%	33%	9%	Yes
5-6 Year	0%	33%	11%	Yes
6-7 Year	0%	33%	13%	Yes
7-8 Year	0%	33%	13%	Yes
8-9 Year	0%	33%	13%	Yes
9-10 Year	0%	33%	0%	Yes
10-11 Year	0%	33%	0%	Yes
Net Debt as % Equity		20%	8%	Yes
Net Debt as % Income		175%	103%	Yes
Net Interest as % Income		15%	3%	Yes
Net Interest as % of Rates		20%	6%	Yes



Funding and Liquidity Characteristics

Total External Council Drawn Debt	205,740,000	Forward Start Contract	23,000,000
Funds Drawn from LGFA	205,000,000	LIQUIDITY RATIO	1.15
Undrawn Bank Facilities	15,000,000	Definition: (Cash Reserves + Lines of Credit + Drawn Debt) / Drawn Debt	
Bank Deposits & Term Deposits	16,600,000	Weighted Average Length of Funding	3.63 Years

HASTINGS DISTRICT COUNCIL

RISK AND ASSURANCE COMMITTEE MEETING

MONDAY, 11 APRIL 2022

Item 12

RECOMMENDATION TO EXCLUDE THE PUBLIC

SECTION 48, LOCAL GOVERNMENT OFFICIAL INFORMATION AND MEETINGS ACT 1987

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

13 Health and Safety Contractor Performance Report

14 Cyber Security Update

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

<i>GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED</i>	<i>REASON FOR PASSING THIS RESOLUTION IN RELATION TO EACH MATTER, AND PARTICULAR INTERESTS PROTECTED</i>	<i>GROUND(S) UNDER SECTION 48(1) FOR THE PASSING OF EACH RESOLUTION</i>
13 Health and Safety Contractor Performance Report	Section 7 (2) (b) (ii) The withholding of the information is necessary to protect information where the making available of the information would be likely to unreasonably prejudice the commercial position of the person who supplied or who is the subject of the information. This report contains confidential Health & Safety data relating to Third Parties.	Section 48(1)(a)(i) Where the Local Authority is named or specified in the First Schedule to this Act under Section 6 or 7 (except Section 7(2)(f)(i)) of this Act.
14 Cyber Security Update	Section 7 (2) (b) (i) The withholding of the information is necessary to protect information where the making available of the information would disclose a trade secret. Sharing of security elements which protect Councils Information systems.	Section 48(1)(a)(i) Where the Local Authority is named or specified in the First Schedule to this Act under Section 6 or 7 (except Section 7(2)(f)(i)) of this Act.