



## **Audit and Risk Committee**

### **Notice of Meeting**

An Audit and Risk Committee meeting will be held in the Council Chamber, 26 Gordon Street, Dannevirke on **Tuesday 18 August 2020** following the conclusion of the workshop briefing session.

Blair King  
Chief Executive

---

### **Agenda**

- 1. Present**
- 2. Apologies**
- 3. Notification of Items Not on the Agenda**
- 4. Confirmation of Minutes** **3**  
*Recommendation*  
*That the minutes of the Audit and Risk Committee meeting held on 16 June 2020 (as circulated) be confirmed as a true and accurate record of the meeting.*
- 5. Matters Arising From the Minutes not otherwise dealt with in the Agenda**
- 6. Reports**
- 6.1 Council Performance for the 2019/2020 Financial Year ending on 30 June 2020** **9**
- 6.2 Health and Safety** **43**
- 6.3 Project Risk Management** **51**
- 6.4 Climate Change National Risk Assessment for New Zealand** **53**

|            |   |           |
|------------|---|-----------|
| <b>6.5</b> | <b>Progress with Audit New Zealand Findings and Recommendations</b> | <b>83</b> |
| <b>7.</b>  | <b>Notified Items Not on the Agenda</b>                             |           |
| <b>8.</b>  | <b>Closure</b>  |           |



## Audit and Risk Committee

Minutes of an Audit and Risk Committee meeting held in the Council Chamber, 26 Gordon Street, Dannevirke on Tuesday 16 June 2020 commencing at 2.11pm.

### 1. Present

Mr K Ross (Chairperson), Her Worship the Mayor - Mrs T H Collis, Crs E L Peeti-Webber (Deputy Mayor), S A Hull, C J Isaacson, P A Johns, K A Sutherland, R A Treder and S M Wards.

#### In Attendance

|              |   |
|--------------|---|
| Mr B King    | - Chief Executive                                   |
| Mr R Taylor  | - Governance Manager                                |
| Mr R Suppiah | - Chief Financial Officer                           |
| Mrs S Walshe | - Senior Financial Accountant                       |
| Ms S Lowe    | - Risk Manager (until item 6.6)                     |
| Ms T Love    | - Projects Manager (until item 6.6)                 |
| Ms G Tracy   | - Financial Accountant                              |
| Mr G Welsh   | - Financial Accountant                              |
| Mr P Wimsett | - Manager Strategy and District Development         |
| Ms D Perera  | - Audit New Zealand Audit Director (until item 6.4) |

### 2. Apologies

- 2.1 An apology is noted from Cr A K Franklin for non-attendance at the meeting.

### 3. Notification of Items Not on the Agenda

- 3.1 Nil
- 3.2 Cr Wards declared a conflict of interest regarding item of business 7 - contract approval under Local Authorities (Members Interests) Act 1968.

### 4. Confirmation of Minutes

- 4.1 *That the minutes of the Audit and Risk Committee meeting held on 17 March 2020 (as circulated) be confirmed as a true and accurate record of the meeting.*

**Ross/Johns**

**Carried**

**5. Matters Arising from the Minutes not otherwise dealt with in the Agenda**

5.1 Nil

**6. Reports**

**6.1 Draft Audit New Zealand Interim Management Report 2019/2020**

6.1.1 *That the report from the Senior Financial Accountant dated 9 June 2020 concerning the draft Audit New Zealand Interim Management Report 2019/2020 (as circulated) be received, and*

*That the Audit and Risk Committee note the assessment of the control environment has concluded Council has established appropriate and operationally effective systems for internal controls, with two recommendations made in respect of key financial and non-financial information, and*

*That the draft management comments on the impact of the Covid-19 pandemic for reference in the financial statements, and actions to review bank reconciliations and update the sensitive expenditure policy be noted with management to finalise these comments.*

*Collis/Hull*

*Carried*

**6.2 Progress with Audit New Zealand Findings and Recommendations**

6.2.1 *That the report from the Chief Financial Officer dated 9 June 2020 concerning progress with Audit New Zealand findings and recommendations (as circulated) be received, and*

*That the Audit and Risk Committee note management's progress in addressing the eight outstanding Audit New Zealand recommendations, and it shall continue to provide updates on this matter as progress is made, and*

*That the three new Audit New Zealand recommendations made in their Interim Audit with regard to the impact of the Covid-19 pandemic for reference in the financial statements, review of bank reconciliations and updating of the sensitive expenditure policy be noted.*

*Ross/Sutherland*

*Carried*

**6.3 Audit New Zealand Letters for Audit Engagement, Audit Plan and Audit Fee Proposal**

6.3.1 *That the report from the Chief Financial Officer dated 9 June 2020 concerning Audit New Zealand letters for Audit Engagement, Audit Plan and Audit Fee Proposal (as circulated) be received, and*

*That the Audit and Risk Committee recommend to the Mayor the approval and signing of these letters on behalf of the Council.*

*Hull/Wards*

*Carried*



**6.4 Health and Safety**

**6.4.1 *That the report from the Risk Manager dated 9 June 2020 concerning health and safety (as circulated) be received, and***

***That the Audit and Risk Committee note the following with regard to the focus on health and safety matters and this update:***

- The Health and Safety Coordinator secondment has been delayed until mid-July 2020.***
- Preparations are being made for the SafePlus audit towards the end of the calendar year.***
- Health and safety plans were implemented as guidance to staff and contractors in managing the risks of Covid-19 and its transmission.***
- A peer review of hazardous substances compliance is likely to be added as an item for internal audit.***
- Throughout Covid-19 lockdown there were only minimal health and safety incidents reflecting the changed work environment during that period.***

***Johns/Hull***

***Carried***

**6.5 Project Risk Management**

**6.5.1 *That the report from the Project Manager dated 9 June 2020 concerning project risk management (as circulated) be received, and***

***That the Audit and Risk Committee note the organisational approach and framework developed and implemented as part of strengthening the way Council projects are managed with regard to risk, and***

***That the application of this approach to assess planning for risks relating to projects and capital works proposed in the 2020/2021 Annual Plan and 2021/2031 Long Term Plan is acknowledged.***

***Johns/Treder***

***Carried***

**6.6 Adoption of Council's 2020/2021 Annual Plan and Schedule of Fees and Charges**

**6.6.1 *That the report from the Finance Manager dated 9 June 2020 concerning the adoption of Council's 2020/2021 Annual Plan and Schedule of Fees and Charges (as circulated) and the supplementary information on the allocation of rates incidence (as tabled) be received, and***

*That the Audit and Risk Committee recommend to Council through Section 80 of the Local Government Act 2002 to deviate from the Revenue and Financing Policy for the use of an operating loan to fund operating projects as outlined in section 4 of this report, and in so doing provide relief to ratepayers through aiding the recovery from Covid-19 and the drought impacting on the district, and*

*That the Audit and Risk Committee note the risk of the funding options chosen to be addressed by accelerating loan repayments in the Long Term Plan, and*

*That the Audit and Risk Committee recommend to Council the adoption of the 2019/2020 Annual Plan and the Fees and Charges Schedule subject to the correction of any typographical errors or changes which may be required, and*

*That it be noted and recommended for Council's approval the activities of Solid Waste Management, Animal Control, Resource Management, Parks and Recreation Grounds, Roading, Footpaths and Cemeteries fall outside the funding limits of its Revenue and Financing Policy.*

*Collis/Johns*

*Carried*

## **7. Contract Approval Under Local Authorities (Members Interests) Act 1968**

7.1 Cr Wards previously declared a conflict of interest concerning this item of business, and abstained from discussion and voting on the motion regarding that matter.

7.2 *That the Audit and Risk Committee note the Office of the Auditor-General has granted approval under Section 3 (3) (a) of the Local Authorities (Members Interests) Act 1968 for Cr S M Wards to be concerned or interested in a contract with Council for services to the Emergency Operations Centre and the "Caring for Communities Programme", and*

*That this approval provides additional payments can be made to Cr Wards up to the value of \$30,000 (plus any GST payable) for the 2019/2020 financial year.*

*Ross/Hull*

*Carried*

## **8. Notified Items Not on the Agenda**

8.1 Nil

There being no further business the Chairperson thanked those present for their attendance and contributions, and declared the meeting closed at 3.30pm.

---

Chairperson





## Report

Date : 12 August 2020

To : Chairperson and Committee Members  
Audit and Risk Committee

From : Sarah Walshe  
Senior Financial Accountant

Subject : **Council Performance for the 2019/2020 Financial Year ending on 30 June 2020**

Item No : **6.1**

---

### **1. Reason for the Report**

1.1 For the Audit and Risk Committee to:

1.1.1 Receive and comment on the Performance Report for the 2019/2020 Financial Year ending 30 June 2020;

1.1.2 Subject to any further changes arising from quality reviews, recommend approval of the financials and Service Performance Measures results to be provided to Audit New Zealand for their audit.

1.1.3 Acknowledge the recommendation to not consolidate the financial statements with Tararua Aquatic Community Trust.

### **2. Background**

2.1 This report is the Performance Report for the financial year 2019/2020, which covers the period 1 July 2019 to 30 June 2020. This report summarises key highlights in the Draft Annual Report 2019/2020.

2.2 This is the second Annual Report of the 2018/2028 Long Term Plan (LTP).

2.3 In addition to the financial statements, the front-end of the Annual Report structure provides the mechanism to report progress against the strategies and objectives of the LTP.

### 3. Performance Dashboard Summary

- 3.1 Please refer to the attachment “Appendix 1: Performance Dashboard for the year ended 30 June 2020”.

The Performance Dashboard highlights Council’s performance for the year and variances are detailed below.

### 4. Performance Overview for the Year

- 4.1 The Annual Report is an accountability document. The draft Annual Report 2019/2020 explains Council’s performance for the 2019/2020 financial year. The section titled “Our Scorecard –Progress towards the strategies in its Long Term Plan” explains in detail how Council has performed against the following key areas:

- Strategic scorecard (pages 18 to 32)
- Financial scorecard (pages 33 to 36)
- Service performance scorecard (pages 37 to 38)
- Community survey scorecard (pages 39 to 40)

#### 4.2 Summary Operating Result:

|  | 2018/19<br>Actual<br>000’s | 2019/20<br>Actual<br>000’s | 2019/20<br>Budget<br>000’s | Variance<br>000’s |
|--|----------------------------|----------------------------|----------------------------|-------------------|
| Revenue  | 41,309                     | 43,237                     | 38,175                     | 5,062             |
| Operating Expenditure                                | 39,566                     | 42,037                     | 38,103                     | (3,934)           |
| <b>Operating Surplus/(Deficit)</b>                   | <b>1,743</b>               | <b>1,200</b>               | <b>72</b>                  | <b>1,128</b>      |
| Other Gains/(Losses)                                 | 1,551                      | (3,234)                    | 94                         | (3,328)           |
| Gain on Asset Revaluations                           | 9,607                      | (1,676)                    | 19,164                     | (20,840)          |
| <b>Total Comprehensive<br/>Revenue &amp; Expense</b> | <b>12,901</b>              | <b>(3,710)</b>             | <b>19,330</b>              | <b>(23,040)</b>   |

#### 4.2.1 Overall Results








Council has achieved a favourable operating surplus variance of \$1.13 million for the 12 months ended 30 June 2020. A surplus of \$72,000 was budgeted for (before other gains/(losses) and asset revaluations) however a surplus of \$1.2 million was achieved.

The following activities are the main contributors for the favourable variance:

- The emergency reinstatement funding Council receives from New Zealand Transport Agency (NZTA) remains to be one of the main drivers for the favourable variance. It accounts for \$4,367,000 of the revenue variance received offset by an increase in corresponding expenditure of \$1,448,000.
- Footpaths – similar to the roading activity the unfavourable variance of \$1,065,000 is from NZTA subsidy for works that were not yet completed at year end. In addition to programmed footpath maintenance Council had budgeted to receive an additional \$875,000 for the Pahiatua Main Street refurbishment that was put on hold with COVID-19 and underground works being completed. Council has a corresponding favourable variance in expenditure for this activity of \$268,000.
- Commercial Investments – Council had an \$874k favourable variance in this activity as a result of unbudgeted sale proceeds received from roadside trees harvested as well as external funding Council received from the Provincial Development Unit. This favourable variance in revenue is offset by a corresponding unfavourable variance of \$845k relating to unbudgeted costs associated with the harvesting and removal of roadside trees.
- Water Supplies – A favourable revenue variance of \$33k is achieved in this activity with a Ministry of Health grant for the completion of the Pongaroa Water Treatment Plant being received, and an increase in metered water supply revenue driven from the decrease in minimum cubic metre charge from 100m<sup>3</sup> to 80m<sup>3</sup>. However, these are offset by a grant from the Ministry of Health that Council had budgeted to receive for the Pahiatua Water Treatment Plant that Council is anticipating receiving in the 2020/2021 year. This favourable variance in revenue has been offset by \$170,000 unfavourable variance in expenditure primarily driven by extraordinary maintenance that was carried out during the water crisis.
- An unbudgeted non-cash adjustment for Council's end of year salary accrual has been processed totalling \$594,000, the accrual for 2019/2020 year is significantly higher than other years. Staff that had previously planned to take outstanding leave during the level 3 & 4 lockdown were unable to do so with the impact COVID-19. They had to cancel travel arrangements or have deferred it with Council operating two EOC's back to back from January until May.
- Other Gains/(Losses) of (\$3,234,000) is made up of a revaluation loss on Council's forestry blocks of \$1,318,000 and infrastructure revaluation totalling \$1,920,000.
- Gain on Asset Revaluation is significantly lower than budget. The method that the planned increase is set is based on the Local Government Cost Index, whereas the actual valuation is based on Council's actual unit rates. This is reflective of the Tararua Alliance using innovation and measuring

efficiency to minimise increases asset unit rates. This benefits Council due to the flow on effect on depreciation, which is funded by rates.

#### 4.2.2 Operating Revenue

| Activity                          | Variance   | Favourable/<br>Unfavourable   | Explanation  |
|-----------------------------------|------------|---|--|
| Representation                    | (\$30,000) |    | External revenue from elections being less than budgeted (\$10K) and the remaining \$20k relates to Council's funding for the Biodiversity & Heritage special reserves that will be journaled as part of the quality review.   |
| Cemeteries                        | (\$28,000) |    | As expected at year end there is an unfavourable variance which relates to a lower number of interments compared to budget which has been offset by an increase in plot sales compared to budget of \$3k.  |
| Housing                           | \$49,000   |    | As anticipated, we continue to see the favourable variance in housing with a 100% occupancy rate of Council owned flats. Council prepared the 2019/2020 budget based on a 90% occupancy rate.  |
| Parks & Reserve                   | (\$17,000) |   | Unfavourable variance is a result of Domain Board revenue budgeted for that has not yet been processed for yearend (\$48k). This has been offset by the \$26k of funding received from Ministry of Business and Innovation for the Responsible Camping Funding Agreement in the first quarter and an increase in campground revenue compared to budget of \$4k. We are anticipating this to become a favourable variance once Domain Board revenue has been processed.                           |
| Commercial Investments            | \$874,000  |  | As expected, there is a favourable variance in this activity at year end. Council received funds from the sale of roadside trees (\$364k) and honey income (\$16k) that had not been budgeted for. Council also received \$500k from the Provincial Development Unit for one of its 'Shovel Ready' projects submitted for the removal of dangerous roadside trees along Route 52. These works are expected to be completed in the 2020/2021 financial year. Forestry is a self-funding activity. |
| District Promotions & Development | \$167,000  |  | As expected we have a favourable variance in this activity which relates to unbudgeted funding Council has received from the Provincial Growth Fund totalling \$165k for the 2019/2020 financial year (\$30k Alternative Land Use, \$15k Tourism & Cycle/Walkway, \$30k Economic Development project support, \$30k Right Tree Right Place project, and \$60k Woodville Digital Hub project). As well as minor increases in sales compared to budget at the i-site.                              |
| Health & Safety                   | \$95,000   |  | Favourable variance is made up of building revenue exceeding budget by \$114k. Council has seen an influx of new house builds which are a major contributor to this variance. As at 30 June 401 consents were issued for the year compared to 353 for the 2018/2019 year, with a further 6 that were on hold due to requests for information.<br><br>This is offset by (\$19k) from environmental health and liquor licencing where there is a cyclical nature in these activities.              |



|                    |               |   |   |
|--------------------|---------------|---|---|
| District Planning  | \$28,000      | ✓ | Council is continuing to experience a huge volume of enquiries in this activity as well as the increased number in consents being processed. At year end Council had received 101 applications compared to 72 received for the prior year. Favourable variance is predominantly seen in subdivision income of \$28k more than budgeted, land use consents \$5k more than budgeted and these are partially offset by LIM income being slightly less than budgeted \$3k.  |
| Roading            | \$4,367,000   | ✓ | Favourable variance mainly relates to higher than expected NZTA subsidy with Council's claim for emergency works for the period ending 30 June 2019 being accepted in October 2019. Also, Council's expenditure increased over the summer months with the reseal programme which lead to increased revenue as it is subsidised.   |
| Footpaths          | (\$1,065,000) | ✗ | Unfavourable variance is a result of lower than budgeted NZTA subsidy received. Council had budgeted to received \$875k for Pahiatua Main Street footpath reinstatements however these works were put on hold due to COVID-19 and the completion of underground works continuing. Other footpath maintenance works that were scheduled to take place or were on hold with the installation of ultrafast fibre in our 4 main towns taking place have been impacted by the COVID-19 lockdown and will be picked up in the new financial year. The nature of these subsidies is that they are received after the expenditure has been incurred, as a result this unfavourable variance in operating revenue is offset by a favourable variance in this activity in our operating expenditure.  |
| Solid Waste        | \$100,000     | ✓ | Favourable variance is a result of higher than budgeted dumping fees as a result of the increased fees and charges implemented 1 July 2019 (for the 2019/2020 year was 247 tonnage less than the prior year).   |
| Water Supplies     | \$33,000      | ✓ | Favourable variance is made up of a \$393k grant Council received from Ministry of Health for Pongaroa Water Treatment Plant, Council had budgeted for this in the 2016/2017 year, this funding is offset by \$500k that Council had budgeted to receive from the Ministry of Health for Pahiatua Water Treatment plant that had not yet been received in the 2019/2020 financial year, Council is anticipating receiving this in the 2020/2021 year. The remaining favourable variance is made up of an increase in revenue from metered water (a combination of the reduction of the cubic metre charge from 100 to 80 cubic metres, and an increase in the per cubic metre charge over the 80 cubes. Also as expected with the water crisis that our district faced this year Council has seen a decrease of 243,000m <sup>3</sup> in water consumption for the year compared to the prior year. |
| Support Activities | \$465,000     | ✓ | Favourable variance is a result of funding received for the Rail Hub feasibility study (\$354k) and the remaining variance is an increase in rates penalties applied compared to budget for the period (\$37k) offset by unbudgeted investment revenue received (\$73k).  |








COVID-19 has had minimal impact on Council's operating revenue as at 30 June 2020.








Council did not receive budgeted NZTA subsidies in the footpath activity which was primarily driven by Pahiatua Main Street refurbishment where works weren't able to

continue and have been delayed with underground works still being completed on this project. However, the flow on from that is we anticipate receiving these subsidies in the 2020/2021 financial year upon completion of the works. Other activities have minimal to no impact on performance against budget. Building revenue had in prior reports been exceeding budgets due to the increase in building consents being processed. Council saw this slowdown in the fourth quarter slightly but overall performance in this area has been favourable at year end.

#### 4.2.3 Operating Expenditure

| Activity            | Variance   | Favourable/<br>Unfavourable | Explanation  |
|---------------------|------------|-----------------------------|--|
| Community Support   | \$42,000   | ✓                           | Favourable variance relates to Council grants for the year being less than budgeted.   |
| Representation      | (\$35,000) | ✗                           | Unfavourable variance relates to external legal fees and consultant costs incurred which have been offset by minor savings in training costs and salary costs due to the timing of when the increase in elected member's remuneration pool was applied post-election.  |
| Community Buildings | (\$51,000) | ✗                           | As expected, there is an unfavourable variance at year end that relates to asbestos testing and removal that needed to take place on council owned community buildings.  |
| Libraries           | (\$19,000) | ✗                           | As previously indicated, there is an unfavourable variance at year end relating to final salary payout to previous library manager a one-off higher duties payment to staff stepping into the role to provide cover while we recruited a new Library Manager.  |
| Parks & Reserves    | \$103,000  | ✓                           | As with the revenue side, part of this favourable variance (\$34k) relates to domain board expenditure that has been budgeted for but not yet processed for the year. The remainder of the variance is a combination of multiple variances across maintenance areas with less maintenance works being carried out due to COVID-19. |
| Public Conveniences | (\$26,000) | ✗                           | Unfavourable variance relates to an increase in cleaning costs (\$12k) as a result of increased cleaning frequency during the lockdown period and a CPI adjustment made to the contracts this year, unbudgeted extraordinary maintenance carried out (\$5k) and higher electricity costs than budgeted (\$5k).                     |

|                                   |             |   |  |
|-----------------------------------|-------------|---|--|
| Swimming Pools                    | (\$24,000)  |    | As previously indicated, there is an unfavourable variance at year end that is made up of payments from the depreciation reserve to Tararua Aquatic Community Trust to enable the replacement of a pump and IT equipment.  |
| Commercial Investments            | (\$845,000) |    | As expected, there is an unfavourable variance at year end that relates to costs incurred in the harvesting and removal of roadside trees. Forestry is a self-funding activity.  |
| District Promotions & Development | (\$113,000) |    | As indicated in prior reports Council has an unfavourable variance at year end for this activity. This predominately relates to an increase in consultant/staff costs as a result of the Provincial Growth funding Council received for economic development projects. This is to enable Council to utilise the PGF fund with completion of applications and project development, as well as an increase in promotional material for the district. The remainder of this variance is made up of advertising & promotional costs being greater than budgeted which has been offset by savings in advertising costs in Council's support activity. |
| Animal Control                    | (\$77,000)  |    | As indicated in prior reports there is an unfavourable variance in this activity at year end. This mainly relates to legal fees incurred in obtaining legal advice on various prosecutions (\$43k), additional PPE gear required for Health & Safety purposes, contract setup/procurement costs and an increase in cleaning costs.   |
| Emergency Management              | \$18,000    |  | Favourable variance relates to savings in training costs with the planned emergency exercise not taking place with the EOC in operation for the water crisis and COVID-19. The remainder favourable variance is made up of minor ups and downs across this activity.   |
| Health & Safety                   | (\$20,000)  |  | Unfavourable variance relates to an increase in consultant costs in relation to earthquake-prone buildings and advice sought on previous Code Compliance Certificates issued as well as remedial work in relation to incorrect fire alarms installed in commercial buildings. These costs are offset by savings in contract costs for Environmental Health as well as savings in liquor licencing area.  |
| District Planning                 | \$59,000    |  | Favourable variance continues to be a result of savings in staff costs with having only an extra half FTE in this area with a full FTE being budgeted for. These savings are partially offset by the increase in external consultant fees to date with the engagement of a consultant primarily with the focus work on the Manawatu Gorge project to allow staff to process the rapidly increasing number of consents in this area and enquiries they are receiving.   |

|                        |               |   |  |
|------------------------|---------------|---|--|
| Roading                | (\$1,448,000) |    | Unfavourable variance is a result of higher emergency works that Council is continuing to experience. Emergency reinstatement costs incurred to date of \$455k more than budgeted. Council is anticipating the level of emergency works to continue into the new financial year while the backlog of works for the September 2018 and June 2019 events are completed. The remaining variance is due to roading expenditure work increasing with the accelerations of the pre-seal programme in the summer months.  |
| Footpaths              | \$268,000     |    | With the focus of works having taken place in the emergency reinstatement, and Pahiatua Main Street upgrade being put on hold with COVID-19 and underground works continuing, Council was behind on their operational spend in footpath maintenance at year end.   |
| Solid Waste Management | (\$77,000)    |    | Unfavourable variance is a result of an impact of COVID-19 with an increase in costs incurred to operate transfer stations with additional staff and traffic management required to be in place during the lockdown period and higher than budgeted costs for refuse disposal.   |
| Stormwater Drainage    | \$37,000      |    | Favourable variance is made up of stormwater drains maintenance that was not completed by year end.  |
| Wastewater             | \$73,000      |  | Favourable variance is a made up of a combination of savings in staff costs with the recruitment for an additional FTE being deferred, savings in external consultants, and regional monitoring fees incurred. These are offset by an increase in treatment costs as a result of the DAF plant in Pahiatua.  |
| Water Supplies         | (\$170,000)   |  | As we expected in prior reports and having gone through the water crisis's this year Council has an unfavourable variance in our water supplies activity at year end. This is a result of significantly higher extraordinary maintenance (\$138k) incurred. These include the installation of restrictors to farm lines, additional maintenance carried out, and costs incurred for the set up with KiwiRail for delivery of water. Staffing costs also contribute to this unfavourable variance with Council recruiting for a water treatment operator that was not budgeted for. |
| Support Activities     | \$91,000      |  | Favourable variance relates to savings in audit fees not yet incurred (\$56k), savings in advertising & promotion costs of \$20k that are offset in the district promotions and development activity, and other minor ups and downs totalling \$15k collectively.  |

Similar to the operating revenue in operating expenditure the impact on Council from COVID-19 has been minimal. Council has seen minor increases in cleaning costs across all activities, primarily Council's public conveniences. Council also had an increase in costs to allow the transfer stations (predominantly Dannevirke) to continue to operate during the lockdown period with additional staff being required and traffic management needing to be put into place. The impact on Council from the water crisis's that the district faced, operationally has been greater than COVID-19.

## 5. Service Performance Scorecard

### 5.1 Summary of Results

Council uses a range of service performance measures to monitor the service levels delivered to customers.

Table 2 below highlights the overall performance for the year:

| Category     | 2019/2020 measures |        |           | % (out of 112 measures) | Last Year Results |
|--------------|--------------------|--------|-----------|-------------------------|-------------------|
|              | Council            | Survey | Mandatory |                         |                   |
| Achieved     | 29                 | 15     | 34        | 70%                     | 77%               |
| Not achieved | 16                 | 8      | 4         | 25%                     | 20%               |
| Not Measured | 4                  | -      | 2         | 5%                      | 3%                |

Excluding the 6 measures in the not measured category, Council met 74% of its service performance measures, compared to 80% last year. Twelve measures (11%) were impacted by the Covid-19 lockdown as outlined in section 5.2 below.

Please refer to the Activities Section of the Draft Annual Report 2019/2020 for the complete service performance measures results (pages 75 – 162).

### 5.2 Performance Measures impacted by the Covid-19 Pandemic

The Covid-19 Pandemic and the associated lockdown that occurred from 26 March to 13 May has resulted in 12 performance measures no longer being met at year end, or unable to be measured this year. These measures can be categorised and have been impacted in the following manner:

| Category    | Covid-19 Impact  | Number of Measures impacted |
|-------------|--|-----------------------------|
| Utilisation | Council was required to close all non-essential services. This includes all community facilities, business workshops, libraries, and swimming pools.               | 4                           |
| Solid Waste | With the exception of glass, all recycling collected during this period was sent to landfill, resulting in lower recycling volumes and higher refuse per resident. | 2                           |

|                      |  |   |
|----------------------|--|---|
| Physical Inspections | Progress on measures requiring physical inspections, with the exception of essential services, was stalled during the lockdown. Due to the time lost, and the need to maintain social distancing during level 2, these measures were not met.  | 2 |
| Roading              | The lockdown occurred during the delivery of the annual reseal programme. This resulted in the reseal programme not meeting the 5% of total network target. The annual roughness survey was scheduled to be completed at the end of the construction season. This informs 3 measures and was unable to be completed this year. | 4 |

## 6. Community Survey Scorecard

6.1 Three surveys were completed over the prior 12 months, surveying 451 residents. The results of the 23 service performance measures agreed in the Long Term Plan are as follows.

| Year | Met | Not Met |
|------|-----|---------|
| 2020 | 15  | 8       |
| 2019 | 19  | 4       |
| 2018 | 16  | 6       |

6.2 We also took the opportunity to seek feedback on other aspects of Council that are of strategic significance and the notable results are:

- Satisfied with Vision and Leadership
- Satisfied with staff
- Satisfied with availability of water
- Satisfied with quality of water
- Satisfied with being kept informed and involved in Council's decision-making process
- Feel safe from dogs
- Satisfied with Council recreational facilities
- Satisfied with Council community buildings
- Satisfied with library opening hours and range of books/other materials
- Satisfied with managing and issuing building consents
- Satisfied with provision of dedicated walkways/cycleways

- 6.3 Satisfaction with rural roads is being maintained at 50 %. The challenges we have are compounded by the Gorge closure, severe weather events, funding allocations and rates affordability and NZTA priorities.
- 6.4 Council continue to apply and advocate for external funding required to upgrade Route 52 to improve safety and resilience of this route.
- 6.5 Feedback on recycling methods used by residents, along with the upcoming waste stream audit, will help inform decisions on how to enhance and encourage recycling services. Of those surveyed, 81% of residents use the recycling drop off centre compared to 15% using regular kerbside recycling.
- 6.6 For information on the full results of the community survey, The Residents' Opinion Survey Report 2020 by Key Research is attached as reference material to the Council Dashboard.

## **7. Capital Programme**

- 7.1 The Covid-19 lockdown impacted on Council's ability to deliver on the capital programme, with the timing of the lockdown occurring during the last 6 weeks of the summer construction period. The roading activity was particularly affected, with \$1.6 million of renewals excluding emergency works unable to be completed this year, compared to no roading carry forwards in 2018/2019.
- 7.2 Despite this, Council completed 82% (85% 2018/2019) of its capital programme (excluding unplanned emergency works), improving from 71% in 2016/2017. Including emergency works, Council spent a record \$27.1 million compared to \$27.9 million budgeted inclusive of \$6.6 million of carry forwards from the previous year (97% total completion).
- 7.3 As a result of Covid-19, Council included significant carry forwards into the 2020/2021 Annual Plan. Unspent capital budgets that are not already included in the Annual Plan are currently being reviewed by management for consideration for carry-forward into the 2020/2021 year. These will be brought for approval as part of the final Annual Report adoption in October.
- 7.4 For details on Council's capital expenditure performance, refer to the Capital Expenditure Report in the draft 2019/2020 Annual Report (pages 50 – 67).

## **8. Debtors Report**

- 8.1 Staff have been heavily focused on updating and making appropriate changes to Council's rating database along with setting the rates for 2020/2021 year. This is critical for the first rates instalment to be sent out to ratepayers. A full debtors report will be tabled separately.

## **9. Treasury Performance**

- 9.1 Council's treasury function continues to benefit from record low interest rates. Council achieved an average interest rate for the year of 2.68% compared to a planned 3.4% on external borrowings. This has been aided by the low official cash rate (OCR) which has reduced from 1.00% at the beginning of the financial year to 0.25% as a result of the COVID-19 pandemic. It is anticipated that interest rates are likely to stay low for some time, with a negative OCR a possibility.
- 9.2 In light of the current interest rate environment, and in preparation for the upcoming Long Term Plan, Council recently reviewed its Treasury and Risk Management Policy with an updated policy adopted May 2020. The key changes to this policy allow greater percentage of floating rate loans enabling Council to participate in lower floating interest rates. The second key change in preparation for the Long Term Plan was increasing the limit on borrowing from 100% of total revenue to 150% of total revenue.
- 9.3 The swap valuation, a non-cash accounting adjustment, has been significantly impacted by the falling OCR rate, resulted in a loss of \$932,000 recorded on the Statement of Comprehensive Revenue and Expense. Council uses interest rate swaps as a risk management tool by fixing a portion of its external debt over a range of maturities. This reduces the risk of a sudden interest rate increase at a particular point in time, which could lead to a shock to the amount of rates required to service debt. Due to the expectation of lower for longer interest rates, Council has reduced its interest rate fixing to policy minimums, with \$11.5 million of fixed rate swaps held at 30 June.

To meet minimum policy compliance, two new swaps were entered into in July 2020:

- \$3 million starting in July 2020 maturing March 2026 at 0.49%
  - \$1 million starting in April 2021 maturing April 2027 at 0.58%
- 9.4 External debt as at 30 June was \$35 million compared to a planned \$27 million. The planned opening debt balance was \$21 million, with the actual opening balance being \$4 million higher at \$25 million. The remaining increase in debt compared to budget is due to greater infrastructure investment to address climate change, meet legislative requirements, and satisfy community outcomes.

## **10. Self-Funded Activities**

### **10.1 Forestry – Summary for the 12 months ending 30 June 2020**

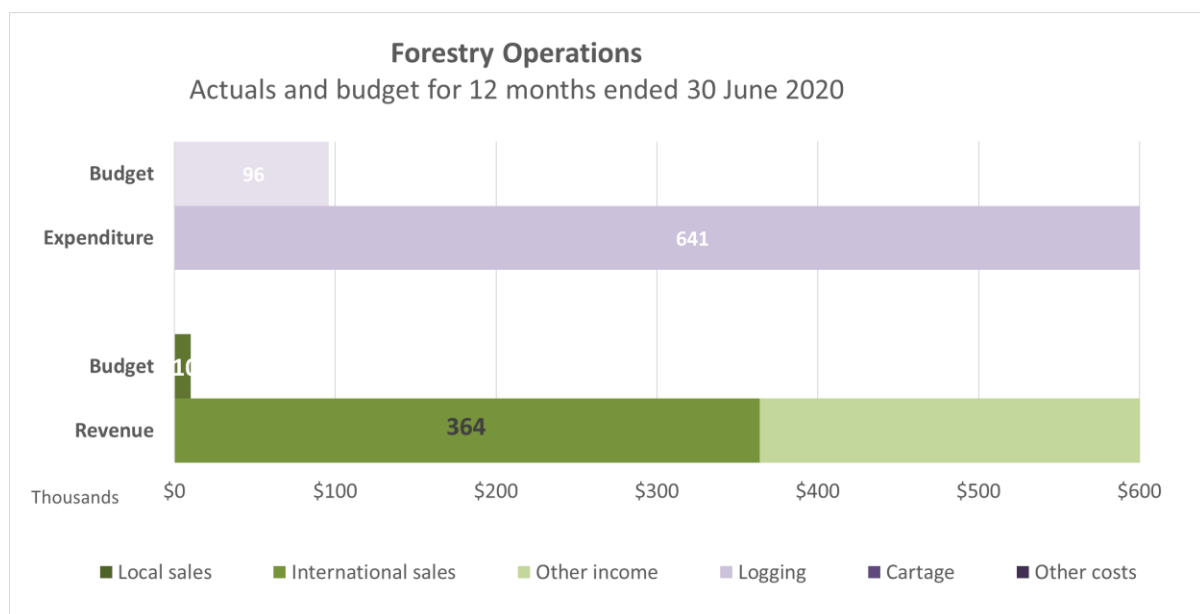
The forestry activity has made a deficit of \$50,000 for the 12 months ending 30 June 2020. The costs that have been incurred have been for the removal of dangerous roadside trees to increase the safety of the roading network.



Gross expenditure was \$940,000 against a planned budget of \$96,000. Council received a total of \$364,000 in proceeds from the sale of these trees. Up until balance date the removal of the roadside trees was being funded from Council reserves.

Council was successful in securing \$500,000 funding from the Provincial Development Unit as one of Council's 'Shovel-Ready' projects to continue with the removal of dangerous roadside trees along Route 52. This funding is to enable job security within the district for those that may have otherwise lost their jobs as a result of COVID-19. The procurement process was completed prior to yearend with works beginning 3<sup>rd</sup> July with a total of 6 successful suppliers to complete this work.

As at 30 June 2020 the Forestry Reserve currently has a balance of \$797,654.



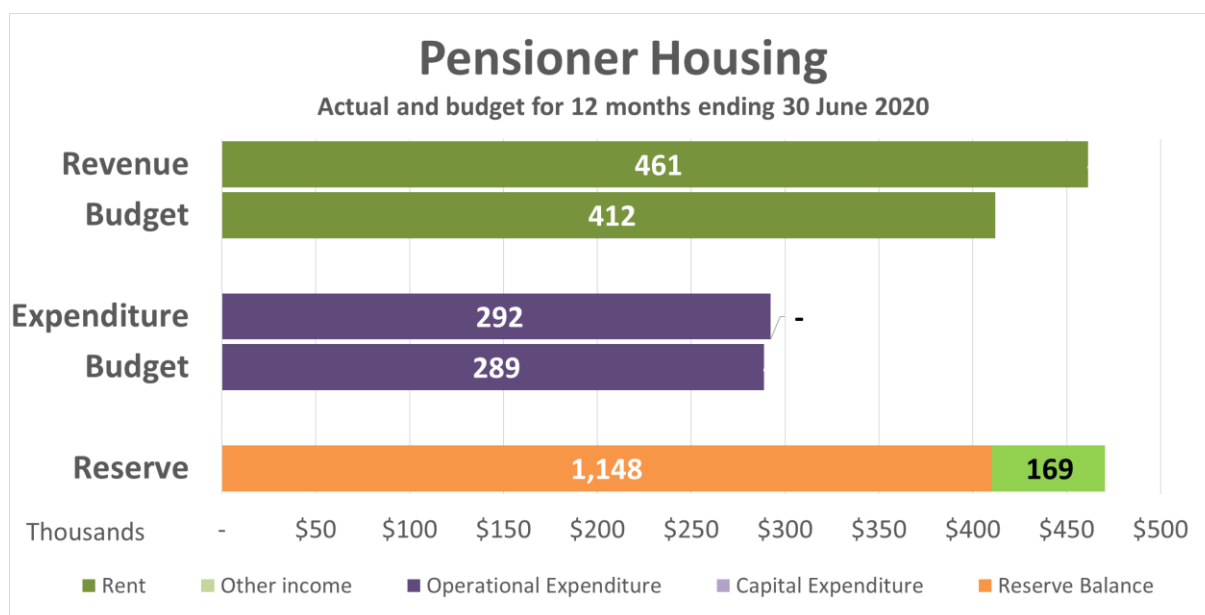
## 10.2 Pensioner Housing - Summary for the 12 months ending 30 June 2020

The pensioner housing activity operated at a net surplus of \$169,000 for the 12 months ended 30 June 2020.

Total revenue was \$461,000 against a budget of \$412,000. This favourable increase is driven by high occupancy rates, with demand for units significantly higher than the number of units available. As expected, Council has seen its housing revenue continue to grow and exceeding budget at year end.

Total operating expenses of \$292,000 was higher than the year to date budget of \$289,000. This is due to maintenance works that have been carried out in the units, as they have become available prior to new tenants going in.

The current reserve balance at 30 June 2020 is \$1,147,866.



## 11. Financial Prudence Benchmarks

- 11.1 Please refer to the attached report “Appendix 2: Annual Report 2019/2020: Financial Prudence Benchmarks” for the Financial Prudence section of the Draft Annual Report 2019/2020.
- 11.2 Council complies with most of the prudence financial benchmarks. Council did not achieve a balanced budget this year, driven mainly from loss on disposal of infrastructure assets (\$1.9 million) and loss on forestry revaluation (\$1.3 million). Council failed to meet the debt control benchmark. Opening balance for debt was \$4 million higher than projected, and the remaining difference is due to the high completion of the capital programme, which comprised of \$6 million of unplanned carry forward budgets from 2018/19, and \$4.2 million of unplanned emergency works spent.
- 11.3 The Operations Control benchmark is still outstanding and will be updated as part of completing the Cashflow Financial Statement.

## 12. Consolidation with Tararua Aquatic Community Trust (TACT)

- 12.1 Council is still working with Audit NZ on this matter and for the 2019/2020 financial year, management recommends that Council does not consolidate. The impact of this is that Audit NZ will require disclosure in the Letter of Representation and a management item in the Management report.

### **13. Recommendation**

- 13.1** *That the report from the Senior Financial Accountant dated 12 August 2020 concerning Council Performance for the 2019/2020 Financial Year ending on 30 June 2020 (as circulated) be received, and*
- 13.2** *That the Audit and Risk Committee recommend the approval of the draft Annual Report 2019/2020 subject to the correction of any typographical errors or changes which may be required, and the addition of the notes to the financial statements to provide to Audit New Zealand for their audit of the report, and*
- 13.3** *That the recommendation to not consolidate the financial statements with Tararua Aquatic Community Trust be acknowledged.*

### **Attachments**

- 1 [!\[\]\(0551a83d441798e532995956b603f604\_img.jpg\)](#). Appendix 1 - Performance Dashboard for Year Ended 30 June 2020
- 2 [!\[\]\(54ee180c0037b66a36ce2219a481afde\_img.jpg\)](#). Appendix 2 - Financial Prudence Benchmarks for Year Ended 30 June 2020



## EXECUTIVE SUMMARY (Dashboard)

## 2020 Full Year Performance Report

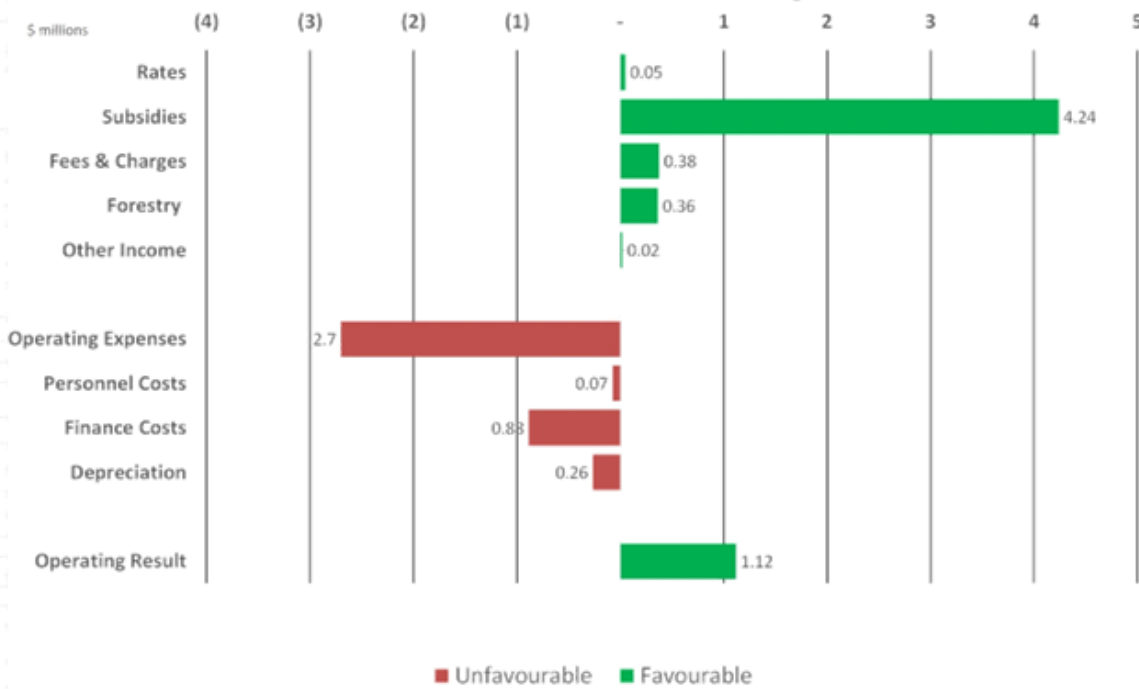
### Operating Performance

| Summary Operating Performance (000s) |            |            |          |   |                             |
|--------------------------------------|------------|------------|----------|---|-----------------------------|
|                                      | YTD Actual | YTD Budget | Variance |   | Trend from previous quarter |
| OPERATING REVENUE                    | \$ 43,216  | \$ 38,175  | 5,041    | ↑ | ↑                           |
| OPERATING COSTS                      | \$ 42,028  | \$ 38,104  | (3,924)  | ↓ | ↓                           |
| OPERATING RESULT                     | \$ 1,188   | \$ 71      | 1,117    | ↑ | ↑                           |

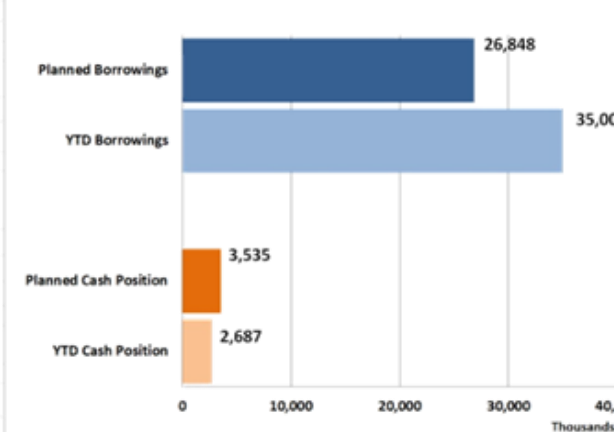
### Treasury Performance

| Summary Treasury Performance (000s) |            |            |          |   |                             |
|-------------------------------------|------------|------------|----------|---|-----------------------------|
|                                     | YTD Actual | YTD Budget | Variance |   | Trend from previous quarter |
| FINANCE COSTS                       | \$ 765     | \$ 813     | (48)     | ↑ | ↑                           |
| TOTAL EXTERNAL DEBT                 | \$ 35,000  | \$ 26,848  | 8,152    | ↓ | ↓                           |
| NET DEBT POSITION                   | \$ 32,313  | \$ 23,063  | 9,251    | ↓ | ↓                           |

### Financial Performance Actual vs Budget Variance



### TREASURY POSITION

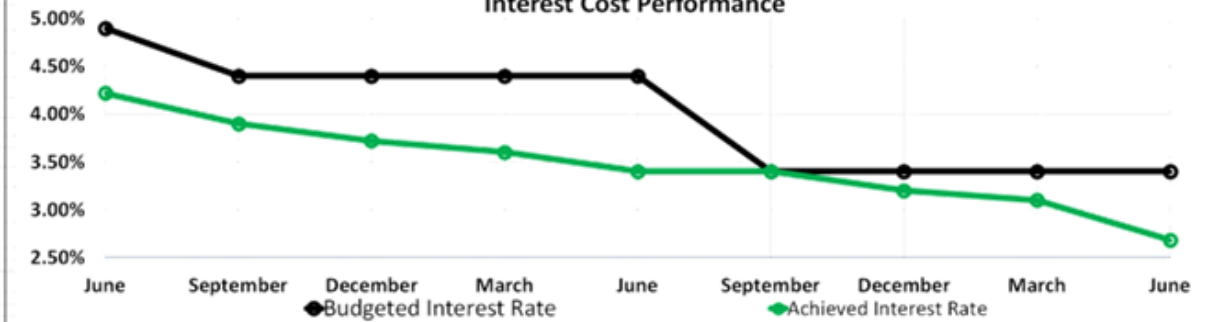


### Loan by Activity

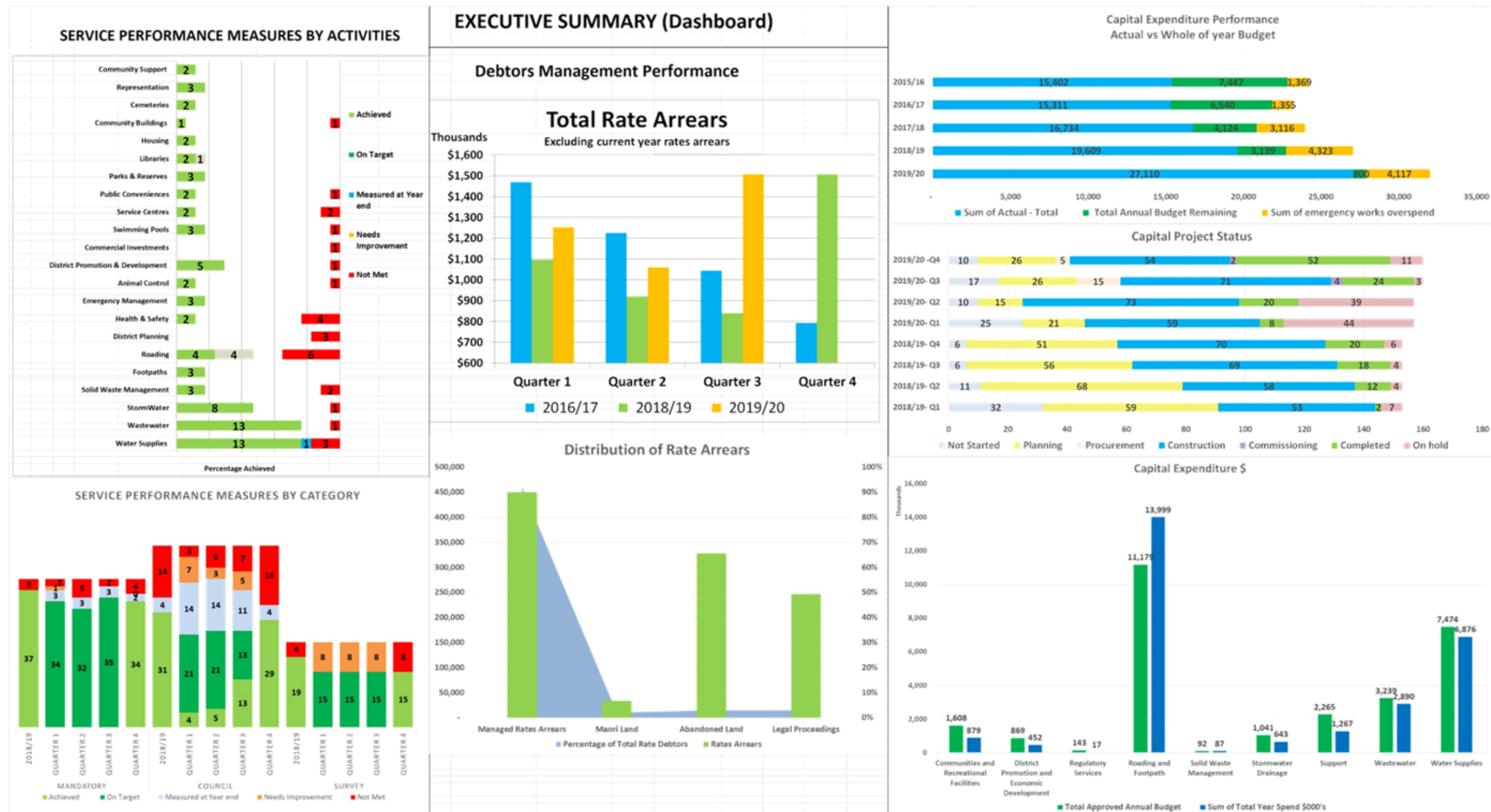


Total \$37,829,547 ↑

### Interest Cost Performance









|   |  | Operating Revenue |        |          |             |   |                                    |  | Operating Expense |        |          |             |          |
|---|--|-------------------|--------|----------|-------------|---|------------------------------------|--|-------------------|--------|----------|-------------|----------|
|   |  | Budget            | Actual | Variance | Prev result | Year end                                  |                                    |  | Budget            | Actual | Variance | Prev result | Year end |
| Building Communities & Leadership         |  |                   |        |          |             | Building Communities & Leadership         |                                    |  |                   |        |          |             |          |
| Community Support                         |  | 426               | 432    | 6        | ⬆️          | ✅   | Community Support                  |  | 383               | 341    | 42       | ⬇️          | ✅        |
| Representation                            |  | 1,477             | 1,487  | 10       | ⬇️          | ❌   | Representation                     |  | 886               | 920    | (35)     | ⬇️          | ❌        |
|   |  |                   |        |          |             |   |                                    |  |                   |        |          |             |          |
| Community & Recreation Facilities         |  |                   |        |          |             | Community & Recreation Facilities         |                                    |  |                   |        |          |             |          |
| Cemeteries                                |  | 378               | 350    | (28)     | ⬇️          | ❌   | Cemeteries                         |  | 313               | 308    | 6        | ⬆️          | ⚠️       |
| Community Buildings                       |  | 882               | 889    | 8        | ⬇️          | ❌   | Community Buildings                |  | 335               | 385    | (51)     | ⬆️          | ❌        |
| Housing                                   |  | 412               | 461    | 49       | ⬆️          | 🚩   | Housing                            |  | 290               | 292    | (2)      | ⬆️          | ⚠️       |
| Libraries                                 |  | 1,270             | 1,261  | (9)      | ⬇️          | ❌   | Libraries                          |  | 684               | 703    | (19)     | ⬆️          | ❌        |
| Parks & Reserves                          |  | 1,645             | 1,628  | (17)     | ⬆️          | 🚩   | Parks & Reserves                   |  | 1,122             | 1,019  | 103      | ⬆️          | ✅        |
| Public Conveniences                       |  | 318               | 318    | -        | ➡️          | ✅   | Public Conveniences                |  | 220               | 246    | (26)     | ⬇️          | ❌        |
| Service Centres                           |  | 625               | 626    | -        | ⬇️          | ✅   | Service Centres                    |  | 341               | 341    | -        | ⬆️          | ⚠️       |
| Swimming Pools                            |  | 672               | 672    | -        | ➡️          | ✅   | Swimming Pools                     |  | 457               | 481    | (24)     | ⬇️          | ❌        |
|   |  |                   |        |          |             |   |                                    |  |                   |        |          |             |          |
| District Promotion & Economic Development |  |                   |        |          |             | District Promotion & Economic Development |                                    |  |                   |        |          |             |          |
| Commercial Property                       |  | 46                | 920    | 874      | ⬆️          | 🚩   | Commercial Property                |  | 160               | 1,004  | (845)    | ⬇️          | ❌        |
| District Promotion & Development          |  | 1,015             | 1,182  | 167      | ⬆️          | 🚩   | District Promotion & Development   |  | 661               | 774    | (113)    | ⬇️          | ❌        |
|   |  |                   |        |          |             |   |                                    |  |                   |        |          |             |          |
| Regulatory Services                       |  |                   |        |          |             | Regulatory Services                       |                                    |  |                   |        |          |             |          |
| Animal Control                            |  | 430               | 426    | (4)      | ⬇️          | ⚠️  | Animal Control                     |  | 364               | 441    | (77)     | ⬇️          | ❌        |
| Emergency Management                      |  | 197               | 197    | -        | ➡️          | ✅   | Emergency Management               |  | 129               | 111    | 18       | ⬆️          | ✅        |
| Health & Safety                           |  | 1,330             | 1,426  | 95       | ⬇️          | 🚩   | Health & Safety                    |  | 1,016             | 1,036  | (20)     | ⬆️          | ❌        |
| Resource Management                       |  | 407               | 435    | 28       | ⬆️          | ✅   | Resource Management                |  | 325               | 267    | 59       | ⬆️          | ✅        |
|   |  |                   |        |          |             |   |                                    |  |                   |        |          |             |          |
| Roading & Footpaths                       |  |                   |        |          |             | Roading & Footpaths                       |                                    |  |                   |        |          |             |          |
| Footpaths                                 |  | 2,041             | 976    | (1,065)  | ⬇️          | ❌   | Footpaths                          |  | 472               | 203    | 268      | ⬆️          | 🚩        |
| Roading                                   |  | 15,309            | 19,676 | 4,367    | ⬆️          | 🚩   | Roading                            |  | 6,438             | 7,886  | (1,448)  | ⬇️          | ❌        |
|   |  |                   |        |          |             |   |                                    |  |                   |        |          |             |          |
| Solid Waste Management                    |  |                   |        |          |             | Solid Waste Management                    |                                    |  |                   |        |          |             |          |
| Solid Waste Management                    |  | 2,101             | 2,201  | 100      | ⬇️          | 🚩   | Solid Waste Management             |  | 1,683             | 1,760  | (77)     | ⬇️          | ❌        |
|   |  |                   |        |          |             |   |                                    |  |                   |        |          |             |          |
| Stormwater Drainage                       |  |                   |        |          |             | Stormwater Drainage                       |                                    |  |                   |        |          |             |          |
| Stormwater Drainage                       |  | 640               | 642    | 2        | ⬆️          | ✅   | Stormwater Drainage                |  | 145               | 108    | 37       | ⬆️          | ✅        |
|   |  |                   |        |          |             |   |                                    |  |                   |        |          |             |          |
| Waste Water                               |  |                   |        |          |             | Waste Water                               |                                    |  |                   |        |          |             |          |
| Sewerage                                  |  | 2,803             | 2,819  | 16       | ⬆️          | ✅   | Sewerage                           |  | 1,171             | 1,098  | 73       | ⬆️          | ✅        |
|   |  |                   |        |          |             |   |                                    |  |                   |        |          |             |          |
| Water Supplies                            |  |                   |        |          |             | Water Supplies                            |                                    |  |                   |        |          |             |          |
| Water Supplies                            |  | 3,247             | 3,279  | 33       | ⬇️          | 🚩   | Water Supplies                     |  | 1,076             | 1,246  | (170)    | ⬇️          | ❌        |
|   |  |                   |        |          |             |   |                                    |  |                   |        |          |             |          |
| District                                  |  |                   |        |          |             | District                                  |                                    |  |                   |        |          |             |          |
| Support Activities                        |  | 928               | 1,393  | 465      | ⬆️          | 🚩   | Support Activities                 |  | 5,935             | 5,844  | 91       | ⬆️          | ✅        |
|   |  |                   |        |          |             |   |                                    |  |                   |        |          |             |          |
| Activity totals                           |  | 38,600            | 43,696 | 5,096    | ⬆️          |   | Activity totals                    |  | 24,608            | 26,816 | (2,208)  | ⬇️          |          |
|   |  |                   |        |          |             |   |                                    |  |                   |        |          |             |          |
| Corporate (not controllable by managers)  |  |                   |        |          |             | Corporate (not controllable by managers)  |                                    |  |                   |        |          |             |          |
| Finance Income                            |  | 80                | 42     | (38)     | ⬇️          | ⚠️  | Finance Income                     |  | -                 | -      | -        |             |          |
| Finance Costs                             |  | -                 | -      | -        | ➡️          |   | Finance Costs                      |  | 813               | 1,697  | (883)    | ⬆️          | 🚩        |
| Depreciation                              |  | -                 | -      | -        | ➡️          |   | Depreciation                       |  | 13,231            | 13,495 | (263)    | ⬆️          | ⚠️       |
| Year End Salary Accrual                   |  | -                 | -      | -        | ➡️          |   | Year End Salary Accrual            |  | -                 | 594    | -        |             |          |
| (Gain)/Loss Financial Assets              |  | -                 | 73     | 73       | ➡️          |   | (Gain)/Loss Financial Assets       |  | -                 | -      | -        |             |          |
| (Gain)/Loss Fixed Assets Valuation        |  | -                 | -      | -        | ➡️          |   | (Gain)/Loss Fixed Assets Valuation |  | -                 | -      | -        |             |          |
| Other Asset (Gains)/Losses                |  | -                 | -      | -        | ⬇️          | ⚠️  | Other Asset (Gains)/Losses         |  | -                 | -      | -        |             |          |
| Rates Discounts                           |  |                   |        | -        | ⬇️          | ❌   | Rates Discounts                    |  | -                 | -      | -        | ➡️          | ❌        |
|   |  |                   |        |          |             |   |                                    |  |                   |        |          |             |          |
|   |  | 38,680            | 43,810 | 5,131    |             |   |                                    |  | 38,653            | 42,602 | (3,354)  |             |          |



Error! Reference source not found.



# Annual report disclosure statement

For the year ended 30 June 2020

## What is the purpose of this statement?

The purpose of this statement is to disclose Council's financial performance in relation to various benchmarks to enable the assessment of whether Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

Council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information including definitions of some of the terms used in this statement.

## Rates affordability benchmark

Council meets the rates affordability benchmark if:

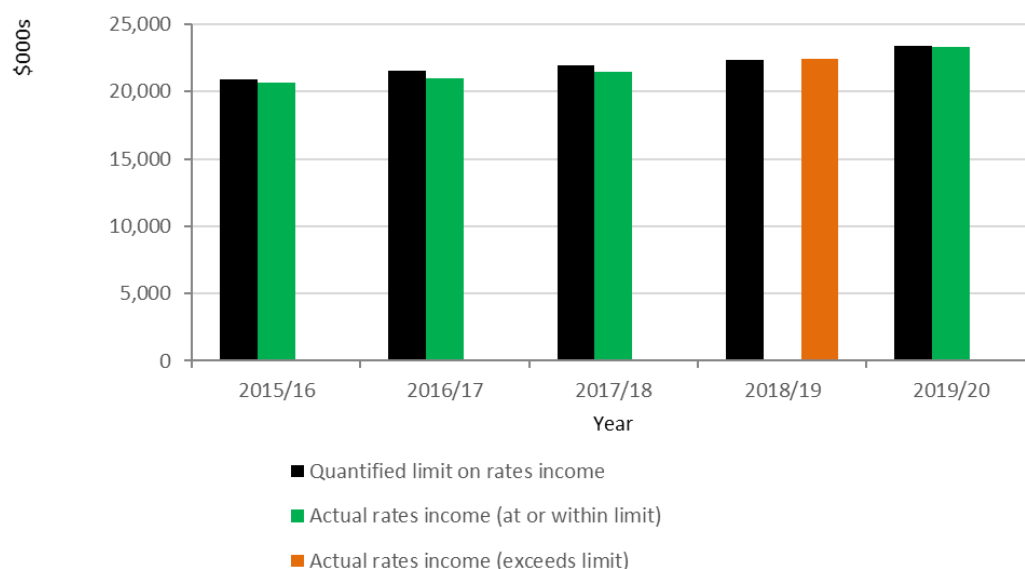
- Its actual rates income equals or is less than each quantified limit on rates; and
- Its actual rates increases equal or are less than each quantified limit on rates increases.

## Rates (income) affordability

The following graph compares Council's actual rates income with the quantified limit on rates contained in the Financial Strategy included in Council's 2018-2028 Long Term Plan.

The quantified limit we have used is previous year's rates income plus the BERL Local Government Cost Index plus 2%.

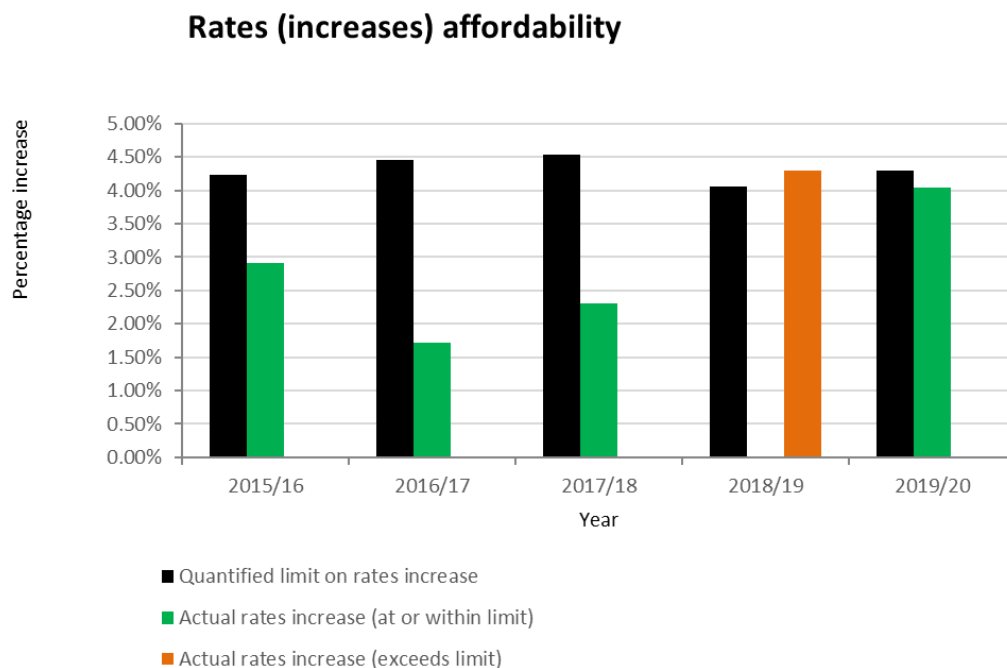
**Rates (income) affordability**



### Rates (increases) affordability

The following graph compares Council's actual rates increases with the quantified limit on rates increases contained in the Financial Strategy included in Council's 2018-2028 Long Term Plan.

The quantified limit we have used is the BERL Local Government Cost Index plus 2%.



|                             | Actual<br>2015/16 | Actual<br>2016/17 | Actual<br>2017/18 | Actual<br>2018/19 | Actual<br>2019/20 |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Quantified Limits           | 4.24%             | 4.45%             | 4.53%             | 4.06%             | 4.30%             |
| Actual Total Rates Increase | 2.91%             | 1.72%             | 2.30%             | 4.30%             | 4.04%             |
| Available Headroom *        | \$267,000         | \$564,000         | \$468,000         | (\$51,000)        | \$58,000          |

\* Denotes difference between quantified limits and actual rates increases.

The rates income and increase benchmarks for 2018/19 has not been met this year. This is because from the time the cut off was made in the Rating information database, the modelling for the future year rates increase was completed, and the time at which the rates were struck a number of properties had been amalgamated and subdivided. This had the effect of boosting our overall rates revenue.

Affordability will continue to play a major role as we continue to balance the desire to keep rate increases low, while at the same time investing in our infrastructure and enabling the district to thrive by attracting more business and people.

### Debt affordability benchmark

We meet the debt affordability benchmark if our actual borrowing is within each quantified limit on borrowing.

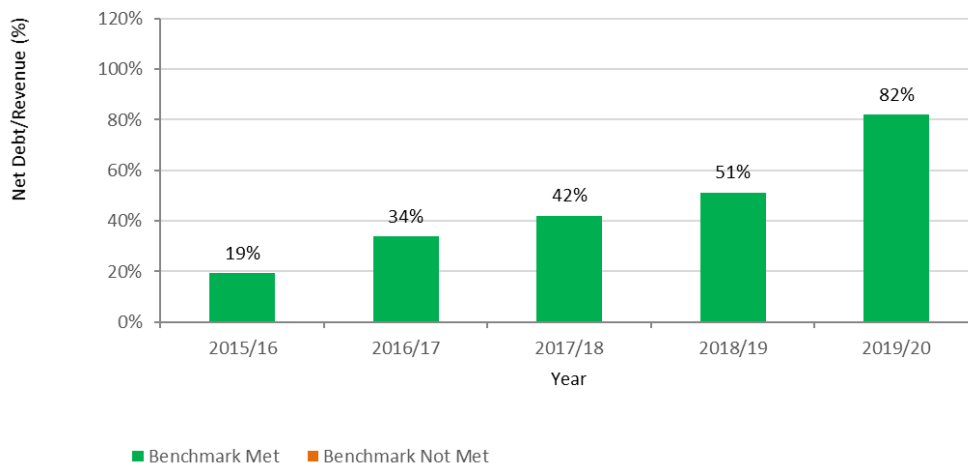
The following four graphs compares Council's actual borrowing with the quantified limits on borrowing stated in the Financial Strategy included in the 2018-2028 Long Term Plan. The first three measures below had the limits reduced in the 2015-2025 Long Term Plan. As this has not affected the results of previous years, the previous limits are not presented below.

Council has met all of its debt limits and has sufficient capacity to borrow if required for capital investment in the future.

The quantified limits are as follows:

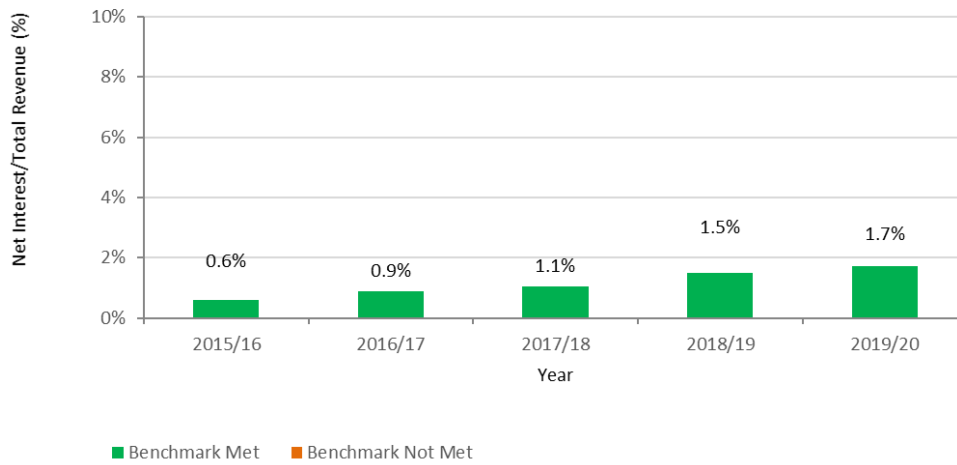
1. Net external debt as a percentage of total revenue will not exceed 100%.

#### Debt affordability (*Net debt against total revenue*)



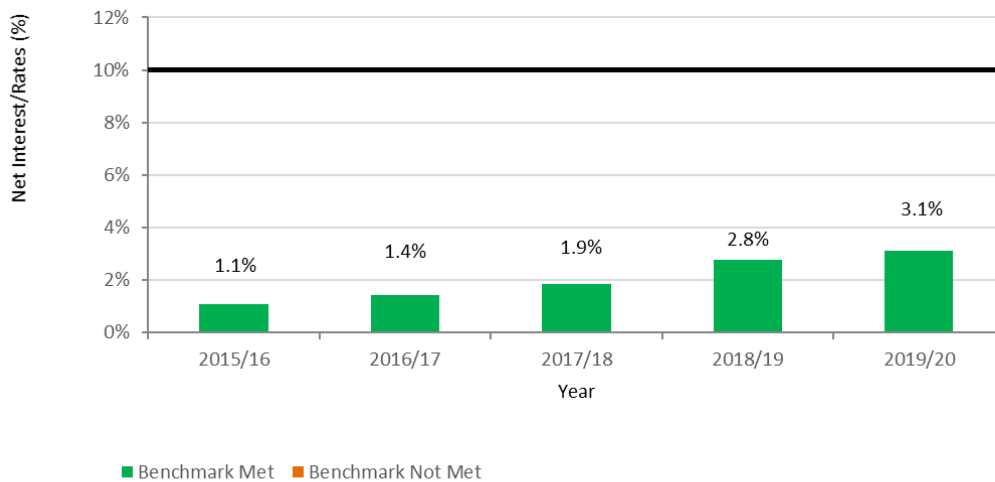
2. Net interest on external debt as a percentage of total revenue will not exceed 7%.

**Debt affordability (*Net interest against total revenue*)**



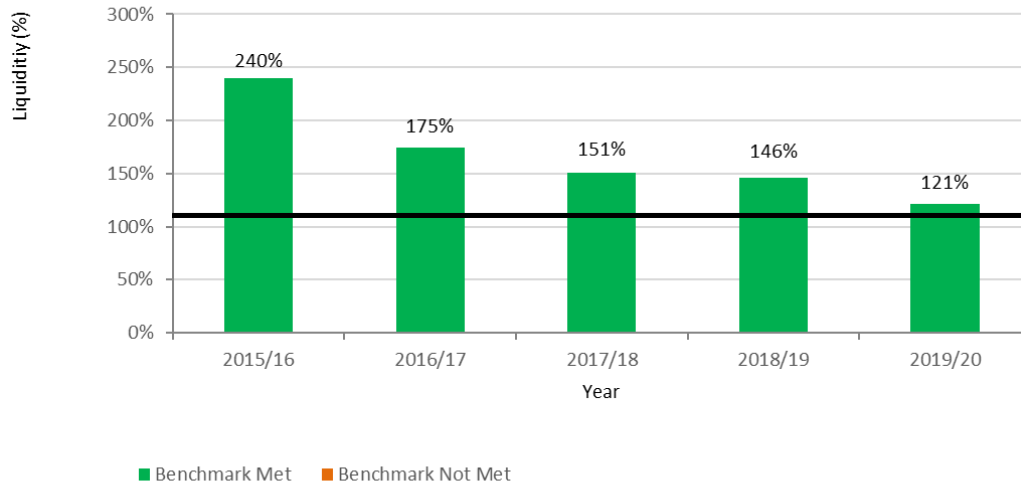
3. Net interest on external debt as a percentage of annual rates income will not exceed 10%.

**Debt affordability (*Net interest against rates revenue*)**



4. Liquidity (external, term debt + committed loan facilities + cash and cash equivalents to existing external debt) is greater than 110%.

**Debt affordability (*Liquidity*)**

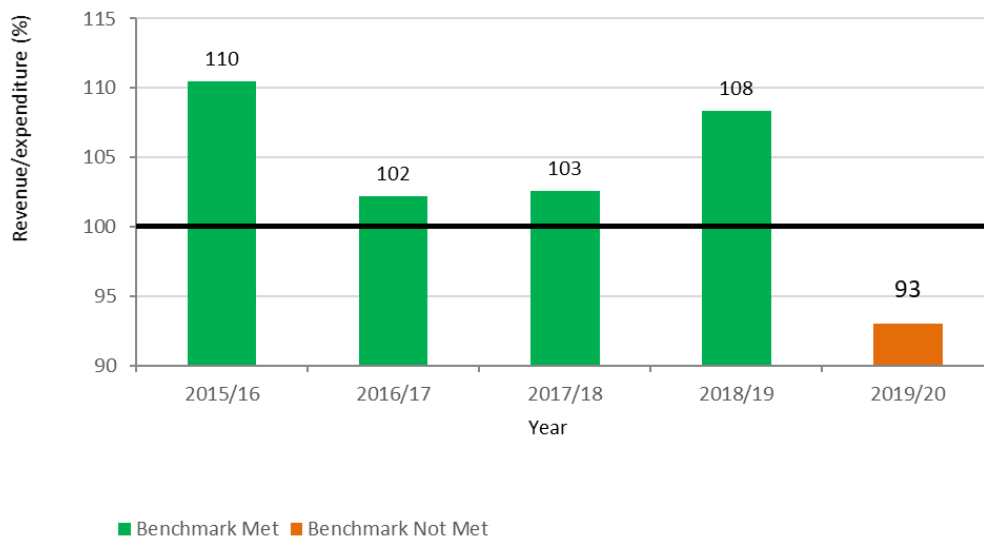


### Balanced budget benchmark

The following graph displays Council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

Council meets this benchmark if its revenue equals or is greater than its operating expenses.

### Balanced budget



### 2015/16

Council revenue is higher than its operating expenses mainly due to NZTA subsidies received for the Saddle Road and flood damage work, and cash received due from the liquidation of Infracon.

### 2017/18

Council revenue is significantly higher than its operating expenses mainly due to NZ subsidies received for the Saddle Road (\$1.2million) and flood damage work (\$3.2million).

### 2018/19

Council revenue is significantly higher than its operating expenses mainly due to NZTA subsidies received for the Saddle Road and flood damage work.

### 2019/20

Council revenue is significantly lower than its operating expenses mainly due to the forestry revaluation (\$1.3m) and the loss on disposal of infrastructure assets (\$1.9m).

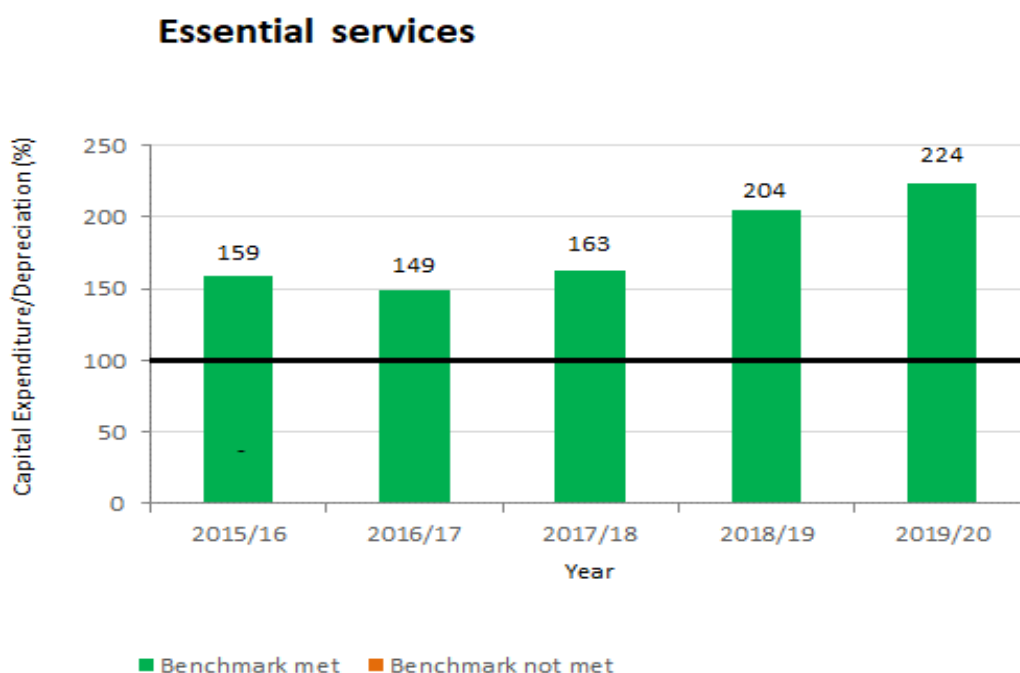


### Essential services benchmark

The following graph displays Council's capital expenditure on network services as a proportion of depreciation on network services. (Capital work includes both renewals of existing infrastructure as well as new capital work undertaken.)

Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.

Network services is defined in the regulations as infrastructure related to water supply, sewerage and the treatment and disposal of sewage, storm water drainage, flood protection and control works, and the provision of roads and footpaths. Council owns no infrastructure related to flood protection and control work.



#### 2018/19:

Council continues to invest in core infrastructure. Total depreciation for core infrastructure was \$10.7 million, and we spent \$21.2 million. The main driver for this investment is due to roading of \$15 million mainly driven from emergency renewals. We also invested in Water (\$3.4 million) and Wastewater (\$2.2 million) infrastructure during the year.

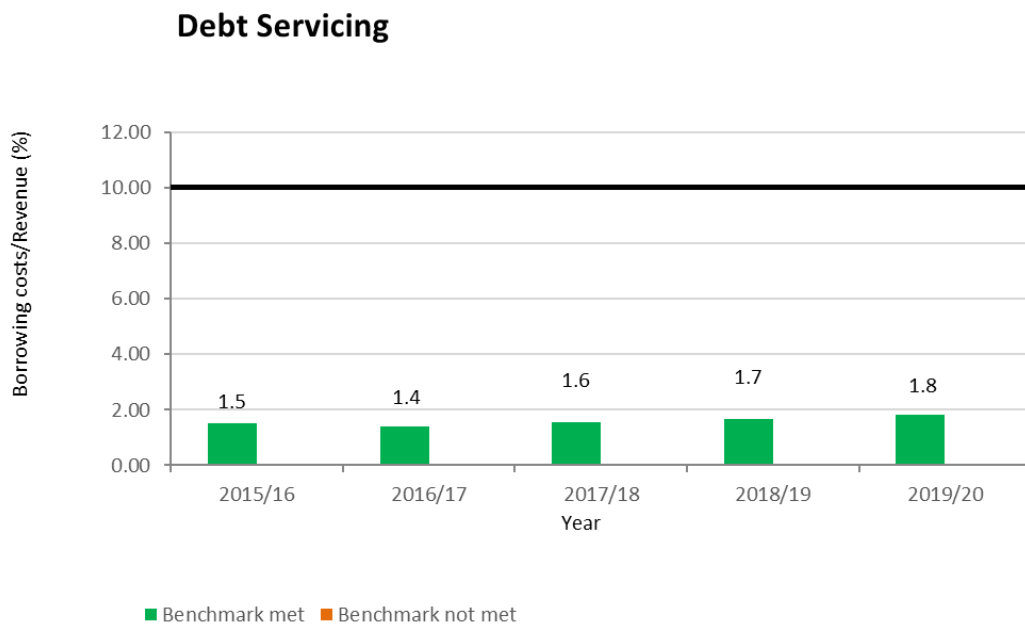
#### 2019/20:

Council continues to invest in core infrastructure. Total depreciation for core infrastructure was \$10.9 million, and we spent \$24.4 million. The main driver for this investment is due to roading of \$14 million mainly driven from emergency renewals. We also invested in Water (\$6.9 million) and Wastewater (\$2.9 million) infrastructure during the year.

### Debt servicing benchmark

The following graph displays Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).

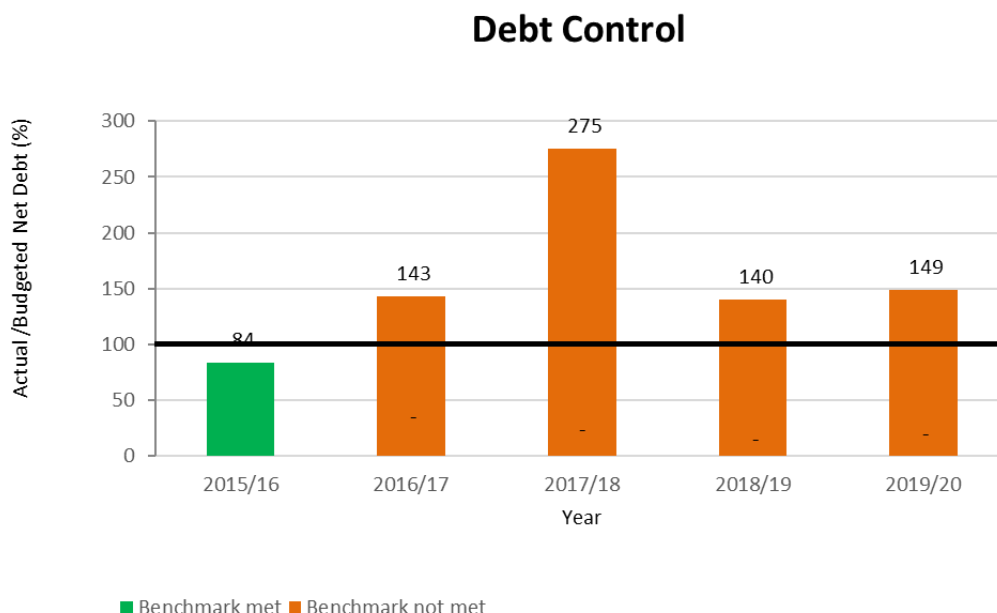
Because Statistics New Zealand projects the district's population will grow more slowly than the national population is projected to grow, it meets the debt servicing benchmark of borrowing costs equal or are less than 10% of its revenue.



### Debt control benchmark

The following graph displays the council's actual net debt as a proportion of planned net debt. In this statement, **net debt** means the financial liabilities less financial assets (excluding trade and other receivables).

The council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



### 2016/17

The reason for not meeting the measure in 2016/17 is due to Council having less cash and cash equivalents than planned. Council approved the use of the Forestry and Housing special reserves for internal borrowing, resulting in lower cash but also lower external borrowings than planned.

### 2017/18

We failed to meet the debt control measure of net debt not exceeding planned net debt in the corresponding year of the Long Term Plan.

Our actual result was 3 times higher than what was planned in year 3 of the LTP. This was as a result of Council's decision to defer the original decision to sell its pensioner housing portfolio, resulting in \$3.4 million less cash. It was decided in the 2018-2028 LTP workshop to retain the pensioner housing portfolio

### 2018/19

The reason we failed to meet the debt control benchmark is the level of capital work carried out in the 18/19 financial year is the high level of capital work we have had during the financial year. As a total spend we were 110% of our planned budget this was mainly due to emergency works be carried out on the roading network. An additional \$4 million borrowed that was not planned for. The level of capital work close to year end had also adversely pushed up our creditors balance at 30 June 2019.

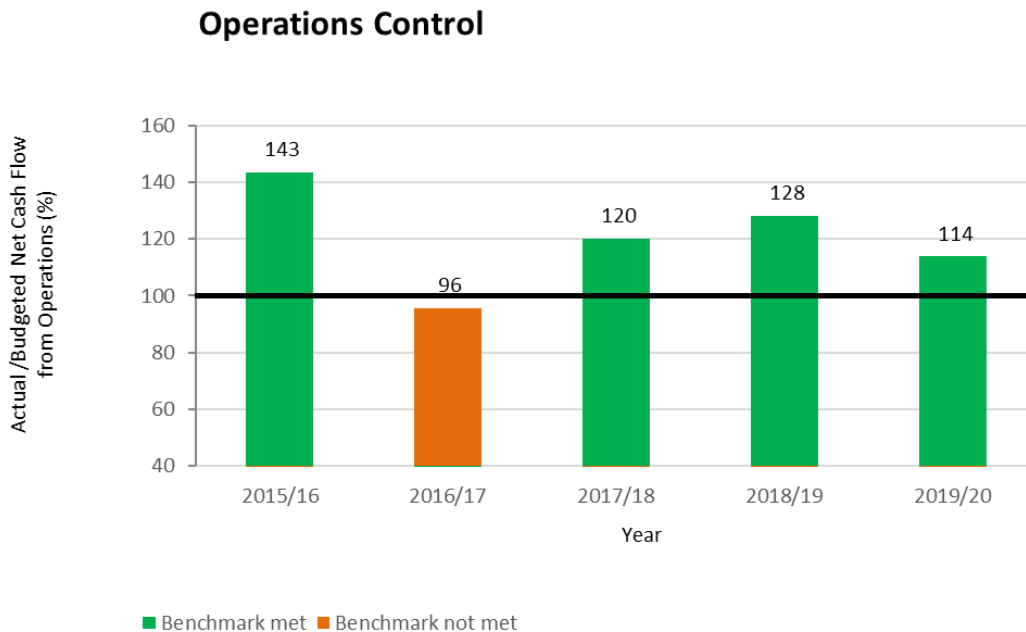
### 2019/20

The reason we failed to meet the debt control benchmark is due to difference in the opening balances to plan (\$4m). The remaining difference is due to the high completion of the capital program which comprised of unplanned carry forwards and unplanned emergency works during the year.

### Operations control benchmark

This graph displays Council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.

Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



The reasons for not meeting this benchmark for the relevant years are as follows:

#### 2016/17

Overall shortfall in cash flow from operations was \$212,000 and was due to:

- Finance income cash received lower by \$100,000 due to receiving a lower effective interest rate of 3.16% compared to 3.6% as planned. Cash held for term investments was also lower than planned. \$30,000 of recorded interest revenue is a non-cash accrual.
- Forestry harvesting was delayed this year due to adverse weather conditions, therefore, this resulted in lower net cash received than budget of \$345,000.



## Report

Date : 12 August 2020

To : Chairperson and Committee Members  
Audit and Risk Committee

From : Brook Rush  
Health & Safety Co-ordinator

Subject : **Health and Safety**

Item No : **6.2**

---

### **1. Reason for the Report**

- 1.1 To provide an update to the Audit and Risk Committee on health and safety matters.

### **2. Health and Safety Coordinator Role**

- 2.1 Brook Rush began his secondment from Manawatu District Council on Monday 6 July 2020.
- 2.2 The immediate main focuses of the Health and Safety Coordinator include facilitating risk deep-dive workshops with each team, undertaking a lone worker review, developing a health and safety strategy and implementing a due diligence plan for Council officers. These pieces of work are some of the remaining outcomes of our SafePlus Audit which was undertaken in December 2018.
- 2.3 Another task for the Health and Safety Coordinator will be organising the next SafePlus Audit, which was scheduled for December 2020, but is now likely to take place in February or March 2021.

### **3. Health and Safety Regional Group**

- 3.1 The Manawatu-Whanganui Local Authority Shared Services (LASS) Health and Safety group met on 3 August and was given an overview of the online contractor prequalification system used by both BOP LASS and WAI LASS which encompasses 20 Councils. The provider of this service is SHE, the same as we are currently implementing here at Tararua District Council.

- 3.2 The group agreed to look at two other providers of online prequalification before making any decisions. These will be online overviews, likely to take place over the next 4 weeks.
- 3.3 The group has decided to go ahead with the SafePlus assessment as a group, similar to in 2018.
- 3.4 The group will use the outcomes of the next SafePlus assessment to develop priorities moving forward.

#### **4. Continual Improvement**

- 4.1 Work will begin to organise the SafePlus assessment, likely to be conducted in February or March 2021.
- 4.2 The Crisis Management Plan has now been published. The next step will be to organise a run through test of the plan using a case study scenario.
- 4.3 Risk deep-dive sessions are still in progress.

#### **5. Health and Safety Committee**

- 5.1 Health and Safety representatives are still gathering information about their teams working alone processes and procedures. The outcome of this will determine if our lone worker controls are adequate or need improvement.
- 5.2 The first part of the Wellness Wheel the committee is looking at is physical. We are looking to link in HR and promote the relaunch of the Medicare scheme which encourages staff to visit a medical professional.
- 5.3 A critical risk video has been completed and was shown at the All Staff Day on 22<sup>nd</sup> July 2020. This video is now part of the new staff Health and Safety Inductions which are completed by Health and Safety Representatives.
- 5.4 Health and Safety representatives continue to work with each team they represent on reviewing risk registers.

#### **6. Risk Management**

- 6.1 Departmental risk deep-dive workshops into 'top' risks have recommenced. Teams which have completed the process include the Project Management Office, Animal Control, Building & Planning, Wastewater, Water Treatment and Community Assets. These sessions are all booked to be complete by mid-November in preparation for the SafePlus assessment.
- 6.2 This is an example of the posters each team are supplied with following each risk deep-dive workshop:





## 7. Contractor Management

- 7.1 The implementation of our contractor management software has taken a little longer than anticipated due to adjustments that are required to suit our functional specifications. We are hopeful this will be implemented shortly but are awaiting a response from the software provider.

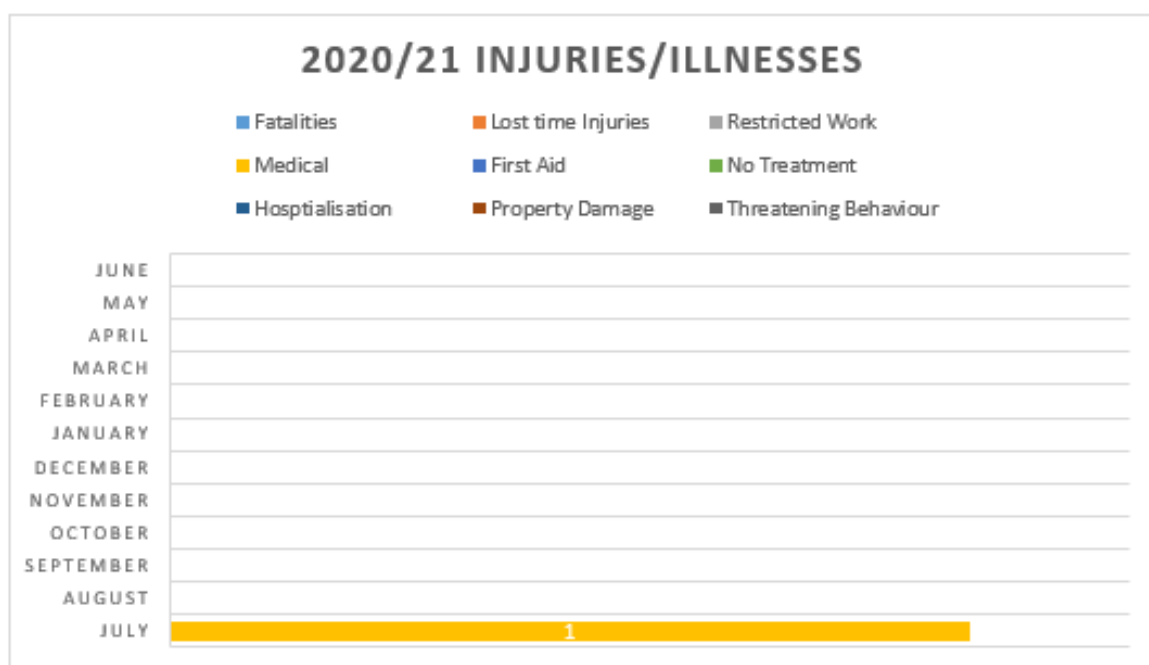
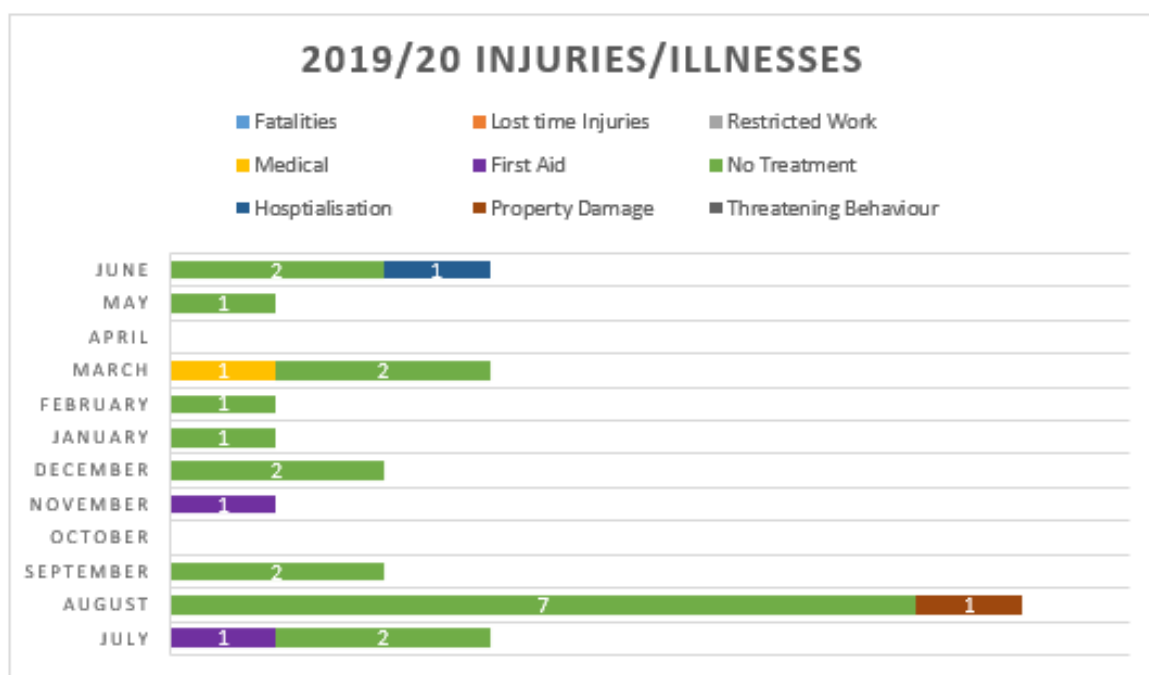
## 8. Hazardous Substances Regulations (2017)

- 8.1 The new Pahiatua Water Treatment Plant is nearing completion. Currently we are working through completing an Emergency Response Plan and gaining the location compliance certificate.
- 8.2 A peer review of our hazardous substances' compliance is likely to be added as an item to the internal audit calendar. We are in the process of finding a suitably qualified person and working through the scope of this audit.

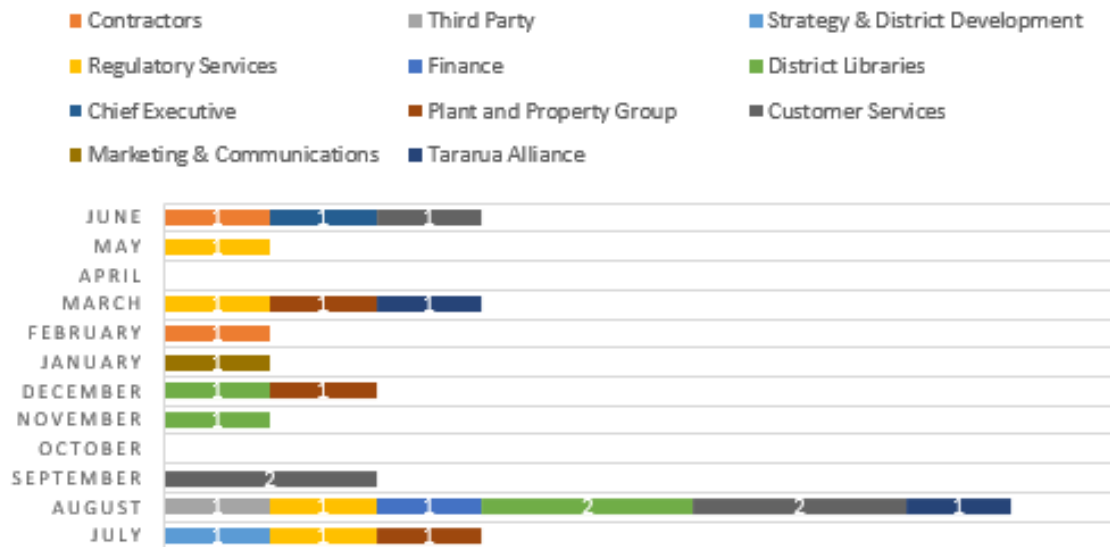
## 9. Accident Investigation

- 9.1 On 24 June 2020 a contractor working on the Pahiatua Water Treatment Plant was involved in a notifiable incident which was notified to WorkSafe NZ. The worker received lacerations to the hand and tendons.
- 9.1.1 The workers employer has completed an investigation and given sensible recommendations to prevent a similar incident occurring again. WorkSafe NZ have considered the incident and have advised they will not be commencing an investigation into the event.
- 9.1.2 The worker involved is currently undertaking rehabilitation and it is hopeful they will make a full recovery.

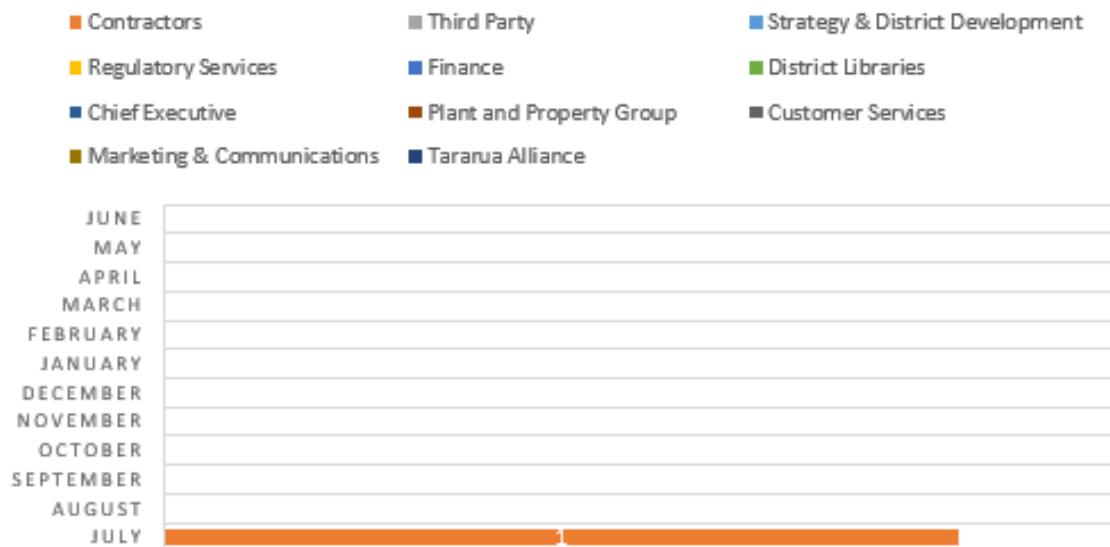
- 9.2 On 19 July 2020 a contractor performing the afterhours security function was involved in an altercation with a member of the public while undertaking duties for Council at the Dannevirke Domain.
- 9.3 The contractor had minor bruising; we have received the investigation report and have conducted our own investigation in which we have offered some improvement suggestions to the contractor.

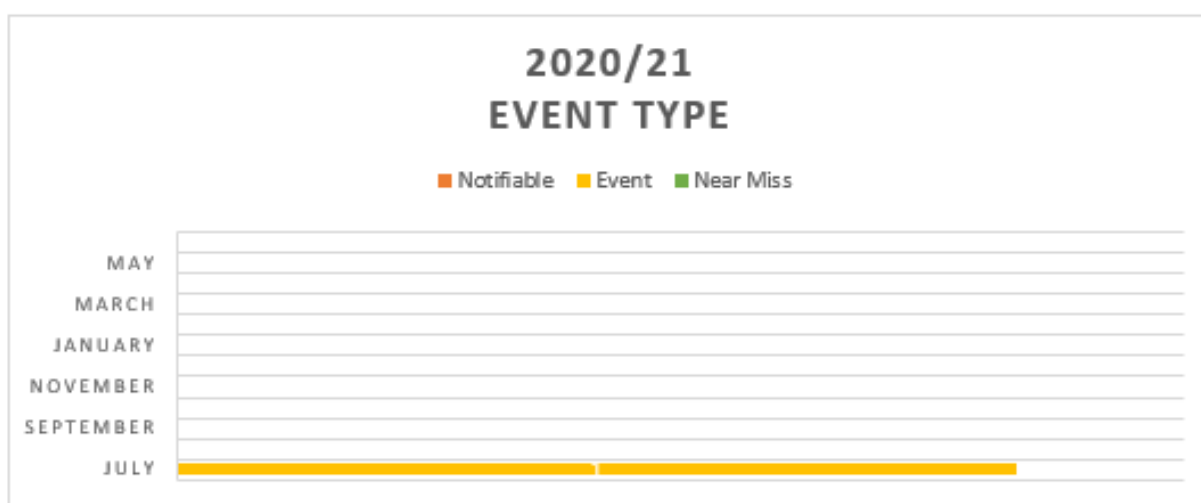
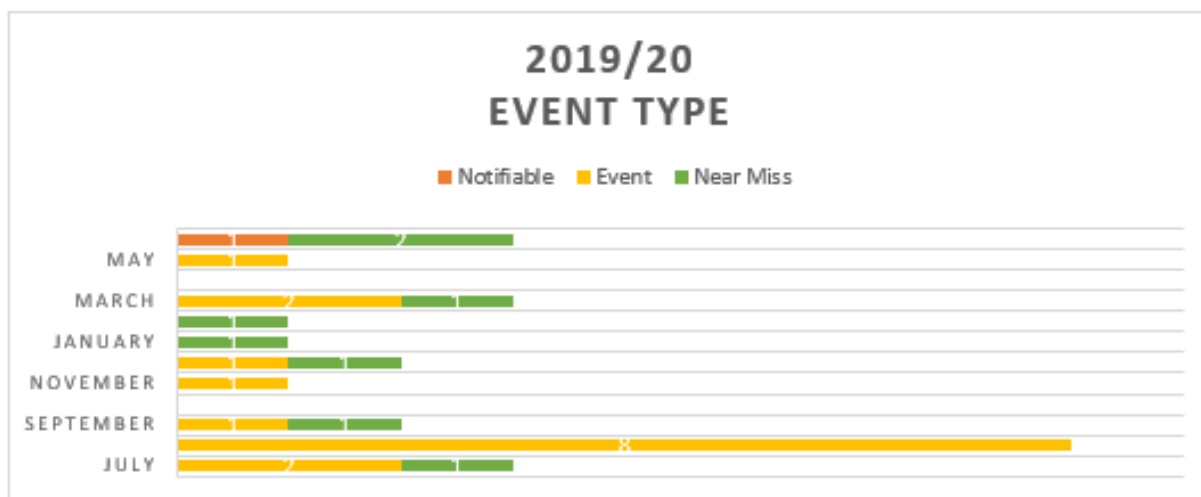


## 2019/20 DEPARTMENT



## 2020/21 DEPARTMENT





## 10. Recommendation

**10.1** *That the report from the Health & Safety Co-ordinator dated 12 August 2020 concerning Health and Safety (as circulated) be received, and*

**10.2** *That the Audit and Risk Committee note the following with regard to the focus on health and safety matters and this update:*

- *Preparations are being made for the SafePlus audit, now likely to take place in early 2021.*
- *A peer review of hazardous substances compliance is likely to be added as an item for internal audit.*

- *A health and safety strategy is being developed.*
- *Risk deep-dive workshops are underway, with all teams to be completed by the end of the calendar year.*
- *The quarter has seen two accidents involving contractors undertaking work for Council.*

## **Attachments**

Nil.



## Report

Date : 10 August 2020

To : Chairperson and Committee Members  
Audit and Risk Committee

From : Tina Love  
Project Manager

Subject : **Project Risk Management**

Item No : **6.3**

---

### **1. Reason for the Report**

- 1.1 To provide an update to the Audit and Risk Committee regarding the management of project risk and the expectation for risk management in the 2020/2021 Annual Plan and the 2021/2031 Long Term Plan.

### **2. Project Risk Management**

- 2.1 The Programmes and Projects Office is continuing to reassess the project risk process as part of the Projects Management Office framework improvement project. In working with the Risk Manager, the overall risk framework structure is being reviewed to ensure alignment across strategy, projects and operational risk.
- 2.2 The project complexity assessment tool has been reviewed, and an exercise undertaken to update the assessment weightings sitting behind the tool. This was to ensure these weightings are Tararua District Council specific rather than based on the original Auckland City Council provided template. It is expected that the updated tool will be rolled out across the organisation before the next Audit and Risk Committee meeting.
- 2.3 The Audit and Risk Committee will continue to be updated on this work as it progresses through regular reports being presented to its future meetings, and in giving consideration to its application as the 2021/2031 Long Term Plan is developed.

### **3. Recommendation**

- 3.1** *That the report from the Project Manager dated 10 August 2020 concerning Project Risk Management (as circulated) be received, and*
- 3.2** *That the Audit and Risk Committee note the emphasis placed on ensuring the approach across the organisation is aligned to focus on managing strategic and operational risks regarding planning for projects and capital works included in the 2020/2021 Annual Plan and being proposed in the 2021/2031 Long Term Plan.*

### **Attachments**

Nil.



## Report

Date : 13 August 2020

To : Chairperson and Committee Members  
Audit and Risk Committee

From : Peter Wimsett  
Manager Strategy & District Development

Subject : **Climate Change National Risk Assessment for New Zealand**

Item No : **6.4**

---

### Executive Summary

The first national Climate Change Risk Assessment has been completed by the Ministry for the Environment. Tararua District Council has been involved in its development, attending multiple workshops and review sessions.

The Horizons Region has also had drafted a preliminary district-level stocktake of greenhouse gas production. Whilst this is preliminary and not yet finalised, the stocktake indicates that agriculture overwhelmingly has the most contribution of greenhouse gas production in the Tararua District. The Chief Executives of the region have sponsored work on a Regional Risk Assessment and this work is proceeding.

Recent scientific assessments indicates Earth is tracking the worst-case scenario under UN targets with a 24% chance (Ref. 1) of exceeding the long-term target of +1.5C (Ref. 2) within cyclical variability in the next five years (Ref. 3) and a range this century of +2.3C to +4.7C with 90% confidence and 2.6C to 3.9C with 66% confidence that it is in this tighter range (Ref. 4). A recent one in 80,000+ year event has been assessed (Ref. 5) to have occurred in the form of a heatwave in Siberia. The consequences of this significant event on the current earth weather system is unknown. Through this work, Tararua District Council has now built up access to a good network of experts to draw upon for advice.

#### References

- 1 <https://www.carbonbrief.org/guest-post-global-warming-edges-closer-to-paris-agreement-1-5c-limit>
- 2 <https://exponentialroadmap.org/wp-content/uploads/2019/09/Meeting-the-1.5°C-Climate-Ambition-September-19-2019.pdf>
- 3 <https://spaceweatherarchive.com>
- 4 [https://climateextremes.org.au/wp-content/uploads/2020/07/WCRP\\_ECS\\_Final\\_manuscript\\_2019RG000678R\\_FINAL\\_200720.pdf](https://climateextremes.org.au/wp-content/uploads/2020/07/WCRP_ECS_Final_manuscript_2019RG000678R_FINAL_200720.pdf)
- 5 <https://www.metoffice.gov.uk/about-us/press-office/news/weather-and-climate/2020/prolonged-siberian-heat-almost-impossible-without-climate-change---attribution-study>

## **1. Reason for the Report**

- 1.1 To introduce the New Zealand Climate Change Risk Assessment and provide some context on work Council is doing to prepare for and reduce/prevent climate change. Climate change is the highest ranked Council risk given its inherent risks and the residual risks that remain after mitigations.

## **2. Climate Change in Context**

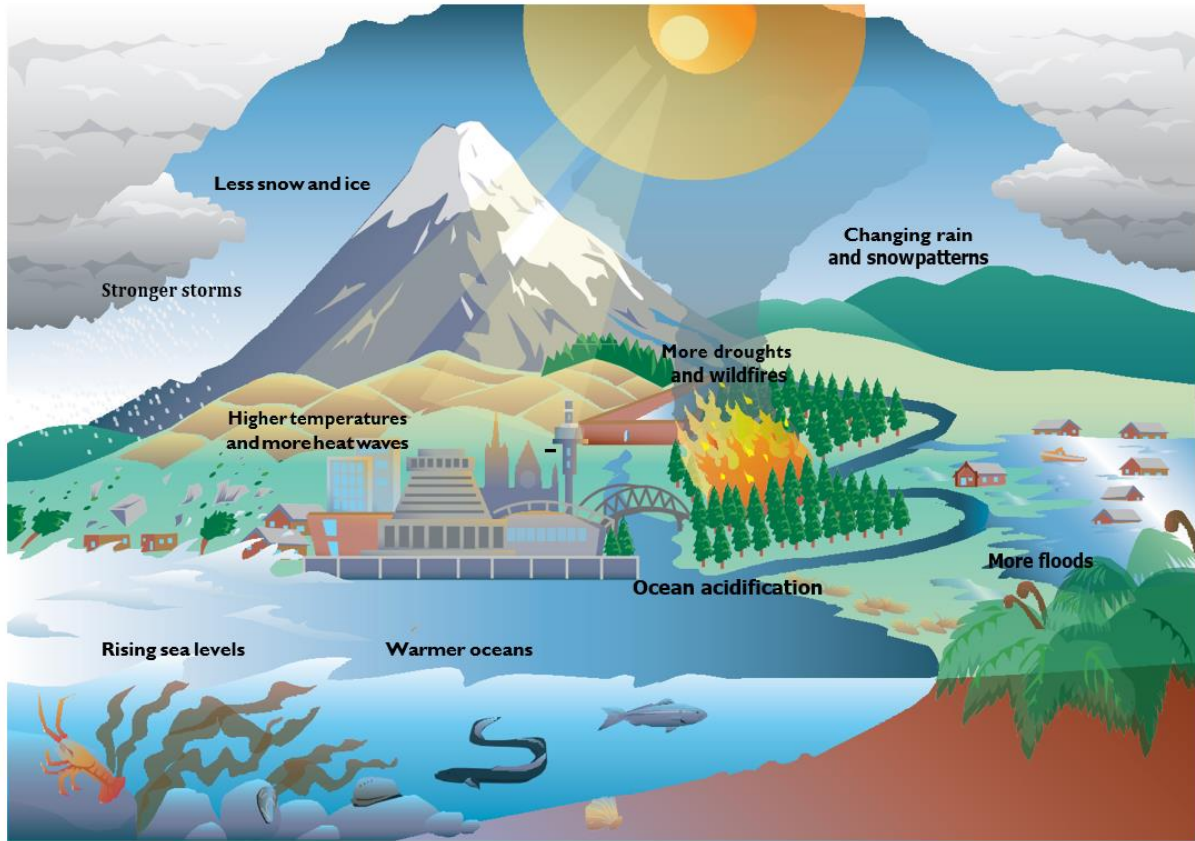
- 2.1 Climate is however considered to be one of nine planetary requirements for stable human existence on earth. Boundaries that have been already crossed indicate serious challenge for our continued existence as a species and for much life on earth.
- 2.2 One unquantified field of work on atmospheric aerosols (e.g. sulphur dioxide gas which reflects sunlight) also provides an opportunity for re-geoengineering the earth systems back to stability along with control of growth and consumption within a finite planet.

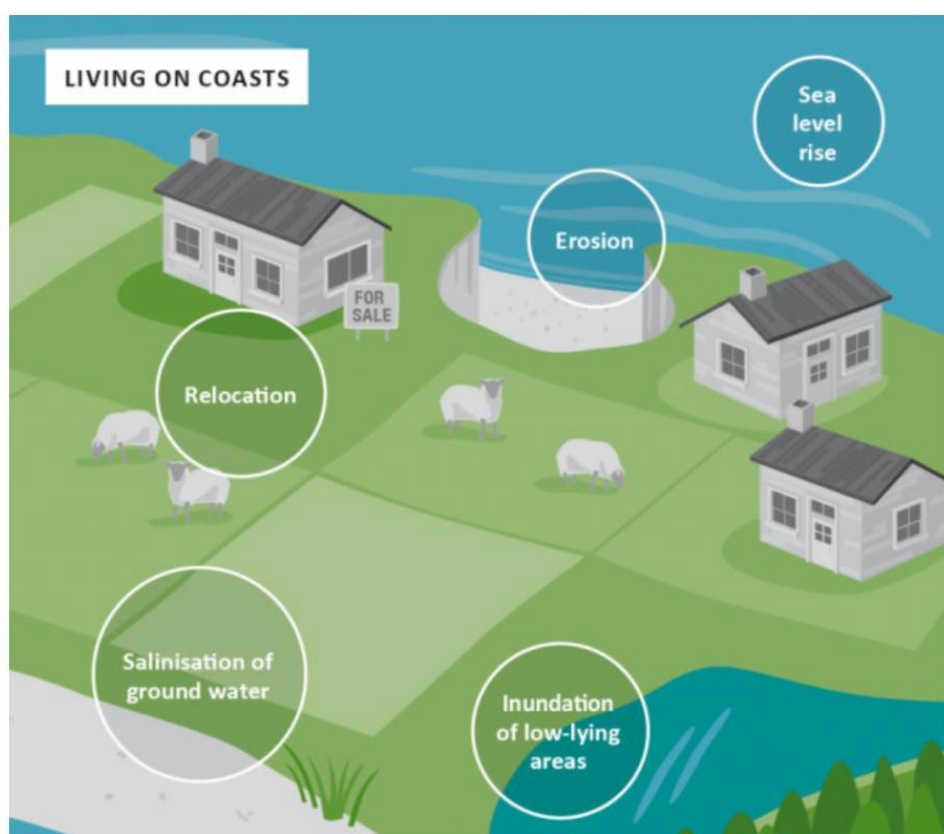
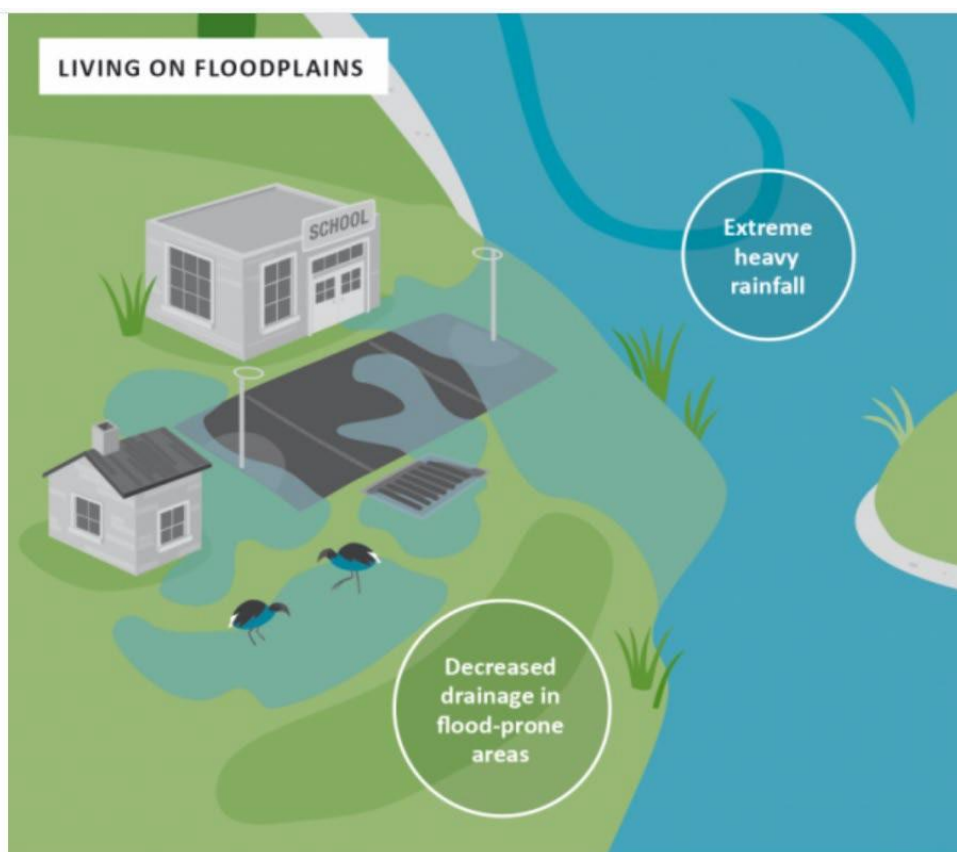
## 2.3 The nine boundaries and their current state are:

| Earth-system process    | Control variable  | Boundary crossed   |
|-------------------------|---|--------------------|
| 1. Climate change       | Atmospheric carbon dioxide concentration (ppm by volume)<br>See also: Tipping point (climatology)                                   | yes                |
|                         | Alternatively: Increase in radiative forcing (W/m <sup>2</sup> ) since the start of the industrial revolution (~1750)               | yes                |
| 2. Biodiversity loss    | Extinction rate (number of species per million per year)  | yes                |
| 3. Biogeochemical       | (a) anthropogenic nitrogen removed from the atmosphere (millions of tonnes per year)  | yes                |
|                         | (b) anthropogenic phosphorus going into the oceans (millions of tonnes per year)  | no                 |
| 4. Ocean acidification  | Global mean saturation state of calcium carbonate in surface seawater (omega units)   | no                 |
| 5. Land use             | Land surface converted to cropland (percent)  | no                 |
| 6. Freshwater           | Global human consumption of water (km <sup>3</sup> /yr)   | no                 |
| 7. Ozone depletion      | Stratospheric ozone concentration (Dobson units)  | no                 |
| 8. Atmospheric aerosols | Overall particulate concentration in the atmosphere, on a regional basis  | not yet quantified |
| 9. Chemical pollution   | Concentration of toxic substances, plastics, endocrine disruptors, heavy metals, and radioactive contamination into the environment | not yet quantified |

## 2.4 Climate Risks – Some examples in pictures

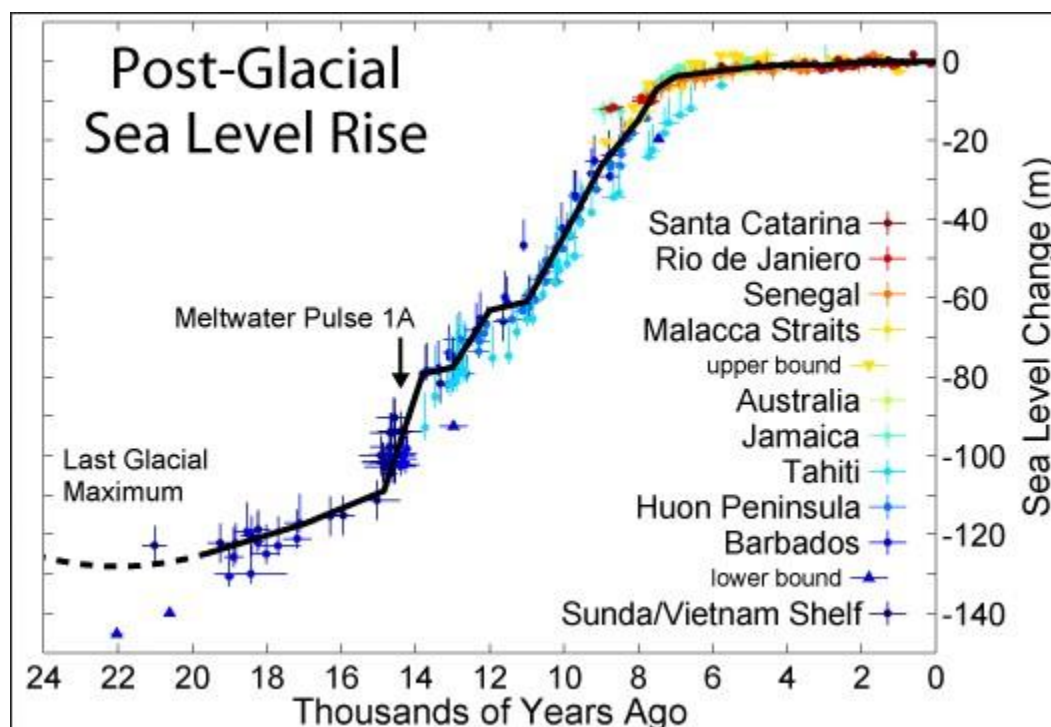
### How climate change is projected to impact New Zealand





## Sea Level Rise is Normal

We are currently in-between ice-ages. From the last ice age, the sea rose about 120 metres. (NASA) over about 8,000 years. The sea will continue to rise at an increasing rate and can do so for at least another 60+ metres until Antarctica and Greenland have melted.



## 4. National Climate Change Risk Assessment

- 4.1 Five categories of direct risks have been grouped together into broad "Domains". Only direct risks have been identified and not cascading risk (consequential) nor transition risk (how best to change).
- 4.2 Forty-three direct risks have been identified and distilled from over 500 initially identified. Of these, the ten highest risks will be used to communicate these risks to initiate public engagement. A National Adaptation Plan will be developed next on how to best respond and mitigate these risks.

### 4.3 Ten Risks – In Summary

New Zealand's 10 most significant climate change risks, based on consequence and urgency

|                            |  |         |    |
|----------------------------|--|---------|----|
| <b>Natural environment</b> | Risks to coastal ecosystems, including the intertidal zone, estuaries, dunes, coastal lakes and wetlands, due to ongoing sea-level rise and extreme weather events.  | Major   | 78 |
|                            | Risks to indigenous ecosystems and species from the enhanced spread, survival and establishment of invasive species due to climate change.   | Major   | 73 |
| <b>Human</b>               | Risks to social cohesion and community wellbeing from displacement of individuals, families and communities due to climate change impacts.   | Extreme | 88 |
|                            | Risks of exacerbating existing inequities and creating new and additional inequities due to differential distribution of climate change impacts.   | Extreme | 85 |
| <b>Economy</b>             | Risks to governments from economic costs associated with lost productivity, disaster relief expenditure and unfunded contingent liabilities due to extreme events and ongoing, gradual changes.  | Extreme | 90 |
|                            | Risks to the financial system from instability due to extreme weather events and ongoing, gradual changes.   | Major   | 83 |
| <b>Built environment</b>   | Risk to potable water supplies (availability and quality) due to changes in rainfall, temperature, drought, extreme weather events and ongoing sea-level rise.   | Extreme | 93 |
|                            | Risks to buildings due to extreme weather events, drought, increased fire weather and ongoing sea-level rise.  | Extreme | 90 |
| <b>Governance</b>          | Risk of maladaptation <sup>1</sup> across all domains due to practices, processes and tools that do not account for uncertainty and change over long timeframes.   | Extreme | 83 |
|                            | Risk that climate change impacts across all domains will be exacerbated because current institutional arrangements are not fit for adaptation. Institutional arrangements include legislative and decision-making frameworks, coordination within and across levels of government, and funding mechanisms. | Extreme | 80 |

4.4 Attached is the Snapshot Report and a Summary of the 43 risks. All reports can be found here:

<https://www.mfe.govt.nz/climate-change/assessing-climate-change-risk>



## 5. Regional Climate Risk Assessment

5.1 The first Regional Climate Risk Assessment has been drafted (but is not yet ready for release).

The objectives have been to:

- Identify community risks in the face of climate change.
- Prioritise those risks for action.
- Build a common understanding of the issues across councils.
- Identify interventions required at a central-government level to enable an effective local response.
- Share information about vulnerabilities and the approach we are taking with communities

This assessment has been supported by an exposure analysis report completed late last year by NIWA for the region. It will now be updated for the national assessment.

An emissions report is also been drafted for the region with AECOM carrying out a regional greenhouse gas inventory including seeking some scenarios around potential carbon sinks in the region. This is now supported by a Statistics NZ draft national assessment, July 2020.

5.2 The strategy team with representatives of each Council are now developing communication strategy that joins community, governance and management roles with the work being done. A community engagement plan is currently being developed at a regional level based on previously developed guidelines on coastal erosion:

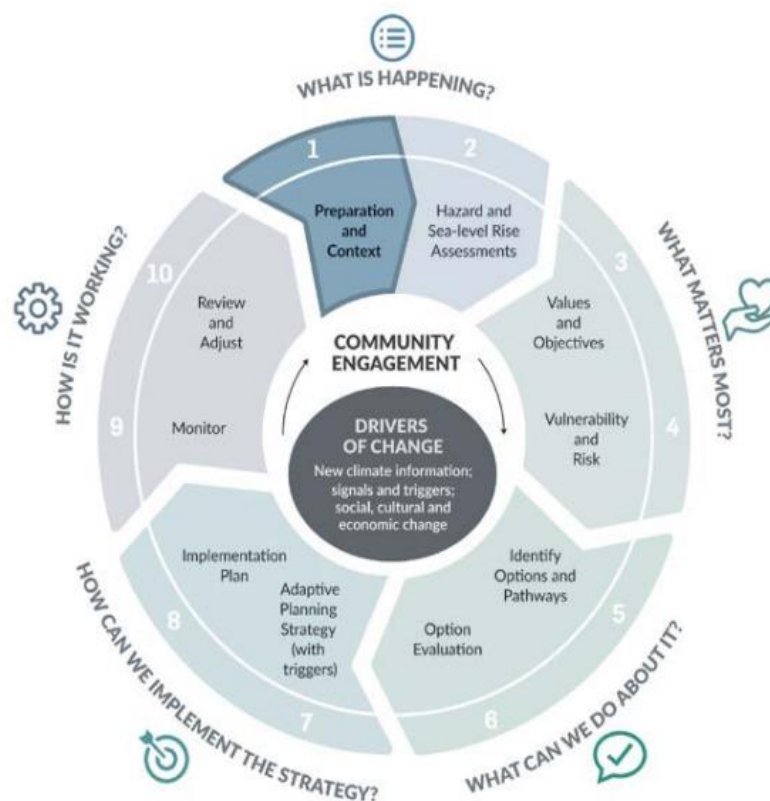


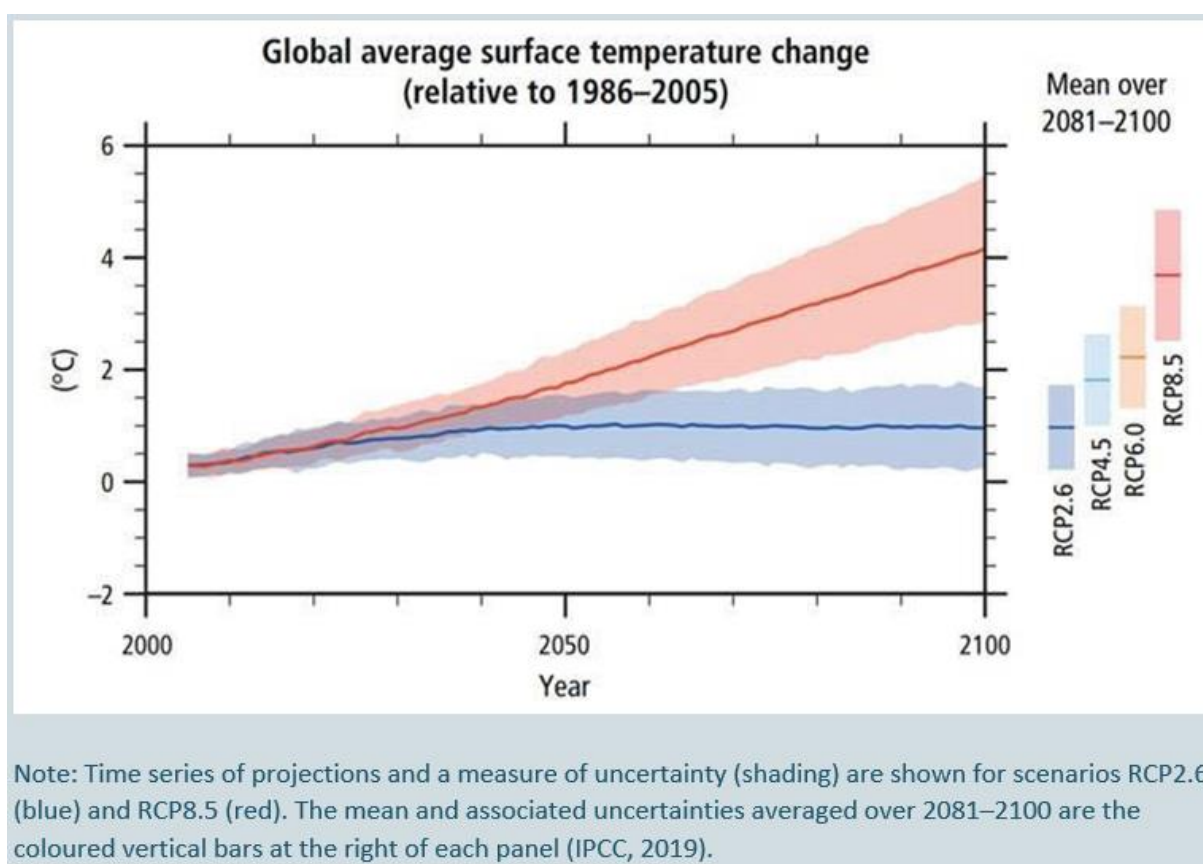
Figure 2: Ten-step decision cycle in the Coastal Hazard Guidance



This communication plan considers overlapping considerations of risk:



Figure 1: Components of 'risk' in the context of climate change (Climate Change Adaptation Technical Working Group (2017))



## 6. Tararua District Action Plan

- 6.1 Currently the Council has no central action plan, but with the national and regional risks now being identified, the Long Term Plan 2021 -2031 will provide the ideal place to develop, communicate and discuss policy and an action plan for the Tararua district.

6.2 A stocktake has been completed on the past, present and future actions and these have been grouped into their importance and impact at different levels:

| <b>Importance Level</b> |  |
|-------------------------|--|
| <b>1 National</b>       |  |
|                         | 1. Prepare for immigration from climate refugees creating NZ wide pressure for living space and spacial planning             |
|                         | 2. Support renewable electricity generation - consent for windfarms  |
|                         | 3. National policy on carbon forestry & right tree -right place  |
|                         |  |
| <b>2 Local Services</b> |  |
|                         | 1. Minimise methane from closed landfills and wastewater ponds   |
|                         | 2. Wireless & mobile blackspot for improving connected communities   |
|                         | 3. Additional water storage -Council and private; demand management and policy   |
|                         | 4. Treatment (e.g. for quality affected water, flood or algae) and new sources   |
|                         | 5. Water asset protection for storm  |
|                         | 6. Stormwater flood modelling/erosion Aerials LiDAR & Spectral   |
|                         | 7. Road upgrades & preparatory maintenance   |
|                         | 8. Wastewater ponds sufficient for infiltration from rain  |
|                         |  |
| <b>3 Innovation</b>     |  |
|                         | 1. Backhaul fibre for rural connectivity (completed 2008) - support wireless services, RT, Internet of Things, town internet |
|                         | 2. Electric vehicle ready car parks and CBDs   |
|                         | 3. Internet of Things for sensing climate events, air quality & water demand   |
|                         |  |
| <b>4 Energy</b>         |  |
|                         | 1. TDC & contractor vehicle fleet & plant  |
|                         | 2. Heat pumps for heating/cooling (houses & pools) and drying  |
|                         | 3. Reduce energy use and convert to renewable energy sources: - LED lighting - streets & buildings                           |
|                         | 4. TDC building renewal/upgrades   |

In comparison, the following is a list of some of the top 18 international actions:

1. Energy generation: On-grid solar
2. Land use: Reduce deforestation
3. Energy generation: More wind turbines
4. Buildings: No more stoves
5. Land use: Reforestation
6. Industry: Industrial efficiency
7. Transport: Clean up cars
8. Industry: More efficient gadgets
9. Industry: Stop methane leaks
10. Land use: Reduce food waste
11. Energy generation: Waste wood burning
12. Land use: Responsible farming
13. Energy generation: Rooftop water heaters
14. Buildings: Green mortgages
15. Industry: Pimped-up electric motors
16. Buildings: Home Insulation
17. Transport: Better buses
18. Energy generation: Off-grid solar

## **7. Conclusion**

Council will continue to work with our Region to develop communication tools and policies to support our next Long-Term Plan. The Regional Climate Action Strategy will be presented to the next Strategy and Policy Committee workshop briefing session.

Future plans will include identification of projects that may benefit from smaller scale Provincial Growth Funds or Shovel-Ready Projects, post-election.

## **8. Recommendation**

- 8.1** *That the report from the Manager Strategy & District Development dated 13 August 2020 concerning the Climate Change National Risk Assessment for New Zealand (as circulated) be received, and*
- 8.2** *That the Audit and Risk Committee note the completion of the first national climate change risk assessment by the Ministry for the Environment, and that climate change is the highest ranked Council risk for the Tararua district through its consequential impacts remaining after mitigation, and*
- 8.3** *That the Long Term Plan 2021/2031 provides an ideal place to develop, communicate and discuss policy and an action plan regarding this critical matter.*

## **Attachments**

- 1 [!\[\]\(7a8011739ec4e250e2f89a547d75fb0a\_img.jpg\) MfE NZ Climate Change Risk Assessment Snapshot Report August 2020](#)
- 2 [!\[\]\(07dce76283bf618e2364d95ae0021e26\_img.jpg\) 43 Risks - NZ Climate Change Risk Assessment Summary of Risks](#)



Ministry for the  
**Environment**  
*Manatū Mō Te Taiao*

# National Climate Change Risk Assessment for New Zealand

Arotakenga Tūraru mō te Huringa  
Āhuarangi o Āotearoa

## Snapshot Whakarāpopotonga



New Zealand Government



## Karakia

Whakataka te hau ki te uru,  
Whakataka te hau ki te tonga.

Kia mākinakina ki uta,  
Kia mātaratara ki tai.

E hī ake ana te atākura he tio,  
he huka, he hauhunga.

Haumi e! Hui e! Tāiki e!

Get ready for the westerly  
and be prepared for the southerly.

It will be icy cold inland,  
and icy cold on the shore.

May the dawn rise red-tipped on ice,  
on snow, on frost.

Join! Gather! Intertwine!

This karakia (incantation) speaks to the interdependencies between the environment and people. In the context of climate change, this is a call to all New Zealanders to work together to build a more resilient future that is inclusive of all, across all domains.

This report summarises the findings of New Zealand's first National Climate Change Risk Assessment.

## Our climate is changing

The climate is changing. All governments accept that further changes will result from increasing amounts of **greenhouse gases** in the atmosphere. In New Zealand, we are already experiencing the effects.

Over the past century, temperatures have increased, glaciers have melted and sea levels have risen. Such changes will continue, and their impacts increase.

These future changes will have far-reaching consequences for people and the environment – in cities, towns and communities, across all levels of government, and from the coastline to lakes, rivers and forests.

## Why we need to assess the risks from climate change

Climate change will affect all of us. We need to plan how we will respond and adapt, hand-in-hand with **reducing our emissions**.

**Central government** plays an important part in this planning, including:

- creating the legislative framework
- enabling local government, businesses and communities to adapt effectively
- preparing for major natural **hazards** such as floods, drought, storms and wildfire.

### A national framework for assessing risk<sup>1</sup>

The Climate Change Response (Zero Carbon) Amendment Act 2019 sets a framework for effective adaptation<sup>2</sup> across New Zealand, consisting of:

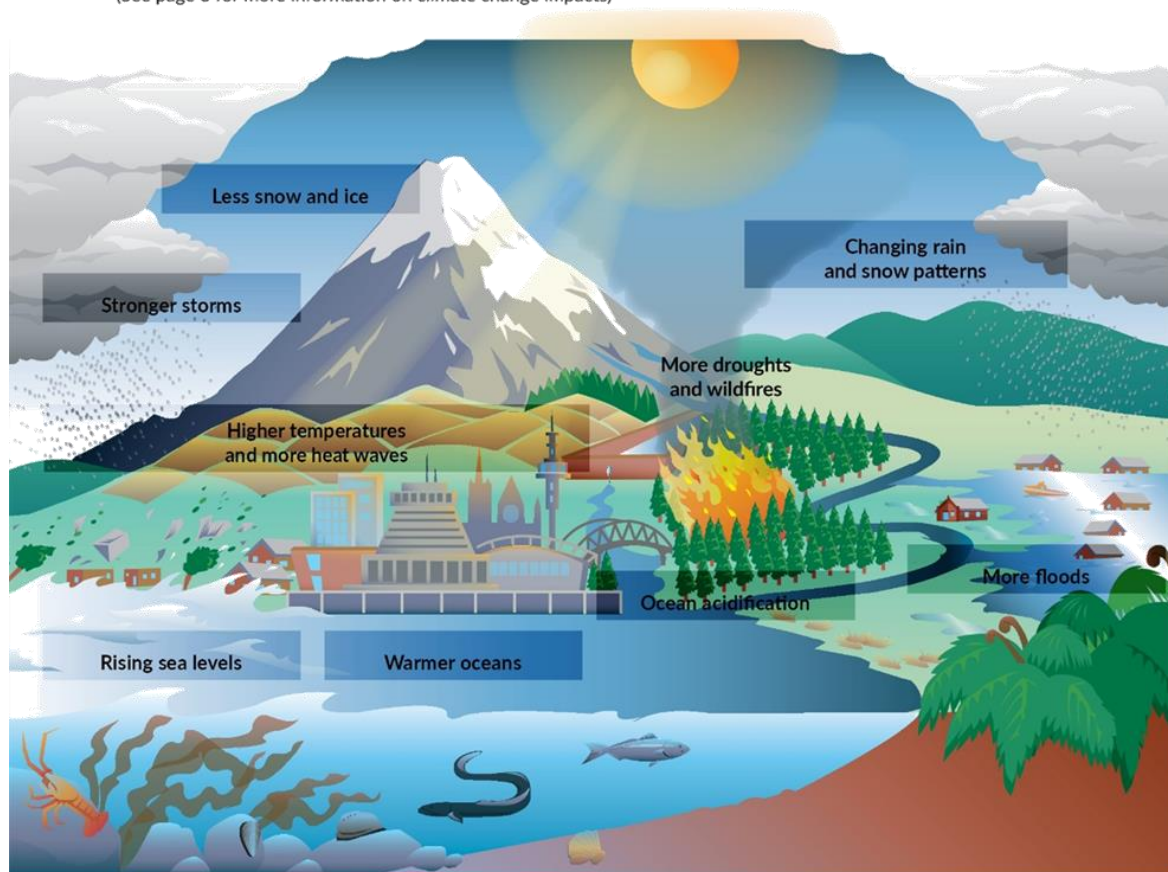
- a National Climate Change Risk Assessment, every six years
- a national adaptation plan, produced two years after each risk assessment
- monitoring implementation of the national adaptation plan, to ensure accountability.

The national adaptation plan will build on the actions New Zealand is already taking to respond to the impacts of climate change. With input from iwi/hapū/Māori, local government, key stakeholders and the general public, the plan will:

- define the Government's objectives for adapting to climate change, and how it will meet these
- respond to the most significant risks identified in the risk assessment.

## Figure 1: How climate change is projected to impact New Zealand

(See page 3 for more information on climate change impacts)



<sup>1</sup> The potential, when the outcome is uncertain, for adverse consequences on lives, livelihoods, health, ecosystems and species, economic, social and cultural assets, services (including environmental) and infrastructure. Risk results from the interaction of vulnerability, exposure and hazard.

<sup>2</sup> Adaptation is an adjustment to actual or expected climate change and its effects.

## What is the National Climate Change Risk Assessment?

The risk assessment is a national overview of how New Zealand may be affected by climate change-related hazards.<sup>3</sup> It:

- identifies the main risks and opportunities
- highlights any information gaps
- helps identify where the Government needs to focus its action.

Read the National Climate Change Risk Assessment Report on our [website](#).

The risk assessment was based on *Arotakenga Huringa Āhuarangi: A Framework for the National Climate Change Risk Assessment for Aotearoa New Zealand* (the framework). A diverse team of academics and consultants prepared the report over nine months. It combines feedback from Māori/iwi and stakeholder engagement with scientific, technical and expert analysis.

### How will the findings be used?

The risk assessment will be used to develop a national adaptation plan over the next two years. The plan will outline what we need to do to prepare for the risks.

The National Institute of Water and Atmospheric Research (NIWA) developed the projections used for the risk assessment. The trends (see figure 1) include:

- In the last 100 years, our climate has warmed by 1°C. If global emissions remain high, temperatures will increase by a further 1°C by 2040 and 3°C by 2090, with the greatest warming likely to be in the northeast.
- In the last 60 years, sea levels have risen by 2.44 mm per year. If global emissions remain high, sea levels will increase by a further 0.21 m by 2040 and 0.67 m by 2090.
- Extreme weather events such as storms, heatwaves and heavy rainfall are likely to be more frequent and intense. Large increases in extreme rainfall are expected everywhere in the country.
- The number of frost and snow days are projected to decrease.
- Drought is predicted to increase in frequency and severity, particularly along the eastern side of the Southern Alps.
- Wildfire risk is predicted to increase.

Although these projections have a degree of uncertainty, they present plausible futures resulting from climate change. More information is available in the [Climate Change Projections for New Zealand Snapshot](#).

## Climate change in New Zealand



## Findings of the risk assessment

### The 43 priority risks across five domains

The risk assessment grouped risks according to five value domains: human domain, natural environment domain, economy domain, built environment domain and governance domain.

These underpin our wellbeing and provide the structure for the assessment. The [main report](#) sets out the consequence and urgency ratings for all 43 risks. These are also shown in [table 2 on page 8](#).

### The 10 most significant risks

To find the most significant risks, we identified the two most urgent risks in each of the five domains (see [table 1](#)).

<sup>3</sup> Hazard is the potential occurrence of a natural or human-induced physical event or trend or physical impact that may cause loss of life, injury, or other health impacts, as well as damage and loss to property, infrastructure, livelihoods, service provision, ecosystems and environmental resources.



**Table 1:** New Zealand's 10 most significant climate change risks, based on consequence and urgency

| DOMAIN              | RISK   | RATING      |                 |
|---------------------|--|-------------|-----------------|
|                     |  | Consequence | Urgency (44-94) |
| Natural environment | Risks to coastal ecosystems, including the intertidal zone, estuaries, dunes, coastal lakes and wetlands, due to ongoing sea-level rise and extreme weather events.  | Major       | 78              |
|                     | Risks to indigenous ecosystems and species from the enhanced spread, survival and establishment of invasive species due to climate change.   | Major       | 73              |
| Human               | Risks to social cohesion and community wellbeing from displacement of individuals, families and communities due to climate change impacts.   | Extreme     | 88              |
|                     | Risks of exacerbating existing inequities and creating new and additional inequities due to differential distribution of climate change impacts.   | Extreme     | 85              |
| Economy             | Risks to governments from economic costs associated with lost productivity, disaster relief expenditure and unfunded contingent liabilities due to extreme events and ongoing, gradual changes.  | Extreme     | 90              |
|                     | Risks to the financial system from instability due to extreme weather events and ongoing, gradual changes.   | Major       | 83              |
| Built environment   | Risk to potable water supplies (availability and quality) due to changes in rainfall, temperature, drought, extreme weather events and ongoing sea-level rise.   | Extreme     | 93              |
|                     | Risks to buildings due to extreme weather events, drought, increased fire weather and ongoing sea-level rise.  | Extreme     | 90              |
| Governance          | Risk of maladaptation <sup>1</sup> across all domains due to practices, processes and tools that do not account for uncertainty and change over long timeframes.   | Extreme     | 83              |
|                     | Risk that climate change impacts across all domains will be exacerbated because current institutional arrangements are not fit for adaptation. Institutional arrangements include legislative and decision-making frameworks, coordination within and across levels of government, and funding mechanisms. | Extreme     | 80              |

<sup>1</sup> Maladaptation refers to actions that may lead to increased risk of adverse climate-related outcomes, including via increased greenhouse gas emissions, increased vulnerability<sup>4</sup> to climate change, or diminished welfare, now or in the future. Maladaptation is usually an unintended consequence.

<sup>4</sup> Vulnerability is the propensity or predisposition to be adversely affected. Vulnerability encompasses a variety of concepts including sensitivity or susceptibility to harm, and lack of capacity to cope and adapt.

### There are connections across risks and domains

The main report explores some connections between domains and risks, including a case study in section 6 on page 102. However, the framework did not provide a way to include the interactions between the risks in this first risk assessment.

To be effective, the responses to the priority risks will need to recognise these interconnections. Māori who were consulted emphasised that this was fundamental to exploring climate risks.

### Opportunities

We identified only a few opportunities. All require research to ensure responses do not worsen climate change impacts unintentionally. The opportunities are:

- higher productivity in some primary sectors due to warmer temperatures
- businesses to provide adaptation-related goods and services
- lower cold weather-related mortality
- lower winter heating demand.

### Knowledge gaps

Gaps in the knowledge about climate change include:

- biological data on ecosystems and species
- the relationship between vulnerable social groups, cultural heritage and climate change, along with impacts on Māori social, cultural, spiritual and economic wellbeing
- the effect on banking and insurance, and the flow-on effect on the financial system

- consistent hazard information for assessing the exposure of the built environment at a national scale
- the interdependencies and shared risks between infrastructure sectors
- a coordinated research platform to inform effective adaptation
- the current and future barriers to adaptation
- the full range of opportunities, and better understanding of those already identified.

### Māori perspectives

The priority risks will disproportionately affect certain Māori groups and interests, values, practices and wellbeing. Mātauranga Māori<sup>5</sup> will be critical for a greater understanding of the risks, and for future planning. Some iwi support a parallel risk assessment for Māori, by Māori.

Risks of particular significance to Māori include:

- risks to social, cultural, spiritual and economic wellbeing from loss and degradation of lands and waters; and from loss of species and biodiversity (risks H5 and H6, see table 2)
- risks to social cohesion and community wellbeing from displacement of individuals, families and communities (risk H1)
- risks of exacerbating and creating inequities due to unequal impacts of climate change (risk H2).

Many iwi and hapū are already developing their own climate change plans.

## Assessing risk: a three-stage process

Below is the process used for the risk assessment.



<sup>5</sup> Mātauranga Māori or Māori knowledge has many definitions that cover belief systems, epistemologies, values, and knowledge both in a traditional and contemporary sense. Mātauranga Māori incorporates knowledge, comprehension and understanding of everything visible and invisible existing in the universe.

<sup>6</sup> Urgency is defined as "a measure of the degree to which further action is needed in the next five years to reduce a risk or realise an opportunity from climate change" (Committee on Climate Change, 2019, p.5). The framework adopted the urgency categories from the 2017 UK Climate Change Risk Assessment (Committee on Climate Change, 2017).

## Rating risks by consequence and urgency

Table 2 sets out the consequence and urgency ratings for the priority risks.

### Consequence ratings

Consequence ratings reflect the degree to which the assets in each domain are exposed and vulnerable to climate hazards. The ratings are insignificant, minor, moderate, major and extreme.

### Urgency ratings

The risk assessment assessed the urgency of taking action to address each risk (the 'adaptation urgency'). This determined the degree to which further action is recommended in the next six years.

The urgency ratings range from 44 to 94, and are based on a number of factors, particularly whether an adequate response is under way or planned.

## What the risk assessment does not include

Some issues were beyond the scope of the first risk assessment.

### Socio-economic projections

Socio-economic factors for risk assessment include population, technological change and economic growth. New Zealand's socio-economic fabric will be very different in 2050 and in 2100. For example, cultural diversity will continue to grow.

For the first risk assessment, the framework excluded socio-economic projections such as future changes in population, gross domestic product and other economic, land-use or employment variables.

The main report explores these issues at a high level through a case study in section 6 on page 102.

### Transition risks

Risks may emerge from the move to a lower-carbon, global economy. These include higher pricing of greenhouse gas emissions, and the costs of moving to new technology.<sup>7</sup>

The framework excluded transition risks from this first assessment. The Government is currently addressing these risks, for example through the Climate Change Response (Zero Carbon) Amendment Act 2019. It is also proposing to require financial firms and listed companies to report on the climate change impacts of their business in a consistent way.

### Regional and local assessments

The risk assessment is a national-scale assessment, designed to feed into the national adaptation plan. It considers climate impacts on different parts of the country, using seven sub-national zones and two marine zones.

We aggregated the risks to the national scale, showing where risks may be higher in one or two zones. The method can apply to a regional, catchment, district and city scale. Regional and district assessments would focus more on informing governance and planning by regional, district and city councils.<sup>8</sup>

### International and transboundary issues

Climate change will affect people and economies around the world, which will have flow-on effects for New Zealand. Future assessments may explore these issues more broadly.

## Next steps

The risk assessment gives decision-makers the best available evidence and assessment for a planned approach to climate change risks and opportunities.

### National adaptation plan

The risk assessment enables the Government to prioritise action, including through the national adaptation plan.

The national adaptation plan is required to be published within two years of the release of the risk assessment. The Climate Change Commission will monitor its implementation, and report to the Minister every two years on its effectiveness.

### The next risk assessment within six years

The Climate Change Response (Zero Carbon) Amendment Act 2019 requires a risk assessment at least every six years. The Climate Change Commission will carry out future risk assessments.

This current assessment lays the groundwork for the next by documenting the method (see the [National Climate Change Risk Assessment Method report](#)), and providing the Government with tools (spreadsheets and engagement materials), raw data and records of engagement.

The Government and the Climate Change Commission have the option of building on this information and consultation. The research priorities and gaps will need to be addressed promptly if they are to inform the next assessment in 2024.

7 Task Force on Climate-related Financial Disclosures (TCFD), 2017.

8 Ministry for the Environment, 2019.

**Table 2:** The most significant risks and other priority risks, by domain and consequence and urgency ratings

| Natural environment   |             |      |       | Human  |             |      |       |  |
|---|-------------|------|-------|--|-------------|------|-------|--|
| 10 MOST SIGNIFICANT RISKS   |             |      |       |  |             |      |       |  |
| Risk  | Ratings     |      |       | Risk   | Ratings     |      |       | Risk   |
| N1 Risks to coastal ecosystems, including the intertidal zone, estuaries, dunes, coastal lakes and wetlands, due to ongoing sea-level rise and extreme weather events.  | Urgency     |      | 78    | H1 Risks to social cohesion and community wellbeing from displacement of individuals, families and communities due to climate change impacts.  | Urgency     |      | 88    | E1 Risks to governments from economic costs associated with lost productivity, disaster relief expenditure and unfunded contingent liabilities due to extreme events and ongoing, gradual changes. |
|   | Consequence | Now  | Min   |  | Consequence | Now  | Min   |  |
|   |             | 2050 | Mod   |  |             | 2050 | Ext   |  |
|   |             | 2100 | Major |  |             | 2100 | Ext   |  |
| N2 Risks to indigenous ecosystems and species from the enhanced spread, survival and establishment of invasive species due to climate change.   | Urgency     |      | 73    | H2 Risks of exacerbating existing inequities and creating new and additional inequities due to differential distribution of climate change impacts.  | Urgency     |      | 85    | E2 Risks to the financial system from instability due to extreme weather events and ongoing, gradual changes.  |
|   | Consequence | Now  | Mod   |  | Consequence | Now  | Major |  |
|   |             | 2050 | Mod   |  |             | 2050 | Ext   |  |
|   |             | 2100 | Major |  |             | 2100 | Ext   |  |
| OTHER PRIORITY RISKS  |             |      |       |  |             |      |       |  |
| Risk  | Ratings     |      |       | Risk   | Ratings     |      |       | Risk   |
| N3 Risks to riverine ecosystems and species from alterations in the volume and variability of water flow, increased water temperatures, and more dynamic morphology (erosion and deposition), due to changes in rainfall and temperature. | Urgency     |      | 68    | H3 Risks to physical health from exposure to storm events, heatwaves, vector-borne and zoonotic diseases, water availability and resource quality and accessibility, due to changes in temperature, rainfall and extreme weather events. | Urgency     |      | 83    | E3 Risks to land-based primary sector productivity and output due to changes in mean rainfall and temperature, seasonality, weather extremes and changes in the distribution of invasive species.  |
|   | Consequence | Now  | Mod   |  | Consequence | Now  | Min   |  |
|   |             | 2050 | Mod   |  |             | 2050 | Mod   |  |
|   |             | 2100 | Major |  |             | 2100 | Major |  |
| N4 Risks to wetland ecosystems and species, particularly in eastern and northern parts of New Zealand, from reduced moisture status due to reduced rainfall.  | Urgency     |      | 68    | H4 Risks of conflict, disruption and loss of trust in government, from changing patterns in the value of assets and competition for access to scarce resources, primarily due to extreme weather events and ongoing sea-level rise.      | Urgency     |      | 83    | E4 Risks to tourism from changes to landscapes and ecosystems and impacts on lifeline infrastructure, due to extreme weather events and ongoing, gradual changes.                                  |
|   | Consequence | Now  | Min   |  | Consequence | Now  | Mod   |  |
|   |             | 2050 | Mod   |  |             | 2050 | Major |  |
|   |             | 2100 | Major |  |             | 2100 | Major |  |
| N5 Risks to migratory and/or coastal and river-bed nesting birds due to reduced ocean productivity, ongoing sea-level rise and altered river flows.   | Urgency     |      | 65    | H5 Risks to Māori social, cultural, spiritual and economic wellbeing from loss and degradation of lands and waters, as well as cultural assets such as marae, due to ongoing sea-level rise, changes in rainfall and drought.            | Urgency     |      | 80    | E5 Risks to fisheries from changes in the characteristics, productivity, and spatial distribution of fish stocks, due to changes in ocean temperature and acidification.                           |
|   | Consequence | Now  | Min   |  | Consequence | Now  | Major |  |
|   |             | 2050 | Mod   |  |             | 2050 | Ext   |  |
|   |             | 2100 | Major |  |             | 2100 | Ext   |  |
| N6 Risks to lake ecosystems due to changes in temperature, lake-water residence time, and thermal stratification and mixing.  | Urgency     |      | 65    | H6 Risks to Māori social, cultural, spiritual and economic wellbeing from loss of species and biodiversity, due to greater climate variability and ongoing sea-level rise.   | Urgency     |      | 80    | E6 Risks to the insurability of assets, due to ongoing sea-level rise and extreme weather events.  |
|   | Consequence | Now  | Min   |  | Consequence | Now  | Major |  |
|   |             | 2050 | Mod   |  |             | 2050 | Ext   |  |
|   |             | 2100 | Major |  |             | 2100 | Ext   |  |



CONSEQUENCE RATING KEY:

|       |               |       |          |     |         |
|-------|---------------|-------|----------|-----|---------|
| Insig | Insignificant | Mod   | Moderate | Ext | Extreme |
| Min   | Minor         | Major | Major    |     |         |

| Economy     |      |       | Built environment   |             |      |       | Governance   |             |      |       |
|-------------|------|-------|---|-------------|------|-------|--|-------------|------|-------|
|             |      |       |   |             |      |       |  |             |      |       |
| Ratings     |      |       | Risk  | Ratings     |      |       | Risk   | Ratings     |      |       |
| Jrgency     |      | 90    | B1 Risk to potable water supplies (availability and quality) due to changes in rainfall, temperature, drought, extreme weather events and ongoing sea-level rise. | Urgency     |      | 93    | G1 Risk of maladaptation across all domains due to the application of practices, processes and tools that do not account for uncertainty and change over long timeframes.  | Urgency     |      | 83    |
| Consequence | Now  | Min   |   | Consequence | Now  | Major |  | Consequence | Now  | Major |
|             | 2050 | Major |   |             | 2050 | Major |  |             | 2050 | Ext   |
|             | 2100 | Ext   |   |             | 2100 | Ext   |  |             | 2100 | Ext   |
| Jrgency     |      | 83    | B2 Risks to buildings due to extreme weather events, drought, increased fire weather and ongoing sea-level rise.  | Urgency     |      | 90    | G2 Risk that climate change impacts across all domains will be exacerbated because current institutional arrangements are not fit for climate change adaptation. Institutional arrangements include legislative and decision-making frameworks, coordination within and across levels of government, and funding mechanisms. | Urgency     |      | 80    |
| Consequence | Now  | Min   |   | Consequence | Now  | Major |  | Consequence | Now  | Major |
|             | 2050 | Mod   |   |             | 2050 | Ext   |  |             | 2050 | Ext   |
|             | 2100 | Major |   |             | 2100 | Ext   |  |             | 2100 | Ext   |
|             |      |       |   |             |      |       |  |             |      |       |
| Ratings     |      |       | Risk  | Ratings     |      |       | Risk   | Ratings     |      |       |
| Jrgency     |      | 81    | B3 Risks to landfills and contaminated sites due to extreme weather events and ongoing sea-level rise.  | Urgency     |      | 85    | G3 Risks to governments and businesses from climate change-related litigation, due to inadequate or mistimed climate change adaptation.  | Urgency     |      | 78    |
| Consequence | Now  | Min   |   | Consequence | Now  | Mod   |  | Consequence | Now  | Mod   |
|             | 2050 | Mod   |   |             | 2050 | Major |  |             | 2050 | Major |
|             | 2100 | Major |   |             | 2100 | Major |  |             | 2100 | Major |
| Jrgency     |      | 80    | B4 Risk to wastewater and stormwater systems (and levels of service) due to extreme weather events and ongoing sea-level rise.                                    | Urgency     |      | 85    | G4 Risk of a breach of Treaty obligations from a failure to engage adequately with and protect current and future generations of Maori from the impacts of climate change.   | Urgency     |      | 75    |
| Consequence | Now  | Min   |   | Consequence | Now  | Major |  | Consequence | Now  | Mod   |
|             | 2050 | Mod   |   |             | 2050 | Ext   |  |             | 2050 | Major |
|             | 2100 | Major |   |             | 2100 | Ext   |  |             | 2100 | Major |
| Jrgency     |      | 80    | B5 Risks to ports and associated infrastructure, due to extreme weather events and ongoing sea-level rise.  | Urgency     |      | 70    | G5 Risks of delayed adaptation and maladaptation, due to knowledge gaps resulting from under-investment in climate adaptation research and capacity building.  | Urgency     |      | 75    |
| Consequence | Now  | Min   |   | Consequence | Now  | Min   |  | Consequence | Now  | Major |
|             | 2050 | Mod   |   |             | 2050 | Mod   |  |             | 2050 | Major |
|             | 2100 | Major |   |             | 2100 | Major |  |             | 2100 | Major |
| Jrgency     |      | 75    | B6 Risks to linear transport networks, due to changes in temperature, extreme weather events and ongoing sea-level rise.  | Urgency     |      | 60    | G6 Risks to the ability of the emergency management system to respond to an increasing frequency and scale of compounding and cascading climate change impacts in New Zealand and the Pacific region.  | Urgency     |      | 70    |
| Consequence | Now  | Insig |   | Consequence | Now  | Major |  | Consequence | Now  | Major |
|             | 2050 | Mod   |   |             | 2050 | Major |  |             | 2050 | Major |
|             | 2100 | Major |   |             | 2100 | Ext   |  |             | 2100 | Major |

| Natural environment  |             |      |       | Human  |             |      |       |   |
|--|-------------|------|-------|--|-------------|------|-------|---|
| Risk   | Ratings     |      |       | Risk   | Ratings     |      |       | Risk  |
| N7 Risks to terrestrial, freshwater and marine ecosystems, due to increased extreme weather events, drought, and fire weather.   | Urgency     |      | 60    | H7 Risks to mental health, identity, autonomy and sense of belonging and wellbeing from trauma, due to ongoing sea-level rise, extreme weather events and drought. | Urgency     |      | 80    | E7 Risks to businesses and public organisations from supply chain and distribution network disruptions, due to extreme weather events and ongoing, gradual changes. |
|  | Consequence | Now  | Min   |  | Consequence | Now  | Major |   |
|  |             | 2050 | Mod   |  |             | 2050 | Major |   |
|  |             | 2100 | Major |  |             | 2100 | Major |   |
| N8 Risks to oceanic ecosystem productivity and functioning, due to changes in sea-surface temperature, ocean mixing, nutrient availability, chemical composition and vertical particle flux.   | Urgency     |      | 55    | H8 Risks to Māori and European cultural heritage sites, due to ongoing sea-level rise, extreme weather events and increasing fire weather.                         | Urgency     |      | 75    |   |
|  | Consequence | Now  | Min   |  | Consequence | Now  | Major |   |
|  |             | 2050 | Mod   |  |             | 2050 | Major |   |
|  |             | 2100 | Major |  |             | 2100 | Major |   |
| N9 Risks to sub-alpine ecosystems, due to changes in temperature and a reduction in snow cover.  | Urgency     |      | 55    |  |             |      |       |   |
|  | Consequence | Now  | Min   |  |             |      |       |   |
|  |             | 2050 | Mod   |  |             |      |       |   |
|  |             | 2100 | Major |  |             |      |       |   |
| N10 Risks to carbonate-based, hard-shelled species from ocean acidification, due to increased atmospheric concentrations of CO <sub>2</sub> .  | Urgency     |      | 55    |  |             |      |       |   |
|  | Consequence | Now  | Min   |  |             |      |       |   |
|  |             | 2050 | Mod   |  |             |      |       |   |
|  |             | 2100 | Major |  |             |      |       |   |
| N11 Risks to the long-term composition and stability of indigenous forest ecosystems due to changes in temperature, rainfall, wind and drought.  | Urgency     |      | 53    |  |             |      |       |   |
|  | Consequence | Now  | Insig |  |             |      |       |   |
|  |             | 2050 | Min   |  |             |      |       |   |
|  |             | 2100 | Major |  |             |      |       |   |
| N12 Risks to the diverse range of threatened and endangered species that are dependent on New Zealand's offshore islands for their continued survival due to ongoing sea-level rise, changes in terrestrial climates, and changes in ocean chemistry and productivity. | Urgency     |      | 45    |  |             |      |       |   |
|  | Consequence | Now  | Min   |  |             |      |       |   |
|  |             | 2050 | Mod   |  |             |      |       |   |
|  |             | 2100 | Major |  |             |      |       |   |

| Economy     |      |       | Built environment   |             |      |       | Governance  |             |      |       |
|-------------|------|-------|---|-------------|------|-------|---|-------------|------|-------|
| Ratings     |      |       | Risk  | Ratings     |      |       | Risk  | Ratings     |      |       |
| Jrgency     |      | 68    | B7 Risk to airports, due to changes in temperature, wind, extreme weather events and ongoing sea-level rise.                                    | Urgency     |      | 55    | G7 Risk that effective climate change adaptation policy will not be implemented and sustained, due to a failure to secure sufficient parliamentary agreement.   | Urgency     |      | 68    |
| Consequence | Now  | Insig |   | Consequence | Now  | Major |   | Consequence | Now  | Mod   |
|             | 2050 | Mod   |   |             | 2050 | Major |   |             | 2050 | Ext   |
|             | 2100 | Major |   |             | 2100 | Ext   |   |             | 2100 | Ext   |
|             |      |       | B8 Risks to electricity infrastructure, due to changes in temperature, rainfall, snow, extreme weather events, wind and increased fire weather. | Urgency     |      | 55    | G8 Risk to the ability of democratic institutions to follow due democratic decision-making processes under pressure from an increasing frequency and scale of compounding and cascading climate change impacts. | Urgency     |      | 53    |
|             |      |       |   | Consequence | Now  | Mod   |   | Consequence | Now  | Mod   |
|             |      |       |   |             | 2050 | Mod   |   |             | 2050 | Major |
|             |      |       |   |             | 2100 | Major |   |             | 2100 | Major |



Published in August 2020 by the  
Ministry for the Environment  
Publication number: INFO 955

New Zealand Government



## New Zealand Climate Change Risk Assessment : Forty-Three Direct Risks

The Five Domains and their 43 associated risks are listed below and the risk are noted by reference to the National Climate Change Risk Assessment for New Zealand main report, found

<https://www.mfe.govt.nz/publications/climate-change/national-climate-change-risk-assessment-new-zealand-main-report>

These domains are:

1. Natural environment domain | Rohe taiao
2. Human domain | Rohe tangata
3. Economy domain | Rohe ōhanga
4. Human domain | Rohe tangata
5. Governance domain | Rohe kāwanatanga

The risks are:

### 1 Natural environment domain | Rohe taiao

**Table 12: Natural environment domain**

| Natural environment   |         |             |
|---|---------|-------------|
| Most significant risks  | Ratings |             |
|   | Urgency | Consequence |
| N1 Risks to coastal ecosystems, including the intertidal zone, estuaries, dunes, coastal lakes and wetlands, due to ongoing sea-level rise and extreme weather events.  | 78*     | Major**     |
| N2 Risks to indigenous ecosystems and species from the enhanced spread, survival and establishment of invasive species, due to climate change.  | 73      | Major       |
| <b>Other priority risks (Stage 2)</b>   |         |             |
| N3 Risks to riverine ecosystems and species from alterations in the volume and variability of water flow, increased water temperatures, and more dynamic morphology (erosion and deposition), due to changes in rainfall and temperature.                               | 68      | Major       |
| N4 Risks to wetland ecosystems and species, particularly in eastern and northern parts of New Zealand, from reduced moisture status, due to reduced rainfall.   | 68      | Major       |
| N5 Risks to migratory and/or coastal and river-bed nesting birds, due to reduced ocean productivity, ongoing sea-level rise and altered river flows.  | 65      | Major       |
| N6 Risks to lake ecosystems, due to changes in temperature, lake-water residence time, and thermal stratification and mixing.   | 65      | Major       |
| N7 Risks to terrestrial, freshwater and marine ecosystems, due to increased extreme weather events, drought, and fire weather.  | 60      | Major       |
| N8 Risks to oceanic ecosystem productivity and functioning, due to changes in sea surface temperature, ocean mixing, nutrient availability, chemical composition and vertical particle flux.  | 55      | Major       |
| N9 Risks to sub-alpine ecosystems, due to changes in temperature and a reduction in snow cover.   | 55      | Major       |
| N10 Risks to carbonate-based, hard-shelled species from ocean acidification, due to increased atmospheric concentrations of CO <sub>2</sub> .   | 55      | Major       |
| N11 Risks to the long-term composition and stability of indigenous forest ecosystems, due to changes in temperature, rainfall, wind and drought.  | 53      | Major       |
| N12 Risks to the diverse range of threatened and endangered species that are dependent on New Zealand's offshore islands for their continued survival, due to ongoing sea-level rise, changes in terrestrial climates, and changes in ocean chemistry and productivity. | 45      | Major       |

## 2 Human domain | Rohe tangata

**Table 15: Human domain**

| Human  |         |             |
|--|---------|-------------|
| Most significant risks   | Ratings |             |
|  | Urgency | Consequence |
| H1 Risks to social cohesion and community wellbeing from displacement of individuals, families and communities, due to climate change impacts.   | 88*     | Extreme**   |
| H2 Risks of exacerbating existing inequities and creating new and additional inequities, due to differential distribution of climate change impacts.   | 85      | Extreme     |
| <b>Other priority risks (Stage 2)</b>  |         |             |
| H3 Risks to physical health from exposure to storm events, heatwaves, vector-borne and zoonotic diseases, water availability and resource quality and accessibility, due to changes in temperature, rainfall and extreme weather events. | 83      | Major       |
| H4 Risks of conflict, disruption and loss of trust in government from changing patterns in the value of assets and competition for access to scarce resources, primarily due to extreme weather events and ongoing sea-level rise.       | 83      | Major       |
| H5 Risks to Māori social, cultural, spiritual and economic wellbeing from loss and degradation of lands and waters, as well as cultural assets such as marae, due to ongoing sea-level rise, changes in rainfall and drought.            | 80      | Extreme     |
| H6 Risks to Māori social, cultural, spiritual and economic wellbeing from loss of species and biodiversity, due to greater climate variability and ongoing sea-level rise.   | 80      | Extreme     |
| H7 Risks to mental health, identity, autonomy and sense of belonging and wellbeing from trauma, due to ongoing sea-level rise, extreme weather events and drought.   | 80      | Major       |
| H8 Risks to Māori and European cultural heritage sites, due to ongoing sea-level rise, extreme weather events and increasing fire weather.   | 75      | Major       |
| <b>Opportunity</b>   |         |             |
| HO1 Opportunity for reduction in cold weather-related mortality.   | 45      | n/a         |

### 3 Economy domain | Rohe ōhanga

**Table 18: Economy domain**

| Economy  |         |             |
|--|---------|-------------|
| Most significant risks   | Ratings |             |
|  | Urgency | Consequence |
| E1 Risks to governments from economic costs associated with lost productivity, disaster relief expenditure and unfunded contingent liabilities due to extreme events and ongoing, gradual changes.       | 90*     | Extreme**   |
| E2 Risks to the financial system from instability due to extreme weather events and ongoing, gradual changes.  | 83      | Major       |
| <b>Other priority risks (Stage 2)</b>  |         |             |
| Economy  |         |             |
| E3 Risks to land-based primary sector productivity and output due to changing precipitation and water availability, temperature, seasonality, climate extremes and the distribution of invasive species. | 81      | Major       |
| E4 Risks to tourism from changes to landscapes and ecosystems and impacts on lifeline infrastructure, due to extreme weather events and ongoing, gradual changes.  | 80      | Major       |
| E5 Risks to fisheries from changes in the characteristics, productivity, and spatial distribution of fish stocks due to changes in ocean temperature and acidification.                                  | 80      | Major       |
| E6 Risks to the insurability of assets due to ongoing sea-level rise and extreme weather events.   | 75      | Major       |
| E7 Risks to businesses and public organisations from supply chain and distribution network disruptions due to extreme weather events and ongoing, gradual changes.                                       | 68      | Major       |
| <b>Opportunities</b>   |         |             |
| EO1 Opportunities for increased primary sector productivity due to warmer temperatures   | 80      | n/a         |
| EO2 Opportunity for businesses to provide adaptation-related goods and services  | 80      | n/a         |

## 4 Built environment | Rohe tūrangā tangata

**Table 21: Built environment**

| Built environment   |         |             |
|---|---------|-------------|
| Most significant risks  | Ratings |             |
|   | Urgency | Consequence |
| B1 Risk to potable water supplies (availability and quality) due to changes in rainfall, temperature, drought, extreme weather events and ongoing sea-level rise. | 93*     | Extreme**   |
| B2 Risks to buildings due to extreme weather events, drought, increased fire weather and ongoing sea-level rise.  | 90      | Extreme     |
| <b>Other priority risks (Stage 2)</b>   |         |             |
| B3 Risks to landfills and contaminated sites due to extreme weather events and ongoing sea-level rise.  | 85      | Major       |
| B4 Risk to wastewater and stormwater systems (and levels of service) due to extreme weather events and ongoing sea-level rise.                                    | 85      | Extreme     |
| B5 Risks to ports and associated infrastructure due to extreme weather events and ongoing sea-level rise.   | 70      | Major       |
| B6 Risks to linear transport networks due to changes in temperature, extreme weather events and ongoing sea-level rise.   | 60      | Extreme     |
| B7 Risk to airports due to changes in temperature, wind, extreme weather events and ongoing sea-level rise.   | 55      | Extreme     |
| B8 Risks to electricity infrastructure due to changes in temperature, rainfall, snow, extreme weather events, wind and increased fire weather.                    | 55      | Extreme     |
|   |         |             |
| <b>Built environment</b>  |         |             |
| <b>Opportunities</b>  |         |             |
| BO1 Opportunity for reduction in winter heating demand due to warmer temperatures.  | 65      | n/a         |

## 5 Governance domain | Rohe kāwanatanga

**Table 24: Governance domain**

| Governance  |         |             |
|---|---------|-------------|
| Most significant risks  | Ratings |             |
|   | Urgency | Consequence |
| G1 Risk of maladaptation across all domains due to the application of practices, processes and tools that do not account for uncertainty and change over long timeframes.   | 83*     | Extreme**   |
| G2 Risk that climate change impacts across all domains will be exacerbated because current institutional arrangements are not fit for climate change adaptation. Institutional arrangements include legislative and decision-making frameworks, coordination within and across levels of government and funding mechanisms. | 80      | Extreme     |
| <b>Other priority risks (Stage 2)</b>   |         |             |
| G3 Risks to governments and businesses from climate change-related litigation, due to inadequate or mistimed climate change adaptation.   | 78      | Extreme     |
| G4 Risk of a breach of Treaty obligations from a failure to engage adequately with and protect current and future generations of Māori from the impacts of climate change.  | 75      | Major       |
| G5 Risk of delayed adaptation and maladaptation due to knowledge gaps resulting from under-investment in climate adaptation research and capacity building.   | 75      | Major       |
| G6 Risks to the ability of the emergency management system to respond to an increasing frequency and scale of compounding and cascading climate change impacts in New Zealand and the Pacific region.   | 70      | Major       |
| G7 Risk that effective climate change adaptation policy will not be implemented and sustained due to a failure to secure sufficient parliamentary agreement.  | 68      | Extreme     |
| G8 Risk to the ability of democratic institutions to follow due democratic decision-making processes under pressure from an increasing frequency and scale of compounding and cascading climate change impacts.   | 53      | Major       |

\* Urgency rating: the adaptation and decision urgency rating for this risk.

\*\*Consequence rating: the highest consequence rating for this risk out of all three periods (now, 2050, 2100). The [technical report](#) provides the consequence rating for each risk and period.



## Report

Date : 12 August 2020

To : Chairperson and Committee Members  
Audit and Risk Committee

From : Raj Suppiah  
Chief Financial Officer

Subject : **Progress with Audit New Zealand Findings and Recommendations**

Item No : **6.5**

---

### **1. Reason for the Report**

- 1.1 To update the Audit and Risk Committee on progress with Audit New Zealand's audit findings and recommendations. A summary of the findings and management progress are detailed in the attachment - Audit New Zealand Recommendations/ Action Register.

### **2. Progress Update on Existing Recommendations**

- 2.1 The 2020 Draft Audit NZ Management Report has 3 new recommendation and 8 previous recommendations still open. The status of the 8 previous recommendations are: 1 is on-going, 1 is completed by management and the remaining 6 are in progress.
- 2.2 The oldest of the recommendations is the carry-over of capital projects. This year Covid-19 had a significant impact on project completion. In the 2020/21 Annual Plan Council have planned to carry forward \$4.62 million of the current year budgets. Management are reviewing unspent budgets as part of the 2019/20 Annual Report with any additional carry forwards to be included in the adoption of the Annual Report in October 2020. Council spent \$27.1 million of the total Annual Plan budget of \$27.9 million in 2019/20. Excluding unplanned emergency works completion was 82% compared to 85% last year.

### **3. Outstanding Recommendations**

- 3.1 The attached report details the 11 recommendations, their status and management's comments. Changes to management comments from the update in June 2020 are in red.

#### **4. Conclusion**

- 4.1 Management continues to address the audit recommendations.
- 4.2 Three new recommendation were raised by Audit NZ.
- 4.3 Management will provide an update on the progress at each Audit and Risk Committee meeting.

#### **5. Recommendation**

- 5.1 ***That the report from the Chief Financial Officer dated 12 August 2020 concerning Progress with Audit New Zealand Findings and Recommendations (as circulated) be received, and***
- 5.2 ***That the Audit and Risk Committee note management's progress in addressing the eight outstanding Audit New Zealand recommendations, and it shall continue to provide updates on this matter as progress is made***

#### **Attachments**

- 1 [!\[\]\(448bd415caa8b52d2aeb4d58499267b2\_img.jpg\) Audit Recommendations Progress Register](#)



| Audit New Zealand Recommendations / Action Register |                           |   |  | Count of entries       |             | 11         | Last entry:                         |            | 12/08/2020           |  |  |
|---|---------------------------|---|--|------------------------|-------------|------------|-------------------------------------|------------|----------------------|--|--|
| No.   | Financial Year identified | Action point  | Description  | Owner / responsibility | Status      | Priority   | Has Recommendation been implemented | Due date   | Date closed by Audit | Auditors' Comments on current status   | Management comments  |
| 1   | Jun 2014                  | Carry-over of capital projects  | We recommend that the District Council continue to monitor the level of carry forwards and reduce these where possible.  | Tina                   | Ongoing     | Beneficial | Yes                                 | 30/06/2021 |                      | We will follow this up during the final audit.   | <p>We have improved our process around project management namely:</p> <ol style="list-style-type: none"><li>1. Developed a project management methodology to ensure a consistent and disciplined approach to managing projects. Some adjustments are currently being made to the framework and are being tested with current projects.</li><li>2. Establishing a programme and project team to assist Council in delivering projects and project outcomes, managing project risk and developing project management capabilities in Council. The PMO team is expanding as needed to manage required workload. Manager Programmes and Projects has left the organisation, and at this stage there is no intent to fill this position as the current team has sufficient skill and experience to cover her responsibilities.</li><li>3. Introduced a process for variation to budgets. This process will be updated as part of the end to end process review.</li><li>4. Created management accountant roles in finance.</li></ol> <p>To better manage performance, projects are placed into 3 categories:</p> <ol style="list-style-type: none"><li>1. Planned and business as usual</li><li>2. Reactive projects</li><li>3. Projects with dependencies</li></ol> <p>Due to COVID-19 lockdown some planned works had to be delayed. This has affected our potential carry overs for 20/21 year. However, there is effort being made to complete some of these projects before year end. PMO with the help of the IT Business Analyst are currently documenting end to end processes, including finance components to identify areas for improvement. Enhancements to this process is expected to be applied during the 20/21 financial year. Further work is being done on building a coordinated view and understanding of projects across Council.</p> <p>Update August 2020:<br/>Council completed 82% of its planned capital programme despite Covid significantly disrupting the delivery of the capital programme. With unplanned emergency works of \$4.1million included, Council spent \$27.1 million against a budget of \$27.9 million (97%).</p> |
| 2   | Jun 2017                  | Age of rates debtors  | We recommend that outstanding rates debtors are reviewed on a regular basis and that outstanding rates are reviewed for recovery or write off.   | Eleanor                | In Progress | Necessary  | Yes                                 | 30/06/2021 |                      | In progress:<br>Management continues the focus on reducing the amount of outstanding rates debtors   | <p>Chnged to In Progress</p> <p>Covid had impacted the original for plan for the abandoned land process. We had to revisit the plans and communicated the reviewed plan in our 3rd Quarter Performance Report to Council.</p> <p>Council has a dedicated resource for managing debtors and works actively with the MZLASS Debt Management Central (debt collection agency).</p> <p>Management continues the focus on reducing the amount of outstanding rates debtors</p> <p>It is a work in progress, however we have ensured outstanding debtors are reviewed regularly and have noted a decrease in outstanding debtors driven from active management.</p>  |
| 3   | Jun 2017                  | Alliance agreement  | We recommend that the performance framework for the Alliance be updated to include specific measures across roading, water and asset management to enable the District Council to assess performance of the Alliance across the different services delivered.  | Raj                    | In Progress | Necessary  | No                                  | 30/10/2020 |                      | In progress:<br>We understand that the Council has agreed to the extension of the Alliance agreement. We will complete our review when this has been signed.   | <p>Workshops with the Alliance Mangement team completed. Draft framework is being developed and expected to be presented to the Principal Group thereafter to the Work Liasion Committee in August.</p> <p>August Update: The impact of Covid has pushed out the timeline</p>  |
| 4   | Jun 2017                  | Expenditure approval  | One up approval for purchase orders is not in place. Current mitigations include review of invoice when input and review during expenditure payment by an accountant and CFO. When the District Council moves to electronic PO they will look to include further data analysis.  | Cameron                | In Progress | Beneficial | No                                  | 30/06/2021 |                      | We will follow this up during the final audit.   | <p>The project was put on-hold due to the software solution not meeting our business requirements. With staff changes and resourcing, project scheduled to start in FY 2019/20. In the meantime process and controls improvements are being undertaken.</p> <p>We are starting the FIMS upgrade project in the next year where we explore automating the accounts payable process including the electronic PO system.</p> <p>August Update:<br/>With Covid-19 requiring a change in business process from paper to electronic, the focus has been on this change. the next phase of this project is to investigate a procure to pay system (OLR with AP workflow), with a project currently being initiated for this financial year.</p>   |
| 5   | Jun 2017                  | Update and test organisational business continuity and IT disaster recovery plans | We recommend that the council finalise and test its IT Disaster Recovery (DR) Plan.<br>We continue to recommend that IT Disaster recovery plans and organisational business continuity plans be updated and tested.  | Peter W                | In Progress | Necessary  | No                                  | 31/07/2019 |                      | We will follow this up during the final audit.   | A review of the IT Disaster Recovery plan is currently underway with system infrastructure recovery tests planned for later in the year  |
| 6   | Jun 2018                  | Removal of users access   | We recommend that management reinforce the requirement for user access to be removed promptly once the person has ceased employment with the District Council.<br>We continue to recommend that HR and managers advise IS prior to, or as soon as a staff member or contractor is leaving so that access can be removed promptly.                            | Chris W                | Complete    | Necessary  | Yes                                 | 30/12/2018 |                      | In progress:<br>The following actions have been undertaken:<br>-IT procedures reviewed and updated-User accounts will be disabled in systems as soon as the IT alliance is notified of the staff member leaving the organisation-<br>-Accounts are permanently removed upon receipt of formal notice from HR.<br>We understand that Council is working on a series of checks that will tighten control in this area, this will include regular checking of contractor and temporary/casual staff accounts. | <p>Completed Dec 2018:</p> <p>The following actions have been undertaken:</p> <ul style="list-style-type: none"><li>- IT procedures reviewed and updated</li><li>- User accounts will be disabled in systems as soon as the IT alliance is notified of the staff member leaving the organisation</li><li>- Accounts are permanently removed upon receipt of formal notice from HR</li></ul> <p>Council is working on a series of checks that will tighten control in this area, this will include regular checking of contractor and temporary/casual staff accounts.</p>  |
| 7   | Jun 2018                  | Sensitive expenditure   | Finalise the staff handbook (sensitive expenditure) as soon as possible, reviewing it against best practice, such as those set out in the OAG's Guidelines as applicable.<br>Ensure that sensitive expenditure is approved as required by the policy to provide enhanced control and judgements for sensitive expenditure that can withstand public scrutiny | Jackie                 | In Progress | Necessary  | No                                  | 30/11/2020 |                      | In progress:<br>The staff handbook is currently being finalised.   | The Staff Handbook (that includes the sensitive expenditure policy) not yet been completed and requires further input from managers. Management are looking to separate the sensitive expenditure policy from the staff handbook to address this issue.  |
| 8   | Apr 2020                  | Sensitive expenditure   | Update the sensitive expenditure policy to reflect best practice and the OAG guidance  | Jackie                 | In Progress | Necessary  | No                                  | 30/11/2020 |                      | New recommendation   | Policy is being updated and we will ensure it is consistent with OAG guidance.   |
| 9   | Jun 2019                  | Formal monitoring of alliance agreement for IT Services                           | We recommend that the Principals Group finalise and monitor the project schedule   | Peter W                | In Progress | Necessary  | No                                  | 30/06/2021 |                      | We will follow this up during the final audit.   | Council is working towards more formal monitoring of the IT Alliance operation. This will be split between reporting back to the Principals Group governance role and to Council's Senior Leadership Team.   |
| 10  | Apr 2020                  | Impact of the COVID-19 pandemic on the financial statements                       | Prepare an assessment of the impact of COVID-19 on the District Council's financial statements.  | Raj                    | In Progress | Necessary  | No                                  | 30/09/2020 |                      | New recommendation   | As part of the Annual Report, Management are conducting a detailed assessment of the impact of COVID-19 on the Council's financial statements. The impact on Council has mainly been in the area of service performance and capital delivery due to the lockdown, with pandemic supplies largely in stock from prior preparations. The water crisis and resulting works to ensure water delivery during the drought had a larger financial impact than Covid-19  |
| 11  | Apr 2020                  | Bank reconciliations  | Ensure that reconciliations are signed and dated by the preparer and reviewer within a month of being prepared.  | Cameron                | In Progress | Necessary  | No                                  | 30/09/2020 |                      | New recommendation   | We will ensure bank reconciliation are reviewed in a timely manner and are dated   |